

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2009



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 & Holland, L.L.P. 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:

Karla Amaya Gordon	Jennifer Holmes	Nancy Muse
Bobbie Berger	Emilia Lonigro	Anna Riddlehoover
Victoria Bilodeau	Evon Madison	Rhonda Sommer
Donna Foreman	Elizabeth Meinen	Nancy Tracy
Pamela Hardesty	Loretta Mitchell	Tamara Walters
Donna Hildebrand	John Mundy	

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

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

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Chesapeake
VIRGINIA

INTRODUCTORY SECTION



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Chesapeake
VIRGINIA

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Chesapeake, Virginia 23322-5225
Office: (757) 382-6166
Fax: (757) 382-6507

December 1, 2009

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, 2009, is hereby submitted. Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report 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 third 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 the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Chesapeake), as well as its component units, which are legally separate organizations for which the City Council is financially accountable. Financial accountability was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and accountability for fiscal matters. Component units are discretely presented and are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units qualifying for inclusion in this report are

Chesapeake Public Schools, Chesapeake Mosquito Control Commission, Economic Development Authority of the City of Chesapeake (the EDA), formerly known as the Industrial Development Authority, Chesapeake Port Authority, Chesapeake Airport Authority, and Elizabeth River Properties of Chesapeake, Inc. The activities of one component unit, CSB of Chesapeake, Inc. (CSBC, Inc.), are considered to be so intertwined with the City's activities that they are in substance part of the City's operations. Therefore, CSBC, Inc. is blended with the City's governmental activities. The Other Postemployment Benefits Trust Fund is where the City accounts for the current costs of future benefits that are promised to employees after retirement in the form primarily of retiree health insurance benefits. This fiduciary-type component unit is included within the fiduciary fund financial statements.

The City provides a full range of general governmental services for its citizens. These services include law enforcement, fire protection, collection and disposal of refuse, water, sewer, and stormwater utility services, parks and recreation, libraries, and construction and maintenance of highways, streets, and other infrastructure. Other services provided include public education in grades kindergarten through twelfth, public health and human services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

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

Economic Conditions and Outlook

Area businesses experienced slowing growth and development in the 2008-2009 fiscal year but the diversity of the local economy shields it from some of the more dramatic shifts in the national or global economies. Retail sales for the City continue to exceed \$3 billion but dropped 5.6% from the prior year. In past years, the City's retail sector expanded in relation to significant residential growth. Recently, the slight retail contraction reflects the current economic climate.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2009, the average unemployment rate was 5.3% in Chesapeake and 5.6% in Virginia, compared to 7.6% in the U.S. The rates for June 2009, however, reflect the current economy at 7.0%, 7.3% and 9.5%, respectively.

The City of Chesapeake is home to the largest concentration of the region's foreign businesses, with more than 90 firms representing 18 different countries. Nearly 50% of the international firms doing business in Hampton Roads are located in Chesapeake.

More than \$114 million in new private business investment was announced by the Economic Development Department for calendar year 2008.

Much progress has been made for the Greenbrier Tax Incremental Financing (TIF) District with the completion of the Greenbrier TIF Master Plan, the City Park Master Plan, sidewalks, crosswalks and pedestrian lighting along Eden Way, Jarman, Crossways, Kristina and Stephanie Way. Turn lanes have been installed at Volvo and Battlefield Boulevard and at Walmart Way and Battlefield Boulevard. There have also been some renovations to the Chesapeake Conference Center.

For the SoNo TIF District, the completed projects include the Johnson Park Improvements and the new Oscar Smith Middle School. Projects underway but not yet completed include: Poindexter Streetscape Improvements, Waterfront Initiative and South Norfolk Library design and expansion.

The 2008-2009 fiscal year includes the following new economic development highlights:

- Children's Hospital of the King's Daughters announced a \$24 million, 60,000 square foot medical office.
- NOAA (National Oceanic and Atmospheric Administration) announced a 38,000 square foot expansion for space and weather alerting systems in the amount of \$5 million.
- Hiller Systems, Inc., a fire detection and suppression contractor, announced new investment of \$3 million.
- Wartsila announced facility expansions of 25,000 square feet for their propulsion equipment business totaling \$1.8 million.

The City of Chesapeake was again ranked in the top 100 of the best places to live in America by MONEY Magazine for 2008.

The City of Chesapeake continues to have a sound financial reputation receiving an AA+ bond rating from Standard & Poor's Rating Service and an Aa2 rating from Moody's Investors Service for general obligation bonds.

