City of Chesapeake, Virginia

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

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Chesapeake
VIRGINIA

Comprehensive Annual Financial Report of the City of Chesapeake, Virginia for Fiscal Year Ended June 30, 2018

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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Nancy Randall
Terry Shaw
Nancy Tracy
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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INTRODUCTORY SECTION

Chesapeake
VIRGINIA

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November 27, 2018

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, 2018 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 is determined on the basis of the 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, Chesapeake Airport Authority, Elizabeth River Properties of Chesapeake, Inc., Economic Development Authority of the City of Chesapeake (the EDA) and Chesapeake Port Authority. On May 23, 2017, City Council approved an ordinance dissolving the Chesapeake Port Authority and transferring all rights, powers, privileges, assets and/or obligations to the EDA effective July 1, 2017. 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 (OPEB) Trust Fund is where the City accounts for the costs of future benefits that are promised to City employees after retirement primarily in the form 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, recreation, tourism, libraries and the construction and maintenance of highways, streets and other infrastructure. Other services provided include public education in grades pre-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 eighth 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 2017 increased $88.3 million or 2.6% from $3.4 billion in 2016 to $3.5 billion.

Unemployment for the City and the Commonwealth remains below the national rate. For the fiscal year ended June 30, 2018, the average unemployment rates were 3.5% for Chesapeake (a decline from the prior year's average unemployment rate of 4.3%), 4.1% for the Hampton Roads region and 3.4% for the Commonwealth, compared to 4.1% for the United States.

The Chesapeake Economic Development Department's 2018 Annual Report (highlighting 2017 business announcements and job creation) noted the following accomplishments:

- Investment in Chesapeake totaled $204.3 million during 2017 and with that came the creation of 1,209 new jobs.

- Dollar Tree, Inc., began the construction of its $110.0 million corporate headquarters in the City of Chesapeake. The expansion project will retain 825 jobs and create 600 new local jobs over the next six years. The new 13-story, 310,000 square foot office tower is the tallest building in the City and serves as the first phase of the mixed-use development, Summit Pointe. The new, $300.0 million urban center will feature 1 million square feet of Class A office space and 500,000 square feet of retail space. The Summit Pointe complex will incorporate distinctive stores and restaurants, unique to the region.

- Standard Calibrations, Inc. will create up to 150 new jobs and invest more than $0.5 million in the City of Chesapeake. SCI has been providing products for data centers such as those found in social media, software, financial and government since 1989.

- RFK Solutionz Corporation constructed a $1.1 million specialized state-of-the-art facility, creating 10 new jobs. The cybersecurity company provides information technology and general contracting services for the federal government, state and commercial businesses.

- Big Ugly Brewing opened its new 6,000 square foot brewery and taproom. As Chesapeake's first and only microbrewery, the new location is now able to increase capacity and manage its own beverage distribution. The expansion totaled $2.2 million and created 6 new jobs in the City.

- Agronomic Lawn Management built its new, 20,000 square foot facility in Chesapeake's Oakbrooke Business & Technology Center. The lawn management company was founded in 1998 and serves all of the Hampton Roads region. The project investment totaled $3.0 million and created 35 new jobs.

- Chesapeake is expected to be the 2nd most populous city in the Commonwealth of Virginia by 2020 with a total projected population of 253,355 according to the UVA Weldon Cooper Center for Public Service.

- WalletHub again ranked Chesapeake as one of the hardest working cities in the United States in 28th place.

- Chesapeake ranked highest of all Hampton Roads communities as the happiest place to live by WalletHub.

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

During fiscal year 2018, 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 $563.9 million were $19.7 million or 3.5% below the revised budget. Total General Fund revenues and other financing sources of $574.8 million exceeded budget by $11.0 million or 1.9%.

- The City's Operating and Capital budgets adopted by the City Council preserved core services, funded strategic initiatives and selected services and included no tax increases.

- The City continues to promote the Dominion Boulevard Corridor (U.S. Route 17 South) as a key strategic economic development area for Chesapeake. Development demand continues to increase since the completion of the Veterans Memorial Bridge and the adoption of the Dominion Boulevard Corridor Study by City Council in 2016. Since that time, the City has focused on the implementation phase of the study and has administered some of the study's key development standards to two pending large scale Planned Unit Commercial District (PUD) applications, as well as two significant residential rezoning applications. In accordance with the study's recommendations to maximize economic potential and develop the corridor into a regional commercial destination and employment center, the City is devising new "tools" to manage development in the study area. Current plans include creating a design guidelines manual for the area, special overlay district and zoning amendments, and updating pertinent infrastructure policies. Each of these new development policies, in addition to the City's existing land use tools, will better equip the City for achieving the goals set forth by the corridor study. Furthermore, staff is exploring the possibility of delineating an Urban Development Area (UDA) within the Dominion Boulevard Corridor pursuant to Virginia Code 15.2-22231 as part of the next Moving Forward Chesapeake 2035 Comprehensive Plan update. Designating part of the study area as a UDA will strategically position the City to be competitive for state grants applicable to implementing plans and studies within UDAs. Moreover, a UDA designation will give the City more exposure to have transportation needs identified and memorialized in the State's next VTrans update, which focuses on multimodal long range transportation objectives, particularly in regional networks and corridors of statewide significance such as U.S. Route 17 South. Finally, while the City implements the study it will seek input and feedback from citizens, local builders and other stakeholders from the development community for the corridor area design guidelines. As such, a series of public participation events will be held to gather stakeholder input which will help inform the City's processes and content of adopted policies as it implements and administers the corridor study.

- The City established the NALF Fentress Encroachment Protection Acquisition Program (FEPAP) in 2014 with a purpose of acquiring property rights from willing property owners to prevent incompatible land uses and encroachment within the Fentress Airfield Overlay District. The program is funded by both the Commonwealth of Virginia and the City of Chesapeake. In January, the City purchased a 163 acre property for $1.7 million, bringing overall program acquisitions to five properties totaling over 270 acres. The City is preparing to sell restrictive easements over all five properties to the U.S. Navy.

- The City continues 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 applied for and received $0.1 million of matching grant funds from the Virginia Department of Agriculture & Consumer Services (VDACS) in 2016 for Purchase of Development Rights activities. Planning staff conducted a round of applications under the City's Land Conservation Program in Fall 2017 to solicit candidate properties for preservation under the OSAP Program, REPI Program/Multi-Year Navy Agreement and the FEPAP Program. Several properties from the 2017 application round are actively being evaluated for either development rights purchases or fee simple acquisitions.

- The City receives Community Development Block Grant (CDBG) and HOME Investment Partnership Program (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 2018 allocation was $1.4 million.

- City Council approved the transfer of City owned property in the South Norfolk Local Historic District to non-profit affordable housing developer Chesapeake "HOME" Incorporated and allocated $215,250 in Community Revitalization Housing Initiative funds to develop a single family residential unit slated for completion in 2019.

- The Planning Department continues to administer the City's Neighborhood Stabilization Program (NSP). NSP program income was used to acquire and rehabilitate two (2) properties, one of which was sold to an eligible homebuyer during this program period.

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 119,577 in 2017 per the Virginia Employment Commission, an increase of 22.1% over the period. Median household income has risen from $50,743 in 2000 to $69,978 in 2016, 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 2045 will be approximately 317,206. Additionally, total households are projected to be 111,673, while total employment will be 138,475. This yields 1.2 jobs per household, which is considered to be a sustainable balance.

- A core team of inter-departmental City staff, under the auspice of the City Manager's Economic Vitality Cluster, continued to plan for and implement key catalytic activities for revitalization in South Norfolk, including the programming and administration of Tax Increment Financing (TIF) Funds authorized for use in the South Norfolk TIF District. City Council has authorized the following activities:

    - $50,000 for a now completed study of the feasible uses for property to be freed up by the 22nd Street Bridge replacement and relocation project
    - $125,000 for Phase I of the Municipal Facilities Study and Development Strategy in the Poindexter and Liberty Street corridors to evaluate current and future satellite municipal facility needs in South Norfolk (an additional $132,000 was approved by City Council in FY 2018 to complete the remaining Phases II and III of the Study this year)
    - Amendment of the Strategic Acquisition of Real Property in South Norfolk capital project to allow acquisition of both commercial and residential properties
    - Creation of the South Norfolk Property Acquisition Program with South Norfolk TIF Funds to acquire, on a voluntary basis, legal, non-conforming residential properties in the South Hill neighborhood, as well as authorizing transition assistance for affected residents

- The Chesapeake Land Bank Authority (CLBA) was established by City Council on June 12, 2018 for the purpose of addressing vacant, abandoned and tax delinquent properties in the City. While the CLBA is authorized to operate citywide, $1 million from the TIF-funded Strategic Acquisition of Real Property in South Norfolk Program was allocated to the CLBA to address properties in South Norfolk. Another $500,000 was allocated from the TIF Fund to create the South Norfolk Residential Rehabilitation Program, a grant fund for residents of South Norfolk to rehabilitate residential structures. City staff continues to assist the CLBA Board in becoming fully operational.

- 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 Fentress (NALF) 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. The City received 17 new applications for its land conservation programs during the latest open application period and is working to sort, prioritize and acquire properties that best achieve program goals.

- Construction continues on several of the Planned Unit Developments in the City, including the residential component of the Gateway at SoNo, Culpepper Landing, Bryan's Cove and Edinburgh, as well as commercial construction at Edinburgh.

- There have been several large residential developments proposed or submitted in calendar years 2017 and 2018. In addition, many development proposals approved prior to the economic downturn and placed on hold are resurfacing and proceeding to construction. The City expects that the trend of increasing numbers of development proposals being submitted for review and beginning construction will continue in concert with a gradually stabilizing economy.

- The Planning Department received approval of funds amounting to $268,800 for a small area plan and corridor study for the Indian River Road and Military Highway Corridors. This study is anticipated to begin in winter 2019. The Department will be using the funds allocated to hire an outside consulting firm to assist with the study. Efforts to bring the City its first bikeways and trails plan are ongoing.

- In preparation for a Commonwealth of Virginia required five-year review of the City's Moving Forward Chesapeake 2035 Comprehensive Plan in 2019, Mayor West appointed the Mayor's Advisory Committee on Comprehensive Plan Strategies in February 2018. The committee's mission was to review the Comprehensive Plan's implementation strategies and to provide recommendations for changes. The committee met from March through August 2018 and submitted a final report of comments and

recommendations to the Mayor on August 14, 2018. The report will provide useful guidance to City Council in considering various development applications and land use initiatives, as well as being a valuable resource to Planning staff in preparing for the five-year review of the Comprehensive Plan.

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, the City Council annually adopts tenets for budgetary developments which serve to guide the City in adhering to a fiscally conservative budget preparation methodology.

Minimum Fund Balance Policy. The 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. The City Council budgets 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, 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'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 the 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, Grants Fund, 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. The City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by the 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 are generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end. The City Council approves transfers of $250,000 or greater and transfers between funds. The City Manager has been delegated authority to approve transfers less than $250,000 with the exception of transfers between the capital and operating budgets and between capital projects.

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 are 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, 2018 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 the City Council. In addition to meeting the requirements set forth in the City's Charter, the audit is also designed to meet the requirements of the Single Audit Act Amendment of 1996, OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations and Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance" or "UG").* 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, 2017. This was the thirty-sixth 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, 2017.

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 the City Council for their leadership, guidance and establishment of policies for managing financial operations in a sound and progressive manner.

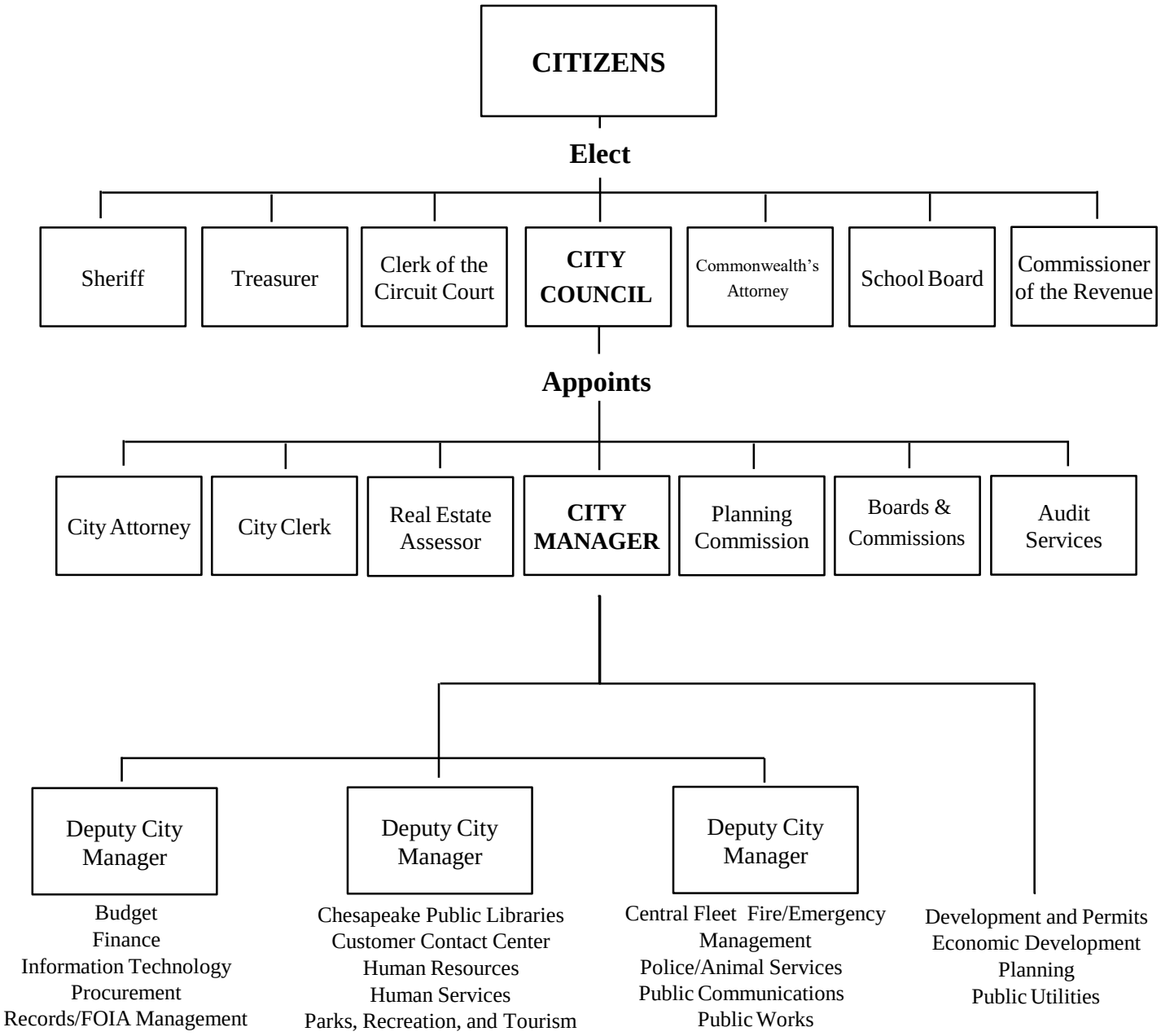
Very truly yours,

James E. Baker
City Manager

Nancy C. Tracy
Director of Finance

Chesapeake VIRGINIA

CITY WIDE ORGANIZATIONAL CHART



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2018

City Council

Dr. Richard W. West ..... Mayor
John M. de Triquet, M.D. ..... Vice Mayor

Lonnie E. Craig
Roland J. Davis
Robert C. Ike, Jr.
Suzy H. Kelly
Dwight M. Parker
S.Z. "Debbie" Ritter
Dr. Ella Ward

Other Officials

Barbara O. Carraway ..... City Treasurer
Frank X. King ..... Commissioner of the Revenue
Nancy G. Parr ..... Commonwealth's Attorney
James O'Sullivan ..... Sheriff
James E. Baker ..... City Manager
Catherine H. Lindley ..... Acting City Attorney
Jay Poole ..... City Auditor
Sandy Madison ..... City Clerk
Gregory H. Daniels ..... Real Estate Assessor
Robert Geis ..... Deputy City Manager
Dr. Wanda Barnard-Bailey ..... Deputy City Manager
Laura Fitzpatrick ..... Deputy City Manager
Randall D. Smith ..... Chief Judge, Circuit Court
John W. Brown, Marjorie T. Arrington, Timothy S. Wright, and Rufus A. Banks, Jr. ..... Judges, Circuit Court
Alan P. Krasnoff ..... 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
Barbara C. Shaw ..... Clerk of the General District Court
Larry D. Willis ..... Chief Judge, Juvenile and Domestic Relations Court
Eileen A. Olds and David J. Whitted ..... Judges, Juvenile and Domestic Relations Court
Bonnie Coffey ..... 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
Jill Baker ..... Director of Human Services
Scott D. Fairholm ..... Chief Information Officer
Michelle Ornat ..... Acting Director of Libraries
Michael D. Barber ..... Director of Parks, Recreation and Tourism
Jaleh M. Shea ..... Director of Planning
Colonel Kelvin L. Wright ..... Chief of Police

CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2018

Heath Covey ..... Director of Public Communications
David Jurgens ..... Director of Public Utilities
Eric J. Martin ..... Director of Public Works
Anthony E. Cannion ..... Procurement Administrator

School Board

C. Jeff Bunn ..... Chairman
Victoria L. Proffitt ..... Vice Chairman

Samuel L. Boone, Jr.
Colleen C. Leary
Thomas L. Mercer, Sr
Harry A. Murphy
Christie New Craig
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 Stutz ..... Assistant 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 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, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

Cherry Bekaert LLP
CPAs & Advisors

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, 2018, 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 2.91%, 3.75%, and 0.23%, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement

As described in Note 17 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017. 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 GASB, 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 the 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, the other supplementary information and the schedule of expenditures of federal awards are 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 November 27, 2018, 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 solely 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 effectiveness of the City's 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 27, 2018

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Chesapeake
VIRGINIA

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

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

The discussion and analysis of the financial performance of the City of Chesapeake, Virginia (the City) provides an overall review of the City's financial activities for the fiscal year ended June 30, 2018. 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 2018

- For the year ended June 30, 2018, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 82, *Pension Issues* – an amendment of GASB Statements No. 67, No. 68 and No. 73; and GASB Statement No. 85, *Omnibus 2017*.

- The adoption of GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, has resulted in a restatement of the fiscal year 2018 beginning net position balances. Changes to the beginning net positions for fiscal year 2018 were as follows:

Increase (Reduction)	Primary Government	Schools	Other Component Units
Single-Employer Plans	$ (3,137,465)	124,411,570	(33,428)
Multiple-Employer Plans	(14,378,898)	(55,882,000)	(145,490)
Total	$ (17,516,363)	68,529,570	(178,918)

- The City early-implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

- The total net position of the City on a government-wide basis, excluding component units, was $1.9 billion. Of this amount, $172.5 million was unrestricted.

- The City's government-wide total net position increased by $90.5 million from the prior year, after the effects of the restatement. The governmental activities' net position increased by $79.2 million and business-type net position increased by $11.3 million.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $442.7 million, an increase of $3.4 million from the prior year. Approximately $358.8 million or 81.0% of this amount was unrestricted (committed, assigned or unassigned).

- The General Fund, on a current financial resources basis, reported a net increase in fund balance of $15.3 million. The original budget projected a deficit of $16.0 million. The final amended budget resulted in a revised deficit projection of $19.9 million. A combination of strong revenue performance of $7.8 million or 1.4% greater than the amended budget and expenditures, exclusive of payments to Chesapeake Public Schools (CPS), of $24.1 million or 8.0% lower than the amended budget resulted in the increase in fund balance. The expenditure performance resulted from management focus on operational efficiency and cost containment efforts coupled with recruitment challenges for some job classes.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was $69.6 million or 14.4% of total General Fund expenditures (including payments to CPS).

- The total fund balance of the General Fund of $222.0 million increased $15.3 million from the prior year. Fund balance composition at year end was 0.7% nonspendable, 17.8% restricted, 46.9% committed, 3.3% assigned and 31.3% unassigned.

- The City's total bonded debt decreased by $26.5 million from fiscal year 2017 (approximately 3.8%).

- As part of the City's ongoing initiative to improve accuracy and develop efficiencies, the City converted the semi-monthly payroll process cycle from paying current to paying nine days in arrears during fiscal year 2017. The weekly payroll for the City continues to be paid five days in arrears. Paying in arrears is a recognized payroll best practice. The implementation plan included an estimated amount in the original budget of $4.0 million to cover a one-time pay advance to employees for the nine days arrears to facilitate a smooth transition. The pay advance is being repaid through employee service over five years from the initial date of the implementation.

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.

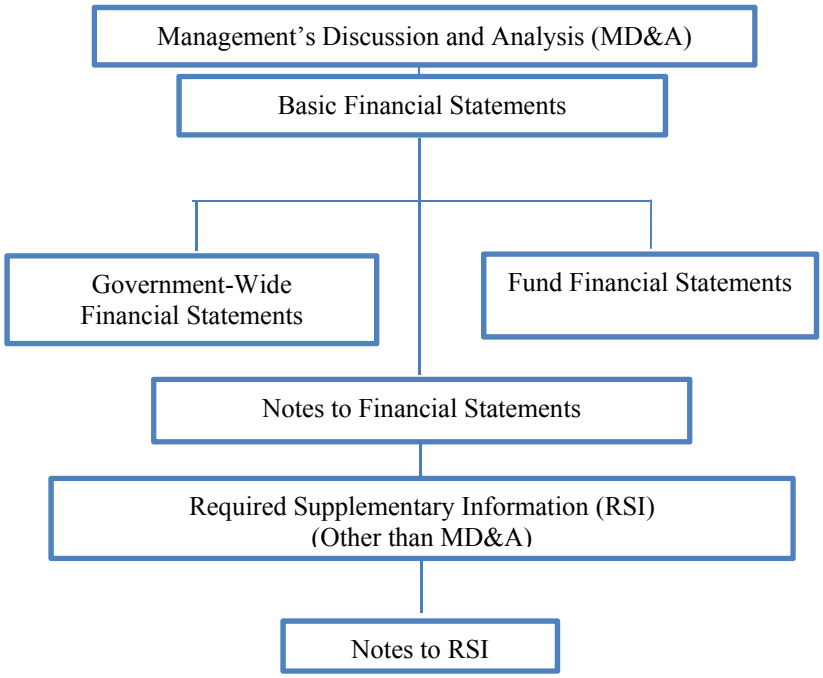
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental fund* statements tell how *general government* services such as public safety are 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 primarily supported through charges to other funds in order 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 Other Postemployment Benefit (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.

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 as a whole using accounting methods similar to those used by private-sector companies. These statements include *all* of the government's assets, liabilities and deferred inflows and outflows 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.

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, parks and recreation activities 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 Airport Authority, Elizabeth River Properties of Chesapeake, Inc. and the Chesapeake Port Authority. As of July 1, 2017, the Port Authority was dissolved and transferred all rights, powers, privileges, assets and/or obligations to the Economic Development Authority of the City of Chesapeake. 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).

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 $1.9 billion at the close of fiscal year 2018, an increase of $73.0 million from the restated net position at June 30, 2017. By far the largest portion of the City's net position (73.9%) 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, 2018 and 2017
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2018*	**FY2017**	**FY2018***	**FY2017**	**FY2018***	**FY2017**
Assets and deferred outflows of resources						
Current and other assets	$ 575.9	554.4	262.7	238.7	838.6	793.1
Capital assets	1,217.0	1,192.8	855.7	864.6	2,072.7	2,057.4
Total assets	1,792.9	1,747.2	1,118.4	1,103.3	2,911.3	2,850.5
Deferred outflows of resources	31.9	46.6	5.1	6.7	37.0	53.3
Total assets and deferred outflows of resources	1,824.8	1,793.8	1,123.5	1,110.0	2,948.3	2,903.8
Liabilities and deferred inflows of resources						
Current and other liabilities	87.2	86.1	23.8	24.1	111.0	110.2
Long-term liabilities	466.5	522.5	475.0	473.2	941.5	995.7
Total liabilities	553.7	608.6	498.8	497.3	1,052.5	1,105.9
Deferred inflows of resources	28.6	5.7	10.2	8.2	38.8	13.9
Total liabilities and deferred inflows of resources	582.3	614.3	509.0	505.5	1,091.3	1,119.8
Net position						
Net investment in capital assets	948.0	917.8	424.4	398.1	1,372.4	1,315.9
Restricted	90.0	95.3	222.1	210.6	312.1	305.9
Unrestricted (deficit)	204.5	166.4	(32.0)	(4.2)	172.5	162.2
Total net position	1,242.5	1,179.5	614.5	604.5	1,857.0	1,784.0
Total liabilities, deferred inflows of resources and net position	$ 1,824.8	1,793.8	1,123.5	1,110.0	2,948.3	2,903.8

Approximately 16.8% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position ($172.5 million or 9.3%) 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 $32.0 million. Total unrestricted net position increased by $10.3 million or 6.4% from the prior year. Total restricted net position increased $6.2 million or 2.0%, primarily due to restricted funds for capital projects for business-type activities. Lastly, net investment in capital assets increased $56.5 million or 4.3%. The City's total net position increased by $73.0 million or 4.1% during the fiscal year.

Governmental Activities

The increase in net position, before adjustment due to restatement (note 17), from the prior fiscal year was $79.2 million, as shown on the Statement of Activities. This increase is attributable to the excess of revenues over expenses of $80.6 million net of $1.4 million of transfers.

Revenues for the City's governmental activities were $683.4 million, representing a decrease of $62.3 million over fiscal year 2017. The net decrease was primarily due to a decrease of $84.5 million in capital grants and contributions. Total donated land and infrastructure assets, including roads, of $19.8 million were reported in the public works function versus $104.7 million in the prior fiscal year.

General revenues increased $22.2 million over the prior year. Real and personal property taxes, the largest source of the City revenues, showed an increase of $15.3 million or 4.7%. This increase is mainly due to an increase in assessments of $11.2 million or 4.2% in real estate coupled with other property taxes increasing $4.6 million or 5.6%.

Expenses increased by $18.3 million or 3.1%. Major increases are in the following functional areas: $10.0 million in general government, $10.5 million in education and $4.4 million in parks and recreation. These were offset by a decrease of $11.1 million in public works.

Business-type Activities

The increase in net position, before adjustment due to restatement (note 17), from the prior fiscal year was $11.3 million. These resources cannot be used to offset 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 Public Utilities, Chesapeake Transportation System (CTS) and Stormwater Management. Decreases in capital assets were mainly attributable to a $15.1 million decrease in CTS, primarily due to a full year of depreciation for the Dominion Boulevard Veterans Bridge in the current year versus a partial year of depreciation in the prior fiscal year. Also, early implementation of GASB 89 resulted in no capitalized interest during fiscal year 2018. Public Utilities capital assets increased $2.3 million over the prior year. Stormwater Management capital assets increased $4.0 million over fiscal year 2017. Total revenues decreased $4.7 million or 3.6% for business-type activities primarily due to a decrease in capital grants and contributions of $14.7 million. Other program revenues increased $10.0 million.

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, 2018 and 2017
(in millions)

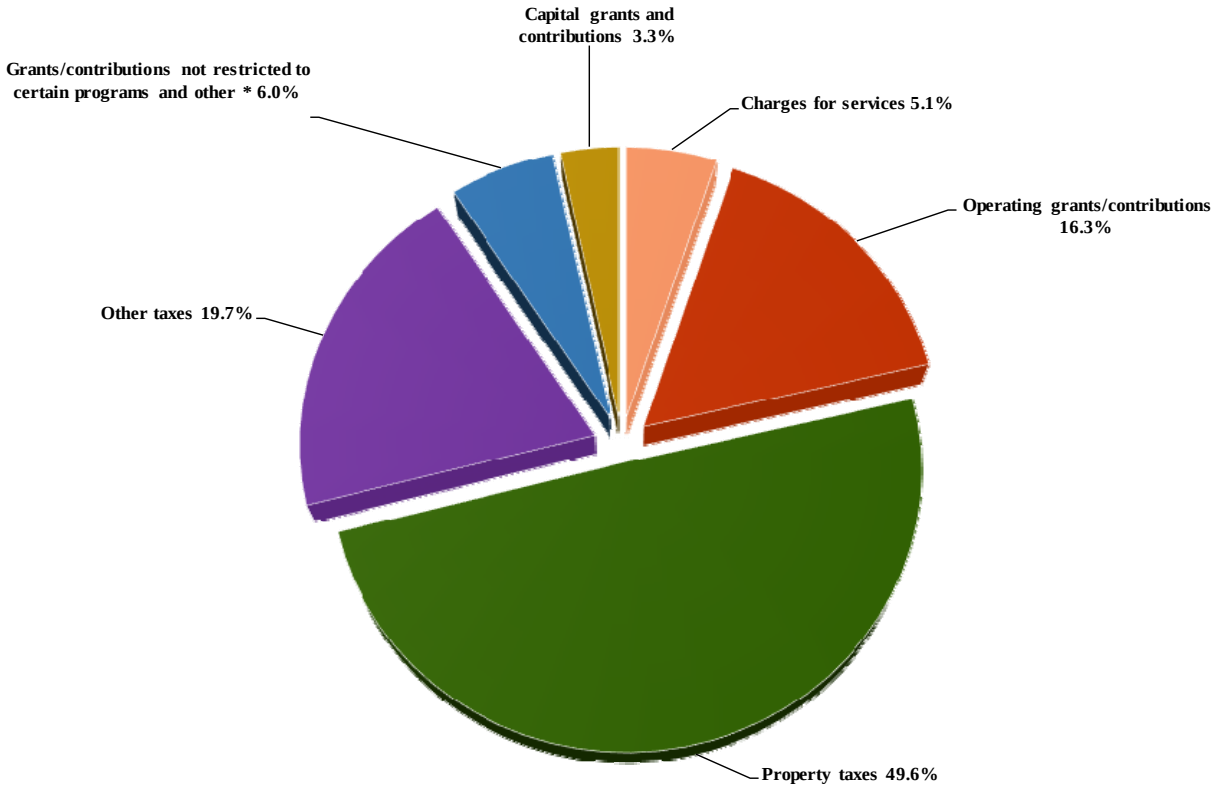
	Governmental Activities		Business-type Activities		Total Primary Activities	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenues						
Program revenues						
Charges for services	$ 34.7	34.4	117.9	109.5	152.6	143.9
Operating grants and contributions	111.5	111.2	3.3	1.7	114.8	112.9
Capital grants and contributions	22.6	107.7	5.0	19.7	27.6	127.4
General revenues						
Property taxes	339.2	323.9	-	-	339.2	323.9
Other taxes	134.8	131.2	-	-	134.8	131.2
Grants and contributions not restricted to specific program	32.2	32.1	-	-	32.2	32.1
Unrestricted investment earnings	4.6	2.3	-	-	4.6	2.3
Other	3.8	2.9	-	-	3.8	2.9
Total revenues	683.4	745.7	126.2	130.9	809.6	876.6
Expenses						
General government	154.5	145.4	-	-	154.5	145.4
Public safety	94.2	93.1	-	-	94.2	93.1
Public works	47.6	58.9	-	-	47.6	58.9
Parks and recreation	7.7	3.4	-	-	7.7	3.4
Public welfare	47.7	48.4	-	-	47.7	48.4
Education	217.9	207.4	-	-	217.9	207.4
Public utilities	-	-	68.3	61.2	68.3	61.2
Chesapeake Transportation System	-	-	37.0	20.5	37.0	20.5
Stormwater management	-	-	11.0	12.8	11.0	12.8
Interest on long-term debt	13.8	12.7	-	-	13.8	12.7
Depreciation and Amortization unallocated	19.4	15.2	-	-	19.4	15.2
Total expenses	602.8	584.5	116.3	94.5	719.1	679.0
Excess (deficiency) before transfers	80.6	161.2	9.9	36.4	90.5	197.6
Transfers	(1.4)	(1.8)	1.4	1.8	-	-
Increase (decrease) in net position	79.2	159.4	11.3	38.2	90.5	197.6
Net Position - beginning	1,179.5	1,020.1	604.5	566.3	1,784.0	1,586.4
Adjustment due to restatement (note 17)	(16.2)	-	(1.3)	-	(17.5)	-
Net Position - beginning, as restated	1,163.3	1,020.1	603.2	566.3	1,766.5	1,586.4
Net Position - ending	$ 1,242.5	1,179.5	614.5	604.5	1,857.0	1,784.0

Governmental Activities

The City's total revenues from governmental activities were $683.4 million for the fiscal year ended June 30, 2018. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled $339.2 million and accounted for 49.6% of total revenues. Property taxes increased $15.3 million or 4.7% from the prior year, primarily due to an increase in assessments of 4.2% in real estate coupled with other property taxes increasing 5.6%. Both the personal property tax and the real estate tax rates remained unchanged in fiscal year 2018.

Revenues from other taxes, $134.8 million, make up 19.7% of the City's revenues and increased 2.7% from the prior fiscal year. This revenue increase was primarily driven by consumer spending activity reflected in increased tax collections on local sales, business license, restaurant meals and hotel/motel rooms. Approximately 69.3% of the City's revenue from governmental activities comes from some type of tax and 5.1% comes from fees charged for services.

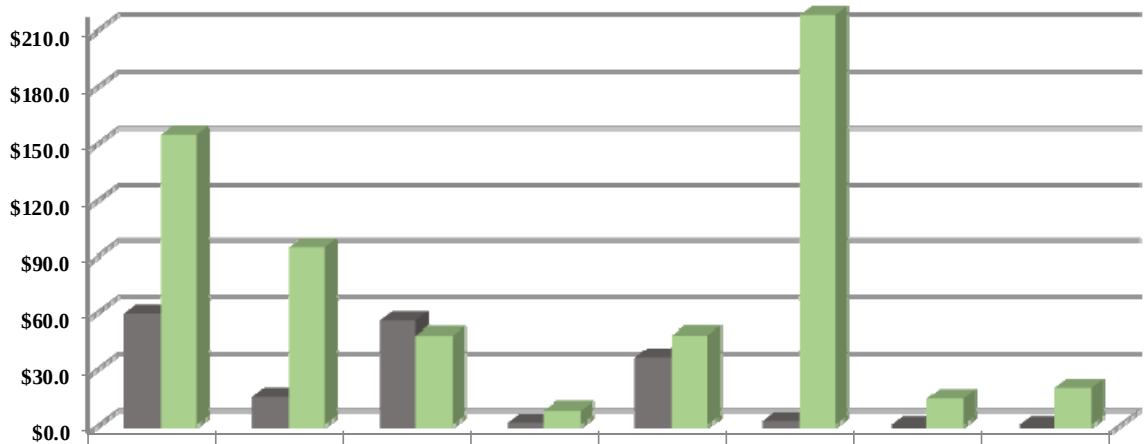
Revenues by Source – Governmental Activities – Year Ended June 30, 2018



* "Other" includes unrestricted investment earnings and other general revenues.

The City's expenses for governmental activities cover a wide range of services, with $94.2 million or 15.6% related to public safety, $47.6 million or 7.9% for public welfare and $47.6 million or 7.9% for public works. Education continues to be the City's largest program. Education expenses totaled $217.9 million (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2018. Overall expenses for governmental activities increased by $18.3 million from fiscal year 2017, primarily due to expense increases of $9.1 million in general government and $10.5 million in education, offset by an expense decrease of $11.3 million in public works.

Expenses and Program Revenues – Governmental Activities
Year Ended June 30, 2018
(in millions)



	General Government	Public Safety	Public Works	Parks and Recreation	Public Welfare	Education	Interest on long-term debt	Depreciation & amortization
Program Revenues	$59.0	$14.6	$55.3	$1.4	$36.1	$2.4	-	-
Expenses	$154.5	$94.2	$47.6	$7.7	$47.7	$217.9	$13.8	$19.4

Business-type Activities

Net position for the City's business-type activities reached $614.5 million, an increase of $11.3 million from the prior year before adjustment due to restatement (note 17). For fiscal year 2018, total revenues of business-type activities decreased $4.7 million mainly due to a $14.7 million decrease in capital grants and contributions. Charges for services of $117.9 million, including water and sewer utility fees, toll revenues and stormwater fees, increased $8.4 million or 7.7% and made up 93.4% of total revenues for business-type activities. Total expenses for fiscal year 2018 were $116.3 million, an increase of $21.8 million over fiscal year 2017.

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, 2018, the governmental funds reported combined ending fund balances of $442.7 million, an increase of $3.4 million from the prior year. Included in this increase are the following major transactions in governmental funds for the year ended June 30, 2018:

- $206.0 million contributed from the City's General Fund to finance the Public School operations
- $55.0 million spent in the Capital Projects Fund to fund capital items
- $11.9 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's OPEB Trust Fund, established in 2008, committed to fund the fiscal year 2018 current premiums portion of the pay-go, $3.7 million, by recognizing $2.6 million as a payment in lieu of receiving the annual required contribution and recording a payable to the City at June 30, 2018 for the net of the two amounts.

Approximately $358.8 million of the combined total fund balances constitute unrestricted fund balance, which is comprised of funds committed at the discretion of City Council, as well as assigned and unassigned funds. The $180.9 million unrestricted funds in the General Fund represents 37.5% 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, 2018 were as follows:

- $67.6 million committed for one time projects
- $20.4 million committed for current capital projects
- $23.5 million committed for future capital projects
- $18.6 million committed for various programs and projects
- $113.8 million assigned for future capital projects
- $14.4 million assigned for debt service
- $30.9 million assigned for various other purposes

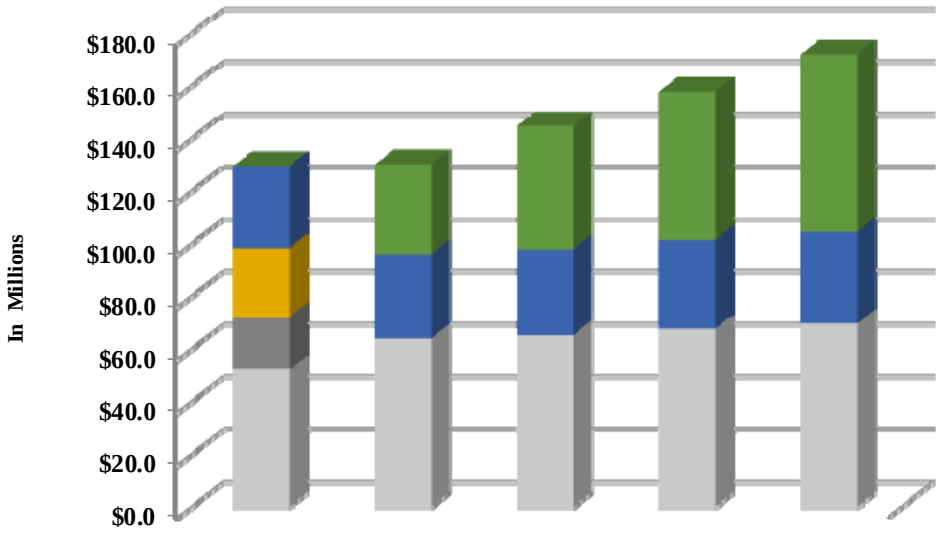
The remainder of the unrestricted fund balance at June 30, 2018, the unassigned fund balance, includes $69.6 million in the General Fund, the City's chief operating fund, and is in compliance with the City's fund balance policy. The restricted fund balance totals $82.2 million at year end and includes $34.8 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 $15.3 million during fiscal year 2018, primarily due to the excess of revenues over expenditures of $85.3 million, an increase of $3.0 million or 3.6% over the prior year, while other net financing uses totaled $70.0 million, an increase of $6.7 million or 10.6% over the prior year. The excess of revenues over expenditures can be attributed to revenue increases of $12.8 million or 4.1% in property taxes, $3.5 million or 2.8% in other local taxes, $0.5 million or 41.6% in investment income and $0.7 million or 459.9% in revenues from the federal government, while total expenditures increased by $12.7 million or 2.7% from the prior fiscal year. The major contributing factors to expenditure increases over the prior year are increased payments to Schools, net of reversion, of $6.8 million or 3.4% and expenditure (including related capital outlay) increases of $4.0 million or 3.7% for general government and $1.8 million or 2.0% for public safety. Increases in transfers to other funds of $7.1 million were a primary factor in the increase in net financing uses.

The City Charter requires that a minimum of 6.0% of total General Fund revenues be set aside in fund balance for emergency cash flow needs which may arise throughout the fiscal year. The restriction for cash flow emergencies totaled $34.8 million at June 30, 2018. 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 equal to at least 10.0% of General Fund revenues and tax revenues committed to certain special revenue funds. City Council budgets for a 12.0% year-end unassigned fund balance to ensure compliance.

The fund balance policy implemented in fiscal year 2015 also created a committed fund balance category for one time projects. In addition to $67.6 million committed for one time projects, $36.3 million has been committed for other purposes including $23.5 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
(in millions)



	06/30/14	06/30/15	06/30/16	06/30/17	06/30/18
One time projects	-	34.3	46.9	56.3	67.6
Cash flow emergencies	31.3	32.0	32.6	33.8	34.8
Operating emergencies	26.1	-	-	-	-
Emergency event	20.0	-	-	-	-
Unassigned	52.2	64.0	65.2	67.6	69.6

The unassigned fund balance of the General Fund, which represents available current financial resources, totaled $69.6 million at June 30, 2018. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects and retain its sound financial position.

Summary of Changes in General Fund Unassigned Fund Balance
Year ended June 30, 2018
(in Millions)

Unassigned fund balance at June 30, 2017		$ 67.6
Revenues	$ 568.2	
Expenditures:		
Current, Capital Outlay and Debt Service	482.9	
Other financing sources (uses)	(70.0)	
Net Change in fund balance	15.3	
Increase in reservations (Restricted, Committed and Assigned)	(13.3)	
Increase in unassigned fund balance		2.0
Unassigned fund balance at June 30, 2018		$ 69.6

The Debt Service Fund ended the year with $14.5 million in total fund balance, a decrease of $1.7 million from 2017. The decrease is mainly due to a $4.0 million planned use of fund balance offset by $1.8 million in unbudgeted transfers from capital project funds resulting from interest earnings on bond proceeds. The assigned fund balance of $14.4 million is for the payment of debt service as directed by City Council.

The total fund balance of the Capital Project Fund decreased by $4.9 million as a result of $55.0 million in capital outlay offset by $15.4 million of revenues (primarily intergovernmental revenues) and $34.7 million in interfund transfers to fund various capital projects.

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 fiscal year 2018, Public Utilities reported an increase in net position of $15.7 million to $474.1 million at June 30, 2018. Total operating revenues of $76.9 million were $1.0 million more than the prior year primarily due to increases in water sales and connections and fees from local developers. Total operating expenses for fiscal year 2018 were $62.6 million, an increase of $5.5 million from the prior year.

Chesapeake Transportation System reported operating revenues for fiscal year 2018 of $24.8 million versus $17.6 million for fiscal year 2017. The increase is due primarily to $7.3 million in additional toll revenue collected from the Dominion Boulevard Veterans Bridge Toll Road. Operating expenses for the year amounted to $24.4 million, with $15.4 million from depreciation and amortization. Net position decreased by $11.6 million from the prior year.

Stormwater Management had $46.2 million in restricted net position at June 30, 2018, an increase of $2.5 million from fiscal 2017. Operating revenues were $16.1 million. Operating expenses totaled $11.1 million, a 2.2% 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. The increase in operating expense is due primarily to an increase in depreciation and amortization expenses. Stormwater utility fees remain unchanged from January 1, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Year Ended June 30, 2018
(in millions)

	Original Budget*	Amended Budget	Actual
Revenues:			
Taxes	$ 443.3	443.3	448.8
Intergovernmental	89.4	89.9	91.0
Other	26.4	26.6	27.9
Total	559.1	559.8	567.7
Expenditures and transfers:			
Expenditures *	300.8	301.0	276.9
Transfers (net)	274.3	278.7	275.5
Total	575.1	579.7	552.4
Change in fund balance	$ (16.0)	(19.9)	15.3

* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of $3.6 million for encumbrances reappropriated from June 30, 2017.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of $0.7 million, a $0.2 million increase in appropriations and a net increase of $4.4 million in transfers resulting in a $3.9 million decrease to the change in fund balance. Major changes included the following:

- Appropriation of $0.7 million committed one time projects fund balance for voting equipment
- Appropriation of $0.5 million of VDOT State Maintenance funds
- Emergency appropriation of $0.4 million assigned fund balance for Winter Storm Grayson to fund storm and recovery costs
- Appropriation of $0.3 million committed one time projects fund balance for Dock Landing Fire Station #11 replacement
- Appropriation of $0.3 million committed one time projects fund balance for the Hampton Roads Regional Broadband Initiative

Actual total revenues were above the amended budget by $7.9 million, primarily due to general property and other local taxes of $5.5 million more than the amended budget. This increase is primarily comprised of current taxes on personal property of $2.2 million, delinquent taxes on personal property of $1.9 million, local sales and use taxes of $0.9 million and business license taxes of $1.8 million, offset by a $0.5 decline in communications sales tax.

Expenditures were below the amended budget by $24.1 million or 8.0%, prior to encumbrances. The general government category returned $9.3 million or 7.6% of its budget, in part due to cost savings resulting from employee retirements and vacancies. Departments with notable savings include Sheriff – $2.5 million, Treasurer – $0.9 million and Public Library – $0.6 million. Public Works departments were $6.3 million or 9.5% below the amended budget mainly in drainage – $1.6 million, street maintenance – $1.0 million, contractual services – $1.1 million and bridges and structures – $0.6 million. Public Safety departments were $6.3 million or 6.4% below the amended budget. The Police and Fire departments generated savings of $3.2 million and $2.5 million, respectively. Additionally, the Parks and Recreation departments were $2.2 million or 16.1% below the amended budget. Although the amended budget called for a reduction of $19.9 million in fund balance, the actual revenues and expenditures resulted in a net increase in fund balance of $15.3 million, a positive budget variance of $35.2 million.

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, 2018 amounts to approximately $2.1 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 $15.3 million or 0.7% – an increase of $24.2 million or 2.0% for governmental activities and a decrease of $8.9 million or 1.0% for business-type activities, primarily due to the completion of various projects, including donated infrastructure from local developers as well as various construction projects in progress. For business-type activities, the completion and first-year depreciation of the $316.6 million Dominion Boulevard Veterans Bridge project was a significant factor as well as the discontinuance of capitalizing interest during construction with the early implementation of GASB 89.

Capital Assets (net of accumulated depreciation)
June 30, 2018 and 2017
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2018	2017	2018	2017	2018	2017
Land	$ 66.1	60.0	95.8	95.2	161.9	155.2
Intangibles	344.1	333.3	4.0	3.8	348.1	337.1
Construction in progress	121.1	129.7	62.8	73.0	183.9	202.7
Buildings	346.4	333.1	4.1	4.3	350.5	337.4
Improvements other than buildings	33.1	30.1	2.5	2.6	35.6	32.7
Software, equipment and vehicles	65.8	61.3	14.2	12.4	80.0	73.7
Infrastructure	240.4	245.3	672.3	673.3	912.7	918.6
Total	$ 1,217.0	1,192.8	855.7	864.6	2,072.7	2,057.4

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

- Completed capital projects totaling $27.1 million for business-type activities.
- Completed capital projects totaling $63.7 million for governmental activities.
- Construction in progress totaled $121.1 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled $62.8 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 2019 capital budget provides approximately $108.2 million for various capital projects. Some of the major categories include $7.4 million for community facilities projects, $23.4 million in school related projects, $28.7 million for transportation projects, $28.4 million for Public Utilities projects and $5.5 million for Stormwater projects. Projects budgeted to commence in fiscal year 2019 include:

- Joint City/School Garage facility
- South Norfolk Municipal Building
- Northwest River Park improvements
- Water franchise acquisition and system renewals
- Elbow Road widening – Phase II
- Intersection improvements – Battlefield/Great Bridge Blvds. and Kempsville Road

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding (including literary loans and an installment purchase agreement) of $670.4 million. Of this amount, $355.9 million comprises debt backed by the full faith and credit of the City and $314.5 million is debt secured by revenues of the Water and Sewer System and Chesapeake Transportation System toll revenues.