Major Initiatives

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

During fiscal year 2009 the City achieved the following through its capital planning and improvement program:

- Public Utility water and sewer improvements in unserved areas.
- Near completion of the Oscar Smith Middle School replacement project and start of the Western Branch High School addition project.
- Transportation improvements funding to include Rt. 17 Steel Bridge repair and Dominion Boulevard South improvements.
- Community facility improvements funding to include Murray Drive Greenhaven area outfall improvements and Halifax Street and Camelot outfall improvements.
- Design of the jail expansion project and significant improvements to the Deep Creek Park.

For the Future. Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, availability of land, and good transportation system will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 118,823 in June 2009 per the Virginia Employment Commission, an increase of 23.4% over the period. Chesapeake's labor force has contracted slightly with the current economic climate.

The City is continuing its efforts to manage growth to achieve a balance between employment opportunities, its 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 a rate of 1.2% between 1998 and 2008. The growth rate for 2009 was .68%. The overall target for the City is to accommodate an annual population growth of between 1.5% and 2.5% which is deemed to be a reasonable amount of growth that fairly balances the interests of current City residents with future City residents.

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

Financial Information and Significant Financial Policies

The keystone to the City's ability to maintain its fiscal integrity is the continuing commitment of the City Council. This commitment is evidenced by the Council's adoption of its financial policies that are contained in City publications such as the Annual Long Term Debt Report and annual budget document. These policies relate primarily to the integration of capital planning, debt planning, cash management, and productivity as a means of ensuring prudent and responsible allocation of the City's resources. From time to time, the City Council has amended these principles in order to address the changing economic conditions and management practices.

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

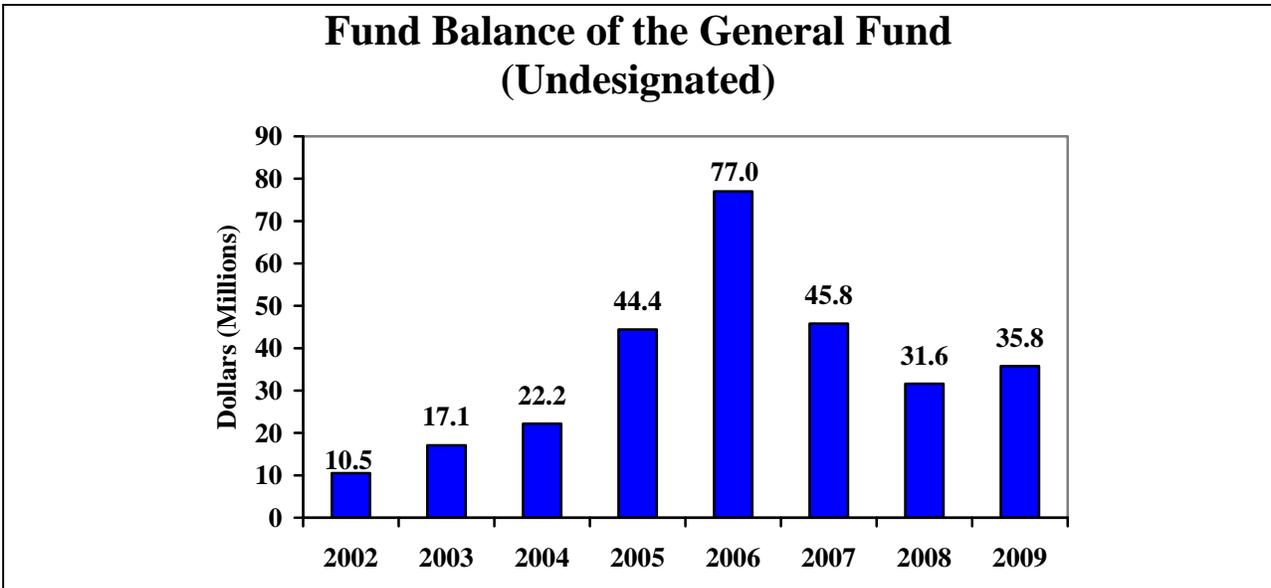
rather than absolute assurance that the financial statements will be free from material misstatement.

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

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

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

Fund Balance of General Fund. The General Fund fund balance is an important element in the financial position of the City. The fund balance is divided into reserved and unreserved portions, and the unreserved fund balance is subdivided into designated and undesignated portions. Reserved fund balance is used to reserve assets that are not available for current spending, and designated fund balance represents planned uses of current resources. Fund balance not only provides a reserve for emergencies, but it is a positive factor when the rating agencies consider bond ratings for the City. The City Charter requires that a minimum of six percent of total General Fund revenues must be set aside in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. The June 30, 2009 designation for cash flow emergencies totaled \$34,270,058. In fiscal year 1999, City Council established an additional designation of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2009, the designation for operating emergencies is \$28,558,382. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$35,372,663 has been set aside in various reserves and other designations.



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$35,792,674 at June 30, 2009, an increase of \$4,222,893 from the prior year. The change is primarily due to cost reductions and curtailed hiring undertaken in response to the uncertainties of the economy. All uses of the undesignated fund balance are carefully evaluated to ensure that the balance will be sufficient for future needs. A healthy undesignated fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position. Additional information and analysis on the City’s General Fund can be found in the Management’s Discussion and Analysis section of the report.

Summary of Changes in Undesignated Fund Balance of the General Fund		
(in Millions)		
Undesignated fund balance at June 30, 2008		\$ 31.6
Revenues		\$ 517.5
Expenditures:		
Current	\$ 245.0	
Other financing uses, net	<u>268.3</u>	(513.3)
Increase in undesignated fund balance		<u>4.2</u>
Undesignated fund balance at June 30, 2009		<u>\$ 35.8</u>

Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were made to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. Although this testing is not sufficient to support an opinion on the City's internal control system or its compliance with laws, regulations, contracts, and grant agreements, the audit for the fiscal year ended June 30, 2009 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Other Information

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

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

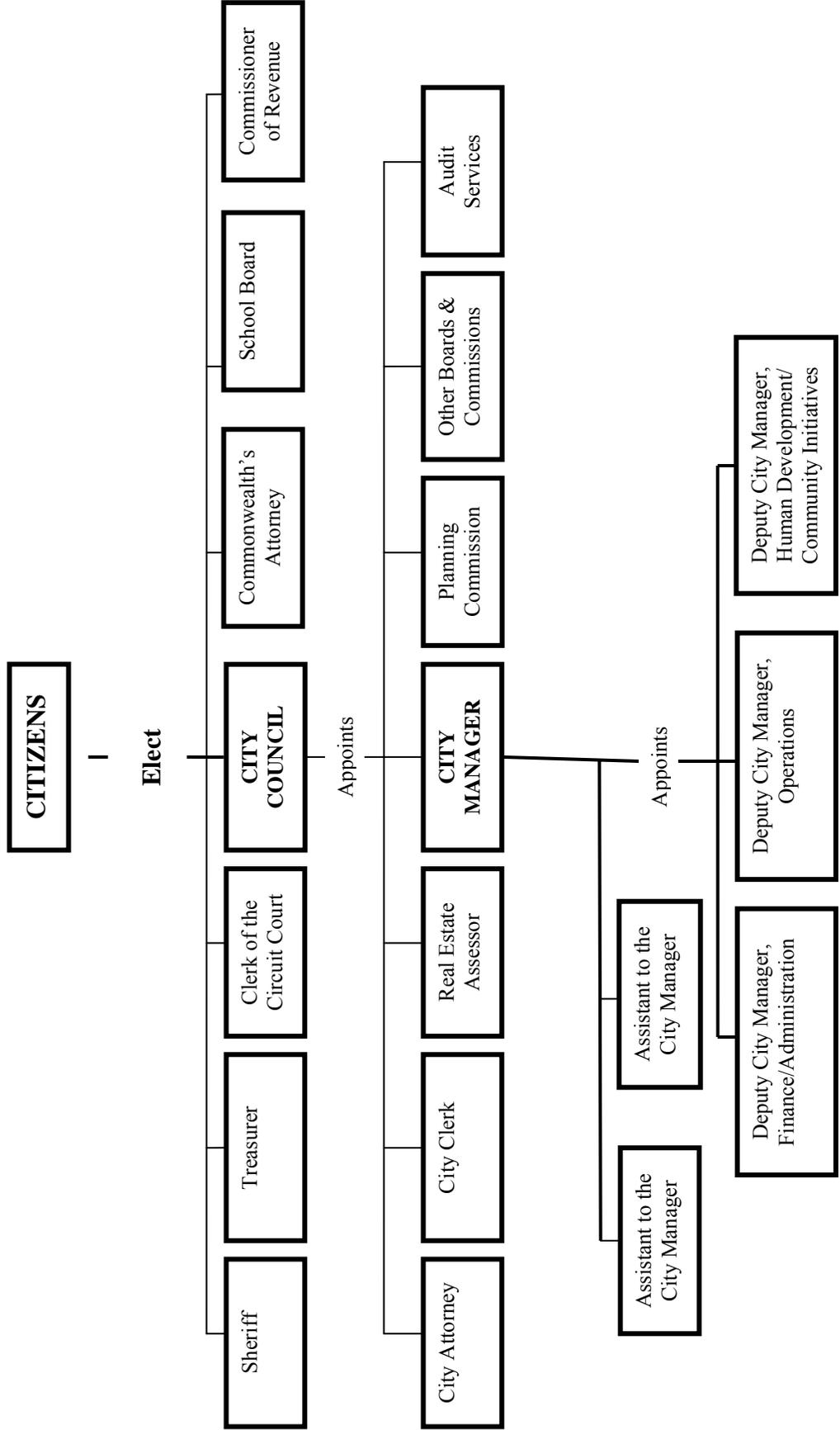
Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Sincere appreciation is extended to each member of the Finance Department for their contributions made in the preparation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