City of Chesapeake Outstanding Debt
June 30, 2018 and 2017
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2018	2017	2018	2017	2018	2017
General obligation bonds*	$ 287.7	316.2	66.5	71.9	354.2	388.1
Revenue bonds*	-	-	314.5	307.1	314.5	307.1
Literary loans	0.4	0.6	-	-	0.4	0.6
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	$ 289.4	318.1	381.0	379.0	670.4	697.1

*does not include bond premiums and discounts.

Chesapeake's total debt decreased by $26.7 million during fiscal year 2018. The Chesapeake Transportation System Convertible Capital Appreciation Bonds increased $2.6 million due to accreted interest. Also, the City borrowed an additional $5.6 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 is $2.6 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2018 for the City was 3.5%, a decline from the 2017 rate of 4.2%. This compares to the average unemployment rates of 3.8% for the region, 3.4% for Virginia and 4.1% nationally for the same time period.
- The Hampton Roads Planning District Commission projects Chesapeake's total population for 2040 will be approximately 314,600.
- The City's real estate tax base increased by $1.07 billion or 4.2% from the prior year. Personal property taxes experienced a $131.2 million or 6.2% increase from fiscal year 2017 to fiscal year 2018.
- Taxable retail sales for calendar year 2018 increased by $88.3 million or 2.6%.
- The Virginia Public School Authority refunded bonds in 2017 and the City will be receiving approximately $0.4 million in savings that will be allocated over the remaining amortization period for the City's bonds which have a final maturity of 2031. The savings began during fiscal year 2018.
- 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 the City's budget for fiscal year 2020. Additionally, the City budget process includes detailed three-year resource requirements in order to improve projections, to 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

CITY OF CHESAPEAKE, VIRGINIA *Schedule A*

Statement of Net Position
June 30, 2018

	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)	$ 315,353,071	88,327,597	403,680,668	62,139,131	11,885,616
Receivables, net of allowance for uncollectible amounts (note 3)	106,177,043	27,291,190	133,468,233	29,565,578	115,778
Due from component units, net of allowance for uncollectible amounts (note 7)	169,100	-	169,100	-	-
Internal balances (note 8)	6,704,475	(6,704,475)	-	-	-
Inventories	1,997,021	1,492,381	3,489,402	2,554,051	11,965,980
Prepaid expenses	3,532,969	21,930	3,554,899	127,748	125,320
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	36,081,957	36,081,957	-	-
Cash restricted for debt service	-	5,154,132	5,154,132	-	-
Cash restricted for debt service with trustee	-	17,880,082	17,880,082	-	-
Cash with State Set-Aside	723,139	-	723,139	-	-
Capital construction:					
Cash and temporary investments	135,776,520	79,677,848	215,454,368	12,981,343	-
Cash and temporary investments with trustee	78	12,051,321	12,051,399	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	921,954	-	921,954	-	-
Capital Assets (notes 4, 6 and 9):					
Land	66,082,458	95,818,549	161,901,007	17,277,065	3,246,066
Intangibles	344,103,444	4,028,102	348,131,546	-	-
Construction in progress	121,073,267	62,808,045	183,881,312	20,373,524	-
Buildings	638,395,998	6,584,139	644,980,137	224,873,555	3,698,774
Improvements other than buildings	57,130,535	3,858,249	60,988,784	5,604,230	21,889,639
Software, equipment and vehicles	180,934,227	33,289,659	214,223,886	81,997,361	1,871,707
Infrastructure	1,201,611,121	1,010,936,234	2,212,547,355	-	-
Accumulated depreciation	(1,392,377,590)	(361,564,353)	(1,753,941,943)	(93,918,340)	(18,668,411)
Net OPEB asset (note 11)	4,552,790	399,797	4,952,587	-	53,334
Total assets	1,792,861,620	1,118,432,384	2,911,294,004	363,575,246	36,183,803
Deferred outflows of resources (note 5)	31,910,490	5,057,761	36,968,251	57,019,594	343,600
Total assets and deferred outflows of resources	$ 1,824,772,110	1,123,490,145	2,948,262,255	420,594,840	36,527,403
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Accounts payable, deposits and accrued expenses (notes 3 and 16)	$ 33,180,620	12,222,745	45,403,365	53,993,188	611,003
Unearned revenues	6,854,185	2,311,548	9,165,733	-	9,669
Due to Primary Government (note 7)	-	-	-	-	1,488,195
Long-term liabilities (notes 6, 9, 10, 11 and 16):					
Due within one year	47,135,834	9,313,567	56,449,401	3,214,241	95,000
Due in more than one year	466,478,115	474,992,989	941,471,104	626,353,407	1,464,166
Total liabilities	553,648,754	498,840,849	1,052,489,603	683,560,836	3,668,033
Deferred inflows of resources (note 5)	28,633,144	10,196,720	38,829,864	64,944,387	580,839
Net position					
Net investment in capital assets	948,007,008	424,400,639	1,372,407,647	245,865,129	11,143,673
Restricted for:					
Capital projects	7,295,431	108,317,526	115,612,957	9,210,779	-
Debt service	975,681	34,184,641	35,160,322	-	-
Other purposes:					
Expendable:					
General Fund - state and federal restrictions	38,857,586	-	38,857,586	-	-
Special projects	42,429,878	-	42,429,878	-	-
Educational purposes	182,879	-	182,879	38,202,880	-
Public Works	78	-	78	-	-
Public Utilities Operations	-	53,104,519	53,104,519	-	-
Chesapeake Transportation System Operations	-	20,725,494	20,725,494	-	-
Stormwater Management Operations	-	5,748,042	5,748,042	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	258,667
Chesapeake Airport Authority	-	-	-	-	214,140
Nonexpendable - Special projects	190,809	-	190,809	-	-
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	204,538,067	(32,028,285)	172,509,782	(621,189,171)	20,662,051
Total net position	1,242,490,212	614,452,576	1,856,942,788	(327,910,383)	32,278,531
Total liabilities, deferred inflows and net position	$ 1,824,772,110	1,123,490,145	2,948,262,255	420,594,840	36,527,403

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

CITY OF CHESAPEAKE, VIRGINIA

Statement of Activities

Year Ended June 30, 2018

Schedule B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discretely Presented Component Units: Public Schools	Discretely Presented Component Units: Others
PRIMARY GOVERNMENT									
Governmental activities:									
General government	$ 154,492,115	18,369,446	40,267,217	374,705	(95,480,747)	-	(95,480,747)	-	-
Public safety	94,172,297	6,958,674	7,329,915	332,835	(79,550,873)	-	(79,550,873)	-	-
Public works	47,580,380	567,340	34,445,107	20,332,011	7,764,078	-	7,764,078	-	-
Parks and recreation	7,730,292	1,260,627	166,020	-	(6,303,645)	-	(6,303,645)	-	-
Public welfare	47,746,439	7,549,567	28,502,889	-	(11,693,983)	-	(11,693,983)	-	-
Education	217,851,053	-	841,437	1,516,446	(215,493,170)	-	(215,493,170)	-	-
Interest on long term debt	13,797,966	-	-	-	(13,797,966)	-	(13,797,966)	-	-
Depreciation and amortization - net unallocated portion (note 4)	19,448,199	-	-	-	(19,448,199)	-	(19,448,199)	-	-
Total governmental activities	602,818,741	34,705,654	111,552,585	22,555,997	(434,004,505)	-	(434,004,505)	-	-
Business-type activities:									
Public Utilities	68,295,315	76,927,836	1,990,066	5,036,318	-	15,658,905	15,658,905	-	-
Chesapeake Transportation System	36,979,915	24,825,405	808,928	-	-	(11,345,582)	(11,345,582)	-	-
Stormwater Management	11,027,245	16,115,527	506,885	3,700	-	5,598,867	5,598,867	-	-
Total business-type activities	116,302,475	117,868,768	3,305,879	5,040,018	-	9,912,190	9,912,190	-	-
Total Primary Government	$ 719,121,216	152,574,422	114,858,464	27,596,015	(434,004,505)	9,912,190	(424,092,315)	-	-
COMPONENT UNITS									
Public Schools	$ 470,920,045	18,870,975	104,318,361	2,020,383	-	-	-	(345,710,326)	-
Chesapeake Mosquito Control Commission	3,693,645	-	4,659,814	-	-	-	-	-	966,169
Economic Development Authority	1,329,256	-	1,526,357	-	-	-	-	-	197,101
Chesapeake Port Authority	1,696	-	-	-	-	-	-	-	(1,696)
Chesapeake Airport Authority	1,340,143	473,455	526,279	-	-	-	-	-	(340,409)
Elizabeth River Properties of Chesapeake, Inc	225,065	117,546	59,676	-	-	-	-	-	(47,843)
Total component units	$ 477,509,850	19,461,976	111,090,487	2,020,383	-	-	-	(345,710,326)	773,322
General revenues:									
Taxes:									
Property taxes, levied for general purposes					$ 339,175,321	-	339,175,321	-	-
Local sales and use taxes					40,912,255	-	40,912,255	-	-
Consumer utility taxes					10,856,726	-	10,856,726	-	-
Communication sales tax					10,874,229	-	10,874,229	-	-
Business license taxes					27,319,871	-	27,319,871	-	-
Local utility consumption tax					898,295	-	898,295	-	-
Bank stock taxes					1,546,598	-	1,546,598	-	-
Taxes on recordation and wills					3,313,766	-	3,313,766	-	-
Tobacco taxes					4,186,843	-	4,186,843	-	-
Hotel and motel room taxes					6,503,448	-	6,503,448	-	-
Restaurant food taxes					26,690,755	-	26,690,755	-	-
Admission taxes					983,446	-	983,446	-	-
Short-term rental taxes					667,655	-	667,655	-	-
Pari-mutuel waging pool tax					34,000	-	34,000	-	-
Payment from City					-	-	-	210,380,798	-
Grants and contributions not restricted to specific programs					32,144,107	-	32,144,107	163,273,264	-
Unrestricted investment earnings					4,642,652	-	4,642,652	982,738	-
Miscellaneous					3,789,863	-	3,789,863	1,525,959	-
Transfers					(1,351,488)	1,351,488	-	-	-
Total general revenues and transfers					513,188,342	1,351,488	514,539,830	376,162,759	-
Change in net position					79,183,837	11,263,678	90,447,515	30,452,433	773,322
Net position - beginning, as restated (note 17)					1,163,306,375	603,188,898	1,766,495,273	(358,362,816)	31,505,209
Net position - ending					$ 1,242,490,212	614,452,576	1,856,942,788	(327,910,383)	32,278,531

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

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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.

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA *Schedule C*

Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	$ 186,824,474	13,996,332	-	68,990,696	269,811,502
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	3,562,348	-	-	-	3,562,348
State categorical aid	1,770,806	-	-	-	1,770,806
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	118,243	-	5,545,672	1,745,519	7,409,434
Federal government	-	-	2,281,766	2,004,708	4,286,474
Receivables (note 3):					
Property taxes	40,135,525	-	-	-	40,135,525
Accounts receivable	8,413,797	-	-	4,274,355	12,688,152
Utility taxes	2,819,445	-	-	-	2,819,445
Interest	884,837	67,084	-	-	951,921
Fines	160,921	-	-	1,019,028	1,179,949
Ambulance fees	5,329,581	-	-	-	5,329,581
Restaurant and food tax	2,476,269	-	-	-	2,476,269
Other	2,935,250	324,612	-	425,890	3,685,752
Allowance for uncollectible amounts	(5,759,112)	-	-	(3,252,579)	(9,011,691)
Inventory	1,506,762	-	-	2,534	1,509,296
Due from other funds (note 8)	96,026	-	-	-	96,026
Prepaid expenditures and other assets	1,946	-	-	188,275	190,221
Restricted assets (note 2):					
Cash with state set-aside (note 6)	723,139	-	-	-	723,139
Capital construction:					
Cash and temporary investments	-	-	135,776,520	-	135,776,520
Cash and temporary investments with trustee	-	-	78	-	78
Investments	-	-	-	921,954	921,954
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	71,022	98,078	-	-	169,100
Allowance for doubtful accounts	(1,319,095)	-	-	-	(1,319,095)
Advances to other funds (note 8):	6,475,701	-	-	-	6,475,701
Total assets	$ 287,136,981	14,486,106	143,604,036	76,320,380	521,547,503
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	$ 5,744,971	4,775	-	2,601,700	8,351,446
Deposits (note 3)	3,617,908	-	-	-	3,617,908
Accrued expenditures (note 3)	5,697,987	-	-	876,098	6,574,085
Unearned revenues	305,403	-	2,862,291	469,488	3,637,182
Other liabilities (note 3)	608,299	-	-	4,669	612,968
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	6,539,637	-	6,539,637
Due to Commonwealth of Virginia	625	-	-	234,324	234,949
Due to other funds (note 8)	-	-	-	96,026	96,026
Total liabilities	15,975,193	4,775	9,401,928	4,282,305	29,664,201
Deferred Inflows of Resources (note 5)	49,147,237	-	-	-	49,147,237
Fund Balances (note 12)					
Nonspendable	1,508,708	-	-	203,604	1,712,312
Restricted for cash flow emergencies	34,786,564	-	-	-	34,786,564
Restricted other	4,794,161	98,078	78	42,514,679	47,406,996
Committed for one time projects	67,624,832	-	-	-	67,624,832
Committed other	36,344,926	-	20,353,141	5,799,508	62,497,575
Assigned	7,382,231	14,383,253	113,848,889	23,520,284	159,134,657
Unassigned	69,573,129	-	-	-	69,573,129
Total fund balances	222,014,551	14,481,331	134,202,108	72,038,075	442,736,065
Total liabilities, deferred inflows and fund balances	$ 287,136,981	14,486,106	143,604,036	76,320,380	521,547,503

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

(Continued)

Balance Sheet
Governmental Funds
June 30, 2018

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			$ 442,736,065
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 $48,134,468 associated with the internal service funds as indicated below.			
	Capital assets		1,168,818,992
The City's single employer OPEB Plan has a net fiduciary position greater than the net liability, or funding which exceeds actuarial projected liabilities. This is a long-term asset not related to the current period and, therefore, not reported in the funds.			
	Net OPEB asset (net of ISF)		4,371,024
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	$ 29,085,638	
	Unamortized deferred loss on refundings	1,401,120	30,486,758
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	49,147,237	
	Unamortized difference between actual and projected pension earnings	(26,887,644)	
	Unamortized deferred gain on refundings	(705,104)	21,554,489
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 $228,774 as noted on Schedule E.			
	Current assets	49,675,119	
	Capital assets	48,134,468	
	Net OPEB asset	181,766	
	Deferred outflows	1,423,732	
	Liabilities	(2,210,797)	
	Unearned revenues	(3,217,003)	
	Long-term debt	(35,844,535)	
	Deferred inflows	(1,040,396)	
	Net cumulative profit(loss) allocation	228,774	57,331,128
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, is not reported in the funds.			(5,038,830)
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 $35,844,535 associated with the internal service funds as indicated above.			
	General obligation bonds	(305,469,994)	
	Net pension liability (net of ISF)	(115,366,626)	
	Net OPEB liability (net of ISF)	(27,155,912)	
	Compensated absences (net of ISF)	(20,495,115)	
	Literary loans	(399,070)	
	Installment Purchase Agreement	(1,342,284)	
	Supplemental Payments Agreement	(7,055,000)	
	Edinburgh Purchase Agreement	(485,413)	(477,769,414)
Net position of governmental activities			$ 1,242,490,212

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule D*

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

		General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	$	322,994,814	-	-	13,045,610	336,040,424
Other local taxes		125,778,519	-	-	9,009,368	134,787,887
Licenses, permits and fees		9,005,712	-	-	-	9,005,712
Fines and forfeitures		1,984,717	-	-	-	1,984,717
Investment income		1,698,420	193,774	1,822,553	450,021	4,164,768
Revenues from use of property		759,932	54,889	-	274,367	1,089,188
Charges for services		13,325,151	-	-	10,127,360	23,452,511
Miscellaneous local revenues		500,948	360,770	1	3,045,077	3,906,796
Recovered costs		585,594	-	2,630	1,736,734	2,324,958
Program income		-	-	-	462,012	462,012
Revenues from local developers		-	-	721,759	-	721,759
Intergovernmental revenues:						
Commonwealth of Virginia		90,209,922	-	5,971,174	22,095,110	118,276,206
Federal government		828,738	-	6,871,603	14,239,355	21,939,696
Federal government - American Reinvestment and Recovery Act		-	889,902	-	-	889,902
Chesapeake Public Schools		586,474	254,907	-	-	841,381
Total revenues		568,258,941	1,754,242	15,389,720	74,485,014	659,887,917
EXPENDITURES						
Current:						
General government		110,371,006	-	-	12,212,853	122,583,859
Public safety		91,515,985	-	-	8,034,238	99,550,223
Public works		59,096,571	-	-	-	59,096,571
Parks and recreation		11,278,225	-	-	47,771	11,325,996
Public welfare		-	-	-	48,973,078	48,973,078
Education - payments to public schools		206,030,798	-	-	4,350,055	210,380,853
Capital outlay		2,647,912	-	55,019,041	1,086,701	58,753,654
Debt service		1,990,750	42,002,854	-	-	43,993,604
Total expenditures		482,931,247	42,002,854	55,019,041	74,704,696	654,657,838
Excess (deficiency) of revenues over (under) expenditures		85,327,694	(40,248,612)	(39,629,321)	(219,682)	5,230,079
OTHER FINANCING SOURCES (USES)						
Transfers from other funds (note 8)		4,231,688	38,531,654	36,496,923	16,727,750	95,988,015
Transfers to other funds (note 8)		(74,254,104)	-	(1,814,559)	(21,727,684)	(97,796,347)
Total other financing sources (uses), net		(70,022,416)	38,531,654	34,682,364	(4,999,934)	(1,808,332)
Net change in fund balance		15,305,278	(1,716,958)	(4,946,957)	(5,219,616)	3,421,747
Fund balance - beginning		206,709,273	16,198,289	139,149,065	77,257,691	439,314,318
Fund balance - ending	$	222,014,551	14,481,331	134,202,108	72,038,075	442,736,065

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, 2018

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		$ 3,421,747
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The Statement of Activities also includes expenses which relate to current-year closed projects that included assets that are no longer capitalizable at the time of project closure. In addition, donated assets and gains and losses on disposal of assets are not reported in governmental funds, but are reported as revenues (expenses) in the Statement of Activities. This represents the net effect of the donated assets plus the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Depreciation expense	$ (40,272,442)	
Capital outlay expenditures	58,753,654	
Donated assets	19,849,602	
Noncapitalizable expenses related to closed projects	(6,881,628)	
Asset transfers	(1,557,824)	
Disposal of assets	(37,313)	
		29,854,049
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.		3,134,897
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 position. Also, governmental funds report the effect of premiums 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:		
Principal repayments	33,460,252	
Amortization of debt related deferred outflows and inflows	52,927	
		33,513,179
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.		
Accrued interest	(72,660)	
Compensated absences	495,944	
Pension expense	9,326,525	
		9,749,809
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.		(679,830)
Interfund loan activity that does not contribute to current financial resources and, therefore, is not reported in the funds.		189,986
Change in net position of governmental activities		$ 79,183,837

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.

CITY OF CHESAPEAKE, VIRGINIA *Schedule E*

Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds				
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments (note 2)	$ 75,893,215	2,041,139	10,393,243	88,327,597	45,541,569
Receivables (note 3):					
Accounts	15,215,931	2,036,542	12,033,920	29,286,393	198,407
Interest	199,235	-	49,916	249,151	104,670
Allowance for uncollectible amounts	(2,130,879)	(204,960)	(202,562)	(2,538,401)	-
Intergovernmental revenues due from:					
Federal government	294,047	-	-	294,047	-
Inventory of materials and supplies	1,479,235	13,146	-	1,492,381	487,725
Prepaid expenses	21,930	-	-	21,930	3,342,748
Total current assets	90,972,714	3,885,867	22,274,517	117,133,098	49,675,119
Noncurrent assets:					
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	36,072,281	9,676	36,081,957	-
Cash restricted for debt service	5,154,132	-	-	5,154,132	-
Cash restricted for debt service with trustee	4,822,271	13,057,811	-	17,880,082	-
Capital construction:					
Cash and temporary investments	43,991,466	72,059	35,614,323	79,677,848	-
Cash and temporary investments with trustee	150,481	11,900,840	-	12,051,321	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	55,118,350	61,102,991	35,623,999	151,845,340	-
Capital assets (note 4):					
Land	10,727,890	84,667,793	422,866	95,818,549	-
Intangibles	2,605,322	-	1,422,780	4,028,102	-
Construction in progress	53,712,375	278,594	8,817,076	62,808,045	3,187,539
Buildings	842,913	5,389,295	351,931	6,584,139	648,167
Improvements other than buildings	3,747,433	50,583	60,233	3,858,249	4,582,725
Software, equipment and vehicles	21,643,214	11,402,872	243,573	33,289,659	123,370,594
Infrastructure	612,701,726	361,587,165	36,647,343	1,010,936,234	77,584
Less accumulated depreciation	(260,426,303)	(91,856,392)	(9,281,658)	(361,564,353)	(83,732,141)
Total capital assets, net of accumulated depreciation	445,554,570	371,519,910	38,684,144	855,758,624	48,134,468
Net OPEB asset (note 11)	263,459	35,262	101,076	399,797	181,766
Total noncurrent assets	500,936,379	432,658,163	74,409,219	1,008,003,761	48,316,234
Total assets	591,909,093	436,544,030	96,683,736	1,125,136,859	97,991,353
Deferred Outflows of Resources (note 5)	4,000,265	341,837	715,659	5,057,761	1,423,732
Total assets and deferred outflows of resources	$ 595,909,358	436,885,867	97,399,395	1,130,194,620	99,415,085
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable (note 3)	$ 3,239,498	488,015	525,571	4,253,084	2,060,953
Accrued expenses and other liabilities (notes 3, 6 and 16)	2,115,038	2,407,393	90,639	4,613,070	149,844
Deposits (note 3)	1,001,560	-	-	1,001,560	-
Unearned revenues	819,713	1,301,509	-	2,121,222	3,217,003
Construction projects payable (note 3)	1,785,736	112,128	457,167	2,355,031	-
Current portion of long-term debt (note 6)	7,247,334	1,491,677	-	8,739,011	-
Current portion of accrued vacation, sick pay and overtime leave (note 6)	416,049	59,020	99,487	574,556	280,983
Current portion of liability for self-insurance losses (notes 6 and 16)	-	-	-	-	8,235,268
Total current liabilities	16,624,928	5,859,742	1,172,864	23,657,534	13,944,051
Noncurrent liabilities:					
Unearned revenues	190,326	-	-	190,326	-
General obligation bonds (note 6)	65,861,260	-	-	65,861,260	-
Revenue bonds (note 6)	29,950,000	288,296,801	-	318,246,801	-
Due to Commonwealth of Virginia (note 6)	-	67,971,480	-	67,971,480	-
Accrued interest payable on subordinate revenue bonds (note 6)	-	11,354,363	-	11,354,363	-
Advances from other funds (note 8)	-	6,475,701	-	6,475,701	-
Accrued vacation, sick pay and overtime leave (note 6)	495,891	66,181	115,645	677,717	343,828
Liability for self-insurance losses (notes 6 and 16)	-	-	-	-	21,545,398
Net pension liability (note 10)	6,471,318	889,076	2,502,060	9,862,454	4,975,815
Net OPEB liability (note 11)	671,446	89,869	257,599	1,018,914	463,243
Total noncurrent liabilities	103,640,241	375,143,471	2,875,304	481,659,016	27,328,284
Total liabilities	120,265,169	381,003,213	4,048,168	505,316,550	41,272,335
Deferred Inflows of Resources (note 5)	1,507,998	201,837	8,486,885	10,196,720	1,040,396
Net Position					
Net investment in capital assets	359,339,158	26,377,337	38,684,144	424,400,639	48,134,468
Restricted for:					
Capital projects	53,621,621	14,263,749	40,432,156	108,317,526	-
Debt service	8,070,893	26,113,748	-	34,184,641	-
Other purposes - Expendable:					
Public Utilities Fund	53,104,519	-	-	53,104,519	-
Chesapeake Transportation System Fund	-	20,725,494	-	20,725,494	-
Stormwater Management Fund	-	-	5,748,042	5,748,042	-
Unrestricted (deficit)	-	(31,799,511)	-	(31,799,511)	8,967,886
Total net position	474,136,191	55,680,817	84,864,342	614,681,350	57,102,354
Total liabilities, deferred inflows and net position	$ 595,909,358	436,885,867	97,399,395	1,130,194,620	99,415,085

Net position of enterprise funds, Schedule E	614,681,350
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(228,774)
Net position of business-type activities, Schedule A	614,452,576

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule F*

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds				
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	Internal Service Funds
OPERATING REVENUES					
Licenses, permits and fees	$ -	-	400,065	400,065	-
Charges for services:					
Sale of water	40,561,764	-	-	40,561,764	-
Billings to departments	-	-	-	-	71,493,793
Billings to outside agencies and component units	-	-	-	-	1,232,387
Sewer service charges	28,690,810	-	-	28,690,810	-
Stormwater management fees	-	-	15,704,536	15,704,536	-
Tolls and tickets	-	24,638,185	-	24,638,185	-
Rental fees	1,171,990	-	-	1,171,990	325,489
Connection fees	5,180,391	-	-	5,180,391	-
Miscellaneous	611,252	38,780	9,996	660,028	6,864
Recovered costs	6,935	148,440	30	155,405	2,462,182
Other	704,694	-	900	705,594	19,640
Total operating revenues	76,927,836	24,825,405	16,115,527	117,868,768	75,540,355
OPERATING EXPENSES					
Cost of materials billed	-	-	-	-	3,161,344
Purchases for resale	16,856,666	34,680	-	16,891,346	2,349,306
Water production	9,825,479	-	-	9,825,479	-
Sewer maintenance and operation	5,491,142	-	-	5,491,142	-
Water maintenance and operation	3,051,849	-	-	3,051,849	-
Customer service	2,668,651	-	-	2,668,651	-
General and administrative	3,394,043	389,700	2,316,490	6,100,233	770,142
Technical services	1,890,458	-	-	1,890,458	-
Other salaries and wages	-	1,243,643	3,448,423	4,692,066	5,952,503
Other fringe benefits	-	493,189	1,381,876	1,875,065	2,249,368
Self-insurance losses	-	-	-	-	4,876,501
Indemnity and medical claims	-	-	-	-	38,207,449
Other repairs and supplies	-	4,887,909	246,511	5,134,420	5,844,894
Equipment rental	-	4,698	27,441	32,139	6,866
Other contractual services	-	1,900,004	2,185,949	4,085,953	3,153,039
Depreciation and amortization	18,943,628	15,380,267	1,490,417	35,814,312	10,105,650
Insurance premiums	-	-	-	-	2,978,605
Meter reading services	431,850	-	-	431,850	-
Other	-	18,503	-	18,503	-
Total operating expenses	62,553,766	24,352,593	11,097,107	98,003,466	79,655,667
Operating income (loss)	14,374,070	472,812	5,018,420	19,865,302	(4,115,312)
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,401,972	808,928	506,885	2,717,785	481,649
Interest expense	(4,711,953)	(12,809,158)	-	(17,521,111)	-
Gain on sale of equipment	69,075	-	3,700	72,775	256,791
Loss on sale of equipment	(1,204,314)	(23,051)	-	(1,227,365)	(46,523)
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	588,094	-	-	588,094	-
Other	-	-	-	-	-
Total nonoperating revenues (expenses), net	(3,857,126)	(12,023,281)	510,585	(15,369,822)	691,917
Income (loss) before transfers and contributions	10,516,944	(11,550,469)	5,529,005	4,495,480	(3,423,395)
Transfers in (note 8)	-	-	-	-	2,381,834
Transfers out (note 8)	-	-	(16,350)	(16,350)	(557,152)
Capital contributions	5,192,881	-	1,332,186	6,525,067	5,227,904
Increase (decrease) in net position	15,709,825	(11,550,469)	6,844,841	11,004,197	3,629,191
Total net position - beginning, as restated (note 17)	458,426,366	67,231,286	78,019,501	603,677,153	53,473,163
Total net position - ending	$ 474,136,191	55,680,817	84,864,342	614,681,350	57,102,354

Change in net position of enterprise funds, Schedule F	$ 11,004,197
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	259,481
Change in net position of business-type activities, Schedule B	$ 11,263,678

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule G*

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds				
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 77,109,065	24,939,568	15,642,424	117,691,057	4,045,601
Cash received from interfund services provided	-	-	-	-	71,493,793
Payments to suppliers	(29,864,280)	(7,343,830)	(4,751,300)	(41,959,410)	(59,761,309)
Payments to employees	(13,678,431)	(1,816,630)	(5,060,093)	(20,555,154)	(8,352,995)
Net cash provided by (used in) operating activities	33,566,354	15,779,108	5,831,031	55,176,493	7,425,090
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	2,381,834
Transfers out	-	-	-	-	(557,152)
Proceeds from operating grants	(294,047)	-	(16,350)	(310,397)	-
Net cash provided by (used in) noncapital financing activities	(294,047)	-	(16,350)	(310,397)	1,824,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(17,833,629)	(592,918)	(4,132,584)	(22,559,131)	(3,161,606)
Proceeds from Commonwealth of Virginia	-	-	112,437	112,437	-
Proceeds from Federal government	588,094	-	-	588,094	-
Proceeds from revenue bonds	-	5,632,636	-	5,632,636	-
Proceeds from sale of capital assets	69,075	-	3,700	72,775	210,268
Increase (decrease) in construction project payable	691,185	(3,963,045)	53,011	(3,218,849)	-
Principal payment of long-term debt	(6,265,000)	-	-	(6,265,000)	-
Interest paid	(4,727,575)	(5,377,136)	-	(10,104,711)	-
Due to other funds	-	(387,262)	-	(387,262)	-
Net cash provided by (used in) capital and related financing activities	(27,477,850)	(4,687,725)	(3,963,436)	(36,129,011)	(2,951,338)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	1,286,977	808,928	479,177	2,575,082	429,258
Net cash provided by investing activities	1,286,977	808,928	479,177	2,575,082	429,258
Net increase (decrease) in cash and temporary investments	7,081,434	11,900,311	2,330,422	21,312,167	6,727,692
Cash and temporary investments beginning of year	123,930,131	51,243,819	43,686,820	218,860,770	38,813,877
Cash and temporary investments end of year	$ 131,011,565	63,144,130	46,017,242	240,172,937	45,541,569
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 14,374,070	472,812	5,018,420	19,865,302	(4,115,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	18,943,628	15,380,267	1,490,417	35,814,312	10,105,650
Pension expense	(312,796)	(14,029)	(55,401)	(382,226)	(19,539)
OPEB expense	(269,553)	(36,078)	(103,414)	(409,045)	(185,970)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	242,401	(1,187,346)	(555,435)	(1,500,380)	15,822
Prepaid expenses and other assets	66,026	-	-	66,026	39,944
Inventory of materials and supplies	155,676	34,680	-	190,356	(55,568)
Accounts payable	527,104	(143,016)	15,746	399,834	438,597
Deposits	75,804	-	-	75,804	-
Unearned revenue	(136,976)	-	-	(136,976)	(16,845)
Deferred inflows	-	-	82,332	82,332	-
Accrued expenses and other liabilities	-	1,301,824	9,345	1,311,169	3,162
Liability for self-insurance losses	-	-	-	-	1,163,864
Accrued vacation, sick pay and overtime leave	(99,030)	(30,006)	(70,979)	(200,015)	51,285
Total adjustments	19,192,284	15,306,296	812,611	35,311,191	11,540,402
Net cash provided by (used in) operating activities	$ 33,566,354	15,779,108	5,831,031	55,176,493	7,425,090
Supplemental information on significant noncash transactions:					
Contributions of capital assets	$ 5,192,881	-	776,798	5,969,679	5,227,904
Interest expense on obligations added to principal in accordance with terms, not scheduled to be paid in the next year (note 6)	-	7,622,008	-	7,622,008	-

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.

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency	Other
	Special Welfare	**Postemployment Benefits Trust**
ASSETS		
Cash and temporary investments (note 2)	$ 9,015	-
Investments with trustee, at fair value (note 2)		
Stocks	-	53,858,348
Taxable bonds	-	31,320,497
Money market	-	24,054
Total assets	$ 9,015	85,202,899
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	$ -	1,506,253
Due to children under foster care	9,015	-
Total liabilities	9,015	1,506,253
Net Position		
Restricted for other postemployment benefits	-	83,696,646
Total liabilities and net position	$ 9,015	85,202,899

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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule I***

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2018

		Other Postemployment Benefits Trust
ADDITIONS		
Contributions from employer (note 11)	$	2,557,000
Contributions from plan members (note 11)		1,839,500
Investment income:		
Interest and dividend income		4,652,245
Net appreciation (depreciation) in fair value of investments		1,829,137
Less investment expenses		157,377
Net investment income		6,324,005
Total additions		10,720,505
DEDUCTIONS		
Administrative expenses		24,476
Benefits and refunds paid on behalf of plan members and beneficiaries (note 11)		5,588,136
Total deductions		5,612,612
Change in net position		5,107,893
Held in trust for other postemployment benefits - beginning of year		78,588,753
Held in trust for other postemployment benefits - end of year	$	83,696,646

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.

CITY OF CHESAPEAKE, VIRGINIA *Schedule J-1*

Combining Statement of Net Position
Other Discretely Presented Component Units
June 30, 2018

	Governmental Activities	Business-type Activities				
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Cash and temporary investments (note 2)	$ 4,505,327	5,435,724	-	967,254	977,311	11,885,616
Receivables, net of allowance for uncollectible amounts (note 3)	-	32,500	-	80,311	2,967	115,778
Inventories	279,374	11,686,606	-	-	-	11,965,980
Prepaid expenses	117,019	-	-	-	8,301	125,320
Capital assets:						
Land	530,778	-	-	2,266,581	448,707	3,246,066
Buildings	2,405,297	-	-	-	1,293,477	3,698,774
Improvements other than buildings	14,897	-	-	21,874,742	-	21,889,639
Software, equipment and vehicles	1,621,767	-	-	249,940	-	1,871,707
Less accumulated depreciation	(2,143,293)	-	-	(15,815,414)	(709,704)	(18,668,411)
Net OPEB asset	53,334	-	-	-	-	53,334
Total assets	7,384,500	17,154,830	-	9,623,414	2,021,059	36,183,803
Deferred Outflows of Resources (note 5)	343,600	-	-	-	-	343,600
Total assets and deferred outflows of resources	$ 7,728,100	17,154,830	-	9,623,414	2,021,059	36,527,403
LIABILITIES, DEFERRED INFLOWS AND NET POSITION						
Liabilities						
Current liabilities:						
Accounts payable, deposits and accrued expenses (notes 3 and 16)	$ 391,381	87,171	-	124,729	7,722	611,003
Deposits	-					-
Unearned revenues	-	-	-	9,669	-	9,669
Due to primary government	-	1,319,095	-	169,100	-	1,488,195
Long-term liabilities (notes 6, 9, 10, 11 and 16):						
Due within one year	-	-	-	95,000	-	95,000
Due in more than one year	834,166	-	-	630,000	-	1,464,166
Total liabilities	1,225,547	1,406,266	-	1,028,498	7,722	3,668,033
Deferred Inflows of Resources (note 5)	580,839	-	-	-	-	580,839
Net Position						
Net investment in capital assets	2,429,444	-	-	7,681,749	1,032,480	11,143,673
Restricted	-	-	-	214,140	258,667	472,807
Unrestricted	3,492,270	15,748,564	-	699,027	722,190	20,662,051
Total net position	5,921,714	15,748,564	-	8,594,916	2,013,337	32,278,531
Total liabilities, deferred inflows and net position	$ 7,728,100	17,154,830	-	9,623,414	2,021,059	36,527,403

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule J-2*

Combining Statement of Activities
Other Discretely Presented Component Units
Year Ended June 30, 2018

		Program Revenues		Net Revenue (Expense) and Changes in Net Position					
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Chesapeake Mosquito Control Commission**	**Economic Development Authority**	**Chesapeake Port Authority**	**Chesapeake Airport Authority**	**Elizabeth River Properties of Chesapeake, Inc**	**Total**
Governmental Type Activities									
Chesapeake Mosquito Control Commission	$ 3,693,645	-	4,659,814	966,169	-	-	-	-	966,169
Business-type Activities									
Economic Development Authority	1,329,256	-	1,526,357	-	197,101	-	-	-	197,101
Chesapeake Port Authority	1,696	-	-	-	-	(1,696)	-	-	(1,696)
Chesapeake Airport Authority	1,340,143	473,455	526,279	-	-	-	(340,409)	-	(340,409)
Elizabeth River Properties of Chesapeake, Inc	225,065	117,546	59,676	-	-	-	-	(47,843)	(47,843)
Total component units	$ 6,589,805	591,001	6,772,126	966,169	197,101	(1,696)	(340,409)	(47,843)	773,322
	Change in net position			$ 966,169	197,101	(1,696)	(340,409)	(47,843)	773,322
	Net position - beginning, as restated			4,955,545	15,551,463	1,696	8,935,325	2,061,180	31,505,209
	Net position - ending			$ 5,921,714	15,748,564	-	8,594,916	2,013,337	32,278,531

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

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements

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Chesapeake
VIRGINIA

(1) Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

- The Chesapeake Public Schools (the Schools) are responsible for elementary and secondary education within the City. All nine members of the School Board are elected. The City Council approves the annual budget of the 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 City also appropriates funds annually to pay the administrative and grant expenses of the EDA. On May 23, 2017, the City Council approved an ordinance dissolving the Chesapeake Port Authority and transferring all rights, powers, privileges, assets and/or obligations to the Economic Development Authority of the City of Chesapeake effective July 1, 2017. 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.

(Continued)

(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 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.

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(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 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.

(Continued)

(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.

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(1) Continued

The City reports the following 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 and Dominion Boulevard Veterans Bridge toll roads and related construction projects.

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.

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(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.

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(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, 2017, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2018 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, 2018 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2018 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.

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(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 financial statements 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 future periods and will not be recognized as an expense or expenditure until that time. In addition to liabilities, the financial statements 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 future periods and will not be recognized as revenue until that time.

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(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. 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.

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(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.

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(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, 2018 is $248,015,222 including petty cash of $53,084 and cash in the special welfare fiduciary fund of $9,015. Cash of $723,139 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.

Investments with a maturity of one year or less are measured at amortized cost and investments with a maturity of one year or more are measured at fair value.

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(2) Continued

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

Investments by Fair Value Level (Market Approach: maturity >1yr)		**Significant Other Observable Inputs (Level 2)**	**Total**
Debt Securities:			
Federal Agency Coupon Securities	$	11,030,288	11,030,288
Federal Agency Discount-Amortizing		1,938,780	1,938,780
U.S. Treasury Bills		13,622,840	13,622,840
Corporate Notes		17,276,433	17,276,433
Taxable Municipal Bonds		506,940	506,940
Certificates of Deposit		88,194,338	88,194,338
Commercial Paper Discount-Amortizing		22,000,000	22,000,000
Total investments by fair value level (a)		154,569,619	154,569,619
Investments measured at Amortized Cost (Book Value: maturity <1yr)			
Money Market Fund			157,059,659
U.S. Treasury Notes			41,796,785
U.S. Treasury Bills			49,225,149
Federal Agency Coupon Securities			109,966,022
Federal Agency Discount-Amortizing			26,601,500
Taxable Municipal Bonds			5,015,000
Total investments at amortized cost (b)			389,664,115
Total Pool and Directed Investments (a+b)			$ 544,233,734

The City has investments valued at $132,569,619. These investments are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Investments in Commercial Paper are classified in Level 2 of the fair value hierarchy and are valued in accordance with pricing sources by the custodian bank.

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Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote are the specifically identified investment ratings as of June 30, 2018.

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, 2018, the City was holding certificates of deposit in TowneBank of $83,194,338, which represented 13.7% 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.

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(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 Schools and the Mosquito Control Commission component units, along with 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 $7,380,289 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	$	248,015,223
State set-aside fund		723,139
Restricted deposits		1,000,000
Investments		541,121,398
Restricted cash and investments		66,925,654
Other Component Units		7,380,289
Total deposits and investments	$	865,165,703
Per Schedules A and H:		
Cash and temporary investments	$	477,714,430
Cash and temporary investments with trustee		121,284,856
Cash restricted for debt service		5,154,132
Cash restricted for debt service with trustee		17,880,082
Cash with state set-aside		723,139
Cash restricted for Public Utilities improvement and redemption		1,000,000
Investment - zero coupon bond		921,954
Capital construction - cash and temporary investments		228,435,711
Capital construction - cash and temporary investments with trustee		12,051,399
Total cash and temporary investments per Schedules A and H	$	865,165,703

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(2) Continued

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

	Amount	Rating	Weighted Average Maturity (Months)
Investments:			
Bank Money Market Accounts	$ 30,189,359	**AAA**	0.0
Caprin Money Market Mutual Fund - First American Government	19,539	**AAA**	0.0
Commercial Paper	21,928,600	**AAA**	1.8
U.S. Government-Sponsored Coupon Securities	49,517,634	**AAA**	6.8
U.S. Government-Sponsored Coupon Securities	62,362,990	**AA+**	6.8
U.S. Government-Sponsored Coupon Securities	8,901,476	**Aaa**	6.8
U.S. Government-Sponsored Coupon Securities - Discounts	28,558,540	**AAA**	8.2
Corporate Notes	1,993,720	**AAA**	12.8
Corporate Notes	995,950	**AA+**	12.8
Corporate Notes	14,286,763	**AA-**	12.8
Municipal Bonds - Taxable	506,940	**AAA**	2.2
Municipal Bonds - Taxable	5,012,389	**AA+**	2.2
U.S. Treasury Coupon Securities	41,766,480	**Aaa**	5.2
U.S. Treasury Coupon Securities - Discounts	63,030,060	**Aaa**	8.3
Local Government Investment Pool	80,974,673	**AAA**	0.0
OPEB - Irrevocable Trust at Local Government Investment Pool	5,125	**AAA**	0.0
Virginia State Non-Arbitrage Program	45,876,086	**AAA**	0.0
Total Investments	455,926,324		
Restricted investments:			
Money market deposit	3,754,948	**Unrated**	0.0
Wells Fargo Advantage Heritage - Money Mkt Institutional (VML)	78	**AAA**	0.0
U.S. Government-sponsored discount securities	921,954	**AAA**	153.8
PFM - SNAP (Virginia State Non-Arbitrage Program)	59,210,099	**AAA**	0.0
PFM - SNAP First Americ Treas Oblig Fd - CI D - Toll Road Bonds	3,038,575	**AAA**	0.0
Total Restricted Investments	66,925,654		
Total Investments and Restricted Investments	522,851,978		
Portfolio weighted average maturity (months)			4.2
Irrevocable Trust:			
OPEB - Diversified Portfolio	85,197,774	**Various**	
Total	85,197,774		
Total Investments, Restricted Investments and Irrevocable Trust	$ 608,049,752		

	Investments	Restricted Investments	Irrevocable Trust	Total
Investment totals by rating:				
AAA	$ 259,570,216	63,170,706	-	322,740,922
AA+	68,371,329	-	-	68,371,329
AA-	14,286,763	-	-	14,286,763
Aaa	113,698,016	-	-	113,698,016
Unrated	-	3,754,948	-	3,754,948
Various	-	-	85,197,774	85,197,774
Total	$ 455,926,324	66,925,654	85,197,774	608,049,752

(Continued)

(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, 2018 are as follows:

		Governmental Activities	Business-type Activities
Due from Commonwealth of Virginia	$	41,332,589	-
Due from Federal government		4,286,474	294,047
Due from customers		5,755,268	26,747,992
Property taxes receivable		37,643,621	-
Interest receivable		1,056,592	249,151
Other		16,102,499	-
Total accounts receivable	$	106,177,043	27,291,190

Accounts receivable, net of allowance for uncollectibles, for the discretely presented component units in the Statement of Net Position as of June 30, 2018 are as follows:

		Public Schools	Other
Due from Commonwealth of Virginia	$	10,188,987	-
Due from Federal government		18,419,942	-
Other		956,649	115,778
Total accounts receivable	$	29,565,578	115,778

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2018 are as follows:

		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	$	34,041,398	-	5,545,672	1,745,519
Due from Federal government		-	-	2,281,766	2,004,708
Property taxes receivable		37,643,621	-	-	-
Interest receivable		884,837	67,084	-	-
Other		18,868,055	324,612	-	2,466,694
Total accounts receivable	$	91,437,911	391,696	7,827,438	6,216,921

(Continued)

(3) Continued

Property taxes receivable in the General Fund as of June 30, 2018 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	$ 6,301,116	166,075	6,135,041
Personal property	33,834,409	2,325,829	31,508,580
Total property taxes receivable	$ 40,135,525	2,491,904	37,643,621

The total allowance for uncollectible receivables in the General Fund is $5,759,112, which includes a $2,491,904 allowance for uncollectible taxes, a $596,531 allowance for uncollectible emergency medical service fees, a $302,079 allowance for uncollectible vehicle license fees, a $1,534,598 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. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from CIBH in the amount of $2,329,911 and $922,668 in the Fee Supported Fund for red light cameras.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2018 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Due from customers and others	$ 13,085,052	1,831,582	11,831,358	198,407
Interest receivable	199,235	-	49,916	104,670
Total accounts receivable	$ 13,284,287	1,831,582	11,881,274	303,077

Accounts payable, deposits and accrued expenses for the Primary Government in the Statement of Net Position as of June 30, 2018 are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	$ 10,412,399	4,253,084
Deposits	3,617,908	1,001,560
Accrued expenses, excluding interest	6,723,867	705,106
Accrued interest payable	5,038,830	3,179,894
Other liabilities	613,030	728,070
Construction projects payable	6,539,637	2,355,031
Due to Commonwealth of Virginia	234,949	-
Total accounts payable, deposits and accrued expenses	$ 33,180,620	12,222,745

(Continued)

(3) Continued

Accounts payable, deposits and accrued expenses for the discretely presented component units in the Statement of Net Position as of June 30, 2018 are as follows:

		Public Schools	Other
Accounts payable	$	5,801,513	199,874
Deposits		-	30,134
Accrued expenses		41,825,827	380,995
Claims payable		6,365,848	-
Total accounts payable, deposits and accrued expenses	$	53,993,188	611,003

Accounts payable, deposits and accrued expenditures in the governmental funds as of June 30, 2018 are as follows:

		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Accounts payable and deposits	$	9,362,879	4,775	-	2,601,700
Accrued expenditures, excluding interest		5,697,987	-	-	876,098
Other liabilities		608,299	-	-	4,669
Construction projects payable		-	-	6,539,637	-
Due to Commonwealth of Virginia		625	-	-	234,324
Total accounts payable, deposits and accrued expenditures	$	15,669,790	4,775	6,539,637	3,716,791

Accounts payable, deposits and accrued expenses in the proprietary funds as of June 30, 2018 are as follows:

		Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Accounts payable and deposits	$	4,241,058	488,015	525,571	2,060,953
Accrued expenses, excluding interest		252,570	361,897	90,639	149,782
Accrued interest payable		1,134,398	2,045,496	-	-
Other Liabilities		728,070	-	-	62
Construction projects payable		1,785,736	112,128	457,167	-
Total accounts payable, deposits and accrued expenses	$	8,141,832	3,007,536	1,073,377	2,210,797

(Continued)

(4) Capital Assets

Capital asset activities for the year ended June 30, 2018 are as follows:

Primary Government
Governmental activities:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	57,015,444	6,050,933	-	63,066,377
Land - School		3,016,081	-	-	3,016,081
Intangibles		333,306,396	10,797,048	-	344,103,444
Construction in progress		127,176,741	55,495,454	(64,786,467)	117,885,728
Construction in progress - ISF		2,497,728	694,810	(4,999)	3,187,539
Total capital assets, not being depreciated		523,012,390	73,038,245	(64,791,466)	531,259,169
Capital assets, being depreciated:					
Buildings		213,228,087	26,606,133	-	239,834,220
Buildings - ISF		648,167	-	-	648,167
Buildings - School		397,913,611	-	-	397,913,611
Improvements other than buildings		46,665,844	5,881,966	-	52,547,810
Improvements other than buildings - ISF		13,082,477	13,000	(8,512,752)	4,582,725
Software, equipment and vehicles		47,494,344	15,882,561	(5,813,272)	57,563,633
Software,equipment and vehicles - ISF		120,604,990	7,863,523	(5,097,919)	123,370,594
Infrastructure		1,187,015,223	15,850,500	(1,332,186)	1,201,533,537
Infrastructure - ISF		77,584	-	-	77,584
Total capital assets being depreciated		2,026,730,327	72,097,683	(20,756,129)	2,078,071,881
Less accumulated depreciation for:					
Buildings		(101,529,674)	(5,882,850)	-	(107,412,524)
Buildings - ISF		(258,451)	(18,829)	-	(277,280)
Buildings - School		(176,822,981)	(7,470,200)	-	(184,293,181)
Improvements other than buildings		(17,984,319)	(2,657,175)	-	(20,641,494)
Improvements other than buildings - ISF		(11,657,241)	(209,763)	8,512,752	(3,354,252)
Software, equipment and vehicles		(31,686,364)	(4,814,018)	1,444,280	(35,056,102)
Software,equipment and vehicles - ISF		(75,114,986)	(9,871,905)	4,921,095	(80,065,796)
Infrastructure		(941,793,949)	(19,448,199)	-	(961,242,148)
Infrastructure - ISF		(29,660)	(5,153)	-	(34,813)
Total accumulated depreciation		(1,356,877,625)	(50,378,092)	14,878,127	(1,392,377,590)
Total capital assets being depreciated, net		669,852,702	21,719,591	(5,878,002)	685,694,291
Capital assets, net	$	1,192,865,092	94,757,836	(70,669,468)	1,216,953,460

(Continued)

(4) Continued

Governmental Activities capital assets, net of accumulated depreciation, at June 30, 2018 are comprised of the following:

General Government Capital Assets, net	$	1,168,818,992
Internal Service Fund Capital Assets, net		48,134,468
Total	$	1,216,953,460

Depreciation expense for governmental activities was charged to functions of the Primary Government for the year ended June 30, 2018 as follows:

General government	$	10,006,136
Public safety		1,969,169
Public works		635,783
Parks and recreation		352,594
Public welfare		390,361
Education		7,470,200
Net unallocated portion (depreciation of general infrastructure assets)		19,448,199
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		10,105,650
Total depreciation expense, governmental activities	$	50,378,092

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

Function		Project Authorization	Expended to June 30, 2018	Committed
General government	$	143,309,211	46,076,028	97,233,183
Public safety		74,605,911	32,234,993	42,370,918
Public works		99,876,476	36,945,783	62,930,693
Parks and recreation		10,843,420	5,470,716	5,372,704
Public welfare		2,694,100	345,747	2,348,353
Education		221	-	221
Total	$	331,329,339	121,073,267	210,256,072

The construction in progress consists of $115,916,978 from capital projects, $420,982 from grants and $1,547,768 from operating funds and $3,187,539 from internal service funds.