Very truly yours,

/S/
William E. Harrell
City Manager

/S/
Nancy C. Tracy
Director of Finance

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2009

City Council

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

Bryan L. Collins
C. E. "Cliff" Hayes, Jr.
Dwight M. Parker
S.Z. "Debbie" Ritter
Dr. Ella Ward
Dr. Richard W. West
Patricia Pritchard Willis

Other Officials

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

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued

June 30, 2009

Maury B. Brickhouse	Director of Court Services
Steven C. Wright.....	Director of Economic Development
Nancy C. Tracy	Director of Finance
R. Stephen Best, Sr.	Fire Chief
William M. Broome	Director of General Services
Dr. Nancy M. Welch	Health Director
Mary J. Bullock.....	Director of Human Resources
Doris "Cookie" Palacios	Director of Human Services
Peter R. Wallace.....	Chief Information Officer
Betsy Fowler	Director of Libraries and Research Services
Jay B. Tate	Interim Director of Development and Permits
Robert A. Clifton	Director of Parks and Recreation
Brent R. Neilson	Director of Planning
Colonel Kelvin L. Wright	Chief of Police
Mark S. Cox	Director of Public Communications
James K. Walski.....	Director of Public Utilities
Eric J. Martin	Director of Public Works

School Board

Dr. Shelia G. Hill-Russ	Chairman
Harry A. Murphy	Vice Chairman

C. Jeff Bunn
Barbara B. Head
Brenda J. Johnson
James A. Leftwich, Jr.
Thomas L. Mercer, Sr.
Christina F. Pullen
Michael J. Woods

Other School Board Officials

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

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2009

Supplemental Listing

Earl Hollowell..... Secretary/Treasurer, Chesapeake Airport Authority
Steven C. Wright..... Executive Director, Chesapeake Port Authority
Steven C. Wright..... Executive Secretary, Economic Development Authority
Brenda Willis Executive Director, Chesapeake Redevelopment and Housing Authority
Doreen Quane Director of Finance and Administration,
Chesapeake Redevelopment and Housing Authority
Gene Payne Director, Chesapeake Mosquito Control Commission

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chesapeake
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. R. T.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

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Chesapeake
VIRGINIA

FINANCIAL SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual and 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., which represents 23% and 18%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison schedule for the general fund, the Schedules of Funding Progress, and the Schedules of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

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, combining and individual nonmajor fund statements, budgetary comparison schedules, capital project expenditure schedules, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital project expenditure schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
December 1, 2009

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

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2009

The discussion and analysis of the City of Chesapeake's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2009. 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 2009

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2009 by \$1.318 billion (net assets). Of this amount, \$187.3 million is unrestricted.
- The City's total net assets increased by \$22 million from the prior year. The governmental net assets increased \$4.3 million and business-type net assets increased by \$17.7 million. The donation of infrastructure assets to the City, for both governmental and business-type purposes of \$29 million, contributed to the overall increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$313.6 million, an increase of \$28.1 million from the prior year. Approximately 83% or \$260.4 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$4.2 million, primarily due to a deappropriation in March 2009 and a concerted effort, such as a hiring freeze, to control costs due to the expected decrease in revenue as a result of the current economic conditions.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$35.8 million, or 8.4% of total General Fund expenditures (including payments to Chesapeake Public Schools). Total reserved and designated fund balance did not change from the prior year balance of \$98.2 million.
- Reserved fund balance of the General Fund increased to \$33 million for 2009 from \$31.3 million for 2008. This primarily resulted from an increase to the Schools Capital Project Reserve for \$4.2 million. The City Capital Project Reserve decreased by \$3.5 million to fund capital projects. Other reserves were increased, such as the Oak Grove Connector and the Radio system.
- The City's total bonded debt increased by \$18.4 million (approximately 4%) during the fiscal year. The City sold over \$34 million general obligation bonds for Schools' purposes and \$9.5 million for public safety, public facilities and road construction purposes. The City also sold \$13.6 million of Tax Increment Financing general obligation bonds to fund various public improvements in the Greenbrier Tax Increment Financing District. These issuances were offset by scheduled debt principal repayments amounting to \$38.9 million.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

- During the year, the City issued \$17.2 million of general obligation public improvement refunding bonds to refund or partially refund various outstanding issues to take advantage of favorable interest rates. The result will be a net savings of \$1,444,551 in future debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

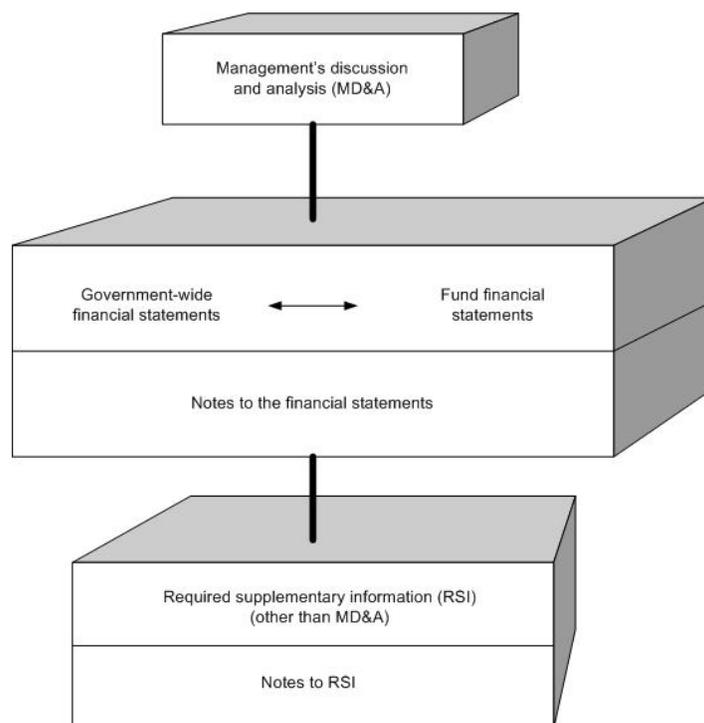
The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

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

Figure A
Required Components of Chesapeake's Financial Statements



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

Government-Wide Statements

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

– the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure may need to be considered to assess the overall health of the City.

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

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, public welfare, parks and recreation departments, and general administration. Property taxes, other taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, stormwater system, and Chesapeake Expressway toll road are included here.
- *Component units* – The City includes seven discretely presented component units, separate legal entities, in its report – the Chesapeake Public Schools, the Chesapeake Mosquito Control Commission, the Economic Development Authority of the City of Chesapeake, the Chesapeake Port Authority, Chesapeake Airport Authority, Elizabeth River Properties of Chesapeake, Inc., and South Norfolk Belharbour Waterfront Community Development Authority. Although legally separate, these component units are important because the City is financially accountable for them and provides operating funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants; City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

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* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the internal service funds' gain or loss allocation, but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the City Garage Fund and the Information Technology Fund.
- *Fiduciary 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 purpose. These activities are reported in a separate Statement of Fiduciary Net Assets. 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 Trust Fund (OPEB Trust Fund), a component unit of the City.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets (assets exceeding liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Chesapeake, assets exceeded liabilities by \$1.318 billion at the close of fiscal year 2009. By far the largest portion of the City's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, equipment,

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

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 Assets

The following table reflects the condensed Net Assets:

Table 1
Summary of Net Assets
June 30, 2009 and 2008
(in millions)

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2009	2008*	2009	2008*	2009	2008
Assets						
Current and other assets	\$ 386.6	362.0	97.7	91.6	484.3	453.6
Capital assets	1,108.0	1,099.6	491.7	485.5	1,599.7	1,585.1
Total assets	\$ 1,494.6	1,461.6	589.4	577.1	2,084.0	2,038.7
Liabilities						
Current and other liabilities	\$ 23.0	26.6	13.1	12.4	36.1	39.0
Long-term liabilities	522.4	490.1	207.6	213.8	730.0	703.9
Total liabilities	545.4	516.7	220.7	226.2	766.1	742.9
Net assets						
Invested in capital assets, net of related debt	701.2	684.6	287.1	274.8	988.3	959.4
Restricted net assets	61.9	59.2	80.4	74.9	142.3	134.1
Unrestricted net assets	186.1	201.1	1.2	1.2	187.3	202.3
Total net assets	949.2	944.9	368.7	350.9	1,317.9	1,295.8
Total liabilities and net assets	\$ 1,494.6	1,461.6	589.4	577.1	2,084.0	2,038.7

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008. Governmental Activities have also been restated to properly include Community Services Board client service fee accounts receivable at June 30, 2008.