(Continued)

(4) Continued

Business-type activities:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	95,246,531	572,018	-	95,818,549
Intangibles		3,827,304	200,798	-	4,028,102
Construction in progress		73,006,904	19,444,036	(29,642,895)	62,808,045
Total capital assets, not being depreciated		172,080,739	20,216,852	(29,642,895)	162,654,696
Capital assets, being depreciated:					
Buildings		6,584,139	-	-	6,584,139
Improvements other than buildings		3,858,249	-	-	3,858,249
Software, equipment and vehicles		24,717,853	9,829,422	(1,257,616)	33,289,659
Infrastructure		982,284,415	28,680,819	(29,000)	1,010,936,234
Total capital assets, being depreciated		1,017,444,656	38,510,241	(1,286,616)	1,054,668,281
Less accumulated depreciation for:					
Buildings		(2,308,465)	(176,787)	-	(2,485,252)
Improvements other than buildings		(1,224,773)	(98,320)	-	(1,323,093)
Software, equipment and vehicles		(12,337,087)	(6,841,920)	45,271	(19,133,736)
Infrastructure		(309,034,985)	(29,601,267)	13,980	(338,622,272)
Total accumulated depreciation		(324,905,310)	(36,718,294)	59,251	(361,564,353)
Total capital assets being depreciated, net		692,539,346	1,791,947	(1,227,365)	693,103,928
Capital assets, net	$	864,620,085	22,008,799	(30,870,260)	855,758,624

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

Public Utilities Fund	$	19,547,822
Chesapeake Transportation System		15,680,055
Stormwater Management Fund		1,490,417
Total depreciation expense, business-type activities	$	36,718,294

Depreciation and amortization expense for business-type activities of $35,814,312 includes unallocated portion of depreciation expense noted above of $36,718,294 net of amortization of deferred bond premiums and refunding costs of $903,982.

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately $159.1 million at June 30, 2018.

(Continued)

(4) Continued

Public Utilities Fund:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	10,727,890	-	-	10,727,890
Intangibles		2,489,592	115,730	-	2,605,322
Construction in progress		58,253,349	14,019,353	(18,560,327)	53,712,375
Total capital assets, not being depreciated		71,470,831	14,135,083	(18,560,327)	67,045,587
Capital assets, being depreciated:					
Buildings		842,913	-	-	842,913
Improvements other than buildings		3,747,433	-	-	3,747,433
Software, equipment and vehicles		13,192,372	9,685,407	(1,234,565)	21,643,214
Infrastructure		594,964,379	17,766,347	(29,000)	612,701,726
Total capital assets, being depreciated		612,747,097	27,451,754	(1,263,565)	638,935,286
Less accumulated depreciation for:					
Buildings		(86,006)	(24,784)	-	(110,790)
Improvements other than buildings		(1,210,891)	(90,239)	-	(1,301,130)
Software, equipment and vehicles		(5,669,195)	(6,228,435)	45,271	(11,852,359)
Infrastructure		(233,971,640)	(13,204,364)	13,980	(247,162,024)
Total accumulated depreciation		(240,937,732)	(19,547,822)	59,251	(260,426,303)
Total capital assets being depreciated, net		371,809,365	7,903,932	(1,204,314)	378,508,983
Capital assets, net	$	443,280,196	22,039,015	(19,764,641)	445,554,570

The construction in progress consists of $45,621,302 from capital projects, $6,407,319 from capitalized interest (prior to the adoption of GASB 89) and $1,683,754 from operating funds.

(Continued)

(4) Continued

Chesapeake Transportation System Fund:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	84,096,571	571,222	-	84,667,793
Construction in progress		1,790,496	564,544	(2,076,446)	278,594
Total capital assets, not being depreciated		85,887,067	1,135,766	(2,076,446)	84,946,387
Capital assets, being depreciated:					
Buildings		5,389,295	-	-	5,389,295
Improvements other than buildings		50,583	-	-	50,583
Software, equipment and vehicles		11,297,908	128,015	(23,051)	11,402,872
Infrastructure		360,181,582	1,405,583	-	361,587,165
Total capital assets, being depreciated		376,919,368	1,533,598	(23,051)	378,429,915
Less accumulated depreciation for:					
Buildings		(2,064,877)	(134,732)	-	(2,199,609)
Improvements other than buildings		(2,529)	(5,058)	-	(7,587)
Software, equipment and vehicles		(6,465,290)	(604,375)	-	(7,069,665)
Infrastructure		(67,643,641)	(14,935,890)	-	(82,579,531)
Total accumulated depreciation		(76,176,337)	(15,680,055)	-	(91,856,392)
Total capital assets being depreciated, net		300,743,031	(14,146,457)	(23,051)	286,573,523
Capital assets, net	$	386,630,098	(13,010,691)	(2,099,497)	371,519,910

(Continued)

(4) Continued

Stormwater Management Fund:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	422,070	796	-	422,866
Intangibles		1,337,712	85,068	-	1,422,780
Construction in progress		12,963,059	4,860,140	(9,006,123)	8,817,076
Total capital assets, not being depreciated		14,722,841	4,946,004	(9,006,123)	10,662,722
Capital assets, being depreciated:					
Buildings		351,931	-	-	351,931
Improvements other than buildings		60,233	-	-	60,233
Software, equipment and vehicles		227,573	16,000	-	243,573
Infrastructure		27,138,454	9,508,889	-	36,647,343
Total capital assets, being depreciated		27,778,191	9,524,889	-	37,303,080
Less accumulated depreciation for:					
Buildings		(157,582)	(17,271)	-	(174,853)
Improvements other than buildings		(11,353)	(3,023)	-	(14,376)
Software, equipment and vehicles		(202,602)	(9,110)	-	(211,712)
Infrastructure		(7,419,704)	(1,461,013)	-	(8,880,717)
Total accumulated depreciation		(7,791,241)	(1,490,417)	-	(9,281,658)
Total capital assets being depreciated, net		19,986,950	8,034,472	-	28,021,422
Capital assets, net	$	34,709,791	12,980,476	(9,006,123)	38,684,144

(Continued)

(4) Continued

Discretely presented component unit - Public Schools:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land and land improvements	$	17,277,065	-	-	17,277,065
Construction in progress		9,889,639	18,624,582	(8,140,697)	20,373,524
Total capital assets, not being depreciated		27,166,704	18,624,582	(8,140,697)	37,650,589
Capital assets, being depreciated:					
Buildings		216,732,858	8,140,697	-	224,873,555
Building improvements		5,604,230	-	-	5,604,230
Furniture and equipment		71,132,452	5,370,124	(887,268)	75,615,308
Textbooks		7,847,901	600,828	(2,066,676)	6,382,053
Total capital assets, being depreciated		301,317,441	14,111,649	(2,953,944)	312,475,146
Less accumulated depreciation for:					
Buildings		(28,316,983)	(4,255,246)	-	(32,572,229)
Building improvements		(4,184,242)	(158,528)	-	(4,342,770)
Furniture and equipment		(49,437,515)	(4,385,708)	876,914	(52,946,309)
Textbooks		(4,554,128)	(1,569,580)	2,066,676	(4,057,032)
Total accumulated depreciation		(86,492,868)	(10,369,062)	2,943,590	(93,918,340)
Total capital assets being depreciated, net		214,824,573	3,742,587	(10,354)	218,556,806
Capital assets, net	$	241,991,277	22,367,169	(8,151,051)	256,207,395

Depreciation expense was charged to governmental functions for the year ended June 30, 2018 as follows:

Instruction	$	6,660,183
Administration		32,929
Pupil transportation		2,414,806
Operations and maintenance		50,290
School technology services		1,196,794
Food services		14,060
Total depreciation expense, governmental activities	$	10,369,062

At June 30, 2018, the Schools had contractual commitments of approximately $26.8 million for work remaining to be performed under capital projects.

(Continued)

(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 including the discretely presented component unit, Chesapeake Mosquito Control Commission, in the Statement of Net Position as of June 30, 2018 are as follows:

		Governmental Activities	Business-type Activities	Other	Total
Pension	$	19,516,254	1,713,792	228,632	21,458,678
Pension - experience		5,541,252	486,597	64,916	6,092,765
Pension - change in assumptions		1,741,638	152,939	20,404	1,914,981
Pension - change in allocation basis		252,768	210,334	-	463,102
OPEB		1,552,647	78,500	10,472	1,641,619
OPEB - investment experience		909	80	11	1,000
OPEB - experience		1,459,463	128,161	17,098	1,604,722
OPEB - change in proportion		444,439	15,494	2,067	462,000
Unamortized deferred loss on refundings		1,401,120	2,271,864	-	3,672,984
Total deferred outflows of resources	$	31,910,490	5,057,761	343,600	37,311,851

Deferred outflows of resources for the discretely presented Schools component units in the Statement of Net Position as of June 30, 2018 are as follows:

		Public Schools
Pension	$	39,213,173
Pension - experience		57,615
Pension - change in proportion		2,693,000
Pension - change in assumptions		5,166,000
OPEB		9,766,806
OPEB - investment experience		1,000
OPEB - change in proportion		119,000
OPEB - change in assumptions		3,000
Total deferred outflows of resources	$	57,019,594

Deferred outflows of resources in the proprietary funds as of June 30, 2018 are comprised of the following:

		Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	$	1,129,357	151,158	433,277	779,165
Pension - experience		320,659	42,918	123,020	221,228
Pension - change in assumptions		100,784	13,489	38,666	69,533
Pension - change in allocation basis		104,984	40,838	64,512	252,769
OPEB		51,730	6,924	19,846	35,689
OPEB - investment experience		53	7	20	36
OPEB - experience		84,456	11,304	32,401	58,268
OPEB - change in proportion		10,210	1,367	3,917	7,044
Unamortized deferred loss on refundings		2,198,032	73,832	-	-
Total deferred outflows of resources	$	4,000,265	341,837	715,659	1,423,732

(Continued)

(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, including the discretely presented component unit, Chesapeake Mosquito Control Commission, in the Statement of Net Position as of June 30, 2018 are as follows:

		Governmental Activities	Business-type Activities	Other	Total
Pension - investment experience	$	10,117,316	888,438	118,524	11,124,278
Pension - experience		9,847,331	864,730	115,362	10,827,423
Pension - change in allocation basis		187,551	-	275,551	463,102
OPEB - investment experience		1,226,651	105,346	14,053	1,346,050
OPEB - experience		256,473	22,521	3,006	282,000
OPEB - change in assumptions		6,292,716	407,342	54,343	6,754,401
Unamortized deferred gain on refundings		705,106	-	-	705,106
Stormwater management fees		-	7,908,343	-	7,908,343
Total deferred inflows of resources	$	28,633,144	10,196,720	580,839	39,410,703

Deferred inflows of resources for the discretely presented Schools component units in the Statement of Net Position as of June 30, 2018 are as follows:

		Public Schools
Pension - investment experience	$	14,056,011
Pension - experience		26,370,731
Pension - change in proportion		8,248,000
Pension - change in assumptions		720,349
OPEB - investment experience		953,876
OPEB - experience		1,560,472
OPEB - change in proportion		69,000
OPEB - change in assumptions		12,965,948
Total deferred inflows of resources	$	64,944,387

(Continued)

(5) Continued

Deferred inflows of resources in the governmental funds as of June 30, 2018 are comprised of the following:

		General Fund
Taxes receivable	$	35,451,571
Personal Property Tax Relief Act		3,209,133
EMS fees receivable		4,009,047
Solid waste fees receivable		1,785
Advance to CTS (note 8)		6,475,701
Total deferred inflows of resources	$	49,147,237

Deferred inflows of resources in the proprietary funds as of June 30, 2018 are comprised of the following:

		Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension - investment experience	$	585,464	78,361	224,613	403,923
Pension - experience		569,841	76,270	218,619	393,144
OPEB - investment experience		69,421	9,292	26,633	47,894
OPEB - experience		14,841	1,986	5,694	10,239
OPEB - change in assumptions		268,431	35,928	102,983	185,196
Stormwater management fees		-	-	7,908,343	-
Total deferred inflows of resources	$	1,507,998	201,837	8,486,885	1,040,396

(Continued)

(6) Long-Term Obligations

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2018 follows:

		Balances at July 1, 2017	Increases	Decreases	Balances at June 30, 2018	Due Within One Year
Bonds payable:						
General obligation bonds	$	316,202,149	-	(28,478,246)	287,723,903	24,820,049
Deferred amounts:						
Plus bond premiums		20,227,453	-	(2,481,362)	17,746,091	2,423,793
Total bonds payable		336,429,602	-	(30,959,608)	305,469,994	27,243,842
Other long-term obligations:						
Net pension liability		159,371,198	-	(39,028,757)	120,342,441	-
Net OPEB liability - VRS directed*		32,770,326	2,137,094	(7,288,265)	27,619,155	-
Compensated absences		21,564,583	16,852,468	(17,297,125)	21,119,926	9,331,774
Literary loans		598,607	-	(199,537)	399,070	199,537
Installment purchase agreement		1,342,284	-	-	1,342,284	-
Supplemental payments agreement		8,615,000	-	(1,560,000)	7,055,000	1,640,000
Liability for self-insurance losses		28,616,802	43,083,949	(41,920,085)	29,780,666	8,235,268
Edinburgh loan payable		1,226,520	-	(741,107)	485,413	485,413
Total long-term obligations	$	590,534,922	62,073,511	(138,994,484)	513,613,949	47,135,834

*Net OPEB liability replaced net OPEB obligation in this table between year ending June 30, 2017 and June 30, 2018 per GAAP requirements. The City directed OPEB Plan has a net OPEB asset at June 30, 2018. (note 17)

Compensated absences, net pension liabilities and net OPEB liabilities associated with governmental activities were liquidated primarily using the General Fund.

(Continued)

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2018 follows:

		Balances at June 30, 2017	Increases	Decreases	Balances at June 30, 2018	Due Within One Year
Public Utilities:						
Bonds payable:						
General obligation bonds	$	71,940,000	-	(5,405,000)	66,535,000	5,580,000
Revenue bonds		31,690,000	-	(860,000)	30,830,000	880,000
		103,630,000	-	(6,265,000)	97,365,000	6,460,000
Deferred amounts:						
Plus bond premiums		6,491,500	-	(797,906)	5,693,594	787,334
Total bonds payable		110,121,500	-	(7,062,906)	103,058,594	7,247,334
Net pension liability		8,654,855	-	(2,183,537)	6,471,318	-
Net OPEB liability - VRS directed*		932,091	24,946	(285,591)	671,446	-
Compensated absences		1,010,970	710,195	(809,225)	911,940	416,049
		120,719,416	735,141	(10,341,259)	111,113,298	7,663,383
Chesapeake Transportation System:						
Revenue Bonds Payable:						
Current Interest Bonds		107,890,000	-	-	107,890,000	445,000
Convertible CABs [1]		53,431,721	2,616,038	-	56,047,759	-
VTIB Bonds [2,5]		114,067,494	5,632,636	-	119,700,130	717,073
		275,389,215	8,248,674	-	283,637,889	1,162,073
Deferred Amounts:						
Plus bond premiums		6,469,367	-	(318,778)	6,150,589	329,604
Total bonds payable		281,858,582	8,248,674	(318,778)	289,788,478	1,491,677
VTIB bonds accrued interest payable [3]		7,415,977	3,938,386	-	11,354,363	-
Due to Commonwealth of Virginia [4]		66,700,057	1,271,423	-	67,971,480	-
Net pension liability		1,187,673	-	(298,597)	889,076	-
Net OPEB liability - VRS directed*		124,755	3,339	(38,225)	89,869	-
Compensated absences		155,207	87,369	(117,375)	125,201	59,020
		357,442,251	13,549,191	(772,975)	370,218,467	1,550,697
Stormwater Management:						
Net pension liability		3,388,038	-	(885,978)	2,502,060	-
Net OPEB liability - VRS directed*		357,595	9,571	(109,567)	257,599	-
Compensated absences		286,111	182,449	(253,428)	215,132	99,487
		4,031,744	192,020	(1,248,973)	2,974,791	99,487
Total long-term obligations	$	482,193,411	14,476,352	(12,363,207)	484,306,556	9,313,567

[1] The increase to the convertible Capital Appreciation Bonds (CABs) for 2018 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 on July 15, 2019.

[4] The amount due to the Commonwealth of Virginia includes accrued interest of $405,727 at June 30, 2018.

[5] The current amount of $717,073 reflects an unscheduled payment made in July 2018 from excess construction funds remaining after project completion.

* Net OPEB liability replaced net OPEB obligation in this table between year ending June 30, 2017 and June 30, 2018 per GASB 75 requirements. (note 17)

(Continued)

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2018 follows:

		Balances at July 1, 2017	Increases	Decreases	Balances at June 30, 2018	Due Within One Year
Net pension liability	$	419,826,641	50,366,238	(103,117,668)	367,075,211	-
Net OPEB liability - Schools directed plans		164,372,104	2,304,848	(12,790,296)	153,886,656	-
Net OPEB liability - VRS directed plans		59,704,000	3,381,000	(6,581,000)	56,504,000	-
Compensated absences		43,369,258	-	(4,676,225)	38,693,033	1,628,166
Liability for self-insurance losses		3,448,683	758,757	(1,140,958)	3,066,482	-
Capital leases		8,119,427	4,546,338	(2,323,499)	10,342,266	1,586,075
Total long-term obligations	$	698,840,113	61,357,181	(130,629,646)	629,567,648	3,214,241

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.

(Continued)

(6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2018 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1998A School bonds	5.10%	$ 410,000	410,000	-	.00% - 2.00%
1999A School bonds	6.10%	1,000,000	1,000,000	-	.00% - 2.00%
2000A School bonds	5.60%	1,820,000	1,820,000	-	.00% - 2.00%
2001A School bonds	5.10%	1,970,000	1,970,000	-	.00% - 2.00%
2001B School bonds	3.10-5.10%	388,903	-	388,903	-
2002A School bonds	5.10%	1,885,000	1,885,000	-	.00% - 1.00%
2003A School bonds	4.60-5.10%	930,000	930,000	-	.00% - 1.00%
2005A School bonds	4.10-5.10%	10,030,000	10,030,000	-	.00% - 1.00%
2005B School bonds	4.60-5.10%	4,955,000	4,955,000	-	.00% - 1.00%
2006A School bonds	4.48-5.10%	9,980,000	9,980,000	-	.00% - 1.00%
2006B School bonds	4.35-4.60%	9,940,000	9,940,000	-	.00% - 1.00%
2007A School bonds	4.10-5.10%	6,530,000	6,530,000	-	.00% - 1.00%
2007B School bonds	4.35-5.10%	5,925,000	5,925,000	-	.00% - 1.00%
2008A Public Improvement bonds	4.00%	450,000	-	450,000	-
2008A Public Improvement Refunding bonds	4.00%	1,490,000	-	1,490,000	-
2008B Tax Increment Financing bonds	4.00-4.63%	8,755,000	8,110,000	645,000	.00% - 1.00%
2009A School bonds	4.05-5.05%	24,270,000	21,130,000	3,140,000	.00% - 1.00%
2010A Tax Increment Financing, RZED	4.61-6.07%	1,690,000	1,445,000	245,000	-
2010A School bonds	3.05-5.05%	9,100,000	7,445,000	1,655,000	.00% - 1.00%
2010A-2 Public Improvement bonds	3.41-5.36%	33,460,000	29,070,000	4,390,000	-
2010B-2 Tax Increment Financing bonds	3.41-5.36%	4,935,000	4,290,000	645,000	-
2010C-2 Tax Increment Financing bonds	3.41-5.36%	4,505,000	3,915,000	590,000	-
2011A Public Improvement Refunding Bonds	3.00-4.00%	5,140,000	-	5,140,000	-
2011A School Bonds	3.30-4.05%	7,315,000	5,675,000	1,640,000	.00% - 1.00%
2011B School Bonds (QSCB)	2.00-4.00%	3,440,000	-	3,440,000	-
2012A Public Improvement Refunding Bonds	2.00-4.00%	6,320,000	1,960,000	4,360,000	-
2012D Public Improvement Refunding Bonds	3.00-5.00%	8,230,000	3,375,000	4,855,000	-
2013A School Bonds	3.05-5.05%	15,850,000	11,235,000	4,615,000	.00% - 1.00%
2013B School Bonds	4.05-5.05%	5,460,000	-	5,460,000	-
2014A Public Improvement Refunding Bonds	2.00-3.38%	2,900,000	1,565,000	1,335,000	-
2016A School Bonds	2.05-5.05%	4,350,000	2,280,000	2,070,000	.50% - 1.00%
2016B School Bonds	5.05%	6,830,000	-	6,830,000	-
2017A Public Improvement Refunding Bonds	3.00-5.00%	5,190,000	635,000	4,555,000	-
2017A Public Improvement bonds (5 Yr.)	3.00-5.00%	3,120,000	-	3,120,000	-
2017A Public Improvement bonds (20 Yr.)	4.00-5.00%	63,540,000	30,090,000	33,450,000	-
2017B Tax Increment Financing bonds	3.00-5.00%	5,620,000	3,120,000	2,500,000	-
		287,723,903	190,715,000	97,008,903	
Add unamortized bond premiums		17,746,091	n/a	n/a	n/a
Total general obligation bonds, governmental activities		$ 305,469,994	190,715,000	97,008,903	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	$ 399,070	-	399,070	-
Total Literary loans		$ 399,070	-	399,070	
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)

(6) Continued

Outstanding bonds for business-type activities at June 30, 2018 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	$ 18,070,000	12,915,000	5,155,000	-
2012B Water and Sewer Refunding bonds	3.50 - 5.00%	16,960,000	16,960,000	-	-
2014B Water and Sewer Refunding bonds	1.42 - 2.70%	11,500,000	11,500,000	-	-
2017C Water and Sewer Refunding bonds	4.00 - 5.00%	20,005,000	-	20,005,000	-
Total Public Utilities - general obligation bonds		66,535,000	41,375,000	25,160,000	
Public Utilities - Revenue bonds					
2010B Water and Sewer Revenue bonds	3.99 - 6.28%	30,830,000	29,040,000	1,790,000	-
Total Public Utilities - revenue bonds		30,830,000	29,040,000	1,790,000	
Add unamortized bond premiums		5,693,594	n/a	n/a	n/a
Total Public Utilities bonds		$ 103,058,594	70,415,000	26,950,000	
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%	56,047,759	53,214,313	2,833,446	-
2012C - VTIB	3.33%	119,700,130	119,700,130	-	-
Total CTS Toll Road Revenue bonds		283,637,889	268,919,443	14,718,446	
Add unamortized bond premiums		6,150,589	n/a	n/a	n/a
Total CTS - revenue bonds		$ 289,788,478	268,919,443	14,718,446	

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:						
2019	$ 24,820,049	12,671,278	199,537	11,972	-	64,430
2020	23,601,943	11,613,848	199,533	5,986	-	64,430
2021	23,802,935	10,577,807	-	-	-	64,430
2022	23,933,976	9,507,949	-	-	-	64,430
2023	23,045,000	8,446,750	-	-	-	64,430
2024-2028	100,930,000	27,281,515	-	-	-	322,148
2029-2033	50,500,000	8,359,679	-	-	1,342,284	257,717
2034-2037	17,090,000	1,253,397	-	-	-	-
	$ 287,723,903	89,712,223	399,070	17,958	1,342,284	902,015

(Continued)

(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 Bonds		Chesapeake Transportation System Bonds [1]		
	Principal	Interest	Principal	Accreted Interest on Convertible CABs	Interest
Year ending June 30:					
2019	$ 6,460,000	4,559,749	1,162,073	-	5,180,475
2020	6,665,000	4,351,314	6,004,820	-	5,142,300
2021	6,255,000	4,144,639	2,535,000	-	9,391,920
2022	6,455,000	3,911,533	3,403,330	-	9,257,390
2023	6,725,000	3,621,855	4,236,771	-	9,068,199
2024-2028	29,350,000	13,224,671	15,234,614	-	58,415,265
2029-2033	21,535,000	7,388,365	15,552,303	8,378,891	56,205,985
2034-2038	8,160,000	3,121,313	28,648,170	11,607,135	49,117,113
2039-2043	5,760,000	552,904	51,024,514	8,501,454	38,616,635
2044-2048	-	-	110,582,237	-	22,368,261
2049-2053	-	-	47,510,196	-	4,035,042
	$ 97,365,000	44,876,343	285,894,028	28,487,480	266,798,585
Accreted interest on CABS through June 30, 2018	-		13,215,239		
VTIB interest accrued through July 15, 2019[2]	-		(15,471,378)		
Principal outstanding as of June 30, 2018	$ 97,365,000		283,637,889		

[1] The future debt service requirements for the Chesapeake Transportation System incorporates the revised Minimum Payment Schedule for VTIB approved at the time of project completion. It does not include the prepayment of VTIB principal from excess revenues commencing on February 9, 2019 which is the second anniversary of the Substantial Completion Date as provided for in the Trust Indenture.

[2] VTIB interest accrued through July 15, 2019 is composed of $11,354,363 accrued as of June 30, 2018 and $4,117,015 projected additional in accrue between July 1, 2018 and July 14, 2019. The total amount of accrued interest of $15,471,378 will be added to the principal at the time of the first payment date of July 15, 2019.

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

(a) In March 2017, the City issued $75.97 million of general obligation public improvement and refunding bonds with a true interest cost of 2.96% and an original issue premium of $10.06 million. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds, which are considered to be defeased and the liabilities have been removed from the Statement of Net Position. On June 30, 2018, $5.65 million of the defeased bonds remain outstanding.

(b) In March 2017, the City issued $20.01 million of general obligation tax-exempt water and sewer refunding bonds with a true interest cost of 2.199% and a net original issue premium of $3,166,928. The bonds were issued to advance refund the remaining outstanding general obligation water and sewer refunding bonds, Series 2010D currently outstanding in the principal amount of $20.63 million. 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 which are considered defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Position and from the Statement of Net Position of the Public Utilities Fund. On June 30, 2018, $20.63 million of the defeased bonds remain outstanding.

(Continued)

(6) Continued

(c) 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, 2018 is $13,215,239.

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 July 15, 2019. Final completion of the Dominion Boulevard Project was certified complete as defined in the Master Indenture on June 1, 2018 and the total draws on the loan amounted to $119,700,130. The total accrued interest as of June 30, 2018 is $11,354,363 for a total liability of $131,054,493. The minimum principal and interest payments schedule that was established at the time of issuance has been revised to reflect the actual aggregate amount of advances, accrued interest through the first payment date to be added to the advances and any prepayments.

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, 2018 are $69,971,480, which is comprised of $31,913,134 to TFRA and $38,058,346 to Urban Allocation.

(d) 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.

(Continued)

(6) Continued

(e) 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, 2018, $485,413 was outstanding.

(f) 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.

(g) 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 $1,560,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the current year.

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2018.

Fiscal year ending June 30:		Principal	Interest
2019	$	1,640,000	352,750
2020		1,720,000	270,750
2121		1,800,000	184,750
2022		1,895,000	94,750
Total payments	$	7,055,000	903,000

(Continued)

(6) Continued

(h) 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, 2018 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.

(i) The future payments by year of accumulated vacation, sick pay, paid time off and accrued overtime leave, arbitrage, net pension liability, net OPEB liability 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 liability, 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 liability are liquidated by the correlating funds in respect to the departmental costs and are 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.

(j) 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, 2017 was $37,355,000. 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 $395,785,000 as of June 30, 2018.

(Continued)

(6) Continued

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

Assessed valuation - real estate			$	26,241,692,929
Legal debt limit - 10.0% of assessed valuation			$	2,624,169,293
Amount of debt applicable to legal debt limit:				
General bonded debt	$	681,822,509		
Less:				
Self-supporting debt not chargeable to debt limit		356,172,252		
Amounts available for debt service		14,383,253		
				311,267,004
Legal debt margin available			$	2,312,902,289
Percent of:				
Legal debt margin outstanding				11.9%
Legal debt margin available				88.1%
				100.0%
Summary of assessed valuation:				
Public service real estate			$	956,288,229
Other city real estate				25,285,404,700
			$	26,241,692,929

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 2018, management believes the City is in compliance with these policies.

(l) Management believes the City is in compliance, in all material respects, with all significant financial covenants contained in the bond indentures.

(m) 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, 2018, $725,000 of the bonds remain outstanding, all of which are callable.

(Continued)

(7) Advances and On Behalf Of Payments

Advances from the Primary Government to its component units as reported on the Statement of Net Position as of June 30, 2018 are summarized as follows:

Advances to Airport Authority	$	169,100
Advance to EDA		1,319,095
Total advances to component units		1,488,195
Less allowance for uncollectible amounts		(1,319,095)
Net advances to component units	$	169,100

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 restricted classification of fund balance has been made in the General Fund for $71,022 and in the Debt Service Fund for $98,078 for the balance outstanding at June 30, 2018 of $169,100.

The General Fund also budgeted and made payments of $278,504 on behalf of the Airport Authority during fiscal year 2018. 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 –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, 2018, $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 $573,701 on behalf of the Authority during fiscal year 2018. The City is not anticipating the collection of these payments from the EDA.

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. In 2016, the former theater building was demolished after the EDA determined that the specialized use for the building reduced the value of the property. There has been interest in the land and the property has been under contract. Unfortunately, the contract expired during the due diligence period as the prospective buyer could not secure the necessary approvals to complete the transaction. The EDA and staff continue to market the property.

(Continued)

(8) Interfund Balances and Transfers

Interfund balances and transfers between governmental funds and interfund balances and transfers between enterprise funds are not included in the government-wide Statement of Net Position or the government-wide Statement of Activities.

Individual fund interfund receivable and payable balances for the Primary Government at June 30, 2018 consist of the interfund balance due to the General Fund from the Special Revenue funds of $96,026 which is due from the Interagency Consortium. The total interfund balance of $96,026 is due within one year.

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, 2018, the amount currently outstanding on this loan is reported in the General Fund as Advances to other funds, and totals $6,475,701, which includes principal of $6,387,868 and accrued interest of $87,833.

Individual fund interfund transfers for the Primary Government were made for budgeted operating, debt service and capital purposes. In the year ended June 30, 2018, City Council approved transfers totaling $21,267,056 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 $2,600,00 for Fentress Encroachment Protection, $2,500,000 for Expressway Improvements at Mt. Pleasant, $2,175,000 for Facilities High Priority Renewal & Replacement, $2,046,150 for Self-Contained Breathing Apparatus, $1,500,000 for Broadband Wireless, $1,500,000 for Mt. Pleasant Road Widening and $1,000,000 for Residential Street Repaving.

Interfund transfers for the year ended June 30, 2018 are as follows:

	Transfers From Other Funds					
Transfers To Other Funds	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Stormwater Management Fund	Total
General Fund	$ -	-	4,049,186	166,152	16,350	4,231,688
Debt Service Fund	33,894,134	1,814,559	2,822,961	-	-	38,531,654
Capital Projects Fund	21,267,056	-	14,839,867	390,000	-	36,496,923
Nonmajor governmental funds	16,711,080	-	15,670	1,000	-	16,727,750
Internal Service Funds	2,381,834	-	-	-	-	2,381,834
Total	$ 74,254,104	1,814,559	21,727,684	557,152	16,350	98,369,849

(Continued)

(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, 2018, 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, 2018 are as follows:

		Operating
Fiscal years:		
2019	$	1,030,158
2020		833,546
2021		805,858
2022		628,019
2023		286,389
Total future minimum lease payments	$	3,583,970

The total governmental operating lease payments for the year ended June 30, 2018 were $1,066,164.

At June 30, 2018, the Schools capital assets include $21,455,509 of equipment financed under capital leases. Current year amortization expense for leased assets is $1,807,426. Accumulated amortization expense for these assets is $11,761,618. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2018 are as follows:

		Capital
Fiscal years:		
2019	$	1,787,684
2020		1,787,684
2021		1,787,684
2022		1,642,300
2023		1,115,866
2024-2027		3,013,936
Total future minimum lease payments		11,135,154
Less amounts representing interest		792,888
Present value of minimum capital lease payments	$	10,342,266

(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.

(Continued)

(10) Continued

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.

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 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.

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(10) Continued

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.

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 1.70%.

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 1.70% 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 of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement
The 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%.

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.

(Continued)

(10) Continued

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).
- 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 1.70% 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.

(Continued)

(10) Continued

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 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.

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.

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(10) Continued

COLA in Retirement
The 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.

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 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.

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(10) Continued

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.

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.

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(10) Continued

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.

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.

COLA in Retirement
Defined Benefit Component:
Same as VRS Plan 2.

(Continued)

(10) Continued

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.

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, 2017 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		2,073		676
Inactive members not currently receiving benefits:				
Vested inactive members	431		94	
Non-vested inactive members	753		226	
Active elsewhere in VRS	734		146	
Total inactive members not currently receiving benefits		1,918		466
Active members		3,145		1,067
Total covered employees		7,136		2,209

(Continued)

(10) Continued

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**.**

The City's contractually required contribution rate for the year ended June 30, 2018 was 13.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. This 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. Contributions to the pension plan from the City were $21,458,678 and $20,969,936 for the years ended June 30, 2018 and June 30, 2017, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined 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 by Schools were $37,345,663 and $32,815,991 for the years ended June 30, 2018 and June 30, 2017, respectively.

In addition, for the Nonprofessional (non-teacher) employees, Schools' contractually required contribution rate for the year ended June 30, 2018 was 9.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 by Schools were $1,867,510 and $1,936,293 and for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability
The City's and Schools' nonprofessional net pension liabilities were measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. At June 30, 2018, the City reported a net pension liability of $130,903,130.

At June 30, 2018, Schools reported a net pension liability of $354,010,000 for its proportionate share of the net pension liability of the Teacher Retirement Plan (Professional). The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. Schools' proportion of the net pension liability was based on the Schools' actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Schools' proportion was 2.87861% compared to 2.86078% at June 30, 2016.

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(10) Continued

In addition, Schools' net pension liability for the Nonprofessional (non-teacher) Retirement Plan was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. At June 30, 2017, Schools reported a liability of $13,065,211 for the Nonprofessional (non-teacher) Retirement Plan.

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, 2016, 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, 2017.

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*

* 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:		20% of deaths are assumed to be service related
Largest 10 – Non-LEOs:		
	Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020: males 95% of rates; females 105% of rates.
	Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70-90.
	Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
All Others (Non 10 Largest) – Non-LEOs:		
	Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
	Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
	Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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(10) Continued

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOs:
- Update to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 20%

All Others (Non 10 Largest) – Non-LEOs:
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 15%

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, 2016, 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, 2017.

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.

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(10) Continued

Mortality rates:	70% of deaths are assumed to be service related
Largest 10 – LEOs:	
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
All Others (Non 10 Largest) – LEOs:	
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOs:
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- Increased line of duty disability rate from 60% to 70%

All Others (Non 10 Largest) – LEOs:
- Update to a more current mortality table- RP-2014 projected to 2020
- Increased retirement rate age 50 rates and lowered rates at older ages
- Increased withdrawal rates to better fit experience at each year age and service through 9 years of experience
- Adjusted disability rates to better fit experience
- Decreased line of duty disability rate from 60% to 45%

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(10) Continued

Actuarial Assumptions – Schools Teachers

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-Retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement:	RP- 2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

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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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%	N/A	4.80%
Inflation			2.50%
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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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, 2016	$ 888,032,294	714,261,656	173,770,638
Changes for the year:			
Service cost	19,415,271	-	19,415,271
Interest	60,663,347	-	60,663,347
Changes in assumptions	2,557,592	-	2,557,592
Differences between expected and actual experience	(11,011,574)	-	(11,011,574)
Contributions - employer	-	20,970,594	(20,970,594)
Contributions - employee	-	7,699,143	(7,699,143)
Net investment income	-	86,401,631	(86,401,631)
Benefit payments, including refunds of employee contributions	(42,826,108)	(42,826,108)	-
Administrative expense	-	(502,418)	502,418
Other changes	-	(76,806)	76,806
Net changes	28,798,528	71,666,036	(42,867,508)
Balances at June 30, 2017	$ 916,830,822	785,927,692	130,903,130

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(10) Continued

Schools - Nonprofessional	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 98,465,617	79,551,976	18,913,641
Changes for the year:			
Service cost	2,097,124	-	2,097,124
Interest	6,711,839	-	6,711,839
Changes of assumptions	(1,036,291)	-	(1,036,291)
Differences between expected and actual experience	(1,139,936)	-	(1,139,936)
Contributions - employer	-	1,927,178	(1,927,178)
Contributions - employee	-	1,052,494	(1,052,494)
Net investment income	-	9,566,139	(9,566,139)
Benefit payments, including refunds of employee contributions	(5,164,407)	(5,164,407)	-
Administrative expense	-	(56,156)	56,156
Other changes	-	(8,489)	8,489
Net Changes	1,468,329	7,316,759	(5,848,430)
Balances at June 30, 2017	$ 99,933,946	86,868,735	13,065,211

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	$ 244,591,284	130,903,130	35,787,149
Net Pension Liability - Schools Nonprofessional	24,933,144	13,065,211	3,082,468
Schools' proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	528,656,000	354,010,000	209,543,000

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

For the year ended June 30, 2018, the City recognized pension expense of $14,924,226. At June 30, 2018, 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	$ 6,092,765	10,827,423
Change in assumptions	1,914,981	-
Change in allocation basis	463,102	463,102
Net difference between projected and actual earnings on pension plan investments	-	11,124,278
Employer contributions subsequent to the measurement date	21,458,678	-
Total	$ 29,929,526	22,414,803

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(10) Continued

$21,458,678 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, 2019. 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,	
2019	$ (8,551,904)
2020	3,595,929
2021	(1,604,167)
2022	(7,383,813)
Thereafter	-
	$ (13,943,955)

For the year ended June 30, 2018, Schools recognized pension expense of $24,476,000 for the Teacher Retirement Plan (Professional). 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.

In addition, for the year ended June 30, 2018, Schools recognized pension expense of $668,418 for the Nonprofessional (non-teacher) Retirement Plan.

At June 30, 2018, for the Teacher Retirement Plan (Professional), Schools 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
Net difference between projected and actual earnings on pension plan investments	$ -	12,861,000
Differences between expected and actual experience	-	25,068,000
Changes in proportion and differences between employer contributions and proportionate share contributions	2,693,000	8,248,000
Changes in assumptions	5,166,000	-
Employer contributions subsequent to the measurement date	37,345,663	-
Total	$ 45,204,663	46,177,000

$37,345,663 reported as deferred outflows of resources related to pensions resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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(10) Continued

Year ended June 30,		
2019	$	(15,547,000)
2020		(2,850,000)
2021		(6,459,000)
2022		(12,430,000)
2023		(1,032,000)
Thereafter		-
	$	(38,318,000)

In addition, at June 30, 2018, for the Nonprofessional (non-teacher) Retirement Plan, Schools 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	$	57,615	1,302,731
Change in assumptions		-	720,349
Net difference between projected and actual earnings on pension plan investments		-	1,195,011
Employer contributions subsequent to the measurement date		1,867,510	-
Total	$	1,925,125	3,218,091

$1,867,510 reported as deferred outflows of resources related to pensions resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,		
2019	$	(1,708,056)
2020		(467,610)
2021		(1,604,167)
	$	(3,779,833)

Payables to the Pension Plan

The City reported payables of $1,822,140 due to the VRS at June 30, 2018 which represent the June 2018 employer contributions for all plans not contractually required to be remitted until July 2018.

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/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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(11) Other Postemployment Benefits

Plans Offered by the City and Schools

The City and Schools each administer single-employer, defined benefit plans that provide access to medical and dental insurance benefits to eligible Pre-Medicare retirees and their dependents. Additionally, the City and Schools provide postemployment benefits through Virginia Retirement System (VRS) based programs associated with participation in the VRS retirement plans or which are administered by VRS as directed by the Commonwealth of Virginia. The following programs are applicable to the City and Schools –

The Group Life Insurance Plan (GLIP)	Both City and Schools
Virginia Local Disability Plan (VLDP)	Both City and Schools
Line of Duty Act (LODA)	City only
Teacher Health Insurance Credit (THICP)	Schools only

SINGLE-EMPLOYER CITY ADMINISTERED OPEB PLAN

PLAN DESCRIPTIONS AND GENERAL INFORMATION

The City directed Other Postemployment Benefit Plan (OPEB 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. The City also provides a fully insured long-term disability plan to active City employees enrolled in VRS Plans 1 and 2. Contributions and payments for this benefit plan occur on a current basis, therefore, the net position of this fully insured plan is not reported.

Membership and Eligibility
OPEB Plan membership as of June 30, 2018, consisted of 2,876 active service participants and 387 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. Management of the City's OPEB Trust is vested in the Chesapeake OPEB Finance Board of Trustees, which consists of five members appointed by City Council.

CONTRIBUTIONS

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. 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-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. These amounts are offset by any amounts determined to be funded by the OPEB Trust. For fiscal year 2018, the City contributed $6,200,342 to the plan, including $3,748,636 for current premiums (67.1% of total premiums). The OPEB Trust reimbursed the City for the current premiums portion of the pay-go in the amount of $2,557,000 by recognizing that amount as a payment in lieu of receiving the annual required contribution (ARC) and at June 30, 2018 has recorded a payable to the City for the net of the two amounts.

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(11) Continued

Plan members with greater than 19 years of service at retirement contribute based on the active employee contribution rate and plan members with 15 to 19 years of service contribute the entire premium. Plan members receiving benefits contributed $1,839,500, or 32.9% of the total premiums, through their required monthly contributions. Member contributions are 1.16% of covered payroll. Costs to administer current benefits are paid from the general fund.

For the year ended June 30, 2018, the City's average contribution rate was 3.9% of covered employee payroll.

ACTUARIAL ASSUMPTIONS – CITY DIRECTED PLAN

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, based on the measurement date of June 30, 2018, unless otherwise specified:

Inflation	2.5%
Investment rate of return	7.0%
Health care trend rates	6.03% initially. The ultimate trend is 4.39%
Mortality Table	RP 2000 Combined Mortality Table fully Generational projected using scale AA

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

In the actuarial valuation for fiscal year ending June 30, 2018, GAAP required disclosures use the Entry Age Normal method for the OPEB Plan valuation. The City's net OPEB asset is being amortized as a level dollar amount. There were no additional postemployment benefit increases assumed. The amortization period is closed and equals 13 years as of June 30, 2018.

LONG TERM EXPECTED RATE OF RETURN

Investments

The investment policy of the OPEB Plan in regard to the allocation of invested assets is established and may be amended by the Chesapeake OPEB Finance Board of Trustees by a majority vote of its members. It is the policy of the Chesapeake OPEB Finance Board of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time spans.

The adopted asset allocation policy as of June 30, 2018 was as follows:

Asset Class (Strategy)	Target Allocation
Domestic Equity	39.00%
International Equity	21.00%
Fixed Income	40.00%
Total	100.00%

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(11) Continued

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for amounts actually invested.

DISCOUNT RATE

The discount rate of 7.0% was selected by the City and is the expected rate of return of trust assets.