Approximately 11% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$187.3 million or 14%) may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the primary government as a whole as well as for its separate governmental and business-type activities. The same was true for fiscal year 2008. Total unrestricted net assets decreased by \$15.0 million or 7.4% less than the prior year. Total restricted net assets increased \$8.2 million or 6.1%, largely due to bond proceeds restricted for capital projects and rate increases for fees collected in the business-type activities that must be spent on those specific activities. Lastly, net assets invested in capital assets, net of related debt, increased \$28.9 million or 3.0%. The City's total net assets increased by \$22.1 million or 1.7% during the fiscal year.

Governmental Activities

Net assets of the City's governmental activities increased by \$4.3 million, as shown on the Statement of Activities, accounting for 19.5% of the total growth in net assets of the City. This increase was largely due to \$21.9 million in capital grants and contributions. Interest earnings fell 34% or \$3.8 million. Total donated land and infrastructure assets, which include roads, were \$18.9 million, reported in the Public Works function. Expenses increased by 2.6%, including increases in certain functional areas, primarily public welfare, general government and education. Revenues for governmental activities decreased 0.7% from the prior year, with a 0.5% increase in property tax revenues versus a 5% increase from fiscal year 2007 to 2008.

Business-type Activities

The net assets of the City's business-type activities increased from \$350.9 million to \$368.7 million. These resources cannot be used to make up for any net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Expressway enterprise funds. One element of this increase was due to deeded and donated assets from developers in the amount of \$9.8 million. Revenues decreased 1.3% for business-type activities due to the closure of the Jordan Bridge on November 8, 2008, thus no tolls were collected for the remainder of the year. Expenses increased approximately 7.6%, due primarily to increased costs for salaries and benefits, stormwater cave-in repairs, and increased costs to purchase water from neighboring localities.

Statement of Activities

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

Table 2
Changes in Net Assets
Years Ended June 30, 2009 and 2008
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 26.9	24.0	76.6	71.9	103.5	95.9
Operating grants and contributions	94.7	99.6	1.9	2.6	96.6	102.2
Capital grants and contributions	21.9	11.2	10.7	15.8	32.6	27.0
General revenues:						
Property taxes	308.0	306.5	-	-	308.0	306.5
Other taxes	114.3	124.3	-	-	114.3	124.3
Unrestricted investment earnings	7.5	11.3	-	0.1	7.5	11.4
Other	3.5	4.1	-	-	3.5	4.1
Grants and contributions not restricted to specific programs	31.4	31.5	-	-	31.4	31.5
Total revenues	608.2	612.5	89.2	90.4	697.4	702.9
Expenses						
General government	143.5	136.0	-	-	143.5	136.0
Public safety	91.9	93.9	-	-	91.9	93.9
Public works	47.7	52.7	-	-	47.7	52.7
Parks	9.0	8.3	-	-	9.0	8.3
Public welfare	44.0	43.1	-	-	44.0	43.1
Education	226.5	212.5	-	-	226.5	212.5
Public Utilities	-	-	51.9	49.1	51.9	49.1
Chesapeake Expressway	-	-	9.9	9.3	9.9	9.3
Stormwater Management	-	-	7.1	6.2	7.1	6.2
Depreciation - unallocated	22.8	22.3	-	-	22.8	22.3
Other	-	-	2.1	1.4	2.1	1.4
Interest on long-term debt	18.9	20.0	-	-	18.9	20.0
Total expenses	604.3	588.8	71.0	66.0	675.3	654.8
Excess before transfers	3.9	23.7	18.2	24.4	22.1	48.1
Transfers	0.4	1.6	(0.4)	(1.6)	-	-
Increase in net assets	4.3	25.3	17.8	22.8	22.1	48.1
Net assets - beginning	944.9	919.6	350.9	328.1	1,295.8	1,247.7
Net assets - ending	\$ 949.2	944.9	368.7	350.9	1,317.9	1,295.8

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008. Governmental Activities have also been restated to properly include Community Services Board client service fee accounts receivable at June 30, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