The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The following assumptions were used as input variables into this model:

Rate of Inflation	2.2%
Rate of Growth in Real Income / GDP per capita	1.6%
Extra Trend due to Technology and other factors	1.3%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

The medical trend was increased to reflect the impact of the Cadillac Tax. General inflation was assumed to be 2.2 percent per annum.

Sensitivity of the net OPEB asset to changes in the discount rate

The following tables present the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate of 7.0%:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB asset - City directed plan	$ 1,468,926	(5,005,921)	(10,856,218)

Sensitivity of the net OPEB liability to Health Care Trend Rate

The following tables present the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate of 4%:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB asset - City directed plan	$ (11,953,083)	(5,005,921)	3,003,522

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(11) Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in City Net OPEB Liability(Asset)

City		Total OPEB Liability	Plan OPEB Net Position	Net OPEB Liability(Asset)
Balances at June 30, 2017	$	81,783,807	78,646,342	3,137,465
Changes for the year:				
Service cost		2,470,272	-	2,470,272
Interest		5,541,256	-	5,541,256
Changes in Assumptions		(5,323,681)	-	(5,323,681)
Differences between expected and actual experience		1,925,666	-	1,925,666
Contributions - employer		-	6,200,342	(6,200,342)
Contributions - employee		-	-	-
Net investment income		-	6,556,557	(6,556,557)
Benefit payments, including refunds of employee contributions		(6,200,342)	(6,200,342)	-
Net changes		(1,586,829)	6,556,557	(8,143,386)
Balances at June 30, 2018	$	80,196,978	85,202,899	(5,005,921)

For the year ended June 30, 2018, the City recognized OPEB expense related to the City directed plan of $1,729,685. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to City directed OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	1,604,722	-
Changes of Assumptions		-	4,436,401
Net difference between projected and actual earnings on OPEB plan investments		-	841,050
Total	$	1,604,722	5,277,451

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the City Administered OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	$	(776,599)
2020		(776,599)
2021		(776,599)
2022		(776,597)
2023		(566,335)
Thereafter		-
	$	(3,672,729)

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(11) Continued

Significant Accounting Policies

The OPEB Trust is a fiduciary-type component unit of the City. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due and 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

SCHOOLS DIRECTED OPEB PLAN

PLAN DESCRIPTIONS AND GENERAL INFORMATION

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, 2016 consisted of 5,325 active service participants and 1,010 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' 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.

ACTUARIAL ASSUMPTIONS – SCHOOLS DIRECTED PLAN

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Investment rate of return	3.58%

Mortality rates were based on the RP 2014 Total Dataset Mortality Table, Fully Generational, projected using Scale MP-2014.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

In the actuarial valuation for the fiscal year ending June 30, 2017, calculating Schools' net OPEB obligation reported in the Statement of Net Position and shown on page 43, the projected unit credit actuarial cost method was used to determine the ARC. GAAP required disclosures use the Entry Age Normal method for OPEB plan valuation. The Schools' net OPEB liability is being amortized as a level dollar amount. There were not additional postemployment increases assumed. The amortization period is closed and equal to 29 years as of June 30, 2017.

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(11) Continued

LONG TERM EXPECTED RATE OF RETURN

Investments

The Trust's Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board established and maintains investment policies and objectives. Within this framework, the Board monitors and evaluates investment managers, bank custodian and other parties to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective of the Trust is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and secondarily, principal protection. The adopted asset policy as of June 30, 2017 was as follows:

Asset Class (Strategy)	Target Allocation
Domestic Equity	36.00%
International Equity	13.00%
Emergining Markets Equity	5.00%
Private Equity	5.00%
Fixed Income	21.00%
Diversified Hedge Funds	10.00%
Real Estate	10.00%
Total	100.00%

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DISCOUNT RATE

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed the Schools' contribution will be made on a pay-as-you-go basis. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Schools', as well as what the Schools' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability - Schools Administed Plan	$ 172,813,559	153,886,656	138,007,901

(Continued)

(11) Continued

In FY 2014, 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 June 30, 2017 actuarial valuation.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in Schools Net OPEB Liability

Schools	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2017	$ 167,158,106	2,786,002	164,372,104
Changes for the year:			
Service cost	5,640,881	-	5,640,881
Interest	4,683,042	-	4,683,042
Changes of assumptions	(13,473,773)	-	(13,473,773)
Differences between expected and actual experience	(1,299,051)	-	(1,299,051)
Contributions - employer	-	5,681,682	(5,681,682)
Net investment income	-	354,865	(354,865)
Benefit payments, including refunds of employee contributions	(5,681,682)	(5,681,682)	-
Net changes	(10,130,583)	354,865	(10,485,448)
Balances at June 30, 2018	$ 157,027,523	3,140,867	153,886,656

For the year ended June 30, 2018, the Schools recognized OPEB expense related to the Schools directed plans of $7,986,530. At June 30, 2018, the Schools reported deferred outflows of resources and deferred inflows of resources related to Schools directed OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	1,113,472
Changes of assumptions	-	11,548,948
Net difference between projected and actual earnings on OPEB plan investments	-	127,876
Employer contributions subsequent to the measurement date	5,481,286	-
Total	$ 5,481,286	12,790,296

(Continued)

(11) Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Schools directed OPEB plans will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	$ (2,142,373)
2020	(2,142,373)
2021	(2,142,373)
2022	(2,142,373)
2023	(2,110,404)
Thereafter	(2,110,400)
	$ (12,790,296)

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.

VRS DIRECTED OPEB PLANS FOR CITY AND SCHOOLS

VRS directs other employee and postemployment benefit plans for City and Schools active, deferred and retired members of VRS. These plans include the Group Life Insurance Program (GLIP), the Virginia Local Disability Program (VLDP), the Line of Duty Act (LODA Program) and the Teacher Employee Health Insurance Credit Program (THICP). Contributions and payments for other employee benefit plans for active VRS members occur on a current basis; therefore, the net position of these plans is not reported.

PLAN DESCRIPTIONS AND GENERAL INFORMATION

Group Life Insurance Programs

The GLIP is a cost-sharing, multiple-employer plan. It provides coverage to state employees, teachers and employees of participating political subdivisions. The GLIP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended and which provides the authority under which benefit terms are established or may be amended. The GLIP is a defined benefit plan that provides a basic group life insurance benefit.

Plan Description:
All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered upon employment. In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLIP (OPEB).

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(11) Continued

Specific information about the plan is as follows:

Eligibility:
The GLIP was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility, or who take a refund of their member contributions and accrued interest.

Benefit Amounts:
The benefits payable under the GLIP have several components.
Natural Death Benefit - Equal to the employee's covered compensation rounded to the next highest thousand and then doubled
Accidental Death Benefit - Double the natural death benefit
Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances, including; accidental dismemberment, safety belt benefit, repatriation benefit, felonious assault benefit and accelerated death benefit options.

Reduction in Benefit Amounts:
The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment:
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLIP. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Virginia Local Disability Programs

The Political Subdivision and Teacher Employee VLDPs are each cost-sharing, multiple-employer plans.

Plan Description:
All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; and all full-time, salaried permanent (professional) employees of public school divisions and who are in the VRS Hybrid Retirement Plan and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered. These programs are directed by the VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions and School divisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDPs.

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(11) Continued

Specific information about the plans is as follows:

Eligibility:
The VLDPs were implemented January 1, 2014 to provide short term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions and teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS, are automatically enrolled upon employment, unless their employer has elected to provide comparable coverage.

Benefit Amounts:
The benefits provided under the GLIPs include the following:
Short-Term Disability - The VLDP Programs provide short-term disability benefits beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.

- During the first five years of continuous participation in VLDP Programs with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
  Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.
- *Long-Term Disability* -The VLDP Programs provide long-term disability benefits beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Other Plan Information:
Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.

Line of Duty Act Program

The LODA Program is a cost-sharing, multiple-employer plan. The LODA Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

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Plan Description:
All paid employees and volunteers in hazardous duty positions in Virginia who are covered under the VRS are automatically covered. VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contributions are determined by the VRS engaged actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Eligibility:
The eligible employees of the LODA Program are paid employees volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS.

Benefit Amounts:
The LODA program provides death and health insurance benefits for eligible individuals.
Death- Benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement data.
- An additional $20,000 benefit is payable when certain member of the National Guard and U.S. Military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health Insurance -

- Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed by the LODA Program.
- Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements.

Teacher Employee Health Insurance Credit Program

The THICP is a cost-sharing, multiple-employer plan. This is a defined benefit plan that provides a credit towards the cost of health insurance coverage for retired teachers. The THCIP was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended and which provides the authority under which benefit terms are established or may be amended. The THICP is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers.

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(11) Continued

Specific information about the plans is as follows:

Plan Description:
All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by this plan. This plan is directed by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligibility:
The THCIP was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Full-time permanent (professional) salaried employees of public school divisions covered under VRS are enrolled automatically upon employment.

Benefit Amounts:
The THICP provides the following benefits for eligible employees:
At Retirement - For teachers and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
Disability Retirement - For teachers and other professional school employees who retire on disability or go on long-term disability under the VLDP Program, the monthly benefit is either:

- $4.00 per month, multiplied by twice the amount of service credit, or
- $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Other Plan Information:
The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

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CONTRIBUTIONS

Group Life Insurance Programs
The contribution requirements for the GLIPs are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLIPs was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate, from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions for the years ended June 30, 2018 and June 30, 2017 to the GLIPs from the City and Schools follow in a summary of contributions for the VRS directed OPEB Plans.

Virginia Local Disability Programs
The contribution requirements for active Hybrid employees of the City and Schools are governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions and school divisions by the Virginia General Assembly. The contractually required employer contribution rates as a percentage of covered employee compensation for the year ended June 30, 2018 was 0.60% for City employees and 0.31% for Schools employees in the VLDPs. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2015. The actuarially determined rates were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance unfunded accrued liabilities. Contributions for the years ended June 30, 2018 and June 30, 2017 to the VLDPs from the City and Schools follow in a summary of contributions for the VRS directed OPEB Plans.

Line of Duty Act Program
The contribution requirements for the LODA Program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions for the years ended June 30, 2018 and June 30, 2017 from the City to the LODA Program follow in a summary of contributions for the VRS directed OPEB Plans.

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(11) Continued

Teacher Employee Health Insurance Credit Program

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the THICP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions for the years ended June 30, 2018 and June 30, 2017 from Schools to the THICP follow in a summary of contributions for the VRS directed OPEB Plans.

Contributions for the years ended June 30,		City 2018	City 2017	Schools 2018	Schools 2017
GLIPs	$	834,086	809,643	1,320,110	1,288,618
VLDPs		148,817	108,219	114,549	81,673
LODA Program		658,716	657,156	N/A	N/A
THICP		N/A	N/A	2,850,861	2,502,132
Total VRS OPEB Contributions	$	1,641,619	1,575,018	4,285,520	3,872,423

ACTUARIAL ASSUMPTIONS - All VRS Directed OPEB Plans of the City and Schools

The OPEB liabilities of the VRS directed plans of the City and Schools were based on an actuarial valuations as of June 30, 2016. The following assumptions and methods were used for the VRS directed OPEB Plans of the City and Schools.

Actuarial Assumptions and Methods	GLIP	VLDPs	LODA Program	THICP
Valuation Interest Rate	7.00%	7.00%	4.75%	7.00%
Salary Scale Inflation Factor	2.50%	2.50%	2.50%	2.50%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Effective Amortization Period				
City	27.5 Years	19.8 Years	30.0 Years	N/A
Schools	27.5 Years	18.7 Years	N/A	26.7 Years
Amortization Method	Level % of Pay Closed	Level % of Pay Closed	Level % of Pay Open	Level % of Pay Closed
Payroll Growth Rate	3.00%	3.00%	3.00%	3.00%
Assets Valuation Method City	5 Year Smoothed Market	5 Year Smoothed Market	Market Value	N/A
Assets Valuation Method Schools	5 Year Smoothed Market	5 Year Smoothed Market	N/A	5 Year Smoothed Market

Additional information about actuarial assumptions and methods is available from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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LONG-TERM EXPECTED RATE OF RETURN

For the GLIP, VDLPs and THICP, the long-term expected rate of return was the long-term expected rate of return on all VRS System investments, which 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%	N/A	4.80%
Inflation			2.50%
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

The long-term expected rate of return on LODA Program OPEB investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

DISCOUNT RATE

The discount rate used to measure the GLIP, the VLDPs and THICP portions of the VRS administered OPEB liability, was 7.0%. The projection of cash flows used to determine the discount rate assumed City and Schools contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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The discount rate used to measure the LODA Program portion of the VRS administered OPEB liability, was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the net OPEB liability to changes in the discount rate

The following tables present the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability - City GLIP	$ 16,429,000	12,702,000	9,681,000
Net OPEB Liability - City VLDP	64,000	56,000	49,000
Net OPEB Liability - Schools GLIP	23,850,000	18,440,000	14,054,000
Net OPEB Liability - Schools VLDP	49,000	42,000	35,000
Net OPEB Liability - Schools THICP	40,442,000	36,235,000	32,659,000

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability - City LODA Program	$ 18,161,000	16,016,000	14,222,000

Sensitivity of the net OPEB liability to Health Care Trend Rate

Because the LODA Program contains a provisions for the payment of health insurances premiums, the liabilities are also impacted by the health care trend rate. The following presents the covered employer's proportionate share of the net LODA Program OPEB liability using a health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1% Decrease (6.75% to 4.00%)	Current Discount Rate (7.75% to 5.00%)	1% Increase (8.75% to 6.00%)
Net OPEB Liability - City LODA Program	$ 13,590,000	16,016,000	19,023,000

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(11) Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2018, the City reported the following OPEB liabilities for their proportionate shares of VRS directed OPEB plans.

OPEB Liabilities as of June 30, 2018 - City VRS directed	VRS Collective Liability	Percentage of Liability	City Liability
GLIP	$ 1,504,840,000	0.84%	$ 12,702,000
VLDPs	563,000	9.82%	56,000
LODA Program	262,791,000	6.09%	16,016,000
THICP	-	0.00%	N/A
Total VRS OPEB Liabilities			28,774,000

As of June 30, 2018, the Schools reported the following OPEB liabilities for their proportionate shares of VRS directed OPEB plans.

OPEB Liabilities as of June 30, 2018 - Schools VRS directed	VRS Collective Net Liability	Percentage of Liability	Schools Liability
GLIP - Non Professional	$ 1,504,840,000	1.34%	$ 20,217,000
VLDP - Employee	563,000	1.78%	10,000
VLDP - Teachers	594,000	7.10%	42,000
THICP	1,268,611,000	2.86%	36,235,000
Total VRS OPEB Liabilities			56,504,000

For the year ended June 30, 2018, the City and Schools reported the following OPEB expenses for their proportionate shares of VRS directed OPEB plans.

OPEB Expenses for the year ended June 30, 2018	City	Schools
GLIP	$ 178,000	245,000
VLDPs	101,000	73,000
LODA Program	1,438,000	N/A
THICP	N/A	2,940,000
Total VRS OPEB Expenses	1,717,000	3,258,000

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(11) Continued

At June 30, 2018, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to VRS directed OPEB Plans from the following sources:

	City		Schools	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience				
GLIP	$ -	282,000	-	447,000
Changes of assumptions				
GLIP	-	654,000	-	1,042,000
VLDP	-	10,000	3,000	2,000
LODA Program	-	1,654,000	-	-
THICP	-	-	-	373,000
Net difference between projected and actual earnings				
GLIP	-	478,000	-	761,000
VLDP	1,000	-	1,000	-
LODA Program	-	27,000	-	-
THICP	-	-	-	65,000
Changes in proportion				
GLIP	194,000	-	119,000	19,000
LODA Program	268,000	-	-	-
THICP	-	-	-	50,000
Employer contributions subsequent to the measurement date				
GLIP	834,086	-	1,320,110	-
VLDP	148,817	-	114,549	-
LODA Program	658,716	-	-	-
THICP	-	-	2,850,861	-
Total	$ 2,104,619	$ 3,105,000	$ 4,408,520	$ 2,759,000

(Continued)

(11) Continued

Employer contributions subsequent to the measurement date reported as deferred outflows of resources for the City and Schools totaled $1,641,619 and $4,285,520, respectively and will be recognized as a reduction of the OPEB liabilities in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's and Schools' OPEB expense in future reporting periods as follows:

	City	Schools
Year ended June 30,		
2019	$ (434,353)	(525,000)
2020	(434,353)	(527,000)
2021	(434,353)	(527,000)
2022	(434,353)	(527,000)
2023	(308,353)	(318,000)
Thereafter	(596,235)	(212,000)
	$ (2,642,000)	(2,636,000)

Significant Accounting Policies

VRS Directed Plans (GLIP, VLDPs, LODA Program and THICP)

For purposes of measuring the net OPEB liability for all VRS Directed plans, deferred outflows of resources and deferred inflows of resources related to the VRS Directed Plan OPEB, and the VRS Directed Plan OPEB expense, information about the fiduciary net position of the VRS Administered Plans: and the additions to/deductions from the VRS Administered Plans' net fiduciary positions have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Payables to the VRS Directed OPEB Plans
The City and Schools reported $192,392 and $606,570, respectively, of payables due to the VRS at June 30, 2018, which represent the June 2018 employer contributions for all plans not contractually required to be remitted until July 2018.

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/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

(12) Fund Balances

Primary Government

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	$ 1,506,762	-	-	-	1,506,762
Prepaid expenditures and other assets	1,946	-	-	190,809	192,755
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	**1,508,708**	**-**	**-**	**203,604**	**1,712,312**
Restricted for cash flow emergencies	**34,786,564**	**-**	**-**	**-**	**34,786,564**
Restricted other:					
General Government:					
Advances to component units and other	71,022	98,078		-	169,100
Tax increment financing - Greenbrier	-	-	-	12,175,446	12,175,446
Tax increment financing - South Norfolk	-	-	-	8,750,307	8,750,307
Proffers	-	-	-	1,234,862	1,234,862
Grants	-	-	-	2,393,814	2,393,814
Total General Government	71,022	98,078	-	24,554,429	24,723,529
Public Safety:					
Proffers	-	-	-	444,345	444,345
Grants	-	-	-	1,605,401	1,605,401
Total Public Safety	-	-	-	2,049,746	2,049,746
Public Works:					
Proffers	-	-	-	1,852,870	1,852,870
Grants	-	-	-	33,431	33,431
Total Public Works	-	-	-	1,886,301	1,886,301
Parks and Recreation:					
Grants	-	-	-	201,060	201,060
Total Parks and Recreation	-	-	-	201,060	201,060
Public Welfare:					
Integrated behavioral healthcare	-	-	-	7,438,480	7,438,480
Grants	-	-	-	218,208	218,208
Total Public Welfare	-	-	-	7,656,688	7,656,688
Education:					
Proffers	-	-	-	5,983,576	5,983,576
Education permanent funds interest	-	-	-	182,879	182,879
Total Education	-	-	-	6,166,455	6,166,455
Oak Grove connector	723,139	-	-	-	723,139
VGOF Dollar Tree	4,000,000	-	-	-	4,000,000
Poindexter Street construction	-	-	78	-	78
Total restricted other	**4,794,161**	**98,078**	**78**	**42,514,679**	**47,406,996**

(Continued)

(12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Committed for one time projects	**67,624,832**	**-**	**-**	**-**	**67,624,832**
Committed other:					
General Government:					
Law Library	33,191	-	-	-	33,191
Technology fees	505,312	-	-	-	505,312
Treasurer's EGOV	51,082	-	-	-	51,082
Treasurer's late license fee	3,954,751	-	-	-	3,954,751
Litigation reserve	1,252,558	-	-	-	1,252,558
Treasurer's EZ Pass	9,006	-	-	-	9,006
Juvenile services	-	-	-	375,001	375,001
Open space agriculture preservation	-	-	-	3,444,596	3,444,596
Total General Government	5,805,900	-	-	3,819,597	9,625,497
Public Safety:					
Radio system (800 MHZ)	2,001,211	-	-	-	2,001,211
Animal Control fees	9,625	-	-	-	9,625
Total Public Safety	2,010,836	-	-	-	2,010,836
Public Works:					
Excavation fees	233,181	-	-	-	233,181
Prorata drainage	-	-	5,371,135	-	5,371,135
Total Public Works	233,181	-	5,371,135	-	5,604,316
Parks and Recreation:					
Open space	-	-	1,924,296	-	1,924,296
Total Parks and Recreation	-	-	1,924,296	-	1,924,296
Public Welfare:					
Public assistance	-	-	-	186,338	186,338
CSB of Chesapeake, Inc.	-	-	-	358,228	358,228
Community development	-	-	-	302,509	302,509
Housing trust	-	-	-	49,253	49,253
Total Public Welfare	-	-	-	896,328	896,328
City future capital projects	6,005,634	-	-	-	6,005,634
Encumbrances	4,477,189	-	13,057,710	1,083,583	18,618,482
Economic development investment program	1,083,159	-	-	-	1,083,159
Schools future capital projects	16,669,006	-	-	-	16,669,006
Schools prior year reversion	60,021	-	-	-	60,021
Total committed other	**36,344,926**	**-**	**20,353,141**	**5,799,508**	**62,497,575**

(Continued)

(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	178,303	-	-	-	178,303
Commissioner of the Revenue - cigarette tax stamps	35,000	-	-	-	35,000
Local developers	-	-	224,296	-	224,296
Conference Center	-	-	-	5,443,233	5,443,233
Juvenile services	-	-	-	1,845,561	1,845,561
Total General Government	323,196	-	224,296	7,288,794	7,836,286
Public Safety:					
E-911	-	-	-	4,956,048	4,956,048
Fee supported activities	-	-	-	1,277,701	1,277,701
Total Public Safety	-	-	-	6,233,749	6,233,749
Public Works:					
Street maintenance	970,354	-	-	-	970,354
Prorata drainage	-	-	1,521,121	-	1,521,121
Jordan Bridge	-	-	300,000	-	300,000
Total Public Works	970,354	-	1,821,121	-	2,791,475
Parks and Recreation:					
Open space	-	-	13,150	-	13,150
Total Parks and Recreation	-	-	13,150	-	13,150
Public Welfare:					
Public assistance	-	-	-	6,933,409	6,933,409
Integrated behavioral healthcare	-	-	-	2,788,241	2,788,241
Interagency consortium	-	-	-	276,091	276,091
Total Public Welfare	-	-	-	9,997,741	9,997,741
Education:					
Revenue sharing	3,821,969	-	-	-	3,821,969
Cash reversion	2,266,712	-	-	-	2,266,712
Total Education	6,088,681	-	-	-	6,088,681
Debt service payments	-	14,383,253	-	-	14,383,253
City future capital projects	-	-	111,790,322	-	111,790,322
Total assigned	**7,382,231**	**14,383,253**	**113,848,889**	**23,520,284**	**159,134,657**
Unassigned:	**69,573,129**	**-**	**-**	**-**	**69,573,129**
Total fund balance	**$ 222,014,551**	**14,481,331**	**134,202,108**	**72,038,075**	**442,736,065**

(Continued)

(13) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by a third party for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2018.

(14) Commitments

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 8, 2018, which was later amended on June 12, 2018. The total estimated cost of this program amounted to $1,062,581,668 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	$	539,941,295
General Fund - Unassigned		38,435,620
General Fund - Committed for City Capital Projects		36,903,435
General Fund - Committed for Schools		35,000,000
Capital Projects Fund Balance		4,375,000
Information Technology - Fund Balance		1,515,000
Other Funds - Fund Balance		4,645,000
Greenbrier TIF Fund Cash		1,840,000
SoNo TIF Fund Cash		1,394,687
State Grant		66,921,166
Other Grants		1,550,000
Proffers		999,000
Public Utilities Operations		67,471,200
Stormwater Management Operations		23,250,000
Chesapeake Transportation System - Fund Balance		820,000
Borrowing Authority - Unissued		101,221,500
Borrowing Authority - VPSA		76,411,765
Public Utilities - Borrowing Authority Revenue Supported		59,887,000
	$	1,062,581,668

(Continued)

(14) Continued

Dollar Tree

In August 2016, Dollar Tree formally announced the $110.0 million expansion of its corporate headquarters in the Greenbrier area. The project is anticipated to be completed by 2023 and features the construction of a new 12-story office building within a "town center" environment and is expected to include dining and retail Development. The City Council approved a Development Agreement between the City, Economic Development Authority (EDA) and Dollar Tree in December 2016 and has committed to providing $20.5 million in local incentives through the EDA, including $16.0 million for the purchase of a portion of a parking garage as Condominium Unit for public use and an Economic Development Incentive Program grant of $4.5 million. In addition, the City has agreed to contribute a maximum of $16.3 million for transportation, utility and other public improvements in connection with the project.

In June 2018, City Council adopted a Resolution approving a plan of financing for the acquisition of a portion of a parking garage by the EDA. In consultation with the City, the EDA has committed to pay the costs to acquire the EDA Condominium Unit by using funds made available by the City from the Greenbrier Tax Increment Financing (TIF) Fund of approximately $8.0 million and net proceeds of a taxable revenue bond not to exceed $8.2 million. The debt service will be paid by the EDA, subject to appropriation, with funds transferred from the City's Greenbrier TIF Fund as described in the Cooperation Agreement between the City and the EDA and First Supplement.

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. Outstanding encumbrances as of June 30, 2018 for the City and the Schools are as follows:

City		**Schools**	
Governmental Funds		Governmental Funds	
General Fund	$ 4,477,189	General Fund	$ 2,688,874
Capital Projects	13,057,710	Capital Projects	26,779,414
Other Governmental Funds	1,083,583	Other Governmental Funds	845,230
Total	$ 18,618,482	Total	$ 30,313,518

(15) Joint Venture

On October 1, 2014, the City 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.

(Continued)

(15) Continued

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 and paid in three parts. The City paid $1.0 million for the initial payment that was due October 1, 2014, $1.0 million that was due before July 15, 2015, and $1.0 million that was due before July 15, 2016. 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.

	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 $27,241,287 reported in the Self-Insurance Fund at June 30, 2018 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).

(Continued)

(16) Continued

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2018 and 2017 were as follows:

Fiscal Year Ended		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2018	$	26,099,460	6,819,609	5,677,782	27,241,287
6/30/2017		26,772,535	5,408,479	6,081,554	26,099,460

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, 2018 are recognized as the 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, 2018 is $2,539,379. 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, 2018 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, 2018 is $9,432,330.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2018 and 2017 were as follows:

Fiscal Year Ended		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2018	$	10,608,300	69,342,548	70,518,518	9,432,330
6/30/2017		10,331,953	69,122,686	68,846,339	10,608,300

The liability at June 30, 2017 is comprised of $3,066,482 in long-term liabilities and $6,365,848 in accounts payable and accrued expenses related to medical and dental claims.

(Continued)

(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.

In fiscal year 2018, Department of Public Utilities staff has continued to evaluate the program for revisions to enhance the reporting and financial accountability as it relates to the Pro Rata Liabilities. Further research of Pro Rata records and historical data, as well as some FY18 activity, has the liabilities further refined. At the year-end, the recorded liability totaled $0.7 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. The amount payable to initial developers for whom the City has not yet received cash from subsequent developers or connection fees (depending on selection), but with whom the City has executed agreements is approximated herein as a contingent liability and is roughly estimated as approximately up to $5.2 million. Upon receipt of cash from subsequent developers or connection fees, 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 $5.4 million. Nevertheless, these amounts will be reimbursed by the City if and when all five conditions required under the policy have been met.

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(16) Continued

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.

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 guaranty agreement with SPSA, along with all of its other member communities. Under the agreement, these cities and counties agreed to guarantee the remainder of SPSA's debt not to exceed $50.0 million in the aggregate. The City's applicable percentage was 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA were 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, 2018, SPSA's outstanding indebtedness was satisfied. The City's contract with SPSA terminated on January 24, 2018; however, on April 26, 2016, the City Council approved a new contract with SPSA for post-2018 service thru 2027 with an additional ten year extension available. Complete audited financial statements for SPSA are available from the administrative office at 723 Woodlake Drive, Chesapeake, Virginia 23320.

SPSA Lease Extension

On April 26, 2016 the City Council voted to extend an existing lease agreement between 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 extended the term of the lease until January 24, 2018 when the current Use and Support Agreements with SPSA was to expire. On January 17, 2018 the City negotiated and entered into a subsequent Use and Support Agreement extending the term of the lease to January 25, 2023. 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.

(Continued)

(16) Continued

Litigation

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. The City management, based on the advice of the City Attorney, is of the opinion that these matters will not have a material effect on the City's financial position, with the possible exceptions noted below:

Hampton Roads Regional Jail Authority Litigations

The Hampton Roads Regional Jail Authority (HRRJA), of which the City is a member has answered wrongful death complaints. The litigation is ongoing. The Virginia Risk Management (VARISK) program has the authority to, and is, representing HRRJA in these lawsuits, in which they plan to mount a vigorous defense. The outcome is unknown at this time.

City of Chesapeake v. Burton Lumber Corporation

The City capital project for 22nd Street Bridge Replacement and Road Improvements included requirements for acquisitions of rights-of-way and easements for three parcels owned by Burton Lumber Corporation. The City filed a total of $340,247 for Certificates of take for the three properties, however, the Respondent is claiming an amount of $900,000 for the taking and damages as a result of various assertions that the property is more valuable than the City's offers and for damages to cure the requirement to relocate existing parking. The trial dates for the cases are set for March 25, 2019 and for July 15, 2019. The City is unable to predict the outcome of these matters.

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. An amendment to the 2014 MOA is being considered by all 14 localities and HRSD that updates the MOA and incorporates proposed changes to USEPA-HRSD Consent Decree that include the impacts of the Sustainable Water Initiative for Tomorrow (SWIFT) aquifer injection program currently being pilot tested by HRSD.

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(17) Fund Results and Reconciliation

GASB 75 Restatements

In fiscal year 2018, the City implemented GASB Statement No. 75 (GASB 75), "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which established standards of accounting and reporting for various types of OPEB arrangements.

GASB 75 requires the City and the component units, Public Schools and Mosquito Control Commission, to report net OPEB liabilities/assets and OPEB expense in the government-wide financial statements for the City directed and Schools directed single-employer trust plans as well as for the VRS multiple-employer cost-sharing plans provided to eligible employees. The City directed plan has a measurement date of June 30, 2018 and, therefore, has no deferred outflows for payments after the measurement date.

For all other plans, the measurement date for net OPEB liabilities is June 30, 2017 and contributions made during fiscal year 2018 are reported as deferred outflows of resources. GASB 75 also requires additional disclosures and new required supplementary schedules.

To implement this statement, the total net position at the beginning of the year was restated to reflect beginning net OPEB liabilities and deferred outflows and inflows of resources as follows:

	2017 Net Position Previously Presented	Changes in assets and deferred outflows of resources	Changes in liabilities and deferred inflows of resources	2017 Net Position Restated
Primary Government:				
Governmental Activities	1,179,481,600	1,491,935	(17,667,160)	1,163,306,375
Business-type Activities	604,530,036	73,304	(1,414,442)	603,188,898
Proprietary Funds:				
Public Utilities	459,310,151	48,307	(932,092)	458,426,366
Chesapeake Transportation System	67,349,576	6,466	(124,756)	67,231,286
Stormwater Management	78,358,564	18,531	(357,594)	78,019,501
Internal Service Funds	54,082,903	33,328	(643,068)	53,473,163
Discretely Presented Component Units:				
Chesapeake Public Schools	(426,892,386)	9,503,682	59,025,888	(358,362,816)
Chesapeake Mosquito Control Commission	5,134,463	9,779	(188,697)	4,955,545

Fund Deficits

The Self-Insurance Fund and Self-Funded Health Fund, both Internal Service Funds, had net position deficits of $3,177,023 and $1,205,811 respectively at June 30, 2018. These deficits will be funded by future internal billings to other funds of the City.

The Chesapeake Public Schools, a component unit, had a net position deficit of $327,910,383 at June 30, 2018. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation and net pension liability. At June 30, 2018, the School's net OPEB liability and net pension liability were $210,390,656 and $367,075,211 respectively.

(Continued)

(18) Subsequent Events

Chesapeake Land Bank Authority

On June 12, 2018, City Council voted to establish the Chesapeake Land Bank Authority (CLBA) and approved an appropriation for fiscal year 2019 budget in the amount of $3.0 million from a combination of the General Fund and the South Norfolk Tax Increment Financing (TIF) Fund. The City is authorized to create the CLBA under the Virginia Land Bank Entities Act, *Code of Virginia* §§ 15.2-7500 et. seq., as amended ("the Act"). City Council also approved the establishment of the South Norfolk Residential Rehabilitation Grant Program, which is to be administered by the CLBA.

The CLBA is a non-profit corporation whose focus is on the conversion of vacant, abandoned and tax delinquent properties to productive use. The CLBA has certain powers such as the ability to obtain property at low or no cost through tax foreclosure, to hold land tax-free, to clear clouded titles and back taxes, and to strategically assemble properties to benefit the community.

Greenbrier TIF Parking Garage

In July 2018, the EDA issued an $8.1 million taxable public facility revenue bond that was privately-placed with a local banking institution to finance the Greenbrier TIF parking garage as stipulated under the Development Agreement with Dollar Tree. These funds, together with an additional $8.0 million of funds from the Greenbrier TIF Fund to be transferred to the EDA, will be used to purchase the EDA Condominium Unit share of the parking garage. Debt service will begin in December 2018 and the City has appropriated adequate funds to the EDA to support the annual debt service. The Development Agreement contemplates that a Condominium Agreement is to be recorded within 30 days of completion of the parking garage. The parking garage is nearing completion and negotiation of the final Condominium Declaration is still underway.

Aqua Virginia, Inc.

Aqua Virginia, Inc. currently provides domestic water service to a portion of the Indian River area of the City. In October of 2018, the City executed an agreement with Aqua Virginia, Inc. to purchase their Indian River Public Water System utility assets. These assets include two fee simple parcels, multiple easements, a lease for groundwater wells, a water treatment and distribution system, service lines, System equipment and rights to provide water services to approximately 505 customers. Aqua Virginia, Inc. and the City are currently drafting a joint petition to the State Corporation Commission for approval of the transfer of ownership. It is estimated that approval will come from the SCC by February 2019.

(Continued)

(19) New Accounting Pronouncements

The GASB has issued the following pronouncements prior to June 30, 2018, which have effective dates that may impact future presentations.

GASB Statement No. 83, *Certain Asset Retirement Obligations.* GASB Statement No. 83 will be effective for the City beginning with year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities.* GASB Statement No. 84 will be effective for the City beginning with year ending June 30, 2020.

GASB Statement No. 87, *Leases.* GASB Statement No. 87 will be effective for the City beginning with year ending June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 will be effective for the City beginning with the year ending June 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* GASB Statement No. 89 is effective for reporting periods beginning after December 15, 2019 although early implementation is encouraged. The City implemented this statement effective for the year ending June 30, 2018.

For the City's proprietary funds, interest costs incurred during the construction period will no longer be capitalized. Rather, GASB 89 requires that the interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The prospective implementation does not require restatement of any balances (including capital assets that are in service, construction in progress or accumulated depreciation) or adjustments to beginning balances to remove interest previously capitalized.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.* GASB Statement No. 90 will be effective for the City beginning with the year ending June 30, 2020.

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

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Chesapeake
VIRGINIA

Required Supplementary Information

CITY OF CHESAPEAKE, VIRGINIA *Schedule L-1*

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund - unaudited
Year Ended June 30, 2018

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	$ 319,448,316	319,448,316	322,994,814	3,546,498
Other local taxes	123,861,002	123,861,002	125,778,519	1,917,517
Licenses, permits and fees	9,244,700	9,244,700	9,005,712	(238,988)
Fines and forfeitures	2,408,000	2,408,000	1,984,717	(423,283)
Investment income	803,600	803,600	1,698,420	894,820
Revenues from use of property	817,100	817,100	759,932	(57,168)
Charges for services	12,853,100	13,026,130	13,325,151	299,021
Miscellaneous local revenues	176,100	176,100	500,948	324,848
Recovered costs	110,300	137,600	585,594	447,994
Intergovernmental revenues:				
Commonwealth of Virginia	89,338,562	89,892,625	90,209,922	317,297
Federal government	46,200	46,200	828,738	782,538
Total revenues	559,106,980	559,861,373	567,672,467	7,811,094
EXPENDITURES				
Current:				
General government	120,364,208	120,026,388	110,773,646	9,252,742
Public safety	97,913,343	98,162,585	91,870,999	6,291,586
Public works	65,902,601	66,932,624	60,595,604	6,337,020
Parks and recreation	13,868,101	13,914,013	11,669,450	2,244,563
Debt Service	2,752,750	1,990,750	1,990,750	-
Total expenditures	300,801,003	301,026,360	276,900,449	24,125,911
Excess (deficiency) of revenues over (under) expenditures	258,305,977	258,835,013	290,772,018	31,937,005
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	3,845,060	3,866,910	4,231,688	364,778
Transfer from component units	-	-	586,474	586,474
Transfer from component unit - cash reversion	-	-	2,266,211	2,266,211
Transfers to other funds	(71,851,129)	(74,255,898)	(74,254,104)	1,794
Transfer to component units	(206,297,009)	(208,297,009)	(208,297,009)	-
Total other financing sources (uses)	(274,303,078)	(278,685,997)	(275,466,740)	3,219,257
Net change in fund balance	(15,997,101)	(19,850,984)	15,305,278	35,156,262
Fund balance - beginning	206,709,273	206,709,273	206,709,273	-
Fund balance - ending	$ 190,712,172	186,858,289	222,014,551	35,156,262

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, 2018

City

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2018	$ 21,458,678	21,458,678	-	158,317,359	13.55%
June 30, 2017	20,969,936	20,969,936	-	153,143,100	13.69%
June 30, 2016	23,566,227	23,566,227	-	147,330,182	16.00%
June 30, 2015	23,293,190	23,293,190	-	144,086,821	16.17%
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)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2018	$ 1,867,510	1,867,510	-	21,169,819	8.82%
June 30, 2017	1,936,293	1,936,293	-	21,645,530	8.95%
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)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2018	$ 37,345,663	37,345,663	-	231,560,514	16.13%
June 30, 2017	32,815,991	32,815,991	-	225,349,626	14.56%
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%

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

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

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2018

City Employees		**2015***	**2016***	**2017***	**2018***
Total pension liability					
Service cost	$	18,811,281	18,816,001	19,256,498	19,415,271
Interest cost		52,973,477	55,502,643	57,375,617	60,663,347
Changes of Assumptions		-	-	-	2,557,592
Difference between expected and actual experience		-	(8,933,171)	11,760,453	(11,011,574)
Benefit payments, including refunds of employee contributions		(34,074,130)	(37,233,496)	(40,023,900)	(42,826,108)
Net change in total pension liability		37,710,628	28,151,977	48,368,668	28,798,528
Total pension liability - beginning		773,801,021	811,511,649	839,663,626	888,032,294
Total pension liability - ending	$	811,511,649	839,663,626	888,032,294	916,830,822
Plan fiduciary net position					
Contributions - employer	$	21,780,263	23,309,941	23,585,872	20,970,594
Contributions - employee		7,107,584	7,364,024	7,428,153	7,699,143
Net investment income		94,184,657	31,352,624	12,288,110	86,401,631
Benefit payments, including refunds of employee contributions		(34,074,130)	(37,233,496)	(40,023,900)	(42,826,108)
Administrative expense		(507,330)	(429,327)	(441,129)	(502,418)
Other		4,964	(6,630)	(5,228)	(76,806)
Net change in plan fiduciary net position		88,496,008	24,357,136	2,831,878	71,666,036
Plan fiduciary net position - beginning		598,576,634	687,072,642	711,429,778	714,261,656
Plan fiduciary net position - ending	$	687,072,642	711,429,778	714,261,656	785,927,692
Net pension liability - ending	$	124,439,007	128,233,848	173,770,638	130,903,130
Plan fiduciary net position as a percentage of total pension liability		84.67%	84.73%	80.43%	85.72%
Covered payroll	$	138,455,434	144,086,821	147,330,182	153,143,100
Net pension liability as a percentage of covered payroll		89.88%	89.00%	117.95%	85.48%

* 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

CITY OF CHESAPEAKE, VIRGINIA *Schedule L-4*

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2018

Schools' Nonprofessional Employees:		**2015***	**2016***	**2017***	**2018***
Total pension liability					
Service cost	$	2,157,963	2,148,602	2,136,694	2,097,124
Interest cost		5,971,479	6,232,246	6,531,345	6,711,839
Difference between expected and actual experience		-	366,267	(1,148,254)	(1,139,936)
Change in assumption		-	-		(1,036,291)
Benefit payments, including refunds of employee contributions		(4,578,086)	(4,230,322)	(4,718,205)	(5,164,407)
Net change in total pension liability		3,551,356	4,516,793	2,801,580	1,468,329
Total pension liability - beginning		87,595,888	91,147,244	95,664,037	98,465,617
Total pension liability - ending	$	91,147,244	95,664,037	98,465,617	99,933,946
Plan fiduciary net position					
Contributions - employer	$	2,399,609	2,321,495	2,290,549	1,927,178
Contributions - employee		1,057,299	1,063,283	1,052,203	1,052,494
Net investment income		10,545,595	3,503,699	1,365,632	9,566,139
Benefit payments, including refunds of employee contributions		(4,578,086)	(4,230,322)	(4,718,205)	(5,164,407)
Administrative expense		(57,298)	(48,093)	(49,417)	(56,156)
Other		556	(743)	(582)	(8,489)
Net change in plan fiduciary net position		9,367,675	2,609,319	(59,820)	7,316,759
Plan fiduciary net position - beginning		67,634,802	77,002,477	79,611,796	79,551,976
Plan fiduciary net position - ending	$	77,002,477	79,611,796	79,551,976	86,868,735
Net pension liability - ending	$	14,144,767	16,052,241	18,913,641	13,065,211
Plan fiduciary net position as a percentage of total pension liability		84.48%	83.22%	80.79%	86.93%
Covered payroll	$	21,063,314	21,478,860	21,335,475	21,645,532
Net pension liability as a percentage of covered payroll		67.15%	74.74%	88.65%	60.36%

* 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, 2018

Schools' Professional Employees:		**2015***	**2016***	**2017***	**2018***
Employer's Proportion of the Net Pension Liability (Asset)		2.96080%	2.94792%	2.86078%	2.87861%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$	357,804,000	371,035,000	400,913,000	354,010,000
Employer's Covered Payroll	$	216,535,628	219,173,315	218,100,620	225,349,626
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll		165.24%	169.29%	183.82%	157.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		70.88%	70.68%	68.28%	72.92%

* 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 Employer Contributions - Other Postemployment Benefits - City and Schools Directed - unaudited
Year Ended June 30, 2018

City Directed

Fiscal year ended June 30:	Actuarial Determined Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2018*	$ 2,005,000	6,200,342	(4,195,342)	158,317,359	3.92%
2017	2,557,000	5,041,599	(2,484,599)	153,143,100	3.29%
2016	3,089,000	8,643,349	(5,554,349)	147,330,182	5.87%
2015	7,851,000	13,401,054	(5,550,054)	144,086,821	9.30%

Schools Directed

Fiscal year ended June 30:	Annual Determined Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2018+	$ n/a	5,481,286	n/a	252,730,333	2.17%
2017	12,990,000	5,681,682	7,308,318	246,995,156	2.30%
2016	12,377,878	6,100,004	6,277,874	239,436,096	2.55%
2015	12,017,270	6,637,601	5,379,669	240,652,174	2.76%

***** 2018 represents the first year of Actuarial Determined Contribution, which replaces ARC (2017 and previously)
+ ADC is not currently calculated for this plan

CITY OF CHESAPEAKE, VIRGINIA ***Schedule L-7***

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios - unaudited
Year Ended June 30, 2018

City Directed OPEB Plan		**2018**
Total OPEB liability		
Service cost	$	2,470,272
Interest cost		5,541,256
Change of benefit terms		
Difference between expected and actual experience		1,925,666
Changes in Assumptions		(5,323,681)
Benefit payments		(6,200,342)
Net change in total OPEB liability		(1,586,829)
Total OPEB liability - beginning		81,783,807
Total OPEB liability - ending	$	80,196,978
Plan fiduciary net position		
Contributions - employer	$	6,200,342
Net investment income		6,556,557
Benefit payments		(6,200,342)
Net change in plan fiduciary net position		6,556,557
Plan fiduciary net position - beginning		78,646,342
Plan fiduciary net position - ending	$	85,202,899
Net OPEB liability (asset) - ending	$	(5,005,921)
Plan fiduciary net position as a percentage of total OPEB liability		106.24%
Covered payroll	$	158,317,359
Net OPEB liability as a percentage of covered payroll		-3.16%
Expected average remaining service years of all participants		6
Annual money - weighted rate of return, net of investment expense		8.3%

Schedule is intended to show information for 10 years. Since 2018 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

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

Schedule of City of Chesapeake Proportionate Share of Net OPEB Liability - VRS Directed Programs - unaudited
Year Ended June 30, 2018

		2018
Virginia Local Disability Program		
Employers Proportion of the Net VLDP OPEB Liability		9.82%
City of Chesapeake Proportionate Share of the Net VLDP OPEB Liability	$	56,000
City of Chesapeake Covered Payroll		17,984,904
City of Chesapeake Proportionate Share of the Net VLDP OPEB Liability as a Percentage of covered payroll		0.31%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability		0.21%
Group Life Insurance Program		
Employers Proportion of the Net GLIP OPEB Liability		0.84%
City of Chesapeake Proportionate Share of the Net GLIP OPEB Liability	$	12,702,000
City of Chesapeake Covered Payroll		153,143,100
City of Chesapeake Proportionate Share of the Net GLIP OPEB Liability as a Percentage of covered payroll		8.29%
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability		48.86%
Line of Duty Act		
Employers Proportion of the Net LODA OPEB Liability		6.09%
City of Chesapeake Proportionate Share of the Net LODA OPEB Liability	$	16,016,000
City of Chesapeake Covered Payroll		63,297,135
City of Chesapeake Proportionate Share of the Net LODA OPEB Liability as a Percentage of covered payroll		25.30%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.30%

Schedule is intended to show information for 10 years. Since 2018 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

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

Schedule of Changes in the Net OPEB Liability and Related Ratios - unaudited
Year Ended June 30, 2018

Schools Directed OPEB Plan		**2018**
Total OPEB liability		
Service cost	$	5,640,881
Interest cost		4,683,042
Difference between expected and actual experience		(1,299,051)
Change in assumption		(13,473,773)
Benefit payments		(5,681,682)
Net change in total OPEB liability		(10,130,583)
Total OPEB liability - beginning		167,158,106
Total OPEB liability - ending	$	157,027,523
Plan fiduciary net position		
Contributions - employer	$	5,681,862
Net investment income		354,865
Benefit payments		(5,681,862)
Net change in plan fiduciary net position		354,865
Plan fiduciary net position - beginning		2,786,002
Plan fiduciary net position - ending	$	3,140,867
Net OPEB liability - ending	$	153,886,656
Plan fiduciary net position as a percentage of total OPEB liability		2.00%
Covered payroll	$	246,995,156
Net OPEB liability as a percentage of covered payroll		62.30%
Expected average remaining service years of all participants		-
Annual money - weighted rate of return, net of investment expense		13.04%

Schedule is intended to show information for 10 years. Since 2017 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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule L-10***

Schedule of City of Chesapeake Schools Proportionate Share of Net OPEB Liability - VRS Directed Programs - unaudited
Year Ended June 30, 2018

		2018
Virginia Local Disability Program - Employee		
Employers Proportion of the Net VLDP OPEB Liability		1.78%
Schools Proportionate Share of the Net VLDP OPEB Liability	$	10,000
Schools Covered Payroll		3,260,758
Schools Proportionate Share of the Net VLDP OPEB Liability as a Percentage of covered payroll		0.31%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability		0.21%
Virginia Local Disability Program - Teachers		
Employers Proportion of the Net VLDP OPEB Liability		7.10%
Schools Proportionate Share of the Net VLDP OPEB Liability	$	42,000
Schools Covered Payroll		20,034,887
Schools Proportionate Share of the Net VLDP OPEB Liability as a Percentage of covered payroll		0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability		0.21%
Group Life Insurance Program		
Employers Proportion of the Net GLIP OPEB Liability		1.34%
Schools Proportionate Share of the Net GLIP OPEB Liability	$	20,217,000
Schools Covered Payroll		247,811,159
Schools Proportionate Share of the Net GLIP OPEB Liability as a Percentage of covered payroll		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability		48.86%
Teacher Health Insurance Credit Program		
Employers Proportion of the Net THICP OPEB Liability		0.00%
Schools Proportionate Share of the Net THICP OPEB Liability	$	36,235,000
Schools Covered Payroll		225,417,292
Schools Proportionate Share of the Net THICP OPEB Liability as a Percentage of covered payroll		16.07%
Plan Fiduciary Net Position as a Percentage of the Total THICP OPEB Liability		7.04%

Schedule is intended to show information for 10 years. Since 2018 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

Schedules of Employer Contributions - Other Postemployment Benefits - VRS Directed Programs - unaudited
Year Ended June 30, 2018

City - VRS Directed Programs

Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Covered Payroll	Actual Amount Contributed in Percent
Virginia Local Disability Program					
2018	$ 148,817	148,817	-	24,838,835	100.00%
2017	108,219	108,219	-	17,984,904	100.00%
2016	68,377	68,377	-	8,027,845	100.00%
Group Life Insurance					
2018	$ 834,086	834,086	-	158,317,359	100.00%
2017	809,643	809,643	-	153,143,100	100.00%
2016	716,757	716,757	-	147,330,182	100.00%
Line of Duty Act *					
2018	$ 658,716	658,716	-	62,652,380	100.00%
2017	657,156	657,156	-	63,297,135	100.00%
2016	583,954	583,954	-	n/a	100.00%

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution, therefore, covered employee payroll is the relevent measurement.

Schools - VRS Directed Programs

Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Covered Payroll	Actual Amount Contributed in Percent
Virginia Local Disability Program					
2018	$ 114,549	114,549	-	32,963,617	100.00%
2017	81,673	81,673	-	23,295,645	100.00%
2016	44,771	44,771	-	12,946,434	100.00%
Group Life Insurance					
2018	$ 1,320,110	1,320,110	-	253,867,382	100.00%
2017	1,288,618	1,288,618	-	247,811,159	100.00%
2016	1,273,154	1,153,044	120,110	240,217,696	90.57%
Teacher Health Insurance Credit Program					
2018	$ 2,850,681	2,850,681	-	231,762,672	100.00%
2017	2,772,633	2,502,132	270,501	225,417,292	90.24%
2016	2,574,061	2,312,292	261,769	239,436,096	89.83%

(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. Effective with budget year beginning July 1, 2016, the City Manager is authorized by City Council to make transfers of funds between funds, departments and programs up to $250,000 and is required to notify City Council. For any budget transfers are greater than $250,000, cross capital projects or cross between operating and capital budgets, the requests must be authorized by City Council. 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.

(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, 2016 based on the most recent experience study of the VRS for the four year period ending June 30, 2016:

Schools Professional Employees

- Update to a more current mortality table- RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Reduce rates of salary increase by 0.25% per year

City Employees and Schools Nonprofessional Employees

Largest 10 – Non-LEOs:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 20%

Largest 10 – LEOs:

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- Increased line of duty disability rate from 60% to 70%

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

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 15%

All Others (Non 10 Largest) – LEOs:
- Update to a more current mortality table – RP-2014 projected to 2020
- Increased retirement rate age 50 rates, and lowered rates at older ages

- Increased withdrawal rates to better fit experience at each year age and service through 9 years of experience
- Adjusted disability rates to better fit experience
- Decreased line of duty disability rate from 60% to 45%

(3) Other Postemployment Benefit Plans

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the VRS for the four year period ending June 30, 2016:

VRS Plans-

Health Insurance Credit Program-
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

Group Life Insurance Program-

General Employees
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Adjusted withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- Increased Line of Duty Disability for largest 10 from 14% to 20%, and increased all others from 14% to 15%

Hazardous Duty Employees
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages for largest 10, increased age 50 rates and lowered rates at older ages for all others.
- Adjusted withdrawal rates to better fit experience at each age and service year.
- Increased disability rates for largest 10, adjusted rates to better match experience for all others.
- Increased Line of Duty Disability for largest 10 from 60% to 70%, and decreased rate for all others from 60% to 45%

Teachers
- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- Adjusted disability rates to better match experience.

Line of Duty Act Plan-

General Employees

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Increased Line of Duty Disability from 14% to 25%

Virginia Local Disability Program-

General Employees

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Adjusted withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- Increased Line of Duty Disability for largest 10 from 14% to 20%, and increased all others from 14% to 15%

Teachers

- Update to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- Adjusted disability rates to better match experience.

Other Supplementary Information - Combining and Individual Fund Schedules

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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.

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2018

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	$ 247,677,716	246,838,584	(839,132)
Current taxes on public service corporations	9,700,000	9,959,951	259,951
Current taxes on personal property	43,075,000	45,292,697	2,217,697
Delinquent taxes on real property	3,396,500	3,168,566	(227,934)
Delinquent taxes on personal property	12,703,200	14,631,916	1,928,716
Penalties, interest and advertising	2,895,900	3,103,100	207,200
Total general property taxes	319,448,316	322,994,814	3,546,498
Other local taxes			
Local sales and use taxes	39,975,800	40,912,255	936,455
Consumer utility taxes	10,650,000	10,856,726	206,726
Communications sales tax	6,445,202	5,926,231	(518,971)
Business license taxes	25,500,000	27,319,871	1,819,871
Local utility consumption tax	915,000	898,295	(16,705)
Bank stock taxes	1,675,000	1,546,598	(128,402)
Taxes on recordation and wills	3,550,000	3,313,766	(236,234)
Tobacco taxes	4,500,000	4,186,843	(313,157)
Hotel and motel room taxes	4,500,000	4,886,778	386,778
Restaurant food taxes	24,525,000	24,246,055	(278,945)
Admission taxes	940,000	983,446	43,446
Short-term rental taxes	685,000	667,655	(17,345)
Pari-mutuel waging pool tax	-	34,000	34,000
Total other local taxes	123,861,002	125,778,519	1,917,517
Revenues from local sources			
Licenses, permits and fees:			
Bicycle licenses	-	7	7
Building structure and equipment permits	1,245,200	1,052,806	(192,394)
Precious metals and gems permits	3,600	3,600	-
Highway and driveway permits	24,400	28,350	3,950
Transfer fees	5,900	7,387	1,487
Zoning inspection fees	61,000	50,427	(10,573)
Building inspection fees	112,800	101,575	(11,225)
Electrical inspection fees	307,000	275,594	(31,406)
Elevator inspection fees	10,300	21,200	10,900
Plumbing inspection fees	247,100	191,150	(55,950)
Mechanical permits	437,200	432,505	(4,695)
Subdivision review fees	167,800	142,765	(25,035)
Solicitors permits	4,000	3,455	(545)
Taxi operators licenses	1,400	570	(830)
Motor vehicle license	6,354,800	6,445,140	90,340
Inspection fees - gas appliances	69,400	68,617	(783)
Animal license and fees	179,600	166,877	(12,723)
Rodent free certification fee	5,400	5,810	410
Hunting and fishing license	-	12	12
Rental inspection fees	7,800	7,865	65
Total licenses, permits and fees	9,244,700	9,005,712	(238,988)
Fines and forfeitures	2,408,000	1,984,717	(423,283)
Investment income	803,600	1,698,420	894,820

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2018

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	$ 237,900	230,958	(6,942)
Rental of recreational properties and facilities	524,000	474,913	(49,087)
Library rental revenue	16,800	18,202	1,402
Rental of showmobile	38,400	35,859	(2,541)
Total revenues from use of property	817,100	759,932	(57,168)
Charges for services:			
Special court costs	65,200	64,170	(1,030)
Law library fees	86,900	114,436	27,536
Accident report fees	131,100	93,778	(37,322)
Municipal court fees	41,200	48,172	6,972
Civil penalties	37,700	53,993	16,293
Non-support fees	117,000	134,563	17,563
Commonwealth's Attorney fees	21,700	25,240	3,540
Police escort fees	24,700	26,118	1,418
Sale of service - police	188,400	212,861	24,461
Fire report fees	1,000	770	(230)
Sheriff fees	22,900	22,861	(39)
Inmate medical fees	16,000	29,248	13,248
Sale of service - jail	175,800	120,593	(55,207)
Sale of service - jail inmates	69,200	49,693	(19,507)
Inmate phone system - jail	760,000	882,827	122,827
Sale of service - sheriff	794,600	926,248	131,648
Sale of service - public works	460,030	457,795	(2,235)
Engineering and administrative fees	14,700	14	(14,686)
Recreation fees	1,428,100	1,260,627	(167,473)
Library fines and fees	309,600	362,590	52,990
Lot processing fees	95,600	87,950	(7,650)
Sale of service - planning	5,500	5,268	(232)
Sale of service - public information	200	49	(151)
Sale of publications	-	11	11
Returned check fees	12,800	14,622	1,822
Custodian service	107,000	99,410	(7,590)
Wage assignment fees	-	6,941	6,941
Sale of service - assessor	7,600	5,387	(2,213)
Emergency medical service fees	6,328,100	6,133,928	(194,172)
Administration collected fees	878,500	868,291	(10,209)
Wetland board civil fees	28,600	20,400	(8,200)
Passport application fee	90,800	64,990	(25,810)
Sale of service - Commissioner of the Revenue	90,000	94,408	4,408
Subdivision inspection fees	364,400	702,423	338,023
Fire plan review fees	47,500	29,959	(17,541)
Zoning fees	24,300	22,340	(1,960)
Building plan fees	69,400	66,073	(3,327)
Inspections technology fee	81,700	75,160	(6,540)
E-Government subscription fee	28,300	29,215	915
Cable franchise fees	-	111,657	111,657
Waste and recycling service	-	72	72
Total charges for services	13,026,130	13,325,151	299,021

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2018

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Payments in lieu of taxes	$ -	76,725	76,725
Sale of real property	-	199,112	199,112
Sale of ARC - public works	15,500	26,264	10,764
Sale of junk and salvage	5,000	8,038	3,038
Sale of food and beverages	42,500	22,375	(20,125)
Escheated funds	-	-	-
Other revenue	113,100	168,434	55,334
Total miscellaneous local revenues	176,100	500,948	324,848
Recovered costs:			
Insurance claims and collections	-	231,180	231,180
Other recoveries and rebates	137,600	352,404	214,804
Recoveries - Jury	-	2,010	2,010
Total recovered costs	137,600	585,594	447,994
Total revenues from local sources	469,922,548	476,633,807	6,711,259
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	175,000	163,306	(11,694)
Mobile home titling taxes	35,000	47,799	12,799
Indirect costs	392,200	229,978	(162,222)
Daily rental taxes - auto	1,060,000	1,171,810	111,810
Deed taxes	871,000	888,117	17,117
Personal Property Tax Relief	28,590,000	28,590,001	1
Total noncategorical aid	31,123,200	31,091,011	(32,189)
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,920,300	2,000,756	80,456
Sheriff	10,466,562	10,103,732	(362,830)
Commissioner of the Revenue	357,500	356,288	(1,212)
Treasurer	378,800	387,023	8,223
Registrar/Electoral Board	87,300	76,626	(10,674)
Circuit court clerk	1,173,000	1,115,412	(57,588)
Agriculture	84,100	89,172	5,072
Total shared expenses	14,467,562	14,129,009	(338,553)

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2018

		Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:				
Other categorical aid:				
Local jail	$	1,900,000	2,167,948	267,948
Police		6,299,900	6,502,736	202,836
Street and highway maintenance		34,725,663	34,741,840	16,177
Library		179,500	184,542	5,042
Excess fees		196,800	269,073	72,273
Other state grants		-	-	-
Transportation improvement set-aside		1,000,000	1,053,096	53,096
Reimbursement for emergency expense		-	70,667	70,667
Total other categorical aid		44,301,863	44,989,902	688,039
Total categorical aid		58,769,425	59,118,911	349,486
Total revenues from the Commonwealth		89,892,625	90,209,922	317,297
Revenues from the Federal Government				
Noncategorical aid - Refuge Revenue Sharing Act		29,100	31,014	1,914
Categorical aid:				
Other federal grants		6,100	7,592	1,492
Drug Enforcement Agency		-	28,690	28,690
Emergency reimbursement - federal		11,000	761,442	750,442
Total revenues from the Federal Government		46,200	828,738	782,538
Total revenues		559,861,373	567,672,467	7,811,094
OTHER FINANCING SOURCES				
Payments from component units:				
Chesapeake Public Schools		-	586,474	586,474
Chesapeake Public Schools - cash reversion		-	2,266,211	2,266,211
Transfers from other funds		3,866,910	4,231,688	364,778
Total other financing sources		3,866,910	7,084,373	3,217,463
Total revenues and other financing sources	$	563,728,283	574,756,840	11,028,557

CITY OF CHESAPEAKE, VIRGINIA *Schedule M-2*

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2018

		Expenditures					
	Appropriations	Operating	Capital Outlay	Total	Balance	Encumbrances	Unencumbered Balance
EXPENDITURES							
General government:							
Legislative Department - City Council	$ 1,001,576	896,205	20,476	916,681	84,895	34	84,861
Executive Department:							
City manager	1,875,024	1,683,943	-	1,683,943	191,081	1,700	189,381
Public communications	1,313,705	1,094,439	-	1,094,439	219,266	7,180	212,086
Contingencies	76,332	12,000	-	12,000	64,332	-	64,332
Environmental emergencies	28,403	-	-	-	28,403	-	28,403
Emergency event - 2016 Hurricane Matthew	550,194	138,368	225,638	364,006	186,188	186,188	-
Department of Law - City Attorney	2,590,998	2,145,932	-	2,145,932	445,066	379	444,687
Department of Finance:							
Commissioner of revenue	3,745,992	3,396,821	-	3,396,821	349,171	1,341	347,830
Real estate assessor	2,549,038	2,411,763	-	2,411,763	137,275	-	137,275
Board of equalization	4,333	3,244	-	3,244	1,089	-	1,089
City treasurer	5,299,824	4,350,160	-	4,350,160	949,664	814	948,850
Director of finance	2,752,549	2,534,520	-	2,534,520	218,029	52,038	165,991
Economic development	1,852,615	1,781,058	-	1,781,058	71,557	5,000	66,557
Budget director	695,834	656,877	-	656,877	38,957	-	38,957
City auditor	647,170	618,961	-	618,961	28,209	327	27,882
Independent auditors	190,915	190,515	-	190,515	400	400	-
Financial advisory services	51,000	25,350	-	25,350	25,650	-	25,650
Department of Human Resources:							
Human resources	2,353,324	2,105,144	-	2,105,144	248,180	1,013	247,167
HIPAA	264,991	278,229	-	278,229	(13,238)	-	(13,238)
Judicial Department:						-	
Circuit court	701,900	680,592	15,401	695,993	5,907	-	5,907
Magistrates office	73,301	48,273	-	48,273	25,028	-	25,028
General district court	337,815	297,147	-	297,147	40,668	6,457	34,211
Juvenile and domestic relations court	122,453	100,924	-	100,924	21,529	390	21,139
Court services unit	341,473	285,872	-	285,872	55,601	-	55,601
Commonwealth's attorney	4,703,284	4,586,473	-	4,586,473	116,811	-	116,811
Circuit court clerk	2,508,689	2,115,613	-	2,115,613	393,076	8,471	384,605
Sheriff	47,359,725	44,767,246	97,290	44,864,536	2,495,189	73,321	2,421,868
Purchasing	957,569	835,689	-	835,689	121,880	561	121,319
Department of Public Health:							
General clinics	1,815,564	1,803,898	-	1,803,898	11,666	2,973	8,693
OSHA services	827,406	758,503	-	758,503	68,903	181	68,722

(Continued)

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2018

		Expenditures					
	Appropriations	Operating	Capital Outlay	Total	Balance	Encumbrances	Unencumbered Balance
General government, continued:							
Department of Public Library:							
Public library	$ 9,438,109	8,763,002	43,835	8,806,837	631,272	103,568	527,704
Public library state aid	185,719	184,542	-	184,542	1,177	-	1,177
Law library	112,823	88,809	-	88,809	24,014	15,292	8,722
Boards and Commissions:							
Planning department	2,437,107	2,208,463	-	2,208,463	228,644	9,716	218,928
Planning commission	247,228	56,879	-	56,879	190,349	-	190,349
Electoral board	1,366,365	1,245,394	-	1,245,394	120,971	-	120,971
Department of Agriculture	427,268	424,325	-	424,325	2,943	-	2,943
Department of Human Services							
Division of Community Programs	1,149,609	1,046,238	-	1,046,238	103,371	6,048	97,323
Customer Contact Center	888,209	822,143	-	822,143	66,066	164	65,902
Department of Development and Permits:							
Code compliance and zoning administration	4,107,968	3,947,698	-	3,947,698	160,270	1,037	159,233
Development and permits administration	2,844,191	2,489,459	-	2,489,459	354,732	14	354,718
Nondepartmental:							
Support of civic and community organizations	413,560	386,001	-	386,001	27,559	11,315	16,244
Regional cooperation and support	7,176,714	6,738,404	-	6,738,404	438,310	-	438,310
Other nondepartmental support	1,360,016	1,087,384	-	1,087,384	272,632	-	272,632
Chesapeake regional airport	278,506	278,506	-	278,506	-	-	-
Debt service	1,990,750	1,990,750	-	1,990,750	-	-	-
Total general government	122,017,138	112,361,756	402,640	112,764,396	9,252,742	495,922	8,756,820
Public Safety:							
Police department	46,388,237	43,124,743	91,637	43,216,380	3,171,857	233,139	2,938,718
Animal control	1,834,921	1,689,217	-	1,689,217	145,704	1,130	144,574
Public safety training	1,962,132	1,682,832	31,031	1,713,863	248,269	30,906	217,363
Fire department	45,434,631	42,751,139	192,314	42,943,453	2,491,178	177,952	2,313,226
Fire prevention bureau	1,732,846	1,637,445	40,032	1,677,477	55,369	-	55,369
Fire training	373,942	281,172	-	281,172	92,770	-	92,770
Emergency management operations	435,876	349,437	-	349,437	86,439	1,256	85,183
Total public safety	98,162,585	91,515,985	355,014	91,870,999	6,291,586	444,383	5,847,203
Public works:							
Engineering and administration	5,166,038	4,616,590	17,770	4,634,360	531,678	3,500	528,178
Traffic engineering	6,902,705	6,343,300	72,500	6,415,800	486,905	43,875	443,030
Street maintenance	6,640,910	5,215,549	413,246	5,628,795	1,012,115	304,935	707,180
Bridges and structures	3,435,065	2,586,137	241,936	2,828,073	606,992	202,911	404,081

(Continued)

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2018

		Expenditures					
	Appropriations	Operating	Capital Outlay	Total	Balance	Encumbrances	Unencumbered Balance
Public works, continued:							
Bureau of drainage	$ 4,218,275	1,861,804	728,132	2,589,936	1,628,339	1,272,869	355,470
Contractual services	9,023,870	7,873,906	-	7,873,906	1,149,964	973,961	176,003
Buildings maintenance	7,083,168	6,848,667	-	6,848,667	234,501	21,670	212,831
Facilities Management - building	1,608,226	1,393,447	17,278	1,410,725	197,501	14,382	183,119
Public works operations	1,057,408	1,014,586	-	1,014,586	42,822	-	42,822
Solid waste collection	9,525,539	9,255,176	8,171	9,263,347	262,192	100,664	161,528
SPSA	12,271,420	12,087,409	-	12,087,409	184,011	96,868	87,143
Total public works	66,932,624	59,096,571	1,499,033	60,595,604	6,337,020	3,035,635	3,301,385
Parks and recreation:							
Administration	2,970,091	2,786,476	-	2,786,476	183,615	6,863	176,752
Community centers	2,440,934	1,951,330	22,927	1,974,257	466,677	120,490	346,187
Parks operations	1,556,827	1,362,381	13,575	1,375,956	180,871	41,666	139,205
Parks and grounds maintenance	3,505,584	2,568,165	354,723	2,922,888	582,696	310,899	271,797
Parks, grounds and building maintenance - warehouse and work order	206,799	185,430	-	185,430	21,369	-	21,369
Recreation programs	1,156,369	980,650	-	980,650	175,719	17,222	158,497
Special programs	2,012,934	1,384,296	-	1,384,296	628,638	4,109	624,529
Fine arts programs	64,475	59,497	-	59,497	4,978	-	4,978
Total parks and recreation	13,914,013	11,278,225	391,225	11,669,450	2,244,563	501,249	1,743,314
Total expenditures and encumbrances	301,026,360	274,252,537	2,647,912	276,900,449	24,125,911	4,477,189	19,648,722
OTHER FINANCING USES							
Transfers to component unit:							
Public Schools	208,297,009	208,297,009	-	208,297,009	-	-	-
Transfers to other funds:							
Debt Service Fund	33,894,555	33,894,134	-	33,894,134	421	-	421
Capital Projects Fund	21,267,913	21,267,056	-	21,267,056	857	-	857
Virginia Public Assistance Fund	5,859,406	5,859,406	-	5,859,406	-	-	-
Integrated Behavioral Healthcare Fund	7,533,867	7,533,867	-	7,533,867	-	-	-
Juvenile Services Fund	1,484,574	1,484,574	-	1,484,574	-	-	-
Interagency Consortium Fund	1,711,740	1,711,740	-	1,711,740	-	-	-
E-911 Operations Fund	106,458	106,458	-	106,458	-	-	-
Grants Fund	15,550	15,035	-	15,035	515	-	515
Information Technology Fund	866,500	866,500	-	866,500	-	-	-
City Garage Fund	1,515,334	1,515,334	-	1,515,334	-	-	-
Total transfers to other funds	74,255,897	74,254,104	-	74,254,104	1,793	-	1,793
Total other financing uses	282,552,906	282,551,113	-	282,551,113	1,793	-	1,793
Total expenditures, encumbrances and other financing uses	$ 583,579,266	556,803,650	2,647,912	559,451,562	24,127,704	4,477,189	19,650,515

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule N*

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2018

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	$ -	193,774	193,774
Revenues from use of property	54,889	54,889	-
Miscellaneous local revenues	360,770	360,770	-
Intergovernmental revenues:			
Federal government - American Reinvestment and Recovery Act	890,649	889,902	(747)
Total revenues	1,306,308	1,499,335	193,027
EXPENDITURES			
Interest on general obligation bonds	13,212,169	13,212,169	-
Interest on literary loans	17,958	17,958	-
Interest on open space agriculture preservation	64,430	64,430	-
Other debt expenditures	55,000	30,514	24,486
Redemption of general obligation bonds	28,478,246	28,478,246	-
Redemption of literary loans	199,537	199,537	-
Total expenditures	42,027,340	42,002,854	24,486
Excess (deficiency) of revenues over (under) expenditures	(40,721,032)	(40,503,519)	217,513
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	33,894,554	33,894,134	(420)
Tax Increment Financing - Greenbrier Fund	1,465,613	1,465,293	(320)
Tax Increment Financing - South Norfolk Fund	1,009,281	1,006,088	(3,193)
Integrated Behavioral Healthcare Fund	287,150	287,150	-
Open Space Agriculture Preservation Fund	64,430	64,430	-
Capital Projects Fund	-	1,814,559	1,814,559
Total transfers from other funds	36,721,028	38,531,654	1,810,626
Payments from component unit - Public Schools Capital Projects Fund	-	254,907	254,907
Total other financing sources (uses), net	36,721,028	38,786,561	2,065,533
Net change in fund balance	(4,000,004)	(1,716,958)	2,283,046
Fund balance - beginning	16,198,289	16,198,289	-
Fund balance - ending	$ 12,198,285	14,481,331	2,283,046

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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.

General Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects:									
General Government:									
1011210100	American with Disability Act III	$ 221	-	-	-	221	-	221	
1011500100	Public Works/Public Utilities Operation Relocation Ph I	9,700,000	2,528,083	3,345	2,531,429	7,168,571	18,400	7,150,171	
1011600100	Mosquito Control Facility Relocation	7,210,320	886,242	3,038,329	3,924,571	3,285,749	1,505,405	1,780,343	
1011700100	Airport Authority Renovations	307,000	104,425	64,571	168,996	138,004	-	138,004	
1011800100	Compressed Natural Gas (CNG) Fueling Station # 2	1,350,000	1,059,275	-	1,059,275	290,725	290,725	-	
1012200100	ADA Facility and Infrastructure Retrofits	50,000	-	-	-	50,000	-	50,000	
1021200100	Facilities High Priority Renewal & Replacement	907	-	-	-	907	-	907	
1021200100	Facilities High Priority Renewal & Replacement	2,687,066	2,687,066	-	2,687,066	-	-	-	*
1021500100	High Priority Renewal and Replacements III	6,717,610	5,516,302	1,106,094	6,622,397	95,214	86,921	8,293	
1021500100	High Priority Renewal and Replacements III	208,076	208,076	-	208,076	-	-	-	*
1021510100	High Priority Renewal and Replacements III	2,175,000	-	1,098,418	1,098,418	1,076,582	375,364	701,218	
1021600100	Solid Waste Facility Relocation	2,170,000	139,456	-	139,456	2,030,544	83,794	1,946,750	
1021700100	Dominion Boulevard Corridor	345,600	313,901	-	313,901	31,699	5,607	26,092	
1021800100	Jordan Bridge Memorial	100,000	-	-	-	100,000	-	100,000	
1022000100	Voting Equipment Replacement	738,081	-	738,081	738,081	-	-	-	*
1022200100	Facility - Capital Improvement and Utilization Study	175,000	-	-	-	175,000	-	175,000	
1030810100	American with Disability Act II	20	-	-	-	20	-	20	
1031700100	Greenbrier Commerce Improvement District	16,000,000	-	-	-	16,000,000	-	16,000,000	
1032000100	City Hall 6th Floor Redesign - City Attorney & Manager	100,000	-	-	-	100,000	-	100,000	
1032200100	Public Infrastructure&Utility Imprv - Dollar Tree (GB TIF)	10,200,000	-	-	-	10,200,000	-	10,200,000	
1041500100	Municipal Parking Lots and Sidewalks II	950,000	798,698	99,483	898,181	51,819	-	51,819	
1041700100	South Norfolk - Strategic Acquisition of Real Property	2,679,191	-	261,080	261,080	2,418,111	13,495	2,404,616	
1041700100	South Norfolk - Strategic Acquisition of Real Property	3,172,783	2,790,952	381,831	3,172,783	-	-	-	*
1042000100	Juvenile Services Building Renovations	2,000,000	43,776	346,990	390,766	1,609,234	330,141	1,279,094	
1042100100	Social Services Building Restroom Renovation	100,000	4,886	-	4,886	95,114	-	95,114	
1042200100	Broadband Wireless	1,500,000	-	275	275	1,499,725	-	1,499,725	
1051600100	Disaster Recovery Backup Radio System	32	-	-	-	32	-	32	
1061600100	Enterprise Kronos Upgrade	1,616	-	-	-	1,616	-	1,616	
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	14,520	-	-	-	14,520	13,479	1,041	
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	53,894	53,894	-	53,894	-	-	-	*
1061710100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	620,000	-	157,375	157,375	462,625	108,985	353,639	
1062200100	Citywide ERP Solution	500,000	-	89,364	89,364	410,636	357,456	53,180	
1071600100	FCC Narrowbanding Compliance	700	-	-	-	700	-	700	
1071700100	Enterprise Wide Technology Improvement - Phase III	750,000	529,468	22,972	552,440	197,560	-	197,560	
1081600100	Project 25 Radio System	1,732,140	95,021	904,866	999,887	732,254	711,959	20,294	
1081700100	Human Services Case Management System	30,000	-	-	-	30,000	-	30,000	
1081900100	Public Health Center/Health Department Expansion	5,558,826	106,288	227,661	333,949	5,224,877	167,477	5,057,400	
1082100100	Enterprise Wide Technology - Phase III	250,000	-	-	-	250,000	-	250,000	
1090900100	South Norfolk Strategic Development	31,325	-	-	-	31,325	-	31,325	
1091100100	Greenbrier - Wayfinding Signage	236,411	66,976	-	66,976	169,435	15,000	154,435	

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects, continued:									
General Government, continued:									
1091400100	Human Services - HVAC/Emergency Exit	$ 8,320	-	-	-	8,320	-	8,320	
1091700100	Kronos Upgrade	265,000	-	-	-	265,000	-	265,000	
1091900100	Telephone System Upgrades Phase II	3,360	-	-	-	3,360	-	3,360	
1101200100	South Norfolk Community Development	67,188	-	-	-	67,188	-	67,188	
1101200100	South Norfolk Community Development	32,812	32,812	-	32,812	-	-	-	*
1101410100	Telephone System Upgrade	5,052	-	-	-	5,052	-	5,052	
1101900100	Fentress Encroachment Protection	12,165,183	15,877	49,517	65,394	12,099,788	-	12,099,788	
1101900100	Fentress Encroachment Protection	1,670,285	15,112	1,655,173	1,670,285	-	-	-	*
1111700100	Maximo Upgrade and Integration to Peoplesoft	305,600	-	-	-	305,600	-	305,600	
1111900100	Citizen Mobile Apps Project	150,000	-	20,601	20,601	129,399	59,874	69,525	
1112000100	Information Technology Help Desk Software Replacement	325,043	77,964	36,929	114,892	210,151	154,380	55,771	
1121100100	Enterprise Wide Technology Improvement	23	-	-	-	23	-	23	
1121400100	e-Government Initiative Phase II Web 2.0	8,200	-	-	-	8,200	-	8,200	
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	240,942	22,098	29,256	51,354	189,588	119,537	70,051	
1122000100	Conference Center Renovation	1,388,244	-	384,023	384,023	1,004,221	24,890	979,331	
1122000100	Conference Center Renovation	556,616	-	556,616	556,616	-	-	-	*
1131200100	Greenbrier TIF - Greenbrier Center District	3,452,624	1,623,657	(21,067)	1,602,590	1,850,034	385,817	1,464,217	
1131210100	Greenbrier TIF - Battlefield/Volvo Improvements	681,402	571,649	-	571,649	109,753	-	109,753	
1131220100	Greenbrier TIF - StreetScape Lighting	39,890	-	-	-	39,890	-	39,890	
1131220100	Greenbrier TIF - StreetScape Lighting	1,499,937	1,453,697	46,240	1,499,937	-	-	-	*
1132100100	Laserfische Upgrade	100,000	-	-	-	100,000	-	100,000	
1132200100	Website Redesign	150,000	-	-	-	150,000	-	150,000	
1141000100	Greenbrier TIF - Conference Center District	66,321	-	-	-	66,321	-	66,321	
1141000100	Greenbrier TIF - Conference Center District	33,376	33,376	-	33,376	-	-	-	*
1150900100	Fire Station 3 - Indian River	3,240	-	-	-	3,240	-	3,240	
1151000100	Conference Center Renovations	538,917	-	-	-	538,917	2,624	536,293	
1151000100	Conference Center Renovations	155,402	155,402	-	155,402	-	-	-	*
1151300100	Enterprise Wide Tech Improvements	9,369	-	-	-	9,369	-	9,369	
1152100100	Replacement of Network Equipment	280,000	116,626	110,692	227,318	52,682	-	52,682	
1171900100	Social Services Carpet and Workstations Replacement	81,590	-	-	-	81,590	-	81,590	
1171900100	Social Services Carpet and Workstations Replacement	978,410	978,410	-	978,410	-	-	-	*
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	9,920,970	6,513,638	32,420	6,546,058	3,374,912	-	3,374,912	
1191200100	South Norfolk TIF - Poindexter Street Scape	248,127	24,023	-	24,023	224,104	-	224,104	
1201000100	Greenbrier Center Pedestrian Safety	1,310,238	80,920	-	80,920	1,229,318	-	1,229,318	

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects, continued:									
General Government, continued:									
1201200100	South Norfolk TIF - Library Expansion	$ 53,131	-	-	-	53,131	10,891	42,239	
1201200100	South Norfolk TIF - Library Expansion	8,862	8,862	-	8,862	-	-	-	*
1201900100	Case Mgmt Software-City Attrny & Comm Attrny	10,539	-	-	-	10,539	-	10,539	
1211200100	22nd Street Bridge Replacement	18,349,300	1,817,770	909,403	2,727,174	15,622,126	533,822	15,088,304	
1212000100	ADA Door & Restroom Retrofits at Various Facilities - Ph I	440,000	51,680	15,490	67,170	372,830	26,152	346,679	
1221000100	EMS Field Data Collection and Billing System	27,521	-	-	-	27,521	-	27,521	
1271600100	PeopleTools Upgrade Comp IRS	157,019	-	-	-	157,019	19,166	137,853	
1271600100	PeopleTools Upgrade Comp IRS	546,246	546,246	-	546,246	-	-	-	*
1281500100	Mainframe Migration Project Phase I	5,500,000	5,500,000	-	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	887,221	-	887,221	412,780	22,003	390,777	
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	-	14,799	
1482000100	SoNo Municipal Facility Development Strategy	257,000	-	247,699	247,699	9,301	-	9,301	
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	724,368	39,596	763,964	595,426	109,775	485,651	
1611200100	Municipal Center Parking Lots / Sidewalks	776,932	776,932	-	776,932	-	-	-	*
1621200100	Commerce Park	2,434,565	834,412	-	834,412	1,600,153	69,158	1,530,995	
1621210100	Greenbrier Circle Access Road	376,404	-	-	-	376,404	17,163	359,240	
1621210100	Greenbrier Circle Access Road	423,596	423,596	-	423,596	-	-	-	*
1631210100	Elizabeth River Landing Park	40,904	-	-	-	40,904	-	40,904	
1911200100	Personal Property System Rewrite	700,000	700,000	-	700,000	-	-	-	
1921200100	Human Resource/Payroll System	4,666	-	-	-	4,666	-	4,666	
1981200100	Community Revitalization	492,404	-	-	-	492,404	-	492,404	
Total General Government		151,234,868	42,278,787	12,653,326	54,932,113	96,302,755	5,777,656	90,525,099	
Department of Public Safety:									
1011900200	Replace Cooling Towers - Courts, Public Safety, & Jail	598,499	598,499	-	598,499	-	-	-	*
1040900200	Grade Crossing Safety & Intersection	146,147	-	-	-	146,147	-	146,147	
1040900200	Grade Crossing Safety & Intersection	2,632	2,632	-	2,632	-	-	-	*
1041800200	Jail Expansion to Address Overcrowding	28,811,097	10,102,008	13,868,014	23,970,023	4,841,075	68,219	4,772,855	
1041800200	Jail Expansion to Address Overcrowding	237,780	-	237,780	237,780	-	-	-	*
1061100200	Land Acquisition - Fire Station #10 / Police Precinct #6	540	-	-	-	540	-	540	
1071100200	Fire Station #10 - Design	10,476,338	1,014,810	41,057	1,055,867	9,420,471	222,866	9,197,605	
1071100200	Fire Station #10 - Design	45,662	-	45,662	45,662	-	-	-	*
1072100200	CAD Sheriff/Police Interface	545,000	350,039	108,366	458,405	86,595	70,903	15,692	
1092100200	Fire - NWS Inspections CAD Interface	50,000	-	-	-	50,000	-	50,000	
1101600200	Combined Fire Station #7/Police Precinct #6	7,259,441	484,502	9,116	493,618	6,765,823	129,585	6,636,238	
1102100200	Fire - Telestaff Kronos Interface	75,000	-	-	-	75,000	-	75,000	
1122100200	Jail - Data Center	100,000	-	34,363	34,363	65,637	49,409	16,229	

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered	
General construction projects, continued:									
Public Safety, continued:									
1131100200	Self Contained Breathing Apparatus	$ 620	-	-	-	620	-	620	
1142000200	Thermal Imaging Cameras	41	-	-	-	41	-	41	
1142000200	Thermal Imaging Cameras	323,959	-	323,959	323,959	-	-	-	*
1152000200	Biomedical Equipment	2,811	-	2,754	2,754	57	-	57	*
1162000200	Self Contained Breathing Apparatus	4,865	-	-	-	4,865	-	4,865	
1162000200	Self Contained Breathing Apparatus	2,041,285	-	2,041,285	2,041,285	-	-	-	*
1162100200	Sheriff Automated Rounds Software	200,000	-	3,600	3,600	196,400	-	196,400	
1172000200	Fire Alarm and Public Address System	150,000	4,869	-	4,869	145,131	5,996	139,135	
1182000200	Precinct Security Camera System Upgrades	26,748	10,968	15,780	26,748	-	-	-	*
1182200200	Joint Juvenile Justice Facility	9,200,000	-	-	-	9,200,000	-	9,200,000	
1202100200	Fire - Mobile Radio Repeaters	63,485	-	6,791	6,791	56,694	55,204	1,490	
1212100200	Jail Intercom System Digital Conversion	470,000	-	470,000	470,000	-	-	-	*
1222100200	Jail Kitchen Equipment Replacement	134,484	-	-	-	134,484	-	134,484	
1232100200	Jail Laundry Equipment Replacement	146,516	-	-	-	146,516	146,516	-	
1241000200	Public Safety Facility Design	879,225	-	-	-	879,225	-	879,225	
1242100200	Jail PLC System Replacement & Upgrade	65,869	-	59,573	59,573	6,297	2,976	3,320	
1242100200	Jail PLC System Replacement & Upgrade	311,131	10,902	300,229	311,131	-	-	-	*
1251500200	Restroom Renovations Firestation #13	39,712	-	-	-	39,712	-	39,712	
1251500200	Restroom Renovations Firestation #13	465,563	465,563	-	465,563	-	-	-	*
1252100200	Jail Surveillance System Digital Conversion & Cameras	75,000	-	15,296	15,296	59,704	12,823	46,881	
1251900200	Diesel Exhaust Extraction Systems	2	-	-	-	2	-	2	
1261900200	Emergency Vehicle Storage Facility	612,400	-	-	-	612,400	-	612,400	
1262100200	Jail and Sheriff HQ Renewal and Replacements	635,000	131,797	204,133	335,930	299,070	-	299,070	
1271900200	Deep Creek Fire Station #8 - Relocate	5,337,203	214,284	229,738	444,022	4,893,181	176,651	4,716,529	
1272100200	Police Command Bus Replacement	303,077	-	-	-	303,077	-	303,077	
1281900200	Dock Landing Firestation #11 Replacement	330,000	-	315,091	315,091	14,909	-	14,909	
1371400200	Animal Services Facility	1,387,833	572,250	55,646	627,895	759,938	523,532	236,405	
1381400200	Public Safety Site Remediation / Turn Lane Construction	708,288	-	-	-	708,288	-	708,288	
1391400200	Public Safety Headquarters EOC/EDC Phase I	5,133,561	-	3,251,659	3,251,659	1,881,902	476,130	1,405,772	
1391400200	Public Safety Headquarters EOC/EDC Phase I	31,574,026	27,467,609	4,106,417	31,574,026	-	-	-	*
1392000200	Fire Vehicle Replacement	861,235	-	710,505	710,505	150,730	150,730	-	
1392000200	Fire Vehicle Replacement	744,679	697,322	47,357	744,679	-	-	-	*
1591200200	Jail Phase II - Design	434,241	20,800	-	20,800	413,441	-	413,441	
1991200200	Sheriff Work Release Equipment	13,005	-	-	-	13,005	-	13,005	
Total Department of Public Safety		111,023,998	42,148,853	26,504,170	68,653,023	42,370,975	2,091,543	40,279,432	
Department of Public Works:									
1020720300	Gilmerton Bridge Repairs II	200,487	-	-	-	200,487	-	200,487	
1021900300	Bruce Road Safety Improvements	1,519,812	145,296	71,619	216,915	1,302,897	32,757	1,270,140	
1031200300	Grade Crossing Safety Program II	200,000	-	-	-	200,000	-	200,000	
1031900300	Centerville Bridge Rehabilitation	3,566,000	479,039	670,465	1,149,504	2,416,496	453,035	1,963,461	

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered
General construction projects, continued:								
Department of Public Works, continued:								
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	-	37,038
1061900300	Military Hwy & Smith Ave Intersection Improvements	722,470	59,766	515,925	575,691	146,779	67,951	78,828
1071900300	Residential Street Repaving	5,175,720	-	-	-	5,175,720	-	5,175,720
1081800300	DC AIW Bridge ROW Preservation	20,274,900	-	9,200	9,200	20,265,700	-	20,265,700
1081800300	DC AIW Bridge ROW Preservation	1,225,100	1,225,100		1,225,100	-	-	- *
1091800300	Freeman Ave Railroad Overpass	3,360	-	-	-	3,360	-	3,360
1131500300	Elbow Road Safety Improvements	65,547	-	-	-	65,547	-	65,547
1131500300	Elbow Road Safety Improvements	38,016	38,798	(783)	38,016	-	-	- *
1131800300	Mullen Rd / Jones Lane Connector	532,294	-	-	-	532,294	-	532,294
1131800300	Mullen Rd / Jones Lane Connector	1,467,706	1,168,222	299,484	1,467,706	-	-	- *
1141500300	Elbow Road Phase I	479,890	-	-	-	479,890	-	479,890
1141500300	Elbow Road Phase I	1,406,260	1,406,260	-	1,406,260	-	-	- *
1151500300	Bruce Road/Taylor Road Right Turn Lane	9,901	-	-	-	9,901	-	9,901
1161500300	Military Highway S at Baugher Avenue	124,099	-	-	-	124,099	-	124,099
1161500300	Military Highway S at Baugher Avenue	107,519	107,519	-	107,519	-	-	- *
1171300300	Repair & Maintenance Roads/Bridges II	198,099	59,746	-	59,746	138,353	-	138,353
1171500300	Military Highway S at State Street	205,274	-	-	-	205,274	-	205,274
1171500300	Military Highway S at State Street	227,633	227,633	-	227,633	-	-	- *
1200510300	Gum Road Multi-Use Path	549,229	163,043	35,107	198,150	351,078	263,293	87,786
1210820300	Traffic Signals and Intersection Improvements	357,392	114,123	200,076	314,198	43,193	24,197	18,996
1211000300	Great Dismal Swamp Trail Phase 1	88,952	-	-	-	88,952	132	88,820
1211000300	Great Dismal Swamp Trail Phase 1	2,397,248	2,397,248	-	2,397,248	-	-	- *
1222000300	Benefit Road Ditch and Shoulder Improvements	284,100	7,753	58,738	66,491	217,609	172,128	45,480
1232000300	Right Turn Lane Ext: Battlefield Blvd at Hickory High	100,000	-	-	-	100,000	-	100,000
1241500300	George Washington Highway Improvement	36,080	-	-	-	36,080	-	36,080
1252200300	Citywide Guardrail Installation & Replacement	900,000	-	-	-	900,000	-	900,000
1262200300	Citywide Sidewalk Installation	100,000	-	-	-	100,000	-	100,000
1270710300	Master Drainage Improvement II	338,521	-	-	-	338,521	-	338,521
1270710300	Master Drainage Improvement II	1,332,186	1,332,186	-	1,332,186	-	-	- *
1272200300	Left Turn Lane/Signal Mod: Volvo Pkwy. at Greenbrier Pkwy	350,000	-	-	-	350,000	-	350,000
1282200300	Traffic Signals and Intersection Improvements - Phase III	300,000	-	-	-	300,000	-	300,000
1292200300	Turn Lanes and Signal Modification: Hanbury Rd.	100,000	-	-	-	100,000	-	100,000
1301600300	Jerome St Outfall Drain Improvement	11,657	-	-	-	11,657	-	11,657
1302200300	Expressway Improvements at Mount Pleasant	2,500,000	-	45,728	45,728	2,454,272	48,788	2,405,484
1311600300	Traffic Signals Improvements S. Military	27,664	21,017	-	21,017	6,647	-	6,647
1312200300	Traffic Signal Retiming Ph 1	36,696	-	31,453	31,453	5,243	5,242	1

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered	
General construction projects, continued:									
Department of Public Works, continued:									
1321500300	Safe Roads to School Program	$ 45,694	-	783	783	44,912	-	44,912	
1322200300	Expressway Guardrail Improvements	750,180	-	-	-	750,180	-	750,180	
1332200300	Battlefield Blvd Flashing Yellow Signals	438,300	-	-	-	438,300	-	438,300	
1341100300	Various Drainage Improvements	44,490	-	-	-	44,490	-	44,490	
1341900300	Public Works Building Replacement - 925 Executive Blvd	332,378	80,132	17,067	97,199	235,179	-	235,179	
1342200300	Portsmouth Blvd Flashing Yellow Signals	268,800	-	-	-	268,800	-	268,800	
1351000300	Portsmouth Boulevard Phase 4	21,580,000	9,249,321	7,556,363	16,805,684	4,774,316	205,075	4,569,241	
1352200300	George Washington Hwy Milling & Resurfacing	1,000,000	-	79,122	79,122	920,878	920,878	-	
1361000300	Hanbury-Battlefield Intersection & Ramp	41,086	-	-	-	41,086	-	41,086	
1362100300	Mt. Pleasant Rd. Widening	2,300,000	-	156,733	156,733	2,143,267	254,408	1,888,859	
1372100300	Repair & Maintenance Roads and Bridges Phase IV	1,160,000	236,945	8,893	245,838	914,162	26,511	887,651	
1380610300	Repairs and Maintenance Roads/Bridges	789	-	-	-	789	-	789	
1380610300	Repairs and Maintenance Roads/Bridges	1,205	1,205	-	1,205	-	-	-	*
1382100300	Right Turn Lane and Signal Modification: Woodlake Dr.	995,000	-	81,933	81,933	913,067	278,859	634,208	
1392100300	Traffic Signal and Intersection Improv: Butts Station Rd.	288,200	-	288,200	288,200	-	-	-	*
1401400300	Community Rating System	16,519	-	-	-	16,519	-	16,519	
1412000300	VDOT Paving Debaun Ave. to Campostella Rd.	195,506	-	-	-	195,506	-	195,506	
1412100300	Rural Roads Safety Improvement Program	1,250,000	-	750	750	1,249,250	-	1,249,250	
1422000300	Military Highway at Galberry Rd. Right Turn Lane	6,538	-	-	-	6,538	-	6,538	
1422000300	Military Highway at Galberry Rd. Right Turn Lane	118,462	118,462	-	118,462	-	-	-	*
1422100300	VDOT Primary Extension Military Hwy W	1,008	-	-	-	1,008	-	1,008	
1422100300	VDOT Primary Extension Military Hwy W	998,992	497,612	501,380	998,992	-	-	-	*
1432000300	Ballahack Boat Ramp Area Improvements	359,791	395	400	795	358,996	-	358,996	
14414003ES	Dismal Swamp Canal Trail - ARRA	40,611	-	-	-	40,611	-	40,611	
1441700300	Centerville Bridge Super Structure Repairs	150,000	-	-	-	150,000	-	150,000	
1442000300	VDOT Resurfacing Atlantic Ave. and Airline Blvd.	383,803	-	-	-	383,803	-	383,803	
1451700300	Sunray Overpass Rehabilitation	4,448,000	219,747	84,835	304,582	4,143,418	76,695	4,066,723	
1461700300	Triple Decker Bridge Rehabilitation	1,120,000	736,489	170	736,659	383,341	-	383,341	
1471700300	US Route 17 South of Cedar Road	20,227,309	12,995,086	23,984	13,019,070	7,208,239	4,500	7,203,739	
1481700300	South Norfolk Railroad Crossings	398,364	134,426	163,897	298,323	100,041	53,814	46,228	
1511700300	Emergency Vehicle Pre-Emption Devices	22,241	-	-	-	22,241	-	22,241	
1541700300	Traffic Management Center and System Addition	2,650,697	2,193,368	171,006	2,364,374	286,323	118,986	167,338	
1641200300	Hudgins Bridge Replacement	2,885	-	-	-	2,885	-	2,885	
1671210300	Traffic Signal / Intersection Improvement	130,974	14,601	51,243	65,844	65,130	-	65,130	
1881200300	Bells Mill Bridge Replacement	2,104	-	-	-	2,104	-	2,104	
Total Department of Public Works		109,485,002	35,430,538	11,123,771	46,554,309	62,930,693	3,007,249	59,923,444	