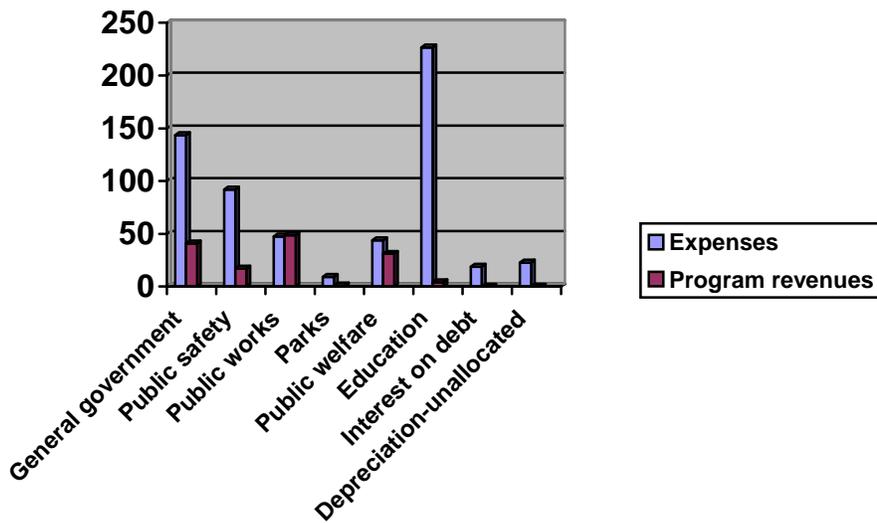
Governmental Activities

The City's total revenues from governmental activities were \$608.2 million for the fiscal year ended June 30, 2009. The largest source (51%) of revenue (\$308 million for fiscal year 2009) for the City is property taxes, composed of real estate and personal property taxes. Revenue from property taxes experienced a 0.5% increase over the prior year. This was a smaller increase than the increase between 2007 and 2008. The real estate tax rate for 2008-2009 was \$1.04 per \$100 of assessed value with an additional \$.01 for the Mosquito Control Commission. The City Council voted to reduce the Mosquito rate from \$.02 to \$.01 per \$100 effective July 1, 2008. The general rate did not change from the 2007-2008 rate.

Revenues from other taxes make up 19% of the City's resources and decreased 8% from the prior fiscal year, reflecting a slow-down in consumer activity and activity in the real estate market. Approximately 61% of the City's revenue from governmental and business-type activities comes from some type of tax, and 4% comes from fees charged for services in governmental activities.

The City's expenses for governmental activities cover a wide range of services, with 15% or \$91.9 million for fiscal year 2009 related to public safety and 37% or \$226.5 million for fiscal year 2009 for education (including payments to the Public Schools, a component unit). Overall, expenses for governmental activities increased by 2.6% which includes a 6.6% increase in education.

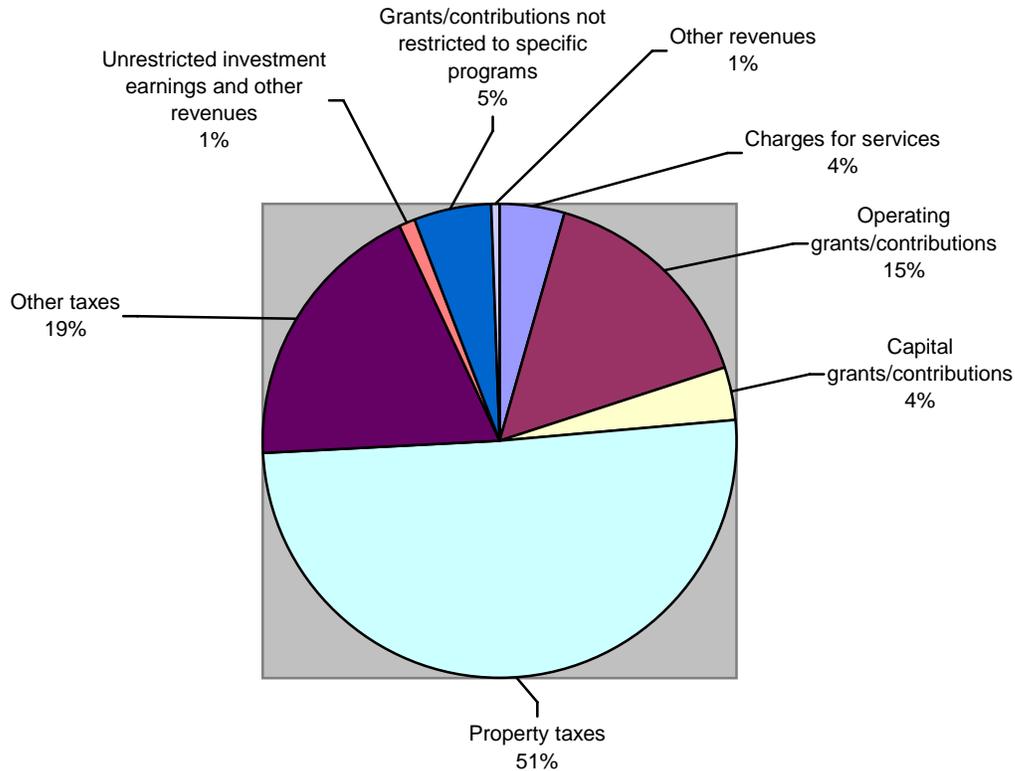
Expenses and Program Revenues – Governmental Activities (in millions) Year Ended June 30, 2009