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered
General construction projects, continued:								
Department of Parks and Recreation:								
1041100400	Demolition of Camp 22 Buildings	$ 22,672	-	-	-	22,672	-	22,672
1061800400	Open Space Park Improvements	371	-	-	-	371	-	371
1132000400	Western Branch Trail Commonwealth/Seaboard	600,000	-	-	-	600,000	-	600,000
1152200400	Northwest River Park Water & Sewer System Improv - Ph I	380,000	-	99,485	99,485	280,515	134,843	145,672
1161300400	Deep Creek Park	3	-	-	-	3	-	3
1161910400	Athletic Field Improvements	110,469	-	105,661	105,661	4,808	-	4,808
1161910400	Athletic Field Improvements	430,354	132,390	297,964	430,354	-	-	- *
1170500400	Parks Land Acquisition	142,903	-	-	-	142,903	-	142,903
1170500400	Parks Land Acquisition	200	200	-	200	-	-	- *
1181920400	Park Program Improvements	91,079	-	77,988	77,988	13,091	-	13,091
1181920400	Park Program Improvements	276,708	-	276,708	276,708	-	-	- *
1182100400	Commonwealth/Seaboard Multi-City Rail Trail	300,000	-	3,750	3,750	296,250	-	296,250
1191920400	Facility Improvements on Recreational Buildings	197,475	-	33,824	33,824	163,651	137,695	25,956
1191920400	Facility Improvements on Recreational Buildings	188,236	48,331	139,906	188,236	-	-	- *
1192100400	Dismal Swamp Canal Trail Phase III	353,791	-	-	-	353,791	-	353,791
1211910400	Parking Lot Improvements	198,101	-	166,934	166,934	31,168	8,716	22,452
1221200400	Johnson Park Improvements	245,397	18,747	18,290	37,037	208,360	70,364	137,996
1221910400	ADA Facility Compliance	152,579	25,171	105,649	130,820	21,759	-	21,759
1231900400	Oak Grove Lake Park Additional Parking	60,000	-	-	-	60,000	-	60,000
1241910400	Security Improvements Parks & Recreation	40,569	-	37,499	37,499	3,070	2,808	262
1260700400	Battlefield Visitor Center	6,061,921	2,081,030	2,471,671	4,552,701	1,509,220	1,309,031	200,189
1271110400	Park Shelters & Playgrounds	910	-	-	-	910	-	910
1301500400	Cascade Blvd. Park Lighting	15,904	-	-	-	15,904	-	15,904
1301500400	Cascade Blvd. Park Lighting	11,602	11,602	-	11,602	-	-	- *
1311500400	SoNo Armory Demolition	3,145	-	-	-	3,145	-	3,145
1311510400	SoNo Pedestrian Beacon Lighting	22,550	-	-	-	22,550	-	22,550
1321600400	City Park Improvements	2,695	-	-	-	2,695	-	2,695
1340600400	New Park Development - Open Space	144	-	-	-	144	-	144
1451400400	Northwest River Renovations	8	-	-	-	8	-	8
1461400400	Centerville Park Upgrade	17,006	-	-	-	17,006	-	17,006
1472000400	Open Space and Recreation Funded Projects	1,751,680	-	166,701	166,701	1,584,979	425,709	1,159,270
1961200400	Camelot Community Center	13,734	-	-	-	13,734	-	13,734
Total Department of Parks and Recreation		11,692,205	2,317,470	4,002,031	6,319,501	5,372,704	2,089,165	3,283,539

(Continued)

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered
General construction projects, continued:								
Department of Public Welfare:								
1012100500	CIBH - Parking Addition	$ 350,000	12,320	-	12,320	337,680	-	337,680
1141900500	Psychosocial Support Building Expansion	2,079,000	132,516	200,911	333,427	1,745,573	77,097	1,668,476
1151900500	Intellectual Disability Support Building Renovation	265,100	-	-	-	265,100	-	265,100
Total Department of Public Welfare		2,694,100	144,836	200,911	345,747	2,348,353	77,097	2,271,256
Department of Libraries:								
1012001000	Library Bookmobile Replacement	65	-	-	-	65	-	65
1012001000	Library Bookmobile Replacement	5,381	3,248	2,133	5,381	-	-	- *
1022101000	Library Customer Service Desk Replacements	143,500	-	-	-	143,500	-	143,500
1032101000	Library Russell Memorial Parking Addition	500,000	-	-	-	500,000	-	500,000
1072001000	Library-Switch/Router Refresh	4,708	-	-	-	4,708	-	4,708
1072001000	Library-Switch/Router Refresh	145,292	-	145,292	145,292	-	-	- *
1081401000	Library Renewal/Replacement Proffer	169,105	-		-	169,105	-	169,105
1082001000	Library Tablet Lending System	60,000	15,000	-	15,000	45,000	15,000	30,000
1092001000	Library - Virtual Desktop Infrastructure Expansion	1,109	-	-	-	1,109	-	1,109
1092201000	Library - Data Center Redundancy/DIT Colocation	32,668	-	-	-	32,668	-	32,668
1092201000	Library - Data Center Redundancy/DIT Colocation	387,332	-	387,332	387,332	-	-	- *
1121901000	Library Automated Materials Handling System	2,941	-	-	-	2,941	-	2,941
1121901000	Library Automated Materials Handling System	5,808	5,732	76	5,808	-	-	- *
1131901000	Library Technology Upgrade/Replacement Phase II	27,786	-	-	-	27,786	-	27,786
1551701000	Library Children's Room Renovations	3,546	-	-	-	3,546	-	3,546
Total Department of Libraries		1,489,241	23,980	534,832	558,812	930,429	15,000	915,429
Total General construction projects		387,619,414	122,344,464	55,019,041	177,363,505	210,255,909	13,057,710	197,198,199
School capital projects:								
9050326650	Grassfield High School	221	-	-	-	221	-	221
Total school capital projects		221	-	-	-	221	-	221
Lease revenue bonds								
6945020196	Trustee - Courthouse	n/a	92	-	92	(92)	-	(92) *
Total lease revenue bonds		n/a	92	-	92	(92)	-	(92)
Supplemental agreements (trustee)								
6945030197	Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316) *
Total Supplemental agreements (trustee)		n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316)
Total expenditures and encumbrances		387,619,635	124,555,872	55,019,041	179,574,913	208,044,722	13,057,710	194,987,012
Less completed projects		61,446,585			63,657,935			
Construction in progress		$ 326,173,050			115,916,978			

* Completed Projects
n/a - not applicable

Public Utilities Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenses Prior	Expenses Current	Expenses Total	Unexpended	Encumbrances	Unencumbered	
1010900800	Northwest River WTP Misc Modifications	$ 122,379	-	-	-	122,379	-	122,379	
1011500800	PW/PU Operations Facilities Relocation Ph I	4,000,000	121,262	-	121,262	3,878,738	-	3,878,738	
1041400800	Sewer System Repairs Ph II	1,875	-	-	-	1,875	-	1,875	
1041400800	Sewer System Repairs Ph II	10,030	-	10,030	10,030	-	-	-	*
1051800800	Sewer Renewal - Add'l Consent Order Capital Requirement	132,370	-	-	-	132,370	27,055	105,315	
1051810800	Sewer Renewal - Add'l Consent Order - Cloverdale	3,012,749	-	-	-	3,012,749	-	3,012,749	
1051820800	Sewer Renewal - Add'l Consent Order - Decatur	548,860	-	-	-	548,860	376,883	171,977	
1051830800	Sewer Renewal - Add'l Consent Order - Virginia Avenue	2,567,630	39,723	30,034	69,757	2,497,873	38,590	2,459,284	
1051840800	Sewer Renewal - Add'l Consent Order - Maint & Op Mgmt	1,000,000	-	70,844	70,844	929,156	929,156	-	
1051900800	Oakgrove Elevated Tank Standpipe Replacement	200,000	28,370	29,621	57,991	142,009	18,944	123,065	
1061000800	Force Main Upgrade - Greenbrier Parkway	1,300,389	47,898	-	47,898	1,252,491	43,533	1,208,958	
1121600800	Bainbridge Blvd Tank Renovation	1,138,741	1,138,741	-	1,138,741	-	-	-	*
1131600800	Sewer Management Operations and Maintenance	1,389,021	209,768	839,890	1,049,658	339,363	339,363	-	
1131600800	Sewer Management Operations and Maintenance	4,524	-	4,524	4,524	-	-	-	*
1141600800	Water Renewal & Waterline Upgrade - Ph II	1,976,656	-	609	609	1,976,046	9,307	1,966,739	
1141600800	Water Renewal & Waterline Upgrade - Ph II	273,345	236,009	37,336	273,345	-	-	-	*
1151700800	Sewer Renewal - 18th Street	736,270	-	28,898	28,898	707,372	115,672	591,700	
1171400800	Red Top Tank and Raw Water Pump Station	3,695,976	3,690,330	5,646	3,695,976	-	-	-	*
1181700800	Sewer Renewal - Chesapeake Ave - Guerriere to Ohio Sewer	616,797	-	-	-	616,797	-	616,797	
1191300800	Northwest River WTP Misc Modifications	1,257,868	1,178,640	73,940	1,252,580	5,288	1,392	3,896	
1201700800	Crestwood Sewer Ph II (PS #931)	2,831,535	552,629	715,192	1,267,821	1,563,714	407,050	1,156,664	
1211400800	Battlefield to Centerville Water Main Ph I	5,205,689	511,689	2,948,481	3,460,170	1,745,519	1,558,224	187,296	
1211700800	Crestwood Sewer Ph III (PS #12)	1,600,364	353,608	491,606	845,214	755,150	122,557	632,593	
1221400800	Battlefield to Centerville Water Main Ph II	4,164,000	348,713	2,236,688	2,585,400	1,578,600	856,360	722,239	
1222200800	Sewer System Redesign/Construction: Albemarle Dr.	700,000	-	3,512	3,512	696,488	18,459	678,029	
1241200800	Water System Renewal	893,000	507,672	149,976	657,648	235,352	10,200	225,152	
1241300800	Asset Management System	2,232	2,232	-	2,232	-	-	-	*
1242000800	Water Renewal - Buchanan Street	256,870	-	-	-	256,870	-	256,870	
1252000800	Unserved Areas/Cost Participation - Phase II	250,000	-	-	-	250,000	-	250,000	
1261700800	Sewer Renewal - Liberty Street (500 Block to Collingswood)	2,753,902	190,682	93,716	284,398	2,469,504	26,531	2,442,974	
1262000800	Water Control Laboratory - Upgrade HVAC	1,004	-	-	-	1,004	-	1,004	
1262000800	Water Control Laboratory - Upgrade HVAC	478,996	20,690	458,306	478,996	-	-	-	*
1271200800	Sanitary Sewer Evaluation	8,545,080	6,788,588	5,479	6,794,067	1,751,013	357,197	1,393,817	
1272000800	Water Treatment Plant Control System Upgrade	663,696	663,696	-	663,696	-	-	-	*
1281700800	Manhole Rehabilitation - 1709 vertical ft	795,407	182,970	107,800	290,770	504,637	26,500	478,137	
1281700800	Manhole Rehabilitation - 1709 vertical ft	36,760	-	36,760	36,760	-	-	-	*
1290500800	Jolliff Road Waterline Ph II	653,781	-	-	-	653,781	-	653,781	
1290500800	Jolliff Road Waterline Ph II	19	19	-	19	-	-	-	*
1291700800	Melton Street Sewer Renewal	205,914	181,620	24,294	205,914	-	-	-	*
1292000800	NWRWTP Chemical Storage Tank	1,680,000	-	-	-	1,680,000	-	1,680,000	
1302000800	Northwest River WTP Replace Bulk Chemical Storage Tanks	1,200,000	231,449	-	231,449	968,551	14,083	954,468	
1302100800	Public Utilities CIS Upgrade	100,000	-	15,924	15,924	84,076	-	84,076	

(Continued)

Public Utilities Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenses Prior	Expenses Current	Expenses Total	Unexpended	Encumbrances	Unencumbered	
1311200800	Sewer System Repair	$ 95,645	24,791	-	24,791	70,854	54,457	16,397	
1312000800	Water Production Security System Upgrades	400,000	-	22,711	22,711	377,289	179,561	197,729	
1321200800	Sewer Renewal - SSES Ph I	2,421,263	206,884	430,476	637,360	1,783,902	563,661	1,220,242	
1322100800	Water & Sewer Pump Station Telemetry Installation and Upgrade	400,000	31,520	311,345	342,865	57,135	-	57,135	
1331200800	Sewer Renewal - SSES Ph II	5,529,737	464,600	11,972	476,572	5,053,165	209,001	4,844,164	
1332100800	Water System Planning and Upgrades	650,000	-	-	-	650,000	-	650,000	
1341200800	Customer Service Billing System	1,085,727	76,808	86,186	162,994	922,734	75,762	846,972	
1341200800	Customer Service Billing System	4,814,273	4,814,273	-	4,814,273	-	-	-	*
1342000800	Force Main Replacement - Dominion Blvd. and I-64	5,238,700	-	20,947	20,947	5,217,754	51,880	5,165,874	
1351700800	Service Area Gravity Sewer	6,272,978	384,187	120,239	504,426	5,768,552	176,053	5,592,499	
1352000800	Sewer Pump Station Safety Improvements	1,500,000	59,723	407,103	466,826	1,033,174	91,766	941,408	
1372000800	Lake Gaston WTP Miscellaneous Modifications	2,870,000	477,108	-	477,108	2,392,892	293,509	2,099,384	
1381200800	Military Highway 36" Water Main	3,950,000	264,563	1,760	266,323	3,683,677	134,330	3,549,347	
1382000800	Lake Gaston Water Treatment Plant Expansion	1,000,000	107,827	11,981	119,808	880,192	-	880,192	
1391200800	Raw Water Transmission Main	20,750,394	14,301,707	69,725	14,371,432	6,378,962	1,049,405	5,329,557	
1401300800	Murray Dr/Whittamore Rd Water	1,436,923	-	-	-	1,436,923	-	1,436,923	
1401300800	Murray Dr/Whittamore Rd Water	4,563,077	4,563,077	-	4,563,077	-	-	-	*
1421700800	Sewer Renewal: Westwood Ave. and Redstart Ave.	1,106,000	92,354	46,821	139,176	966,824	40,757	926,068	
1431200800	Centerville Turnpike Loop 3	500,000	-	-	-	500,000	-	500,000	
1451200800	South Norfolk Improvements	2,850,000	849,305	376,692	1,225,997	1,624,003	253,476	1,370,527	
1471200800	Western Branch Interconnect to Lake Gaston WTP	8,298,000	1,738,833	48,106	1,786,939	6,511,061	509,345	6,001,717	
1501210800	Laboratory Equipment Replacement	-	123,708	(123,708)	-	-	-	-	
1501210800	Laboratory Equipment Replacement	123,708	-	123,708	123,708	-	-	-	*
1511280800	Unserved Areas - Manning, Wampler & Vico	3,395,186	242,659	1,332,748	1,575,408	1,819,778	554,099	1,265,679	
1511290800	Unserved Areas - Battlewood Meadows	6,654,774	470,954	65,659	536,613	6,118,161	127,561	5,990,601	
1531200800	Replace Meter Reading Equip	1,399,623	51,198	14,466	65,663	1,333,960	-	1,333,960	
1541200800	30" Raw Water Main	3,748,038	2,019,566	519,897	2,539,464	1,208,575	211,902	996,673	
1711200800	Water Renewal - Water Line Upgrade	1,733,524	145,576	576,437	722,013	1,011,511	268,949	742,562	
Total project expenses and encumbrances		149,791,298	48,738,217	12,894,375	61,632,592	88,158,706	10,142,525	78,016,181	
Less completed projects		16,011,290			16,011,290				
Construction in progress - construction		133,780,008			45,621,302				
Capitalized interest expenses			8,755,618	-	8,755,618				
Less closed capitalized interest					2,348,299				
Construction in progress - capitalized interest					6,407,319				
Total construction in progress		$			52,028,621				

* 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, 2018

			Expenses					
Project		**Appropriations**	**Prior Years**	**Current Year**	**Total**	**Unexpended Balance**	**Encumbrances**	**Unencumbered Balance**
1230600300	Rt. 17/Steel Bridge/Dominion Boulevard	$ 2,007,045	10,275	(10,275)	(0)	2,007,045	-	2,007,045
1230610300	Dominion Blvd Wetland Mitigation	594,000	-	-	-	594,000	-	594,000
1230630300	Rt. 17/Steel Bridge/Dominion Boulevard	31,255,491	-	-	-	31,255,491.12	-	31,255,491
1230630300	Rt. 17/Steel Bridge/Dominion Boulevard	266,226	-	266,226	266,226	-	-	- *
1261610300	Chesapeake Expressway Repairs	150,570	-	44,845	44,845	105,725	3,083	102,642
1261610300	Chesapeake Expressway Repairs	78,448	-	78,448	78,448	-	-	- *
1261620300	Chesapeake Expressway Repairs	399,306	(0)	-	(0)	399,306	-	399,306
1261630300	Chesapeake Expressway Repairs	86,303	-	-	-	86,303	-	86,303
1350900300	Rt. 17 Financing Study	20,019	-	-	-	20,019	-	20,019
1350900300	Rt. 17 Financing Study	1,731,772	1,731,772	-	1,731,772	-	-	- *
1352100300	Chesapeake Transportation System Renewals - Phase II	2,290,850	-	-	-	2,290,850	1,560,923	729,927
1462000300	Expressway Admin Building Modifications	450,000	48,449	185,300	233,749	216,251	163,660	52,591
Total expenses and encumbrances		39,330,029	1,790,496	564,544	2,355,040	36,974,989	1,727,666	35,247,323
Less completed projects		2,076,446			2,076,446			
Total construction in progress		$ 37,253,583			278,594			

* Completed Projects

Stormwater Management Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2018

Project		Appropriations	Expenses Prior Years	Expenses Current Year	Expenses Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
1011100300	Halifax Street Outfall Improvement	$ 1,144,187	-	-	-	1,144,187	-	1,144,187	
1011100300	Halifax Street Outfall Improvement	1,271,936	1,259,611	12,325	1,271,936	-	-	-	*
1021300900	Chesapeake Drive Drainage Improvements	749,857	36,316	641,019	677,335	72,522	72,522	-	
1031600900	Citywide Outfall Regrading & Restoration	466,910	-	-	-	466,910	-	466,910	
1031600900	Citywide Outfall Regrading & Restoration	653,090	653,090	-	653,090	-	-	-	*
1040800300	Citywide Undesignated Drainage	1,285	-	-	-	1,285	-	1,285	
1040800300	Citywide Undesignated Drainage	205,903	205,903	-	205,903	-	-	-	*
1040810300	Citywide Undesignated Drainage - West Munden	70,168	70,168	-	70,168	-	-	-	*
1041000900	Cooper's Ditch Dredging	1,796,851	825,633	971,218	1,796,851	-	-	-	*
1041300900	D Street Drainage Improvements	370,000	-	-	-	370,000	-	370,000	
1051210300	Neighborhood Drainage Improvements	373,761	84,109	175,120	259,230	114,531	-	114,531	
1051210300	Neighborhood Drainage Improvements	1,848,221	1,848,221	-	1,848,221	-	-	-	*
1051220300	Neighborhood Drainage Improvements	160,005	58,500	1,926	60,426	99,579	99,579	-	
1051400900	VPDES Compliance	5,039,830	632,750	368,827	1,001,578	4,038,253	101,929	3,936,324	
1051420900	Meads Court BMP (DEQ)	1,368,456	-	-	-	1,368,456	-	1,368,456	
1051430900	New Mill Regional BMP (DEQ)	2,045,950	-	-	-	2,045,950	-	2,045,950	
1061200900	Stormwater Mapping & Master Drainage Plan	1,000,000	614,607	180,780	795,387	204,613	3,306	201,307	
1061400900	Border Road Area Drain Improvement	1,200,000	400,262	52,423	452,685	747,315	2,182	745,133	
1061500900	AhoyAcres/HollyCove System Replacement	1,187,930	1,187,930	-	1,187,930	-	-	-	*
1071300900	Lamberts Trail Area Drain Improvement	2,100,000	31,756	622,444	654,200	1,445,800	109,744	1,336,056	
1071500900	Citywide Undesignated Drainage Phase III	826,347	539,133	166,184	705,317	121,030	19,018	102,012	
1071800900	Major Equipment Purchases	2,067,428	-	-	-	2,067,428	1,409,733	657,695	
1081500900	Neighborhood Drainage Improvements II	2,724,600	-	174,095	174,095	2,550,505	16,085	2,534,420	
1091300900	Prince Edwards Drive Outfall Improvement	251,895	13,585	238,310	251,895	-	-	-	*
1091500900	Oakdale Area BMP and Drainage Improvements	2,000,000	-	321,065	321,065	1,678,935	-	1,678,935	
1101300900	Royce Drive Drainage Improvements	550,000	-	2,100	2,100	547,900	-	547,900	
1101500900	Stormwater Mapping & Master Drainage Plan III	550,000	825	-	825	549,175	-	549,175	
1111300900	Shorewood Area Drainage Improvement	176,567	165,394	11,173	176,567	-	-	-	*
1111500900	Stormwater Quality Program Phase II	3,840,565	309,621	61,038	370,659	3,469,906	209,713	3,260,193	
1121200900	Yadkin Rd BMP	1,162,383	1,162,383	-	1,162,383	-	-	-	*
1131300900	Sunray Area Outfall Re-Grading	1,192,211	-	-	-	1,192,211	-	1,192,211	
1192000900	Welch Lane Drainage Improvements	480,000	-	-	-	480,000	-	480,000	
1202000900	Whittamore Rd. Outfall Improvements	300,000	-	-	-	300,000	-	300,000	
1402100900	Master Drainage Improvements II	1,908,000	41,604	279,718	321,322	1,586,678	475,290	1,111,388	
1431700900	Citywide System Rehab	2,400,000	143,530	94,299	237,829	2,162,171	1,047,024	1,115,147	
1681200300	CityWide Undesignated Drainage	1	-	-	-	1	-	1	
1721200900	Colony Manor Outfall Improvements	415,000	21,099	3,228	24,327	390,673	1,076	389,597	
1731200900	BMP Restoration Citywide	1,518,820	-	-	-	1,518,820	-	1,518,820	
1731200900	BMP Restoration Citywide	381,180	381,180	-	381,180	-	-	-	*

(Continued)

Stormwater Management Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2018

			Expenses					
Project		**Appropriations**	**Prior Years**	**Current Year**	**Total**	**Unexpended Balance**	**Encumbrances**	**Unencumbered Balance**
1751200300	Partridge/Cloverdale Area Improvements	$ 290,544	-	1,056	1,056	289,488	-	289,488
1761200300	Scenic Blvd Improvements	260,000	-	-	-	260,000	-	260,000
1771200900	Shillelagh Road Drainage Outfall Improvement	3,100,000	20,581	471,584	492,164	2,607,836	2,060	2,605,776
1781200300	Shillelagh Roadside Ditch Improvements	32,502	32,502	-	32,502	-	-	-
1801200900	Washington Manor Drainage Outfall Improvements	2,258,395	2,222,767	10,207	2,232,975	25,420	25,420	-
Total expenses and encumbrances		51,740,777	12,963,059	4,860,140	17,823,199	33,917,578	3,594,681	30,322,897
Less completed projects		9,006,123			9,006,123			
Construction in progress		$ 42,734,654			8,817,076			

* 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, 2018

		Special Revenue Funds			
		Tax Increment Financing Greenbrier	**Tax Increment Financing South Norfolk**	**Virginia Public Assistance**	**Integrated Behavioral Healthcare**
ASSETS					
Cash and temporary investments	$	12,175,446	8,750,307	6,206,712	10,843,084
Intergovernmental revenues due from:					
Commonwealth of Virginia		-	-	479,845	24,588
Federal government		-	-	945,557	-
Receivables:					
Accounts receivable		-	-	644	3,695,421
Other		-	-	1,244	-
Allowance for uncollectible amounts		-	-	-	(2,329,911)
Inventory of materials and supplies		-	-	-	-
Prepaid expenditures and other assets		-	-	-	-
Restricted asset:					
Investment		-	-	-	-
Total assets	$	12,175,446	8,750,307	7,634,002	12,233,182
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$	-	-	115,253	1,034,271
Accrued expenditures		-	-	268,872	319,425
Unearned revenue		-	-	-	-
Other liabilities		-	-	2,319	2,087
Due to Commonwealth of Virginia		-	-	475	-
Due to other funds		-	-	-	-
Total liabilities		-	-	386,919	1,355,783
Fund Balances					
Nonspendable		-	-	-	-
Restricted		12,175,446	8,750,307	-	7,438,480
Committed		-	-	313,674	650,678
Assigned		-	-	6,933,409	2,788,241
Total fund balances		12,175,446	8,750,307	7,247,083	10,877,399
Total liabilities and fund balances	$	12,175,446	8,750,307	7,634,002	12,233,182

Special Revenue Funds					
Conference Center	**Juvenile Services**	**Interagency Consortium**	**E-911 Operations**	**Fee Supported Activities**	**Subtotal**
5,235,741	2,552,117	-	5,189,740	1,241,783	52,194,930
-	-	998,552	-	-	1,502,985
-	-	-	-	-	945,557
7,281	201,599	4,031	120,301	1,147,525	5,176,802
423,687	959	-	-	-	425,890
-	-	-	-	(922,668)	(3,252,579)
2,534	-	-	-	-	2,534
187,895	-	-	-	-	187,895
-	-	-	-	-	-
5,857,138	2,754,675	1,002,583	5,310,041	1,466,640	57,184,014
91,098	21,627	625,584	191,829	172,100	2,251,762
55,983	98,446	4,767	89,730	7,569	844,792
55,488	414,000	-	-	-	469,488
-	13	-	-	-	4,419
-	-	-	-	-	475
-	-	96,026	-	-	96,026
202,569	534,086	726,377	281,559	179,669	3,666,962
190,429	-	-	-	-	190,429
-	-	-	-	-	28,364,233
20,907	375,028	115	72,434	9,270	1,442,106
5,443,233	1,845,561	276,091	4,956,048	1,277,701	23,520,284
5,654,569	2,220,589	276,206	5,028,482	1,286,971	53,517,052
5,857,138	2,754,675	1,002,583	5,310,041	1,466,640	57,184,014

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

		Special Revenue Funds			
		Grants	Community Development	Open Space Agriculture Preservation	Proffers
ASSETS					
Cash and temporary investments	$	3,702,490	451,826	2,522,642	9,515,653
Intergovernmental revenues due from:					
Commonwealth of Virginia		242,534	-	-	-
Federal government		870,673	188,478	-	-
Receivables:					
Accounts receivable		116,581	-	-	-
Other		-	-	-	-
Allowance for uncollectible amounts		-	-	-	-
Inventory of materials and supplies		-	-	-	-
Prepaid expenditures and other assets		380	-	-	-
Restricted asset:					
Investment		-	-	921,954	-
Total assets	$	4,932,658	640,304	3,444,596	9,515,653
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$	252,154	97,784	-	-
Accrued expenditures		27,646	3,660	-	-
Unearned revenue		-	-	-	-
Other liabilities		250	-	-	-
Due to Commonwealth of Virginia		88,775	145,074	-	-
Due to other funds		-	-	-	-
Total liabilities		368,825	246,518	-	-
Fund Balances					
Nonspendable		380	-	-	-
Restricted		4,451,914	-	-	9,515,653
Committed		111,539	393,786	3,444,596	-
Assigned		-	-	-	-
Total fund balances		4,563,833	393,786	3,444,596	9,515,653
Total liabilities and fund balances	$	4,932,658	640,304	3,444,596	9,515,653

Special Revenue Funds		Permanent Funds		
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	Total Nonmajor Governmental Funds
49,253	358,228	181,340	14,334	68,990,696
-	-	-	-	1,745,519
-	-	-	-	2,004,708
-	-	-	-	5,293,383
-	-	-	-	425,890
-	-	-	-	(3,252,579)
-	-	-	-	2,534
-	-	-	-	188,275
-	-	-	-	921,954
49,253	358,228	181,340	14,334	76,320,380
-	-	-	-	2,601,700
-	-	-	-	876,098
-	-	-	-	469,488
-	-	-	-	4,669
-	-	-	-	234,324
-	-	-	-	96,026
-	-	-	-	4,282,305
-	-	11,295	1,500	203,604
-	-	170,045	12,834	42,514,679
49,253	358,228	-	-	5,799,508
-	-	-	-	23,520,284
49,253	358,228	181,340	14,334	72,038,075
49,253	358,228	181,340	14,334	76,320,380

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	**Tax Increment Financing South Norfolk**	**Virginia Public Assistance**	**Integrated Behavioral Healthcare**
REVENUES				
Taxes on real property	$ 7,304,444	4,642,473	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,390,094	8,346,543
Federal government	-	-	9,866,517	1,293,668
Recovered costs	-	-	26,372	45,532
Investment income	88,503	68,184	70,015	101,601
Charges for services	-	-	287	7,548,515
Sale of food and beverages	-	-	-	6,355
Miscellaneous local revenues	-	-	-	-
Program income	-	-	-	-
Total revenues	7,392,947	4,710,657	14,353,285	17,342,214
EXPENDITURES				
Current:				
General government	-	12,250	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	19,394,311	23,299,404
Education	-	-	-	-
Capital outlay	-	-	15,680	96,086
Total expenditures	-	12,250	19,409,991	23,395,490
Excess (deficiency) of revenues over (under) expenditures	7,392,947	4,698,407	(5,056,706)	(6,053,276)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	5,859,406	7,533,867
Transfers to other funds	(14,247,256)	(3,382,871)	(85,685)	(1,967,751)
Total other financing sources (uses), net	(14,247,256)	(3,382,871)	5,773,721	5,566,116
Net change in fund balance	(6,854,309)	1,315,536	717,015	(487,160)
Fund balance - beginning	19,029,755	7,434,771	6,530,068	11,364,559
Fund balance - ending	$ 12,175,446	8,750,307	7,247,083	10,877,399

Special Revenue Funds					
Conference Center	**Juvenile Services**	**Interagency Consortium**	**E-911 Operations**	**Fee Supported Activities**	**Subtotal**
-	-	-	-	-	11,946,917
-	-	-	4,947,998	-	4,947,998
2,444,700	-	-	-	-	2,444,700
723,109	-	-	-	-	723,109
893,561	-	-	-	-	893,561
218,267	-	-	-	-	218,267
-	2,875,676	2,532,346	1,442,920	-	19,587,579
-	-	-	-	-	11,160,185
570	1,635,661	24,373	-	4,226	1,736,734
-	28,070	2,441	47,312	13,330	419,456
372,920	19,346	765	-	1,018,757	8,960,590
1,022,765	-	-	-	-	1,029,120
1,500	-	-	-	-	1,500
-	-	-	-	-	-
5,677,392	4,558,753	2,559,925	6,438,230	1,036,313	64,069,716
3,622,773	6,736,277	-	-	-	10,371,300
-	-	-	5,457,869	910,455	6,368,324
-	-	-	-	-	-
-	-	4,626,996	-	-	47,320,711
-	-	-	-	-	-
6,550	-	-	31,695	-	150,011
3,629,323	6,736,277	4,626,996	5,489,564	910,455	64,210,346
2,048,069	(2,177,524)	(2,067,071)	948,666	125,858	(140,630)
-	1,484,574	1,711,740	107,458	-	16,697,045
(1,428,867)	(28,070)	(2,441)	(47,312)	(119,349)	(21,309,602)
(1,428,867)	1,456,504	1,709,299	60,146	(119,349)	(4,612,557)
619,202	(721,020)	(357,772)	1,008,812	6,509	(4,753,187)
5,035,367	2,941,609	633,978	4,019,670	1,280,462	58,270,239
5,654,569	2,220,589	276,206	5,028,482	1,286,971	53,517,052

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds			
	Grants	Community Development	Open Space Agriculture Preservation	Proffers
REVENUES				
Taxes on real property	$ -	-	1,098,693	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	56,100	-
Intergovernmental revenues:				
Commonwealth of Virginia	2,507,531	-	-	-
Federal government	1,658,752	1,420,418	-	-
Recovered costs	-	-	-	-
Investment income	28,167	-	-	-
Charges for services	137,650	-	-	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	173,194	-	25,000	2,845,383
Program income	343,676	118,336	-	-
Total revenues	4,848,970	1,538,754	1,179,793	2,845,383
EXPENDITURES				
Current:				
General government	1,837,843	-	3,710	-
Public safety	1,665,914	-	-	-
Parks and recreation	47,771	-	-	-
Public welfare	394,308	1,255,759	-	-
Education	-	-	-	4,350,000
Capital outlay	661,943	258,247	16,500	-
Total expenditures	4,607,779	1,514,006	20,210	4,350,000
Excess (deficiency) of revenues over (under) expenditures	241,191	24,748	1,159,583	(1,504,617)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	30,705	-	-	-
Transfers to other funds	112,514	-	(80,596)	(450,000)
Total other financing sources (uses), net	143,219	-	(80,596)	(450,000)
Net change in fund balance	384,410	24,748	1,078,987	(1,954,617)
Fund balance - beginning	4,179,423	369,038	2,365,609	11,470,270
Fund balance - ending	$ 4,563,833	393,786	3,444,596	9,515,653

Special Revenue Funds		Permanent Funds		
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	Total Nonmajor Governmental Funds
-	-	-	-	13,045,610
-	-	-	-	4,947,998
-	-	-	-	2,444,700
-	-	-	-	723,109
-	-	-	-	893,561
-	-	-	-	274,367
-	-	-	-	22,095,110
-	-	-	-	14,239,355
-	-	-	-	1,736,734
506	1,773	-	119	450,021
-	-	-	-	9,098,240
-	-	-	-	1,029,120
-	-	-	-	3,045,077
-	-	-	-	462,012
506	1,773	-	119	74,485,014
-	-	-	-	12,212,853
-	-	-	-	8,034,238
-	-	-	-	47,771
-	2,300	-	-	48,973,078
-	-	55	-	4,350,055
-	-	-	-	1,086,701
-	2,300	55	-	74,704,696
506	(527)	(55)	119	(219,682)
-	-	-	-	16,727,750
-	-	-	-	(21,727,684)
-	-	-	-	(4,999,934)
506	(527)	(55)	119	(5,219,616)
48,747	358,755	181,395	14,215	77,257,691
49,253	358,228	181,340	14,334	72,038,075

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	$	7,282,400	7,304,444	22,044
Investment income		-	88,503	88,503
Total revenues		7,282,400	7,392,947	110,547
EXPENDITURES				
General government		3,000	-	3,000
Total expenditures		3,000	-	3,000
Excess (deficiency) of revenues over (under) expenditures		7,279,400	7,392,947	113,547
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(14,159,073)	(14,247,256)	(88,183)
Total other financing sources (uses), net		(14,159,073)	(14,247,256)	(88,183)
Net change in fund balance		(6,879,673)	(6,854,309)	25,364
Fund balance - beginning		19,029,755	19,029,755	-
Fund balance - ending	$	12,150,082	12,175,446	25,364

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	$	4,683,700	4,642,473	(41,227)
Investment income		-	68,184	68,184
Total revenues		4,683,700	4,710,657	26,957
EXPENDITURES				
General government		25,000	12,250	12,750
Total expenditures		25,000	12,250	12,750
Excess (deficiency) of revenues over (under) expenditures		4,658,700	4,698,407	39,707
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(3,317,881)	(3,382,871)	(64,990)
Total other financing sources (uses), net		(3,317,881)	(3,382,871)	(64,990)
Net change in fund balance		1,340,819	1,315,536	(25,283)
Fund balance - beginning		7,434,771	7,434,771	-
Fund balance - ending	$	8,775,590	8,750,307	(25,283)

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	4,655,574	4,390,094	(265,480)
Federal government		9,469,797	9,866,517	396,720
Total intergovernmental revenues		14,125,371	14,256,611	131,240
Recovered costs		10,500	26,372	15,872
Investment income		-	70,015	70,015
Charges for services		500	287	(213)
Total revenues		14,136,371	14,353,285	216,914
EXPENDITURES				
Public welfare:				
Bureau of Public Assistance		4,063,739	3,788,512	275,227
Joint Administration		4,387,236	3,734,656	652,580
Service Administration		6,719,566	5,835,100	884,466
Eligibility Administration		6,525,247	5,821,375	703,872
Other special programs		227,003	214,668	12,335
Capital outlay		-	15,680	(15,680)
Total expenditures		21,922,791	19,409,991	2,512,800
Excess (deficiency) of revenues over (under) expenditures		(7,786,420)	(5,056,706)	2,729,714
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		5,859,406	5,859,406	-
Transfers to other funds		(21,200)	(85,685)	(64,485)
Total other financing sources (uses), net		5,838,206	5,773,721	(64,485)
Net change in fund balance		(1,948,214)	717,015	2,665,229
Fund balance - beginning		6,530,068	6,530,068	-
Fund balance - ending	$	4,581,854	7,247,083	2,665,229

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia:				
Substance abuse grants	$	926,988	917,682	(9,306)
Mental health grants		6,684,047	6,379,543	(304,504)
Intellectual disability grants		1,055,870	1,049,318	(6,552)
Total from the Commonwealth of Virginia		8,666,905	8,346,543	(320,362)
Federal government:				
Substance abuse, mental health and intellectual disablity grants		1,242,393	1,293,668	51,275
Charges for services:				
Mental health fees		4,865,014	2,983,594	(1,881,420)
Intellectual disability fees		4,920,389	4,504,355	(416,034)
Substance abuse fees		99,797	60,566	(39,231)
Total charges for services		9,885,200	7,548,515	(2,336,685)
Recovered costs		-	45,532	45,532
Investment income		-	101,601	101,601
Sale of food and beverages		11,600	6,355	(5,245)
Total revenues		19,806,098	17,342,214	(2,463,884)
EXPENDITURES				
Public welfare		27,965,343	23,299,404	4,665,939
Capital outlay		244,604	96,086	148,518
Total expenditures		28,209,947	23,395,490	4,814,457
Excess (deficiency) of revenues over (under) expenditures		(8,403,849)	(6,053,276)	2,350,573
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		7,533,867	7,533,867	-
Transfers to other funds		(1,866,150)	(1,967,751)	(101,601)
Total other financing sources (uses), net		5,667,717	5,566,116	(101,601)
Net change in fund balance		(2,736,132)	(487,160)	2,248,972
Fund balance - beginning		11,364,559	11,364,559	-
Fund balance - ending	$	8,628,427	10,877,399	2,248,972

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Restaurant food tax	$	2,453,000	2,444,700	(8,300)
Lodging sales tax		643,000	723,109	80,109
Lodging flat tax		845,600	893,561	47,961
Revenues from use of property		233,741	218,267	(15,474)
Recovered costs		-	570	570
Charges for services		575,141	372,920	(202,221)
Sale of food and beverages		1,337,211	1,022,765	(314,446)
Miscellaneous revenue		600	1,500	900
Total revenues		6,088,293	5,677,392	(410,901)
EXPENDITURES				
General government		4,257,008	3,622,773	634,235
Capital outlay		75,000	6,550	68,450
Total expenditures		4,332,008	3,629,323	702,685
Excess (deficiency) of revenues over (under) expenditures		1,756,285	2,048,069	291,784
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(1,518,129)	(1,428,867)	89,262
Total other financing sources (uses), net		(1,518,129)	(1,428,867)	89,262
Net change in fund balance		238,156	619,202	381,046
Fund balance - beginning		5,035,367	5,035,367	-
Fund balance - ending	$	5,273,523	5,654,569	381,046

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	3,160,268	2,875,676	(284,592)
Recovered costs		1,528,120	1,635,661	107,541
Investment income		-	28,070	28,070
Charges for services		14,000	19,346	5,346
Total revenues		4,702,388	4,558,753	(143,635)
EXPENDITURES				
General government		7,205,353	6,736,277	469,076
Total expenditures		7,205,353	6,736,277	469,076
Excess (deficiency) of revenues over (under) expenditures		(2,502,965)	(2,177,524)	325,441
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		1,484,574	1,484,574	-
Transfers to the General Fund		-	(28,070)	(28,070)
Total other financing sources (uses), net		1,484,574	1,456,504	(28,070)
Net change in fund balance		(1,018,391)	(721,020)	297,371
Fund balance - beginning		2,941,609	2,941,609	-
Fund balance - ending	$	1,923,218	2,220,589	297,371

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	2,675,690	2,532,346	(143,344)
Recovered costs		-	24,373	24,373
Investment income		-	2,441	2,441
Charges for services		-	765	765
Total revenues		2,675,690	2,559,925	(115,765)
EXPENDITURES				
Public welfare:				
Contract services		4,351,923	4,356,101	(4,178)
Administrative expenses		285,507	270,895	14,612
Total expenditures		4,637,430	4,626,996	10,434
Excess (deficiency) of revenues over (under) expenditures		(1,961,740)	(2,067,071)	(105,331)
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		1,711,740	1,711,740	-
Transfer to the General Fund		-	(2,441)	(2,441)
Total other financing sources (uses), net		1,711,740	1,709,299	(2,441)
Net change in fund balance		(250,000)	(357,772)	(107,772)
Fund balance - beginning		633,978	633,978	-
Fund balance - ending	$	383,978	276,206	(107,772)

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Communications sales tax	$	4,947,998	4,947,998	-
Intergovernmental revenues:				
Commonwealth of Virginia		1,325,000	1,442,920	117,920
Investment income		-	47,312	47,312
Total revenues		6,272,998	6,438,230	165,232
EXPENDITURES				
Public safety		7,048,892	5,457,869	1,591,023
Capital outlay		160,709	31,695	129,014
Total expenditures		7,209,601	5,489,564	1,720,037
Excess (deficiency) of revenues over (under) expenditures		(936,603)	948,666	1,885,269
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		106,458	106,458	-
Transfers from other funds		1,000	1,000	-
Transfers to other funds		-	(47,312)	(47,312)
Total other financing sources (uses), net		107,458	60,146	(47,312)
Net change in fund balance		(829,145)	1,008,812	1,837,957
Fund balance - beginning		4,019,670	4,019,670	-
Fund balance - ending	$	3,190,525	5,028,482	1,837,957

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, 2018

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Recovered costs	$	5,000	4,226	(774)
Investment income		-	13,330	13,330
Charges for services		1,059,116	1,018,757	(40,359)
Total revenues		1,064,116	1,036,313	(27,803)
EXPENDITURES				
Public safety		1,086,603	910,455	176,148
Total expenditures		1,086,603	910,455	176,148
Excess (deficiency) of revenues over (under) expenditures		(22,487)	125,858	148,345
OTHER FINANCING SOURCES (USES)				
Transfer to the General Fund		(50,000)	(119,349)	(69,349)
Total other financing sources (uses), net		(50,000)	(119,349)	(69,349)
Net change in fund balance		(72,487)	6,509	78,996
Fund balance - beginning		1,280,462	1,280,462	-
Fund balance - ending	$	1,207,975	1,286,971	78,996

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.

CITY OF CHESAPEAKE, VIRGINIA *Schedule Q-1*

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

		Information Technology	City Garage	Self-Insurance	Self-Funded Health	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Current assets:						
Cash and temporary investments	$	7,494,044	11,493,204	21,843,375	4,710,946	45,541,569
Receivables:						
Accounts		39,285	60,314	-	98,808	198,407
Interest		-	-	104,670	-	104,670
Inventory of materials and supplies		-	487,725	-	-	487,725
Prepaid expenses		656,319	-	2,658,931	27,498	3,342,748
Total current assets		8,189,648	12,041,243	24,606,976	4,837,252	49,675,119
Noncurrent assets:						
Capital assets:						
Construction in progress		3,172,141	15,398	-	-	3,187,539
Buildings		489,072	159,095	-	-	648,167
Improvements other than buildings		4,399,546	183,179	-	-	4,582,725
Software, equipment and vehicles		21,451,489	101,653,115	265,990	-	123,370,594
Infrastructure		-	77,584	-	-	77,584
Less accumulated depreciation		(23,128,510)	(60,337,641)	(265,990)	-	(83,732,141)
Total capital assets, net of accumulated depreciation		6,383,738	41,750,730	-	-	48,134,468
Net OPEB asset		98,218	72,424	11,124	-	181,766
Total noncurrent assets		6,481,956	41,823,154	11,124	-	48,316,234
Total assets		14,671,604	53,864,397	24,618,100	4,837,252	97,991,353
Deferred Outflows of Resources		700,400	633,432	89,900	-	1,423,732
Total assets and deferred outflows of resources	$	15,372,004	54,497,829	24,708,000	4,837,252	99,415,085
LIABILITIES, DEFERRED INFLOWS AND NET POSITION						
Liabilities						
Current liabilities:						
Accounts payable	$	833,096	633,009	308,229	286,619	2,060,953
Accrued expenses and other liabilities		82,666	57,505	9,611	62	149,844
Unearned revenues		-	-	-	3,217,003	3,217,003
Current portion of accrued vacation, sick pay and overtime leave		151,382	119,667	9,934	-	280,983
Current portion of liability for self-insurance losses		-	-	5,695,889	2,539,379	8,235,268
Total current liabilities		1,067,144	810,181	6,023,663	6,043,063	13,944,051
Noncurrent liabilities:						
Accrued vacation, sick pay and overtime leave		183,106	149,945	10,777	-	343,828
Liability for self-insurance losses		-	-	21,545,398	-	21,545,398
Net pension liability		2,961,132	1,801,518	213,165	-	4,975,815
Net OPEB liability		250,316	184,577	28,350	-	463,243
Total noncurrent liabilities		3,394,554	2,136,040	21,797,690	-	27,328,284
Total liabilities		4,461,698	2,946,221	27,821,353	6,043,063	41,272,335
Deferred Inflows of Resources		562,184	414,542	63,670	-	1,040,396
Net Position						
Net investment in capital assets		6,383,738	41,750,730	-	-	48,134,468
Unrestricted (deficit)		3,964,384	9,386,336	(3,177,023)	(1,205,811)	8,967,886
Total net position		10,348,122	51,137,066	(3,177,023)	(1,205,811)	57,102,354
Total liabilities, deferred inflows and net position	$	15,372,004	54,497,829	24,708,000	4,837,252	99,415,085

CITY OF CHESAPEAKE, VIRGINIA *Schedule Q-2*

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2018

	Information Technology	City Garage	Self-Insurance	Self-Funded Health	Total
OPERATING REVENUES					
Billings to departments	$ 10,798,497	15,726,303	7,138,247	37,830,746	71,493,793
Billings to outside agencies and component units	358,111	874,276	-	-	1,232,387
Rental fees	325,489	-	-	-	325,489
Miscellaneous charges for services	6,864	-	-	-	6,864
Recovered costs	2,808	172,728	695,967	1,590,679	2,462,182
Other	-	19,640	-	-	19,640
Total operating revenues	11,491,769	16,792,947	7,834,214	39,421,425	75,540,355
OPERATING EXPENSES					
Cost of materials billed	-	3,161,344	-	-	3,161,344
Purchases for resale	-	2,349,306	-	-	2,349,306
General and administrative	640,437	111,819	4,783	13,103	770,142
Other salaries and wages	2,997,084	2,571,963	383,456	-	5,952,503
Other fringe benefits	970,645	1,151,543	127,180	-	2,249,368
Self-insurance losses	-	-	4,854,464	22,037	4,876,501
Indemnity and medical claims	-	-	1,965,145	36,242,304	38,207,449
Other repairs and supplies	3,826,156	1,964,083	54,655	-	5,844,894
Equipment rental	2,514	3,180	1,172	-	6,866
Other contractual services	1,204,112	79,505	114,500	1,754,922	3,153,039
Depreciation and amortization	1,608,355	8,497,295	-	-	10,105,650
Insurance premiums	-	-	1,437,583	1,541,022	2,978,605
Total operating expenses	11,249,303	19,890,038	8,942,938	39,573,388	79,655,667
Operating income (loss)	242,466	(3,097,091)	(1,108,724)	(151,963)	(4,115,312)
NONOPERATING REVENUES (EXPENSES)					
Investment income	66,439	94,213	275,413	45,584	481,649
Gain on sale of equipment	-	256,791	-	-	256,791
Loss on sale of equipment	-	(46,523)	-	-	(46,523)
Total nonoperating revenues (expenses), net	66,439	304,481	275,413	45,584	691,917
Income (loss) before transfers and contributions	308,905	(2,792,610)	(833,311)	(106,379)	(3,423,395)
Transfers in	866,500	1,515,334	-	-	2,381,834
Transfers out	(462,939)	(94,213)	-	-	(557,152)
Capital contributions	597,183	4,630,721	-	-	5,227,904
Change in net position	1,309,649	3,259,232	(833,311)	(106,379)	3,629,191
Total net position - beginning, as restated	9,038,473	47,877,834	(2,343,712)	(1,099,432)	53,473,163
Total net position - ending	$ 10,348,122	51,137,066	(3,177,023)	(1,205,811)	57,102,354

CITY OF CHESAPEAKE, VIRGINIA *Schedule Q-3*

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018

	Information Technology	City Garage	Self-Insurance	Self-Funded Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 669,106	1,058,192	695,967	1,622,336	4,045,601
Cash received from interfund services provided	10,798,497	15,726,303	7,138,247	37,830,746	71,493,793
Payments to suppliers	(5,178,216)	(7,632,839)	(7,537,573)	(39,412,681)	(59,761,309)
Payments to employees	(4,096,173)	(3,738,899)	(517,923)	-	(8,352,995)
Net cash provided by (used in) operating activities	2,193,214	5,412,757	(221,282)	40,401	7,425,090
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	866,500	1,515,334	-	-	2,381,834
Transfers out	(462,939)	(94,213)	-	-	(557,152)
Net cash provided by (used in) noncapital financing activities	403,561	1,421,121	-	-	1,824,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(694,810)	(2,466,796)	-	-	(3,161,606)
Proceeds from sale of capital assets	-	210,268	-	-	210,268
Net cash provided by (used in) capital and related financing activities	(694,810)	(2,256,528)	-	-	(2,951,338)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	66,439	94,213	223,022	45,584	429,258
Net cash provided by investing activities	66,439	94,213	223,022	45,584	429,258
Net increase (decrease) in cash and temporary investments	1,968,404	4,671,563	1,740	85,985	6,727,692
Cash and temporary investments beginning of year	5,525,640	6,821,641	21,841,635	4,624,961	38,813,877
Cash and temporary investments end of year	$ 7,494,044	11,493,204	21,843,375	4,710,946	45,541,569
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 242,466	(3,097,091)	(1,108,724)	(151,963)	(4,115,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,608,355	8,497,295	-	-	10,105,650
Pension expense	(51,788)	32,199	50	-	(19,539)
OPEB expense	(100,489)	(74,100)	(11,381)	-	(185,970)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	(24,166)	(8,452)	-	48,440	15,822
Prepaid expenses and other assets	71,940	48,852	(74,508)	(6,340)	39,944
Inventory of materials and supplies	-	(55,568)	-	-	(55,568)
Accounts payable	423,063	43,114	(172,590)	145,010	438,597
Unearned revenue	-	-	-	(16,845)	(16,845)
Accrued expenses and other liabilities	(423)	3,030	493	62	3,162
Liability for self-insurance losses	-	-	1,141,827	22,037	1,163,864
Accrued vacation, sick pay and overtime leave	24,256	23,478	3,551	-	51,285
Total adjustments	1,950,748	8,509,848	887,442	192,364	11,540,402
Net cash provided by (used in) operating activities	$ 2,193,214	5,412,757	(221,282)	40,401	7,425,090
Supplemental information on significant noncash transactions:					
Contributions of capital assets:	$ 597,183	4,630,721	-	-	5,227,904

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

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

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2018

	Balances at July 1, 2017	Additions	Deductions	Balances at June 30, 2018
ASSETS				
Cash and temporary investments	$ 13,231	26,469	30,685	9,015
Total current assets	$ 13,231	26,469	30,685	9,015
LIABILITIES				
Due to children under foster care	$ 13,231	26,469	30,685	9,015
Total liabilities	$ 13,231	26,469	30,685	9,015

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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 *Schedule S-1*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Balance Sheet
Governmental Funds
June 30, 2018

		General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
ASSETS						
Cash and temporary investments	$	51,191,852	5,836,923	5,110,356	-	62,139,131
Receivables		898,374	32,399	25,876	-	956,649
Due from federal government		17,983,597	436,345	-	-	18,419,942
Due from Commonwealth of Virginia		10,188,987	-	-	-	10,188,987
Inventory		2,025,277	528,774	-	-	2,554,051
Restricted cash and temporary investments		-	-	-	12,981,343	12,981,343
Total assets	$	82,288,087	6,834,441	5,136,232	12,981,343	107,240,103
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	$	43,386,996	444,707	25,073	3,770,564	47,627,340
Claims payable		6,365,848	-	-	-	6,365,848
Total liabilities		49,752,844	444,707	25,073	3,770,564	53,993,188
Deferred Inflows of Resources						
Unavailable revenues - sales taxes		1,755,734	-	-	-	1,755,734
Unavailable revenues due to timing - federal		23,965	-	-	-	23,965
Total deferred inflows of resources		1,779,699	-	-	-	1,779,699
Fund Balances						
Nonspendable:						
Inventory		2,025,277	528,774	-	-	2,554,051
Restricted:						
Capital Projects		-	-	-	9,210,779	9,210,779
Food services		-	5,860,960	-	-	5,860,960
School textbook		-	-	5,111,159	-	5,111,159
Future health, dental and workers' compensation		25,202,690	-	-	-	25,202,690
Technology		838,703	-	-	-	838,703
Instruction		1,189,368	-	-	-	1,189,368
Assigned to:						
Instruction		1,499,506	-	-	-	1,499,506
Total fund balances		30,755,544	6,389,734	5,111,159	9,210,779	51,467,216
Total liabilities, deferred inflows and fund balances	$	82,288,087	6,834,441	5,136,232	12,981,343	

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.	256,207,395
Long-term liabilities are not reported as liabilities in the governmental funds.	(52,101,781)
Net OPEB liabilities are not reported as liabilities in the governmental funds.	(210,390,656)
Deferred outflows are not reported in the governmental funds.	57,019,594
Net pension liabilities are not reported in the governmental funds.	(367,075,211)
Deferred inflows are not reported in the governmental funds.	(64,944,387)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	127,748
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds.	1,779,699
Net position of governmental activities	$ (327,910,383)

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-2*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
REVENUES					
Intergovernmental revenues:					
City of Chesapeake	$ 197,450,298	-	-	-	197,450,298
Commonwealth of Virginia	240,453,745	331,051	-	-	240,784,796
Federal government	22,147,621	8,237,752	-	-	30,385,373
Donated commodities from Federal government	-	1,017,902	-	-	1,017,902
Total intergovernmental	460,051,664	9,586,705	-	-	469,638,369
Charges for services	15,195,429	3,675,546	-	-	18,870,975
Interest	586,474	67,054	74,303	254,907	982,738
Miscellaneous	1,610,092	15,086	9,666	-	1,634,844
Total revenues	477,443,659	13,344,391	83,969	254,907	491,126,926
EXPENDITURES					
Education:					
Administration	9,767,107	-	-	-	9,767,107
Instruction	353,388,457	-	716,453	-	354,104,910
Attendance and health services	7,157,383	-	-	-	7,157,383
Pupil transportation	29,145,274	-	-	-	29,145,274
Operations and maintenance	46,033,057	-	-	-	46,033,057
School facilities services	516,957	-	-	-	516,957
School technology services	15,452,639	-	-	-	15,452,639
Total education	461,460,874	-	716,453	-	462,177,327
Food services	-	12,489,723	-	-	12,489,723
Debt service	2,497,316	-	-	-	2,497,316
Payment to primary government – return of interest income	586,474	-	-	254,907	841,381
Capital outlay	4,546,338	-	-	22,583,551	27,129,889
Total expenditures	469,091,002	12,489,723	716,453	22,838,458	505,135,636
Excess (deficiency) of revenues over (under) expenditures	8,352,657	854,668	(632,484)	(22,583,551)	(14,008,710)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	4,546,338	-	-	-	4,546,338
Payment from primary government for capital outlay and textbooks	-	-	-	12,930,500	12,930,500
Total other financing sources (uses)	4,546,338	-	-	12,930,500	17,476,838
Net change in fund balance	12,898,995	854,668	(632,484)	(9,653,051)	3,468,128
Fund balance - beginning	17,969,843	5,470,546	5,743,643	18,863,830	48,047,862
Increase (decrease) in reserve for inventory	(113,294)	64,520	-	-	(48,774)
Fund balance - ending	$ 30,755,544	6,389,734	5,111,159	9,210,779	51,467,216

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

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	$	3,468,128
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.		14,226,472
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.		(10,354)
Some capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. Capital leases are not revenues in the statement of activities.		(4,546,338)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.		2,323,499
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.		33,512
Because some sales taxes and revenues will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.		(2,576,063)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.		(48,774)
Changes in net OPEB liability and related deferred outflows and inflows are reported only in the statement of activities.		(1,477,724)
Changes in net pension liabilities and related deferred outflows and inflows of resources are reported only in the statement of activities.		14,001,649
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 $4,676,225 and self insurance amount paid exceeded claims incurred by $382,201.		5,058,426
Change in net position of governmental activities	$	30,452,433

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-3*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

		Agency Fund	Other Postemployment Benefits Trust Fund
ASSETS			
Cash and temporary investments	$	5,213,504	-
Investments, at fair value			
Money market trust		-	3,437,502
Total assets	$	5,213,504	3,437,502
LIABILITIES AND NET POSITION			
Liabilities:			
Due to students	$	5,213,504	-
Total liabilities		5,213,504	-
Net position:			
Restricted for other postemployment benefits		-	3,437,502
Total net position		-	3,437,502
Total liabilities and net position	$	5,213,504	3,437,502

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-3A*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

		Other Postemployment Benefits Trust Fund
ADDITIONS		
Contributions from employer	$	5,481,286
Contributions from plan members		4,061,972
Investment income:		
Interest and dividends		300,659
Net investment income		300,659
Total additions		9,843,917
DEDUCTIONS		
Administrative expenses		4,024
Benefits and refunds paid on behalf of plan members and beneficiaries		9,543,258
Total deductions		9,547,282
Change in net position		296,635
Held in trust for other postemployment benefits - beginning of year		3,140,867
Held in trust for other postemployment benefits - end of year	$	3,437,502

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-4*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Schools General Fund
Year Ended June 30, 2018

		Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Intergovernmental revenues:					
City of Chesapeake	$	199,716,509	199,716,509	197,450,298	(2,266,211)
Commonwealth of Virginia		239,146,039	239,494,533	240,453,745	959,212
Federal government		28,436,603	28,095,609	22,147,621	(5,947,988)
Charges for services		2,230,800	2,230,800	15,195,429	12,964,629
Interest		-	-	586,474	586,474
Miscellaneous		769,135	761,635	1,610,092	848,457
Total revenues		470,299,086	470,299,086	477,443,659	7,144,573
EXPENDITURES					
Education:					
Administration		9,198,865	9,830,050	9,767,107	62,943
Instruction		361,062,054	360,999,760	353,388,457	7,611,303
Attendance and health services		7,346,247	7,141,042	7,157,383	(16,341)
Pupil transportation		27,819,500	29,008,496	29,145,274	(136,778)
Operations and maintenance		45,255,816	45,847,504	46,033,057	(185,553)
School facilities services		630,467	520,467	516,957	3,510
School technology services		16,548,821	16,216,043	15,452,639	763,404
Capital Outlay		-	-	4,546,338	(4,546,338)
Total education		467,861,770	469,563,362	466,007,212	3,556,150
Debt service:					
Principal		2,323,499	2,323,499	2,323,499	-
Interest		173,817	173,817	173,817	-
Total debt service		2,497,316	2,497,316	2,497,316	-
Payment to primary government – return of interest income		-	-	586,474	586,474
Total expenditures		470,359,086	472,060,678	469,091,002	4,142,624
Excess (deficiency) of revenues over (under) expenditures	$	(60,000)	(1,761,592)	8,352,657	10,114,249

Other financing sources (uses):	
Proceeds from capital leases	4,546,338
Total other financing uses	4,546,338
Net change in fund balance	12,898,995
Fund balance - beginning	17,969,843
Increase (decrease) in reserve for inventory	(113,294)
Fund balance - ending	$ 30,755,544

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-5*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Schools Food Services Fund
Year Ended June 30, 2018

		Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Intergovernmental revenues:					
Commonwealth of Virginia	$	180,503	180,503	331,051	150,548
Federal government		8,613,623	8,613,623	8,237,752	(375,871)
Charges for services		4,068,498	4,068,498	3,675,546	(392,952)
Interest		12,500	12,500	67,054	54,554
Miscellaneous		11,000	11,000	15,086	4,086
Total revenues		12,886,124	12,886,124	12,326,489	(559,635)
EXPENDITURES					
Operating costs:					
Purchases for resale		4,096,000	4,096,000	3,516,270	579,730
Food service salaries and fringe benefits		6,698,782	6,698,782	6,060,338	638,444
General and administrative		1,719,217	1,719,217	1,620,132	99,085
Other repairs and supplies		423,780	423,780	161,661	262,119
Capital outlay		137,000	137,000	103,119	33,881
Other expenditures		12,365	12,365	10,301	2,064
Total expenditures		13,087,144	13,087,144	11,471,821	1,615,323
Excess (deficiency) of revenues over (under) expenditures	$	(201,020)	(201,020)	854,668	1,055,688
Fund balance - beginning				5,470,546	
Increase (decrease) in reserve for inventory				64,520	
Fund balance - ending				$ 6,389,734	

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-6*
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Schools Textbooks Fund
Year Ended June 30, 2018

		Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Interest	$	15,000	15,000	74,303	59,303
Miscellaneous		10,000	10,000	9,666	(334)
Total revenues		25,000	25,000	83,969	58,969
EXPENDITURES					
Instruction					
Textbooks		2,086,841	2,091,861	352,378	1,739,483
Expendable workbooks		305,819	305,819	364,075	(58,256)
Total expenditures		2,392,660	2,397,680	716,453	1,681,227
Excess (deficiency) of revenues over (under) expenditures	$	(2,367,660)	(2,372,680)	(632,484)	1,740,196
Other financing sources (uses):					
Transfer from primary government				-	
Total other financing sources (uses)				-	
Net change in fund balance				(632,484)	
Fund balance - beginning				5,743,643	
Fund balance - ending				$ 5,111,159	

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, 2018

		Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS			
Assets			
Cash and temporary investments	$	4,505,327	-
Inventory of materials and supplies		279,374	-
Prepaid expenses		117,019	-
Total current assets		4,901,720	-
Total assets	$	4,901,720	-
LIABILITIES, FUND BALANCE AND NET POSITION			
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	$	391,381	-
Total current liabilities		391,381	-
Total liabilities		391,381	-
Fund Balance			
Nonspendable:			
Inventory		279,374	-
Committed:			
Future capital improvements		1,000,000	-
Operations		1,093,728	-
Unassigned		2,137,237	-
Net Position			
Unrestricted (deficit)		-	-
Total fund balance and net position		4,510,339	-
Total liabilities, fund balance and net position	$	4,901,720	-

Reconciliation to Net Position:		
Total fund balance	$	4,510,339
Capital assets - net of depreciation		2,429,446
Net OPEB asset		53,334
Deferred outflows		343,600
Net pension liability		(698,235)
Net OPEB liability		(135,931)
Deferred inflows		(580,839)
Net Position	$	5,921,714

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Chesapeake Mosquito Control Commission
Year Ended June 30, 2018

		Chesapeake Mosquito Control Commission
REVENUES		
Property taxes	$	4,420,306
Investment income		33,317
Other		206,191
Total revenues		4,659,814
EXPENDITURES		
Other salaries and wages		1,696,531
Other fringe benefits		756,776
Other repairs and supplies		844,358
Insurance premiums		236,611
Capital outlay		65,812
Other		353,521
Total expenditures		3,953,609
Excess (deficiency) of revenues over (under) expenditures		706,205
Net change in fund balance		706,205
Fund balance - beginning		3,804,134
Fund balance - ending	$	4,510,339

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	$	706,205
Pension expense		280,106
OPEB expense		54,568
Depreciation expense		(140,522)
Capital outlay expenditures		65,812
Change in Net Position	$	966,169

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

Statement of Revenues, Expenditures and Changes in Fund Net Position
Chesapeake Port Authority
Year Ended June 30, 2018

		Chesapeake Port Authority
NONOPERATING REVENUES (EXPENSES)		
Loss on disposal of operations	$	(1,696)
Total nonoperating revenues (expenses), net		(1,696)
Change in net position		(1,696)
Net position - beginning		1,696
Net position - ending	$	-

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

Statement of Cash Flows
Chesapeake Port Authority
Year Ended June 30, 2018

		Chesapeake Port Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss on disposal of operations	$	(1,696)
Net cash provided by (used in) operating activities		(1,696)
Net increase (decrease) in cash and temporary investments		(1,696)
Cash and temporary investments beginning of year		1,696
Cash and temporary investments end of year	$	-
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$	(1,696)
Total adjustments		-
Net cash provided by (used in) operating activities	$	(1,696)

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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			
		2009	**2010**	**2011**	**2012**
Governmental Activities					
Net investment in capital assets	$	701,163,988	711,456,653	735,161,026	762,765,688
Restricted for:					
Capital projects		6,797,052	6,733,774	7,208,270	7,541,231
Debt service		7,032,992	5,977,598	5,585,278	2,974,020
Other purposes:					
Expendable		48,053,608	61,966,212	64,874,383	66,019,778
Nonexpendable		12,795	12,795	12,795	12,795
Unrestricted		186,150,360	172,115,671	197,640,231	180,953,477
Total governmental activities net position	$	949,210,795	958,262,703	1,010,481,983	1,020,266,989
Business-type Activities					
Net investment in capital assets	$	287,074,512	274,620,304	282,334,648	286,255,165
Restricted for:					
Capital projects		3,110,328	1,421,019	2,969,658	1,765,682
Debt service		6,095,925	8,400,300	11,051,969	10,331,849
Other purposes:					
Expendable		71,224,863	90,743,786	99,837,905	116,409,613
Unrestricted		1,161,632	(1,229,016)	(1,185,861)	(1,543,594)
Total business-type activities net position	$	368,667,260	373,956,393	395,008,319	413,218,715
Primary Government					
Net investment in capital assets	$	988,238,500	986,076,957	1,017,495,674	1,049,020,853
Restricted for:					
Capital projects		9,907,380	8,154,793	10,177,928	9,306,913
Debt service		13,128,917	14,377,898	16,637,247	13,305,869
Other purposes:					
Expendable		119,278,471	152,709,998	164,712,288	182,429,391
Nonexpendable		12,795	12,795	12,795	12,795
Unrestricted		187,311,992	170,886,655	196,454,370	179,409,883
Total Primary Government net position	$	1,317,878,055	1,332,219,096	1,405,490,302	1,433,485,704
Component Units					
Net investment in capital assets	$	144,813,085	155,905,524	177,640,500	218,780,868
Restricted for:					
Capital projects		36,422,441	44,293,952	22,133,039	15,625,180
Other purposes:					
Expendable		1,994,027	2,334,502	1,234,356	38,848,921
Unrestricted		(91,627,322)	(143,537,497)	(189,089,275)	(286,045,269)
Total component units' net position	$	91,602,231	58,996,481	11,918,620	(12,790,300)

Table 1

Fiscal Years					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
715,309,724	725,639,898	751,215,126	803,408,601	917,873,047	948,007,008
7,945,218	7,730,629	9,289,916	9,496,284	7,573,672	7,295,431
3,051,674	1,104,771	524,780	572,809	800,317	975,681
65,320,915	71,603,633	73,178,331	79,026,265	86,689,437	81,470,421
12,795	12,795	12,795	12,795	184,459	203,604
194,955,789	212,685,592	100,085,810	127,611,781	166,360,668	204,538,067
986,596,115	1,018,777,318	934,306,758	1,020,128,535	1,179,481,600	1,242,490,212
338,956,191	363,131,229	380,994,500	374,310,640	398,107,933	424,400,639
4,909,101	4,192,551	10,285,096	13,054,525	97,882,413	108,317,526
40,167,626	36,168,752	33,995,534	33,421,662	33,684,535	34,184,641
112,058,449	133,882,562	135,829,971	149,570,921	79,037,754	79,578,055
(1,170,944)	(18,150,568)	(28,147,438)	(4,026,298)	(4,182,599)	(32,028,285)
494,920,423	519,224,526	532,957,663	566,331,450	604,530,036	614,452,576
1,054,265,915	1,088,771,127	1,132,209,626	1,177,719,241	1,315,980,980	1,372,407,647
12,854,319	11,923,180	19,575,012	22,550,809	105,456,085	115,612,957
43,219,300	37,273,523	34,520,314	33,994,471	34,484,852	35,160,322
177,379,364	205,486,195	209,008,302	228,597,186	165,727,191	161,048,476
12,795	12,795	12,795	12,795	184,459	203,604
193,784,845	194,535,024	71,938,372	123,585,483	162,178,069	172,509,782
1,481,516,538	1,538,001,844	1,467,264,421	1,586,459,985	1,784,011,636	1,856,942,788
226,212,630	231,613,876	240,465,301	238,621,923	245,580,745	268,152,475
27,122,536	22,562,553	17,708,059	23,976,510	18,863,830	9,210,779
36,950,588	27,909,453	22,479,251	22,906,943	26,003,608	39,148,494
(303,617,981)	(298,929,160)	(692,757,169)	(673,085,649)	(685,656,442)	(579,865,069)
(13,332,227)	(16,843,278)	(412,104,558)	(387,580,273)	(395,208,259)	(263,353,321)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2009	**2010**	**2011**	**2012**
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 15,214,785	14,634,265	15,176,526	15,655,753
Public safety	5,749,819	6,066,443	7,170,555	8,004,960
Public works	1,661,573	2,533,979	1,819,486	572,422
Parks and recreation	1,040,947	1,058,795	1,203,236	1,185,891
Public welfare	3,240,175	3,758,146	3,907,048	3,634,765
Operating grants and contributions	94,712,370	93,882,445	112,543,495	114,361,618
Capital grants and contributions	21,872,574	10,319,478	2,840,507	2,971,533
Total governmental activities' program revenues	$ 143,492,243	132,253,551	144,660,853	146,386,942
Business-type activities:				
Charges for Services:				
Public Utilities	$ 56,097,409	55,733,051	66,688,401	63,871,301
Chesapeake Transportation System	6,910,173	7,097,481	8,151,134	10,488,113
Stormwater Management	13,036,755	14,194,442	14,767,660	14,833,052
Jordan Bridge	527,523	-	-	-
Operating grants and contributions	1,871,101	1,145,292	1,185,967	1,309,146
Capital grants and contributions	10,661,753	3,597,675	3,102,397	2,662,708
Total business-type activities' program revenues	$ 89,104,714	81,767,941	93,895,559	93,164,320
Total Primary Government Activities' program revenues	$ 232,596,957	214,021,492	238,556,412	239,551,262
Component Units:				
Charges for Services:				
Public Schools	$ 7,426,524	7,245,368	7,243,389	7,097,754
Chesapeake Port Authority	-	-	38,550	36,210
Chesapeake Airport Authority	394,838	431,858	435,781	424,813
Elizabeth River Properties of Chesapeake, Inc.	78,675	88,050	96,100	100,730
Operating grants and contributions	85,261,245	89,515,940	100,528,447	112,735,654
Capital grants and contributions	1,895,524	955,420	1,125,139	1,541,294
Total component units' program revenues	$ 95,056,806	98,236,636	109,467,406	121,936,455
Total Primary Government and component units' program revenues	$ 327,653,763	312,258,128	348,023,818	361,487,717

Table 2

Fiscal Years					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
19,070,413	17,991,011	17,221,747	17,919,246	18,626,308	18,369,446
4,552,411	4,930,678	6,065,257	6,327,000	6,842,159	6,958,674
491,789	579,655	423,362	397,605	433,412	567,340
1,119,617	1,199,110	1,179,898	1,325,959	1,273,734	1,260,627
3,876,330	4,730,175	6,036,692	8,128,191	7,269,310	7,549,567
95,148,851	94,884,033	94,843,600	108,437,341	111,174,626	111,552,585
7,941,256	4,135,767	7,297,723	23,145,655	107,671,523	22,555,997
132,200,667	128,450,429	133,068,279	165,680,997	253,291,072	168,814,236
59,999,277	66,585,995	69,235,499	71,895,798	75,891,505	76,927,836
10,310,889	10,475,725	11,101,413	11,938,642	17,591,317	24,825,405
14,973,046	15,183,909	15,644,842	15,661,983	16,031,408	16,115,527
-	-	-	-	-	-
1,501,314	1,132,388	1,210,881	1,419,816	1,723,497	3,305,879
32,250,518	7,412,395	7,932,525	12,942,811	19,668,084	5,040,018
119,035,044	100,790,412	105,125,160	113,859,050	130,905,811	126,214,665
251,235,711	229,240,841	238,193,439	279,540,047	384,196,883	295,028,901
7,628,806	14,692,607	16,611,124	18,998,372	18,635,543	18,870,975
39,400	42,135	35,905	39,722	1,200	-
434,049	429,444	427,789	434,638	466,335	473,455
97,283	110,753	124,003	111,979	106,776	117,546
93,629,158	99,476,140	93,982,567	97,479,921	103,321,427	111,090,487
1,204,851	1,311,294	1,190,330	1,163,712	392,204	2,020,383
103,033,547	116,062,373	112,371,718	118,228,344	122,923,485	132,572,846
354,269,258	345,303,214	350,565,157	397,768,391	507,120,368	427,601,747

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	$ 143,489,932	143,639,154	138,721,838	144,974,198
Public safety	91,889,008	87,113,239	90,494,294	100,787,254
Public works	47,649,415	48,092,037	40,170,140	47,637,435
Parks and recreation	9,066,099	7,795,681	8,344,251	7,804,170
Public welfare	44,005,141	42,497,064	44,417,008	44,804,508
Education	226,520,024	213,633,155	179,064,673	203,047,686
Interest on long term debt	18,948,390	19,234,044	19,801,226	17,885,365
Depreciation and amortization - net unallocated portion	22,760,633	22,734,730	21,783,568	20,169,069
Total governmental activities	$ 604,328,642	584,739,104	542,796,998	587,109,685
Business-type activities:				
Public Utilities	$ 51,901,055	53,143,253	54,051,300	56,133,023
Chesapeake Transportation System	9,945,582	11,183,690	9,728,730	10,587,608
Stormwater Management	7,140,754	8,838,137	8,903,174	7,761,421
Jordan Bridge	2,074,693	181,365	-	-
Total business-type activities	$ 71,062,084	73,346,445	72,683,204	74,482,052
Total Primary Government	$ 675,390,726	658,085,549	615,480,202	661,591,737
Component units				
Public Schools	$ 500,750,043	486,073,626	474,747,371	472,886,416
Chesapeake Mosquito Control Commission	4,833,609	4,717,522	4,087,128	4,630,205
Economic Development Authority	2,380,983	2,232,533	1,521,383	2,364,300
Chesapeake Port Authority	12,479	8,619	38,752	44,866
Chesapeake Airport Authority	1,396,948	1,656,760	1,297,329	1,324,282
Elizabeth River Properties of Chesapeake, Inc.	107,633	110,503	116,800	145,536
Total component units	$ 509,481,695	494,799,563	481,808,763	481,395,605
Net (Expense)/Revenue				
Governmental activities	$ (460,836,399)	(452,485,553)	(398,136,145)	(440,722,743)
Business-type activities	18,042,630	8,421,496	21,212,355	18,682,268
Total Primary Government net expense	$ (442,793,769)	(444,064,057)	(376,923,790)	(422,040,475)
Total component units net expense	$ (414,424,889)	(396,562,927)	(372,341,357)	(359,459,150)

Table 2, Continued

Fiscal Years					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
149,330,767	152,704,171	129,569,793	125,133,326	145,413,520	154,492,115
83,454,031	93,375,929	91,413,819	90,907,369	93,094,728	94,172,297
40,647,017	38,746,709	58,920,091	52,877,267	58,915,648	47,580,380
9,693,509	2,516,007	2,439,039	8,423,774	3,415,829	7,730,292
40,991,944	42,027,655	44,174,172	45,705,033	48,443,596	47,746,439
208,985,915	189,942,276	191,962,233	208,466,021	207,382,512	217,851,053
15,821,682	15,001,553	13,597,584	12,228,723	12,696,190	13,797,966
19,429,215	18,824,944	16,215,291	15,331,944	15,216,230	19,448,199
568,354,080	553,139,244	548,292,022	559,073,457	584,578,253	602,818,741
54,559,573	57,339,899	59,665,753	59,789,391	61,195,818	68,295,315
11,981,231	10,430,045	8,973,844	8,987,678	20,513,144	36,979,915
9,256,065	8,755,098	11,578,159	11,541,070	12,825,364	11,027,245
-	-	-	-	-	-
75,796,869	76,525,042	80,217,756	80,318,139	94,534,326	116,302,475
644,150,949	629,664,286	628,509,778	639,391,596	679,112,579	719,121,216
449,879,147	444,265,205	442,852,339	435,759,664	488,960,206	465,238,363
4,520,768	4,018,404	4,033,457	5,181,759	4,013,749	3,693,645
883,000	789,713	686,818	3,322,203	642,787	1,329,256
50,187	53,350	46,498	46,795	19,642	1,696
1,285,463	1,359,188	1,583,143	1,340,246	1,270,448	1,340,143
188,512	179,427	190,881	223,076	225,496	225,065
456,807,077	450,665,287	449,393,136	445,873,743	495,132,328	471,828,168
(436,153,413)	(424,688,815)	(415,223,743)	(393,392,460)	(331,287,181)	(434,004,505)
43,238,175	24,265,370	24,907,404	33,540,911	36,371,485	9,912,190
(392,915,238)	(400,423,445) #	(390,316,339)	(359,851,549)	(294,915,696)	(424,092,315)
(353,773,530)	(334,602,914) #	(337,021,418)	(327,645,399)	(372,208,843)	(339,255,322)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2009	2010	2011	2012
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	$ 308,040,890	307,213,245	298,873,974	293,799,799
Local sales and use taxes	32,772,077	31,888,444	32,065,910	33,751,538
Business license taxes	23,960,628	22,022,114	23,030,916	24,752,986
Consumer utility taxes	10,016,340	10,115,683	10,312,035	10,027,978
Other taxes	47,569,929	48,297,304	49,341,676	50,533,368
Grants and contributions not restricted to specific programs	31,439,703	31,520,409	31,510,142	31,646,114
Unrestricted investment earnings	7,444,350	3,881,599	2,281,828	2,400,850
Miscellaneous	3,516,856	3,465,033	2,778,515	3,123,243
Transfers	370,150	3,133,630	160,429	471,873
Total governmental activities revenues & transfers	$ 465,130,923	461,537,461	450,355,425	450,507,749
Business-type activities:				
Unrestricted investment earnings	$ 64,430	1,269	-	-
Transfers	(370,150)	(3,133,630)	(160,429)	(471,873)
Total business-type activities revenues & transfers	$ (305,720)	(3,132,361)	(160,429)	(471,873)
Total Primary Government revenues & transfers	$ 464,825,203	458,405,100	450,194,996	450,035,876
Component Units:				
Payment from City	$ 218,635,536	205,717,540	171,309,720	195,333,708
Grants and contributions not restricted to specific programs	183,774,094	155,771,193	152,297,184	137,894,439
Unrestricted investment earnings	1,764,666	1,105,263	591,149	333,931
Miscellaneous	3,811,315	1,363,181	1,065,443	1,188,152
Total component units	$ 407,985,611	363,957,177	325,263,496	334,750,230
Change in Net Position				
Governmental activities	$ 4,294,524	9,051,908	52,219,280	9,785,006
Business-type activities	17,736,910	5,289,135	21,051,926	18,210,395
Total Primary Government net change in net position	$ 22,031,434	14,341,043	73,271,206	27,995,401
Total component units net change in net position	$ (6,439,278)	(32,605,750)	(47,077,861)	(24,708,920)

Table 2, Continued

Fiscal Years					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
288,743,868	298,879,122	305,738,657	311,753,152	323,945,517	339,175,321
34,451,337	35,389,855	37,236,136	38,134,836	39,192,394	40,912,255
24,268,792	25,068,518	25,684,602	25,432,077	26,124,990	27,319,871
10,258,697	10,450,356	10,624,686	10,549,605	10,631,194	10,856,726
50,956,443	50,985,268	52,988,967	55,170,564	55,182,708	55,699,035
31,739,924	31,725,721	31,873,268	32,200,518	32,146,547	32,144,107
162,669	1,538,560	1,688,206	2,212,618	2,307,567	4,642,652
2,961,604	2,871,351	3,718,394	3,593,743	2,936,430	3,789,863
5,295,381	(38,733)	190,553	167,124	(1,827,101)	(1,351,488)
448,838,715	456,870,018	469,743,469	479,214,237	490,640,246	513,188,342
-	-	-	-	-	-
(5,295,381)	38,733	(190,553)	(167,124)	1,827,101	1,351,488
(5,295,381)	38,733	(190,553)	(167,124)	1,827,101	1,351,488
443,543,334	456,908,751	469,552,916	479,047,113	492,467,347	514,539,830
201,293,387	182,260,318	184,457,843	200,669,966	199,801,485	210,380,798
151,059,807	147,665,810	155,306,935	154,989,654	163,341,019	163,273,264
86,192	168,006	242,790	262,926	450,365	982,738
792,217	1,046,806	1,146,129	950,105	987,988	1,525,959
353,231,603	331,140,940	341,153,697	356,872,651	364,580,857	376,162,759
12,685,302	32,181,203	54,519,726	85,821,777	159,353,065	79,183,837
37,942,794	24,304,103	24,716,851	33,373,787	38,198,586	11,263,678
50,628,096	56,485,306	79,236,577	119,195,564	197,551,651	90,447,515
(541,927)	(3,461,974)	4,132,279	29,227,252	(7,627,986)	36,907,437

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA *Table 3*

Fund Balances, Governmental Funds
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2009	2010	2011	2012	2013
General Fund					
Nonspendable	$ -	-	1,215,836	1,128,589	1,173,244
Restricted for cash flow emergencies	-	-	30,710,709	30,923,382	30,923,382
Restricted other	-	-	3,758,367	1,011,910	833,686
Committed for operating emergencies	-	-	25,592,084	25,769,311	25,769,311
Committed for emergency event response and recovery	-	-	20,000,000	20,000,000	20,000,000
Committed other	-	-	28,300,785	21,354,919	19,799,695
Assigned	-	-	9,217,166	1,288,513	4,364,542
Unassigned	-	-	19,406,510	33,445,706	40,797,644
Reserved:					
Expendable	33,004,234	25,528,781	-	-	-
Unreserved:					
Designated - cash flow emergencies	34,270,058	32,100,281	-	-	-
Designated - operating emergencies	28,558,382	26,783,568	-	-	-
Designated - General Fund	2,368,429	3,900,779	-	-	-
Undesignated	35,792,674	41,699,790	-	-	-
Total general fund	133,993,777	130,013,199	138,201,457	134,922,330	143,661,504
All Other Governmental Funds [1]					
Nonspendable	-	-	232,310	215,768	203,387
Restricted	-	-	43,324,930	38,624,448	34,357,794
Committed	-	-	37,283,577	35,592,442	27,181,725
Assigned	-	-	131,466,032	108,523,321	116,794,758
Unassigned	-	-	(30,855)	(21,229)	(146,211)
Reserved:					
Expendable	20,143,495	48,617,453	-	-	-
Nonexpendable	12,795	12,795	-	-	-
Unreserved:					
Designated - debt service	36,159,745	38,282,537	-	-	-
Designated - Special Revenue Funds	1,540,435	3,100,225	-	-	-
Undesignated - Capital Projects Fund	79,240,620	26,962,867	-	-	-
Undesignated - Special Revenue Funds	42,318,106	58,467,663	-	-	-
Undesignated - Permanent Funds	167,099	171,038	-	-	-
Total all other governmental funds	179,582,295	175,614,578	212,275,994	182,934,750	178,391,453
Total Governmental Funds	$ 313,576,072	305,627,777	350,477,451	317,857,080	322,052,957

	Fiscal Years				
	2014	2015	2016	2017	2018
General Fund [2]					
Nonspendable	$ 1,189,121	1,433,615	1,559,275	1,311,843	1,508,708
Restricted for cash flow emergencies	31,310,247	31,981,331	32,623,282	33,795,931	34,786,564
Restricted other	700,071	468,823	540,507	4,725,626	4,794,161
Committed for operating emergencies	26,091,873	-	-	-	-
Committed for emergency event response and recovery	20,000,000	-	-	-	-
Committed for one time projects	-	34,275,685	46,901,273	56,288,856	67,624,832
Committed other	19,669,549	21,351,556	30,964,586	37,702,547	36,344,926
Assigned	1,677,416	5,416,979	9,832,438	5,292,608	7,382,231
Unassigned	52,230,084	63,962,662	65,246,428	67,591,862	69,573,129
Total general fund	152,868,361	158,890,651	187,667,789	206,709,273	222,014,551
All Other Governmental Funds					
Nonspendable	593,670	422,548	402,847	184,459	203,604
Restricted	40,383,450	39,598,073	46,583,273	48,811,144	42,612,835
Committed	25,246,730	54,059,196	48,759,647	51,053,591	26,152,649
Assigned	107,129,606	77,828,467	62,346,748	132,555,851	151,752,426
Unassigned	-	-	-	-	-
Total all other governmental funds	173,353,456	171,908,284	158,092,515	232,605,045	220,721,514
Total Governmental Funds	$ 326,221,817	330,798,935	345,760,304	439,314,318	442,736,065

[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

		2009	2010	2011	2012
REVENUES					
General property taxes	$	305,829,730	304,947,151	296,632,594	293,402,936
Other local taxes		114,318,974	112,323,545	114,750,537	119,065,871
Licenses, permits and fees		7,803,173	7,575,603	7,972,072	8,307,084
Fines and forfeitures		2,335,259	2,028,178	2,261,473	2,675,066
Investment income		6,904,289	3,591,409	2,050,170	2,252,138
Revenues from use of property		848,257	804,015	778,597	898,374
Charges for services		16,237,073	18,153,264	18,828,633	17,862,425
Miscellaneous local revenues		4,352,154	3,173,343	1,794,641	2,129,706
Recovered costs		2,548,192	2,272,195	1,809,704	2,036,718
Program income		277,191	206,739	124,629	158,692
Revenues from local developers		705,995	831,779	412,363	585,076
Intergovernmental revenues:					
Commonwealth of Virginia		101,886,059	95,205,573	103,376,371	106,086,317
Federal government		17,117,982	19,485,307	31,301,818	35,562,794
Federal government - American Reinvestment and Recovery Act		3,188,902	9,012,210	7,508,761	2,262,536
Mosquito Control Commission		-	-	-	-
Chesapeake Public Schools		2,229,109	960,855	541,907	269,357
Total revenues		586,582,339	580,571,166	590,144,270	593,555,090
EXPENDITURES					
Current:					
General government		118,517,768	117,475,619	115,688,136	118,108,161
Public safety		88,970,424	87,356,259	89,830,242	97,250,186
Public works		52,872,322	54,166,903	48,602,743	49,987,411
Parks and recreation		8,889,221	8,364,559	8,397,383	8,251,131
Public welfare		43,289,297	42,255,922	44,026,969	44,353,875
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.		50,282	53,368	43,133	33,625
Education - Payments to Public Schools		218,635,536	205,717,540	171,309,720	195,333,708
General government - Payments to Mosquito Control Commission		-	-	-	347,408
Capital outlay		32,194,102	42,246,435	56,570,778	67,227,782
Debt service:					
Principal[1]		35,766,343	37,413,352	27,821,247	40,084,951
Interest		19,497,740	17,129,985	29,811,366	18,612,948
Total expenditures		618,683,035	612,179,942	592,101,717	639,591,186
Excess (deficiency) of revenues over (under) expenditures		(32,100,696)	(31,608,776)	(1,957,447)	(46,036,096)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds		105,080,053	113,218,228	109,787,305	95,800,084
Proceeds from equipment capital leases		-	4,490,443	-	-
General obligation bonds issued		23,015,000	2,555,000	52,845,000	-
General obligation refunding bonds issued		17,255,000	-	-	76,840,000
Transfers to other funds		(105,121,391)	(109,862,086)	(116,595,421)	(95,643,209)
Payment to refunded bond escrow agent		(17,774,815)	-	-	(84,369,830)
Premiums on general obligation bonds issued		732,755	-	770,237	5,786,007
Premiums on refunding bonds issued		-	-	-	-
VPSA bond proceeds		34,285,000	12,280,000	-	14,170,000
Premiums on VPSA bonds		2,715,026	978,896	-	832,673
Total other financing sources (uses)		60,186,628	23,660,481	46,807,121	13,415,725
Net change in fund balances	$	28,085,932	(7,948,295)	44,849,674	(32,620,371)
Debt service as a percentage of noncapital expenditures[2]		9.42%	9.57%	10.76%	10.26%

[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				
2013	**2014**	**2015**	**2016**	**2017**	**2018**
290,256,858	295,012,634	303,776,731	309,687,694	321,436,947	336,040,424
119,935,269	121,893,999	126,534,391	129,287,082	131,131,286	134,787,887
8,091,767	8,526,755	8,744,557	8,984,478	8,976,982	9,005,712
3,000,462	2,689,990	2,585,943	2,497,583	2,324,124	1,984,717
220,723	1,417,282	1,533,894	2,026,798	2,122,324	4,164,768
895,198	946,050	876,770	953,199	963,352	1,089,188
17,754,480	18,047,555	19,459,056	22,356,868	22,919,619	23,452,511
2,400,427	4,542,690	3,080,064	3,791,848	3,820,723	3,906,796
1,736,917	1,853,213	2,790,430	2,188,833	1,842,339	2,324,958
69,815	649,715	138,654	257,538	640,718	462,012
669,054	809,803	1,617,834	1,062,059	1,135,388	721,759
103,681,099	105,987,373	108,369,232	116,529,745	121,239,674	118,276,206
19,525,713	15,611,161	15,175,831	19,863,946	18,526,865	21,939,696
1,769,751	1,853,891	888,431	892,605	889,080	889,902
-	-	-	1,250,000	-	-
119,662	146,377	213,430	235,270	404,392	841,381
570,127,195	579,988,488	595,785,248	621,865,546	638,373,813	659,887,917
114,270,761	116,553,224	112,021,828	112,965,759	118,097,428	122,583,859
90,042,746	89,357,145	94,467,782	93,772,637	97,964,884	99,550,223
53,610,904	50,867,236	60,880,687	59,339,632	59,041,469	59,096,571
8,237,407	8,705,783	9,767,667	10,382,616	10,479,224	11,325,996
41,062,109	41,755,349	44,677,723	46,735,975	48,235,096	48,973,078
-	-	-	-	-	-
201,293,387	182,260,318	184,457,843	200,669,966	199,801,485	210,380,853
-	-	-	-	-	-
26,928,990	27,565,329	29,755,807	56,329,436	58,432,829	58,753,654
42,023,919	56,969,642	41,354,583	28,911,589	24,816,589	30,268,297
16,496,449	15,151,883	14,093,015	12,608,768	11,832,061	13,725,307
593,966,672	589,185,909	591,476,935	621,716,378	628,701,065	654,657,838
(23,839,477)	(9,197,421)	4,308,313	149,168	9,672,748	5,230,079
97,153,386	82,474,033	95,845,901	71,832,037	81,270,597	95,988,015
-	-	(383,863)	-	-	-
-	-	-	-	76,640,000	-
-	13,175,000	-	-	5,190,000	-
(99,773,872)	(82,721,065)	(95,193,233)	(71,117,755)	(83,542,939)	(97,796,347)
-	-	-	-	(5,915,421)	-
-	438,313	-	-	9,478,205	-
-	-	-	-	760,824	-
26,690,000	-	-	12,170,000	-	-
3,997,373	-	-	1,927,919	-	-
28,066,887	13,366,281	268,805	14,812,201	83,881,266	(1,808,332)
4,227,410	4,168,860	4,577,118	14,961,369	93,554,014	3,421,747
10.32%	12.84%	9.87%	7.34%	6.43%	7.38%

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

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

	Fiscal Years				
	2009	**2010**	**2011**	**2012**	**2013**
Real Property Assessed Value[1] $	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769	23,197,467,449
Real Property Estimated Actual Value[1]	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769	23,197,467,449
Personal Property Assessed Value[1]	1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642
Personal Property Estimated Actual Value[1]	1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642
Total Assessed Value	27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091
Total Direct Tax Rate[2]	1.22	1.23	1.24	1.25	1.26
Estimated Actual Value	27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2014	**2015**	**2016**	**2017**	**2018**
Real Property Assessed Value[1] $	23,391,965,862	23,905,386,600	24,370,701,634	25,174,589,034	26,241,692,929
Real Property Estimated Actual Value[1]	23,391,965,862	23,905,386,600	24,370,701,634	25,174,589,034	26,241,692,929
Personal Property Assessed Value[1]	1,965,284,896	2,003,412,774	2,125,717,799	2,125,088,965	2,256,293,543
Personal Property Estimated Actual Value[1]	1,965,284,896	2,003,412,774	2,125,717,799	2,125,088,965	2,256,293,543
Total Assessed Value	25,357,250,758	25,908,799,374	26,496,419,433	27,299,677,999	28,497,986,472
Total Direct Tax Rate[2]	1.27	1.27	1.28	1.27	1.27
Estimated Actual Value	25,357,250,758	25,908,799,374	26,496,419,433	27,299,677,999	28,497,986,472
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 Revenue

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

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real Estate [1, 2] $	1.04	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]	1.04	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]	1.22	1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.27	1.27

[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 2018 Real Property Assessed Value	Fiscal Year 2018 Percent of Total Assessed Value	Fiscal Year 2009 Real Property Assessed Value	Fiscal Year 2009 Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	$ 639,402,985	2.44%	$ 677,291,887	2.75%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	94,179,800	0.36%	103,906,600	0.42%
CP Venture Two LLC	Shopping Mall	61,697,500	0.24%	53,462,000	0.22%
Crossways Associates LLC	Apartment Complex	55,630,500	0.21%	40,954,800	0.17%
JLP Chesapeake LLC	Retail and Vacant Land	50,693,500	0.19%	41,674,300	0.17%
JPMCC (Ches Sq Mall LLC)	Shopping Center	49,151,700	0.19%	-	-
ICON Mars Prop Owner Pool	Warehouse/Office/Industrial Properties	48,043,300	0.18%	-	-
Walmart Stores East LP	Shopping Center	42,835,400	0.16%	-	-
Dollar Tree Distribution Inc	Retail, Distribution	38,255,600	0.15%	-	-
LCP Hampton Roads V LLC	Commercial Offices	36,239,800	0.14%	-	-
Chesapeake Mall LLC	Shopping Mall	-	-	82,165,300	0.33%
Liberty Property LTD	Shopping Center & Office Bldg	-	-	83,550,200	0.34%
Empirian Chesapeake LLC	Apartment Complex	-	-	57,460,300	0.23%
Woodlake Company Limited Partnership	Apartment Complex	-	-	50,183,500	0.20%
352 LLC	Apartment Complex	-	-	43,500,000	0.18%
Total Top Ten Principal Taxpayers [1]		$ 1,116,130,085	4.26%	$ 1,234,148,887	5.01%
Total Assessed Valuation [2]		$ 26,241,692,929		$ 24,594,427,236	

Source: [1] City of Chesapeake Real Estate Assessor
[2] City of Chesapeake Commissioner of Revenue

CITY OF CHESAPEAKE, VIRGINIA ***Table 8***

Property Tax Levies
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2009	2010	2011	2012	2013
Real Property [1]	$ 258,241,894	256,686,437	244,714,892	239,592,086	232,728,788
Motor Vehicles	50,011,773	52,583,399	54,526,861	57,005,425	58,046,052
Motor Carriers	677,954	783,122	772,340	832,321	1,078,933
Recreation Vehicles	403,302	398,344	435,204	428,150	434,856
Boats	18,733	18,376	15,348	38	16,577
Business	10,665,984	10,907,821	11,110,574	10,871,320	10,823,401
Motor Homes	163,960	161,994	158,567	150,445	145,410
Machinery & Tools	2,673,382	2,467,120	2,656,780	2,525,561	2,807,478
Farm	124,263	122,016	124,308	125,153	137,745
Airplanes	40,165	52,265	49,359	44,540	40,719

	Fiscal Years				
	2014	2015	2016	2017	2018
Real Property [1]	$ 234,953,853	240,400,500	246,824,270	254,741,865	265,497,154
Motor Vehicles	60,253,531	61,865,858	65,747,073	65,520,521	69,393,003
Motor Carriers	1,096,643	1,231,613	1,487,378	1,551,850	1,692,336
Recreation Vehicles	468,503	495,862	564,838	579,382	666,676
Boats	25,467	19,677	28,080	17,996	23,607
Business	11,393,593	11,588,129	11,514,150	12,497,273	12,786,377
Motor Homes	133,526	133,987	135,097	89,304	132,888
Machinery & Tools	2,840,962	2,697,358	2,803,960	2,666,692	2,855,192
Farm	136,734	145,217	160,854	150,138	141,963
Airplanes	51,540	45,349	51,958	45,729	41,117

[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

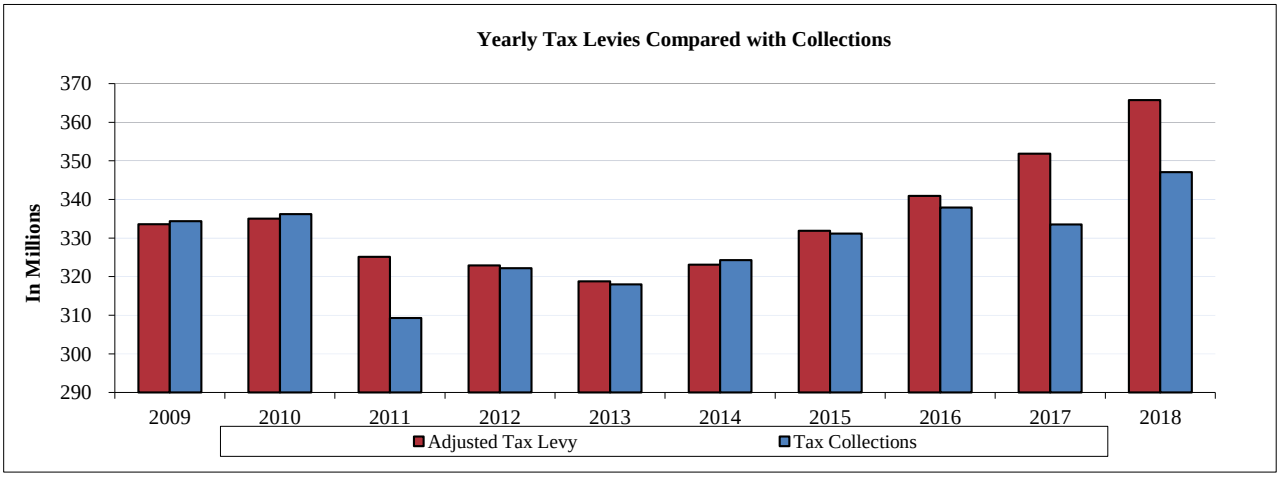
Fiscal Years	Original Levy	Adjusted Levy[3]	Collected in Initial Period [1, 2]	Percent of Levy Collected Within Fiscal Year of Levy	Collections in Subsequent Years[1]	Cumulative Tax Collections	Cumulative Collections as a Percent of Adjusted Tax Levy
2009	$ 333,315,537	333,586,467	321,158,867	96%	13,244,982	334,403,849	100%
2010	335,044,180	335,000,692	322,313,673	96%	13,909,772	336,223,445	100%
2011	325,454,707	325,119,953	293,876,393	90%	15,469,111	309,345,504	95%
2012	322,131,965	322,915,229	307,325,140	95%	14,934,592	322,259,732	100%
2013	317,138,129	318,754,040	303,370,705	96%	14,731,755	318,102,460	100%
2014	322,052,626	323,134,607	309,803,612	96%	14,724,583	324,528,195	100%
2015	329,262,203	331,910,156	315,733,576	96%	15,796,366	331,529,942	100%
2016	338,408,560	340,880,764	323,578,869	96%	15,839,318	339,418,187	100%
2017	347,470,586	351,863,685	333,495,476	96%	14,460,878	347,956,354	99%
2018	363,286,184	365,728,582	347,048,456	96%	-	347,048,456	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			
		2009	**2010**	**2011**	**2012**
General Obligation Bonds[5,6]	$	392,746,796	374,866,922	393,645,104	379,311,630
School Literary Loans		3,528,876	2,979,383	2,429,890	1,920,312
Installment Purchase Agreement		1,342,284	1,342,284	1,342,284	1,342,284
Section 108 Loans		1,095,000	755,000	390,000	-
Edinburgh Loan Payable		-	-	-	3,566,037
Supplemental Payments Agreement		20,925,000	19,735,000	18,495,000	17,190,000
Capital Leases to Component Unit		22,875,000	19,650,000	16,245,000	3,905,000
Capital Leases		5,173,336	7,065,815	4,572,549	2,713,052
Total Governmental Activities[1]	$	447,686,292	426,394,404	437,119,827	409,948,315

		Business-type Activities			
		2009	**2010**	**2011**	**2012**
General Obligation Bonds[2,5,6]	$	118,352,808	113,726,503	109,491,935	104,530,235
Utility Notes Payable		115,000	-	-	-
Revenue Bonds[5,6]		20,625,391	56,704,446	56,228,710	54,994,987
Due to the Commonwealth of Virginia		67,321,762	65,828,257	66,265,372	63,210,753
Total Business-type Activities		206,414,961	236,259,206	231,986,017	222,735,975
Total Primary Government Activities	$	654,101,253	662,653,610	669,105,844	632,684,290
Percent of Personal Income[3]		7.36%	7.28%	6.99%	6.20%
All Debt Per Capita[3, 4]		2,904	2,919	2,992	2,765

[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 17 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

Governmental Activities					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
374,250,425	330,377,432	289,178,539	274,392,374	336,429,602	305,469,994
1,596,819	1,272,785	997,681	798,144	598,607	399,070
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
-	-	-	-	-	-
3,372,767	2,918,727	2,546,285	1,946,273	1,226,520	485,413
15,825,000	14,390,000	12,885,000	10,100,000	8,615,000	7,055,000
1,740,000	-	-	-	-	-
1,717,634	756,950	-	-	-	-
399,844,930	351,058,178	306,949,789	288,579,075	348,212,013	314,751,761

Business-type Activities					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
102,400,760	96,811,378	90,125,836	83,545,253	78,431,500	72,228,594
-	-	-	-	-	-
193,293,117	205,804,863	249,214,950	300,932,845	313,548,582	320,618,478
63,483,912	64,252,400	65,044,115	65,859,760	66,700,057	67,565,753
359,177,789	366,868,641	404,384,901	450,337,858	458,680,139	460,412,825
759,022,719	717,926,819	711,334,690	738,916,933	806,892,152	775,164,586
7.39%	6.74%	6.46%	6.57%	n/a	n/a
3,322	3,101	3,041	3,124	3,370	3,199

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

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

	General Bonded Debt Outstanding							
Fiscal Year	Governmental Activities General Obligation Bonds[1,5]	Business-type Activities General Obligation Bonds[1,4,5]	Total General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property[2]	Per Capita[3]
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	427,148,809	1,272,785	1,342,284	429,763,878	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
2017	336,429,602	78,431,500	414,861,102	598,607	1,342,284	416,801,993	1.53%	1,741
2018	305,469,994	72,228,594	377,698,588	399,070	1,342,284	379,439,942	1.33%	1,566

[1] General Obligation Bonds for Governmental and Business-type Activities are reported net of premiums, discounts, and refunding costs.

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

[3] Refer to Table 17 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.

[5] 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.

CITY OF CHESAPEAKE, VIRGINIA ***Table 12***

Debt Affordability Indicators
Last Ten Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed $3,000 . 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
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%
2017	327,984,560	25,174,589,034	1.30%	239,399	1,370	571,599,873	36,853,676	6.45%
2018	297,005,670	26,241,692,929	1.13%	242,336	1,226	589,122,079	44,704,137	7.59%

[1] Policy adopted by resolution on February 27, 2007 and amended on May 12, 2015, commencing FY 2016 to include overall net debt service to budgeted general governmental revenues.

[2] Overall net debt excluding premiums, discounts, and refunding costs.

[3] Source: City of Chesapeake Commissioner of Revenue.

[4] Population figures acquired from City of Chesapeake Planning Department estimates.

[5] General Governmental revenues include General Fund, Greenbrier TIF Fund, South Norfolk TIF Fund, Conference Center Fund, Debt Service Fund E-911 Operations Fund, Parks and Recreation Fund , and Mosquito Control Fund.

CITY OF CHESAPEAKE, VIRGINIA ***Table 13***

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

Fiscal Year	Total General Governmental Expenditures[1]	Bonded Debt Expenditures[2]	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
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%
2017	840,174,358	36,648,650	4.36%
2018	871,770,408	42,002,854	4.82%

[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
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%
2017	630,347,714	48,814,491	7.74%
2018	657,210,227	65,807,468	10.01%

[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***

Legal Debt Margin Information
Last Ten Fiscal Years - Unaudited

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
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%
2017	2,517,458,903	340,363,489	2,177,095,414	13.5%
2018	2,624,169,293	311,267,004	2,312,902,289	11.9%

[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.

CITY OF CHESAPEAKE, VIRGINIA *Table 16*

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] Principal	Interest	Total	Coverage [4]
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
2017	77,077,017 [5]	43,585,633	33,491,384	860,000	1,833,308	2,693,308	12.44
2018	78,917,902 [5]	43,610,138	35,307,764	880,000	1,799,002	2,679,002	13.18

Chesapeake Expressway/Chesapeake Transportation System [6]

Fiscal Year	Toll Revenues	Operating Expenses [2]	Net Toll Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS [7] Principal	Interest	Total	Coverage [8]
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
2017	17,334,638	5,612,099	11,722,539	-	1,296,320	1,296,320	9.04
2018	24,638,185	8,943,040	15,695,145	445,000	4,995,667	5,440,667	2.88

[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 through 2018.

[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.

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

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]
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	11,010,828	46,769	38,678	5.0%	4.9%
2016	236,538	11,254,969	47,302	38,935	4.3%	4.1%
2017	239,399	n/a	n/a	39,153	4.2%	4.0%
2018	242,336	n/a	n/a	39,497	3.5%	3.4%

n/a - Information not yet available

Sources:

[1] City of Chesapeake Planning Department Estimates (2009 - 2017). 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 18***

Principal Employers
Current Year and Nine Years Ago - unaudited

		Fiscal Year 2018		Fiscal Year 2009	
Principal Employers	Type of Business	Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools [1]	Government	5,803	4.91%	5,899	5.34%
City of Chesapeake [4]	Government	3,831	3.24%	3,325	3.01%
Chesapeake Regional Medical Center	Hospital and healthcare services	2,067	1.75%	2,400	2.17%
Walmart Associates, Inc.	Discount department retailer	1,940	1.64%	-	0.00%
Sentara Health System	Home care nursing	1,299	1.10%	620	0.56%
Cox Communications Hampton	Hampton Roads headquarters/customer care center	1,266	1.07%	800	0.72%
QVC Chesapeake, Inc.	Phone center/order processing facility	1,191	1.01%	1,276	1.16%
Capital One Services LLC	Credit intermediation and related activities	962	0.81%	-	0.00%
Tidewater Staffing, Inc.	Professional services	935	0.79%	-	0.00%
Dollar Tree Management, Inc.	Corporate head quarters/distribution facility	785	0.66%	660	0.60%
YMCA of South Hampton Roads	Youth and community development	646	0.55%	-	0.00%
Food Lion, LLC	Grocery store company	636	0.54%	-	0.00%
USAA	Financial services group	612	0.52%	-	0.00%
Commonwealth of Virginia	State governmental agencies	584	0.49%	-	0.00%
Oceaneering International	Transportation equipment manufacturing	482	0.41%	-	0.00%
Home Depot USA, Inc.	Home improvements supplies retailer	481	0.41%	-	0.00%
Canon Information Technology Service, Inc.	Technical and customer support	474	0.40%	572	0.52%
US Department of Homeland Security	Financial service and data warehousing	441	0.37%	-	0.00%
Tecnico Corporation	Support activities for water transportation	420	0.36%	-	0.00%
Xerox HR Solutions, LLC	Administration service center	407	0.34%	-	0.00%
Total Employment [2/3]		118,255		110,397	

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

[1] Source is Chesapeake Public Schools Comprehensive Annual Financial Reports
[2] Source is Virginia Employment Commission, Local Area Unemployment Statistics (2018)
[3] Source is Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2009)
[4] 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.

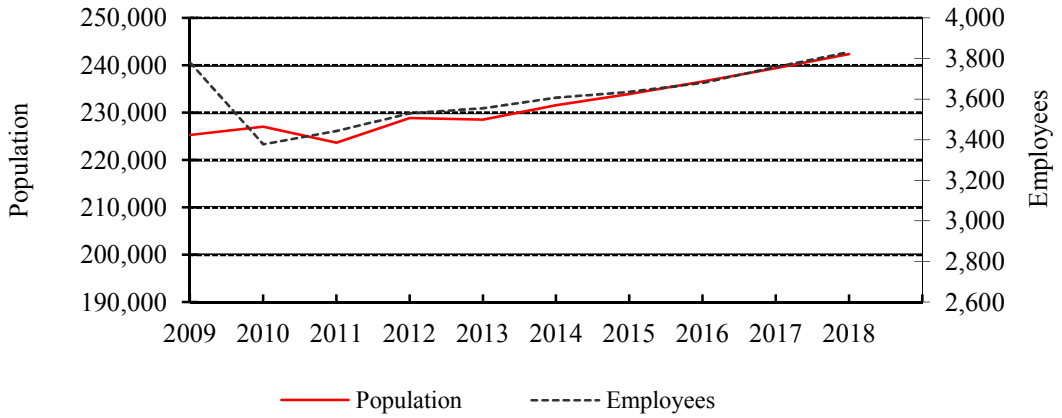
CITY OF CHESAPEAKE, VIRGINIA ***Table 19***

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population [1]	Total Employees [2]	Employees Per 1,000 Population
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
2017	239,399	3,758	15.7
2018	242,336	3,832	15.8

Sources: [1] City of Chesapeake Planning Department Estimates (2009 - 2018)
[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 2009 through 2018 to tie to the approved Operating Budget documents.

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

Authorized Full-Time Equivalent City Government Employee Positions by Department
Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Department										
General Government										
Management Services	45	43	42	42	42	41	43	45	48	47
Economic Development [1,3]	95	58	69	76	80	44	34	34	35	36
Finance	27	25	24	25	24	27	28	28	29	29
Information Technology	61	58	59	61	58	56	57	57	54	55
Human Resources	21	18	20	21	20	21	23	24	23	22
Budget	7	6	7	7	6	6	6	6	6	6
Agriculture	8	8	7	7	6	6	6	6	6	6
Development & Permits [1]	-	82	73	77	75	73	80	80	75	76
Other	156	151	148	235	240	251	246	245	251	254
Police	565	542	543	552	548	549	552	552	564	577
Sheriff	413	405	407	406	398	400	400	404	417	428
Fire	445	439	428	438	443	443	446	446	447	449
Integrated Behavioral Health	217	192	207	210	248	245	245	246	266	291
Community Programs [1,5]	69	19	24	24	23	10	11	11	11	11
Public Works [1,2]	505	420	420	446	451	451	463	468	476	478
Parks, Recreation & Tourism [2,3,4]	155	93	110	177	172	246	230	236	242	245
Library	138	84	119	122	123	123	125	125	125	126
Public Utilities	215	207	208	208	208	209	212	222	233	246
General Services [2]	169	113	134	-	-	-	-	-	-	-
Justice	88	82	84	84	84	84	84	83	83	84
Health & Human Services [5]	382	333	311	312	306	323	345	362	367	365
Total	3,781	3,378	3,444	3,530	3,555	3,608	3,636	3,680	3,758	3,831

Source: Authorized full time equivalent positions per approved fiscal year Operating Budgets for the year indicated

[1] 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

[2] The Department of General Services was absorbed into Parks and Recreation, Economic Development and Public Works in fiscal year 2012

[3] Conference Center and Conventions & Tourism were moved from Economic Development to form the Department of Parks, Recreation and Tourisn during fiscal year 2014

[4] A contractor was hired by the City to manage the Conference Center in April 2014

[5] Community Programs became a division of the Human Services Department in fiscal year 2014

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Function/Program					
General Government					
Building Permits Issued	3,947	3,481	3,973	4,199	3,940
Building Inspections Conducted	7,251	7,417	8,085	8,744	9,933
Electrical Permits Issued	3,028	4,926	3,194	2,911	2,994
Electrical Inspections Performed	8,411	7,857	8,842	7,968	9,151
Plumbing Permits Issued	1,418	1,490	1,530	1,402	1,260
Plumbing Inspections Performed	4,569	5,849	5,639	5,261	5,724
Mechanical/Gas Permits Issued	4,021	4,688	4,390	4,268	5,016
Mechanical/Gas Inspections Performed	7,028	8,339	8,039	7,821	8,678
Code Compliance Inspections	19,899	21,580	17,183	16,612	14,397
Police					
Calls for Police Service [7]	156,618	136,811	120,216	126,508	124,261
Part I Law Violations	8,640	9,338	8,534	7,914	7,122
Total Criminal Charges (primary and secondary)	18,190	17,685	16,148	16,773	17,078
Total Traffic Charges (moving/ non-moving/excludes DUI)	34,841	38,555	38,810	35,666	35,976
DUI Arrests [5]	830	735	951	1,216	1,187
Fire					
Calls answered for Fire Protection Services	24,839	25,051	24,916	25,268	26,508
Public Works					
Refuse Collected (tons per year)	110,931	111,348	93,171	94,184	91,908
Street Resurfacing (miles)	36.87	41.99	32.76	44.33	50.00
Potholes Repaired	4,717	7,249	9,980	8,367	11,110
Water					
Active Service Accounts	61,243	61,713	62,029	62,333	62,504
Daily Average Consumption in Gallons (in mgd)	16.96	16.88	17.20	16.30	15.57
Daily Average Water Provided by Chesapeake (in mgd)	11.14	10.66	11.10	10.10	11.27
Daily Average Water Purchased from other localities (in mgd)	5.82	6.22	6.10	6.19	5.81
Wastewater					
Active Service Accounts	59,437	59,909	60,154	60,449	60,831
Parks and Recreation					
Youth Athletics - Participants	6,261	5,819	5,140	4,884	4,279
Youth Athletics - Teams	506	481	433	413	370
Youth Athletics - Coaches	915	834	727	664	612
Adult Athletics - Participants	4,095	3,999	3,639	3,070	2,560
Adult Athletics - Teams	237	228	218	189	172
Special Programs Athletics - Programs [4]	6	3	1	2	3
Leisure Classes - Youth Participants	2,372	1,901	1,249	1,159	1,196
Leisure Classes - Adult Participants	1,301	855	703	787	712
Leisure Classes - Community Program Participants [1]	3,346	3,386	3,277	3,644	3,773
Special Events - PR&T Sponsored Attendance [6]	27,775	28,095	34,328	20,525	29,375
Community Center Attendance [2]	189,700	202,884	361,059	425,108	407,456
Community Center ID Sales	8,314	8,086	9,518	7,060	6,474
Community Center Rentals	1,328	1,340	1,637	2,092	2,054
Senior Program Participants	21,742	23,478	18,337	21,664	19,855
Therapeutic Program Participants	2,014	2,113	2,563	1,094	1,707
Library					
Items Checked Out	2,365,984	2,526,633	2,600,964	2,561,515	2,352,046
Interlibrary Loans - Borrowed	1,189	1,151	605	311	216
Interlibrary Loans - Loans	2,841	2,298	1,350	878	246
Library Collection	598,224	566,744	575,462	580,046	534,037
Patron Visits	1,623,514	1,520,528	1,392,890	1,410,177	1,287,912
Website Visits	394,623	433,480	433,889	472,836	453,106
Registered Patrons	161,373	139,821	130,989	154,252	162,903
Total Programming	3,205	3,237	3,138	3,054	3,928
Total Programming - Participants	66,313	71,425	64,416	58,945	78,575
Typewriter Use	409	641	681	660	880
Public Computer Use	651,984	682,863	636,072	565,386	541,384
Bookmobile - Patrons [3]	15,348	14,390	6,176	9,645	10,232
Bookmobile - Number of Stops [3]	1,291	1,324	448	492	515
Bookmobile - Miles Driven [3]	7,415	7,510	2,186	2,339	1,982
Schools					
Student Enrollment	38,868	38,864	38,668	38,421	38,591

Source: Various City Departments
n/a - Information not available
[1] Summer Food Service Program was transferred to Schools in FY09.
[2] Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs.
[3] Beginning in FY18, Public Libraries has two Mobile Edition Outreach vans for Bookmobile services.
[4] Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)
[5] Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.
[6] Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events.
[7] Beginning in FY17, this number is based on reports from the new RMS system allowing the count to exclude services such as officers signing into court, traffic stops, etc.

CITY OF CHESAPEAKE, VIRGINIA *Table 21*

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Function/Program					
General Government					
Building Permits Issued	3,602	3,900	4,758	4,758	4,551
Building Inspections Conducted	10,301	9,414	8,780	13,311	12,573
Electrical Permits Issued	3,000	2,846	3,181	3,148	3,039
Electrical Inspections Performed	7,810	8,586	9,283	8,641	7,889
Plumbing Permits Issued	1,389	1,722	2,312	1,869	1,765
Plumbing Inspections Performed	5,743	6,298	9,275	8,377	7,499
Mechanical/Gas Permits Issued	5,339	5,279	6,945	5,713	5,626
Mechanical/Gas Inspections Performed	10,040	9,767	11,145	10,832	10,781
Code Compliance Inspections	13,775	16,500	12,875	14,678	17,195
Police					
Calls for Police Service [7]	128,733	130,371	129,340	102,041	104,092
Part I Law Violations	7,431	7,375	6,203	6,439	6,423
Total Criminal Charges (primary and secondary)	15,681	14,358	15,363	16,894	13,939
Total Traffic Charges (moving/ non-moving/excludes DUI)	35,011	35,310	33,201	32,627	29,750
DUI Arrests [5]	1,004	622	638	606	530
Fire					
Calls answered for Fire Protection Services	26,784	27,838	30,072	29,914	29,559
Public Works					
Refuse Collected (tons per year)	91,313	95,950	95,309	94,148	91,239
Street Resurfacing (miles)	29.21	38.10	67.00	45.67	31.00
Potholes Repaired	10,777	13,463	11,765	10,438	13,008
Water					
Active Service Accounts	63,090	63,491	64,171	66,249	67,983
Daily Average Consumption in Gallons (in mgd)	16.44	15.27	14.64	14.83	15.23
Daily Average Water Provided by Chesapeake (in mgd)	11.42	9.06	8.66	8.55	9.57
Daily Average Water Purchased from other localities (in mgd)	6.43	6.21	5.98	6.13	5.65
Wastewater					
Active Service Accounts	61,426	61,822	62,514	64,422	66,693
Parks and Recreation					
Youth Athletics - Participants	4,401	4,314	4,780	5,351	5,391
Youth Athletics - Teams	406	379	433	473	482
Youth Athletics - Coaches	487	674	708	838	835
Adult Athletics - Participants	2,256	2,363	2,947	2,230	2,094
Adult Athletics - Teams	151	162	164	149	141
Special Programs Athletics - Programs [4]	6	4	5	4	5
Leisure Classes - Youth Participants	1,371	1,025	1,272	1,588	1,529
Leisure Classes - Adult Participants	718	619	609	287	238
Leisure Classes - Community Program Participants [1]	4,434	1,955	1,794	1,225	1,235
Special Events - PR&T Sponsored Attendance [6]	31,025	44,525	83,141	101,350	105,350
Community Center Attendance [2]	409,178	410,657	408,274	413,252	449,729
Community Center ID Sales	6,561	6,499	6,927	6,409	6,234
Community Center Rentals	1,929	1,590	1,546	1,455	1,737
Senior Program Participants	16,475	15,030	13,686	10,786	11,672
Therapeutic Program Participants	2,968	3,493	3,716	3,611	3,595
Library					
Items Checked Out	2,208,274	2,021,708	1,954,756	1,782,003	1,625,698
Interlibrary Loans - Borrowed	259	252	226	204	278
Interlibrary Loans - Loans	293	145	101	174	324
Library Collection	493,340	471,183	451,422	429,825	478,315
Patron Visits	1,255,427	1,176,510	1,124,284	1,150,782	1,054,839
Website Visits	406,741	408,087	603,517	699,502	1,628,802
Registered Patrons	158,952	163,502	186,336	185,417	188,511
Total Programming	4,332	4,220	3,810	3,852	2,854
Total Programming - Participants	100,217	133,221	64,031	103,252	72,089
Typewriter Use	371	144	82	117	76
Public Computer Use	437,362	462,942	374,827	309,202	282,288
Bookmobile - Patrons [3]	11,605	6,718	6,649	n/a	11,227
Bookmobile - Number of Stops [3]	576	862	323	n/a	414
Bookmobile - Miles Driven [3]	1,444	1,478	1,487	n/a	3,610
Schools					
Student Enrollment	38,685	38,678	38,935	39,153	39,497

Source: Various City Departments
n/a - Information not available
[1] Summer Food Service Program was transferred to Schools in FY09.
[2] Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs.
[3] Beginning in FY18, Public Libraries has two Mobile Edition Outreach vans for Bookmobile services.
[4] Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)
[5] Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.
[6] Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events.
[7] Beginning in FY17, this number is based on reports from the new RMS system allowing the count to exclude services such as officers signing into court, traffic stops, etc.

CITY OF CHESAPEAKE, VIRGINIA *Table 22*

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

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Function/Program										
Police										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	194	235	203	198	222	206	213	206	221	229
Fire Stations	15	15	15	15	15	15	15	15	15	15
Public Works										
Refuse Collection										
Collection Trucks	60	60	52	52	61	57	60	57	57	56
Other Public Works										
Storm Sewers (miles)	1,100	1,100	1,100	1,100	1,150	1,200	1,650	1,684	1,730	1,744
Streets (miles)	2,346	2,354	2,364	2,361	2,700	2,366	2,372	2,376	2,364	2,378
Streetlights	23,432	23,763	23,874	23,759	23,706	23,790	24,045	24,457	24,785	25,106
Water										
Water Mains (miles)	824	821	828	829	832	833	840	844	853	859
Fire Hydrants[1]	5,201	5,270	5,339	5,365	5,398	5,411	5,508	5,592	5,681	5,765
Wastewater										
Sanitary Sewers (miles)	1,053	1,053	1,057	1,060	1,062	1,065	1,072	1,083	1,091	1,096
Sewage Pumping Stations	262	263	264	262	262	269	271	271	273	273
Parks and Recreation										
Park Acreage	2,262	2,322	2,322	2,322	2,349	2,349	2,450	2,450	2,454	2,454
Parks and Play Areas	67	70	70	70	71	71	71	72	77	77
Athletic Fields/Tennis Courts	203	226	226	228	228	228	228	239	239	239
Community Centers	8	8	8	8	8	8	8	8	8	8
Specialized Centers	4	4	5	5	5	5	5	5	5	5
Schools										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	17	17	17	17	17	17	17	17	17	17
Educational Centers	3	2	3	3	3	2	2	2	2	2

Source: Various City Departments
[1] Updated in FY 2016 per Public Utilities GIS system (2015 and prior)

COMPLIANCE SECTION

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Federal Expenditures	Cluster Total	Pass-Through Total	CFDA# Total
Department of Agriculture:							
Direct payments:							
Food and Nutrition Service:							
Summer Food Service Program for Children (Child Nutrition Cluster)			10.559	$ 90,849			
Pass-through payments:							
Virginia Department of Education:							
Summer Food Service Program for Children (Child Nutrition Cluster)		N/A	10.559	8			90,857
School Breakfast Program (Child Nutrition Cluster)		N/A	10.553	2,449,606			2,449,606
National School Lunch Program (Child Nutrition Cluster)		N/A	10.555	5,788,138			
Virginia Department of Agriculture and Consumer Services:							
Food Distribution - commodities value - Schools' Food Services (Child Nutrition Cluster)		N/A	10.555	1,017,902			
Food Distribution - commodities value - Detention Home (Child Nutrition Cluster)		N/A	10.555	24,341			6,830,381
Virginia Department of Social Services:							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		0010117, 0040117, 0050117, 0010118, 0030118, 0040118, 0050118	10.561	2,287,827			2,287,827
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP		0060115	10.596	30,801			30,801
Virginia Department of Forestry:							
Department of Forestry and the US Forest Service		17UCF08	10.664	4,175			4,175
Total Child Nutrition Cluster (10.553, 10.555, 10.559)					9,370,844		
Total SNAP Cluster (10.561)					2,287,827		
Total Department of Agriculture				11,693,647	11,658,671	–	11,693,647
Department of Defense:							
Direct payments - Navy:							
Department of Defense Impact Aid			12.558	680,332			680,332
Support for Student Achievement at Military Connected Schools/SPED (DODEA Algebra)			12.556	157,450			157,450
Support for Student Achievement at Military Connected Schools/SPED (DODEA SPED)			12.557	114,418			114,418
Pass-through payments:							
Department of Education:							
Payments to States in Lieu of Real Estate Taxes		N/A	12.112	29,366			29,366
Total Department of Defense				981,566	–	–	981,566
Department of Housing and Urban Development:							
Direct payments:							
Community Development Block Grant Program:							
Program Year 2014 (CDBG Entitlement Grants Cluster)		B-14-MC-51-0010	14.218	64,023			
Program Year 2015 (CDBG Entitlement Grants Cluster)		B-15-MC-51-0010	14.218	80,736			
Program Year 2016 (CDBG Entitlement Grants Cluster)		B-16-MC-51-0010	14.218	304,491			
Program Year 2016 (CDBG Entitlement Grants Cluster)	Children's Harbor	B-16-MC-51-0010	14.218	795		795	
Program Year 2016 (CDBG Entitlement Grants Cluster)	CRHA	B-16-MC-51-0010	14.218	39,829		39,829	
Program Year 2016 (CDBG Entitlement Grants Cluster)	Habitat for Humanity	B-16-MC-51-0010	14.218	133,952		133,952	
Program Year 2017 (CDBG Entitlement Grants Cluster)		B-17-MC-51-0010	14.218	212,870			
Program Year 2017 (CDBG Entitlement Grants Cluster)	Children's Harbor	B-17-MC-51-0010	14.218	28,324		28,324	
Program Year 2017 (CDBG Entitlement Grants Cluster)	CRHA	B-17-MC-51-0010	14.218	22,517		22,517	

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1, Continued

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Federal Expenditures	Cluster Total	Pass-Through Total	CFDA# Total
Program Year 2017 (CDBG Entitlement Grants Cluster)	ForKids, Inc.	B-17-MC-51-0010	14.218	102,550		102,550	990,087
HOME Investment Partnerships Program:							
Program Year 2014	CRHA	M-14-MC-51-0200	14.239	7,315		7,315	
Program Year 2015	CRHA	M-15-MC-51-0200	14.239	42,478		42,478	
Program Year 2016	CRHA	M-16-MC-51-0200	14.239	306,031		306,031	
Program Year 2017	CRHA	M-17-MC-51-0200	14.239	54,022		54,022	409,846
Total CDBG-Entitlement Grants Cluster (14.218)					990,087		
Total Department of Housing and Urban Development				1,399,933	990,087	737,813	1,399,933
Department of the Interior:							
Direct payments:							
Payment in Lieu of Taxes			15.226	6,845			6,845
U.S. Fish and Wildlife Service - Department of the Interior:							
National Wildlife Refuge Sharing Fund			15.659	31,014			31,014
Total Department of the Interior				37,859	–	–	37,859
Department of Justice:							
Direct payments:							
Drug Control and System Improvement:							
Asset Forfeiture Transfer for Sheriff Dept- OAG			16.578	4,496			
Asset Forfeiture Transfer for Sheriff Dept- OAG			16.578	30,506			35,002
Forfeited Asset Sharing Program - Drug Enforcement			16.922	16,214			16,214
Hampton Roads Human Trafficking - OAG			16.320	8,721			8,721
Pass-through payments:							
Victim Witness 2018		18-X8571VG16	16.575	477,038			
Court Appointed Special Advocates		18-X8550CA18	16.575	20,565			497,603
Bureau of Justice Assistance - Edward Byrne Grant Program:							
Fiscal Year 2015		2014-DJ-BX-1005	16.738	12,644			
Fiscal Year 2016		2015-DJ-BX-0530	16.738	11,706			
Fiscal Year 2017		2016-DJ-BX-0508	16.738	6,398			30,748
Total Department of Justice				588,288	–	–	588,288
U.S. Department of Transportation:							
Pass-through payments:							
Virginia Department of Transportation:							
Federal Highway Administration - Planning and Construction:							
Battlefield Visitor Center (Highway Planning and Construction Cluster)			20.205	1,383,851			
Gum Road (Highway Planning and Construction Cluster)		EN99-131-128	20.205	25,656			
Portsmouth Blvd Phrase 4 (Highway Planning and Construction Cluster)		0337-131-104	20.205	5,309,439			
Safe Routes to School Division Coordinator (UPC No. 111896) (Highway Planning and Construction Cluster)			20.205	47,389			
Traffic Mgmt Center and System (Highway Planning and Construction Cluster)		U000-131-S52	20.205	134,746			
Traffic Signal Retiming Ph 1 (Highway Planning and Construction Cluster)			20.205	24,000			6,925,081
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants:							
Fiscal year 2017 - Selective Enforcement - Alcohol		K8-2017-57280-6929	20.607	6,732			
Fiscal year 2018 - Selective Enforcement - Alcohol		K8-2018-58033-8033	20.607	8,837			15,569
Fiscal year 2017 - Selective Enforcement Occupant Protection (Highway Safety Cluster)		OP-2017-57315-6964	20.616	5,017			

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Federal Expenditures	Cluster Total	Pass-Through Total	CFDA# Total
Fiscal year 2018 - Selective Enforcement Occupant Protection (Highway Safety Cluster)		FOP-2018-58054-8054	20.616	8,455			13,472
Total Highway Planning and Construction Cluster (20.205)					6,925,081		
Total Highway Safety Cluster (20.616)					13,472		
Total U.S. Department of Transportation				6,954,122	6,938,553	–	6,954,122
Department of Education:							
Direct payments:							
Impact Aid			84.041	3,703,445			3,703,445
Pass-through payments:							
Virginia Department of Education:							
Adult Education - State Grant Program		V002A170047	84.002	178,877			178,877
Title I Grants to Local Educational Agencies		S010A170046	84.010	6,818,766			6,818,766
Title I, Part D - Program for Neglected & Delinquent Children		S013A160046	84.013	1,293			1,293
Special Education - Grants to States (Special Education Cluster IDEA)		H027A170107	84.027	7,919,024			7,919,024
Vocational Education - Basic Grants to States		V048A170046	84.048	524,602			524,602
Special Education - Preschool Grants (Special Education Cluster IDEA)		H173A170112	84.173	199,136			199,136
Part C Funds			84.181	318,521			318,521
Title III, Part A - English Language Acquisition Grants		S365A170046	84.365	119,459			119,459
Title II, Part A - Improving Teacher Quality State Grants		S367A170044	84.367	839,551			839,551
Title IV, Part A - Student Support and Academic Enrichment Program		S424A170048	84.424	53,040			53,040
Total Special Education Cluster IDEA (84.027, 84.173)					8,118,160		
Total Department of Education				20,675,714	8,118,160	–	20,675,714
Department of Health and Human Services:							
Pass-through payments:							
Department of Mental Health, Mental Retardation and Substance Abuse:							
Regional Opioid Treatment		N/A	93.788	121,875			121,875
Block Grants for Community Mental Health Services		N/A	93.958	134,333			134,333
Block Grants for Prevention and Treatment of Substance Abuse		N/A	93.959	718,939			718,939
Virginia Department of Social Services:							
Promoting Safe and Stable Families		0950116, 0950117	93.556	32,699			32,699
Temporary Assistance for Needy Families (TANF Cluster)		0400117, 0400118	93.558	1,589,071			1,589,071
Refugee and Entrant Assistance_State Administered Programs		0500117, 0500118	93.566	2,331			2,331
Low-Income Home Energy Assistance		0600417, 0600418	93.568	177,763			177,763
Child Care and Development Block Grant (CCDF Cluster)		0770117, 0770118	93.575	(1,871)			(1,871)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)		0760117, 0760118	93.596	222,817			222,817
Chafee Education and Training Vouchers Program (ETV)		9160117	93.599	1,194			1,194
Adoption Incentive Payments		1130115	93.603	1,932			1,932
Stephanie Tubbs Jones Child Welfare Services Program		0900117	93.645	3,875			3,875
Foster Care Title IV-E		1100117, 1100118	93.658	1,325,540			1,325,540
Adoption Assistance		1120117, 1120118	93.659	873,418			873,418
Social Services Block Grant		1000117, 1000118	93.667	902,085			902,085
Chafee Foster Care Independence Program		9150117, 9150118	93.674	13,606			13,606
Children's Health Insurance Program		0540117, 0540118	93.767	96,759			96,759
Medical Assistance Program (Medicaid Cluster)		1200117, 1200118	93.778	2,365,417			

CITY OF CHESAPEAKE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Federal Expenditures	Cluster Total	Pass-Through Total	CFDA# Total
Virginia Department of Education:							
Medical Assistance Program (Medicaid: Title XIX) (Medicaid Cluster)		N/A	93.778	761,473			3,126,890
Total TANF Cluster (93.558)					1,589,071		
Total CCDF Cluster (93.575, 93.596)					220,946		
Total Medicaid Cluster (93.778)					3,126,890		
Total Department of Health and Human Services				9,343,256	4,936,907	–	9,343,256
Social Security Administration:							
Direct payments:							
Social Security-Work Incentives Planning and Assistance Program			96.008	747			747
Total Social Security Administration				747	–	–	747
Department of Homeland Security:							
Pass-through payments:							
Virginia Department of Emergency Management:							
Hazardous Mitigation - Severe Rep Loss		FMA 2013-VA-002	97.029	836			
FEMA-03-VA-2015-001			97.029	7,362			
FEMA Flood Mitigation		FMA-PJ-03-VA-2016-003	97.029	389,510			397,708
City of Va Beach - FEMA - VATF2			97.036	761,442			761,442
Local Emergency Management Planning Grant - 2017			97.042	1,039			
Local Emergency Management Planning Grant - 2018			97.042	71,284			72,323
Port Security Grant - 2015			97.056	22,110			22,110
SHSP Citizen Preparedness		15VA-HSGP-0544	97.067	21,629			
SHSP Comm Preparedness		N/A	97.067	2,918			
2015 SHSP Hazardous Material Team Sustainment			97.067	1,395			
2016 SHSP Southside Hazardous Material Team			97.067	15,313			
2016 SHSP MOB Emergency Water Supply		N/A	97.067	10,317			
2015 SHSP HRIMT Sustainment			97.067	42,917			
2016 SHSP HRIMT Sustainment			97.067	118,594			
2017 SHSP Foam Team Sustainment			97.067	34,308			
2017 SHSP Foam Team Equipment			97.067	12,769			
2015 SHSP Radio Cache Sustainment		15VA-HSGP-0560	97.067	117			
2016 SHSP Radio Cache Sustainment			97.067	127,006			
2017 State Homeland Security Program Grant			97.067	57,867			
2017 Hampton Roads Urban Area Security Initiative, HRIMT			97.067	7,977			453,127
Total Department of Homeland Security				1,706,710	–	–	1,706,710
				$ 53,381,842	32,642,378	737,813	53,381,842

(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	$	828,738
Capital Projects Fund		6,871,603
Special Revenue Funds:		
Virginia Public Assistance Fund		9,866,517
Grants Fund		1,658,752
Community Development Fund		1,420,418
Intergrated Behavioral Healthcare Fund		1,293,668
Enterprise Funds		588,094
Total primary government		22,527,790
Component unit - Public Schools:		
School Operating Fund		22,147,621
School Food Services Fund		9,255,654
Total component unit - Public Schools		31,403,275
Total federal expenditures from intergovernmental revenue		53,931,065
Water and sewer federal bond subsidy (not subject to single audit)		(588,094)
Other reconciling items		38,871
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	53,381,842

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, For Kids and Habitat for Humanity are the subrecipients for the federal awards of $327,967 for the Community Development Block Grant Program and Chesapeake Redevelopment and Housing Authority is the subrecipient of $409,846 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).

Cherry Bekaert LLP
CPAs & Advisors

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 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 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2018. That report recognizes that the City implemented a new accounting standard effective July 1, 2017. Our report 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 grant agreements, 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 matters that are required to be reported under *Government Auditing Standards* and two instances of noncompliance or other matters that are required to be reported under the *Specifications for Audits of Counties, Cities, and Towns,* which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

City of Chesapeake, Virginia's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 27, 2018

Cherry Bekaert LLP
CPAs & Advisors

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 the City's major federal programs for the year ended June 30, 2018. 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 types of 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, 2018.

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 over compliance, 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 27, 2018

City of Chesapeake, Virginia

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

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 reported**
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 reported**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	**No**

Identification of major federal programs:

Name of Program	**CFDA #**
U.S Department of Agriculture:	
Child Nutrition Cluster	10.553/10.555/10.559-CL
U.S. Department of Health and Human Services	
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Foster Care Title IV-E	93.658
Department of Education:	
Title I Grants to Local Educational Agencies	84.010

Dollar threshold to distinguish between Types A and B Programs:	**$1,601,455**
The City of Chesapeake was qualified as a low risk auditee?	**Yes**

2) Findings – Financial Statement Audit Performed in Accordance with *Government Auditing Standards*

None

3) Findings and Questioned Costs – Major Federal Awards

None

4) Findings and Questioned Costs – State Compliance

2018-001 Conflicts of Interest– State and Local Statements of Economic Interests – non-material non-compliance

Criteria:
The *Code of Virginia*, Section 2.2-3115 requires the local government officials (to include constitutional officers) to annually file a statement of economic interests and disclosure statement, by February 1, 2018 for the 2018 calendar year filing period. Additionally, new local officials hired during the fiscal year are required to file disclosure forms prior to assuming office or taking employment.

Statement of Condition:
While performing our audit procedures to ensure compliance with Section 3-5 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted that a City Council member started their service term in November 2017, but did not file a disclosure statement until January 2018.

Cause:
Procedures were not in place to ensure the report was filed on time.

Effect or Potential Effect:
The City is not in compliance with the Commonwealth's Statement of Economic Interests filing requirement.

Recommendation:
We recommend the City implement a process to ensure the report is filed within the required reporting time periods.

Management's Response:
The City Council member was hired November 14, 2017 to fill the vacancy after the resignation of the Mayor. The Statement of Economic Interest was filed January 23, 2018, before the February 1 deadline. As this was a very unusual election, the delay between the election and filing was simply an oversight. In the unlikely event this ever happens again, a process has been implemented, and the affected office holder will be contacted to ensure that they complete the Statement of Economic Interest in a timely fashion.

2018-002 Social Services Program – VIEW participants activity – non-material non-compliance

Criteria:
The *Code of Virginia*, Section 63.2, requires that purchased service transactions are in accordance with policy and appropriate based on the individual VIEW Participant's Activity and Service Plan.

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 two instances where the Chesapeake Department of Social Services provided services to participants that were not included in VIEW Participant's Activity and Service Plan.

4) Findings and Questioned Costs – State Compliance (continued)

Cause:

Procedures were not in place to ensure that all expenses were documented as required per their respective VIEW Participant's Activity and Service Plan.

Effect or Potential Effect:

The City is not in compliance with the State's requirement.

Recommendation:

We recommend the City implement a process to ensure that participants are provided services that align with their Service Plan.

Management's Response:

Effective November 1, 2018 the VIEW Management Team will review three cases per month and document the results of their review. Any issues noted will be immediately addressed and appropriate action will be taken to correct the case record accordingly. It has been confirmed that the services the participants received were allowable and the case record has been updated.

5) Resolution of Prior Year's Findings

2017-001

Status: Corrected

End of Comprehensive Annual Financial Report
Of the City of Chesapeake, Virginia
For the Fiscal Year Ended
June 30, 2018

Chesapeake
VIRGINIA

Finance Department
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