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

Revenues by Source – Governmental Activities – Year Ended June 30, 2009



Business-Type Activities

Net assets for the City's business-type activities increased by \$17.8 million largely as a result of assets deeded over by developers and revenues from fee increases. The increase in net assets accounted for 80.5% of the total growth in the City's net assets. Charges for services including water and sewer utility fees, stormwater fees, and toll revenues made up 86% of total revenues for business-type activities. The overall net increase in expenses for all business-type activities was 7.6% which resulted largely from increased costs for salaries and benefits, stormwater cave-in repairs, and increased costs to purchase water from neighboring localities.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of Chesapeake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2009, the governmental funds reported combined ending fund balances of \$313.6 million, an increase of \$28.1 million over the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2009:

- \$28 million spent in the Capital Projects Fund to fund infrastructure improvements including Dominion Boulevard and the Steel Bridge, the land acquisition for a new animal control bureau shelter, completion of Fire Station #3, critical repairs to City buildings, the purchase of equipment for each fire fighter to comply with federally mandated OSHA regulations, and the design and initial site work for the jail expansion.
- \$218.6 million contributed by the City in operating and capital funds to finance the Public Schools' operations and capital construction. Additionally, the City paid \$34 million in debt service for the Public Schools.
- \$9.4 million of tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- \$39.3 million principal debt retired, plus \$57.3 million of new borrowing.
- Refinancing of \$17 million general obligation public improvement bonds for debt service savings.
- The City contributed \$6.5 million to the OPEB Trust Fund, including \$2 million considered pay-as-you-go. The OPEB Trust Fund was established in fiscal year 2008 during the City's implementation of Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB 43).

Approximately \$260 million of the combined total fund balances constitutes *unreserved fund balance*, which generally is available for spending at the government's discretion. City Council has designated portions of this unreserved fund balance at June 30, 2009 in the following amounts and for the following purposes:

- \$34.3 million for General Fund cash flow emergencies (6% of revenue required by City Charter)
- \$28.6 million for operating emergencies (City Council policy of an additional 5%)
- \$36.2 million for debt service

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

- \$3.9 million for various other purposes

The remainder of the unreserved fund balance at June 30, 2009, not designated for a specific purpose, includes \$35.8 million in the General Fund, the City's chief operating fund. This amount represents 8.4% of total General Fund expenditures, as a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$4.2 million for fiscal year 2009. In addition, the General Fund had an increase in undesignated fund balance from operations amounting to \$4.2 million. This increase represents an excess of revenues over expenditures of \$92.1 million and other financing sources (uses) net of (\$87.9) million. Total reserves and designations did not change significantly from the prior year.

The General Fund experienced an overall 1.3% decrease in revenue. Investment income was down 51% due to a decrease in interest rates as well as lower cash balances available for investment. Other local taxes decreased by \$4.4 million primarily due to a decrease in sales tax which can be attributed to the current economic conditions. Intergovernmental revenues from the Commonwealth of Virginia decreased \$4.1 million. The decrease in this revenue source was primarily due to decreased noncategorical state aid and a change in funding for a portion of the Sheriff's office revenue from state funds to American Reinvestment and Recovery Act funds. Expenditures decreased overall 3.4% from the fiscal year 2008 level. Contributing to this decrease were a 6.5% decrease in the education category for payments to Chesapeake Public Schools and an increase of 5.3% in the general government category. The increase in the general government category is mainly attributable to an increased contribution to the Other Postemployment Benefits Trust, early retirement incentive payments, the cost to acquire real property for improvements to Cahoon Parkway and increased salary and overtime expenditures in the Sheriff's department. Payments to Chesapeake Public Schools in 2008 included additional appropriations from capital reserves and prior year budgetary excess for one-time School capital projects and textbooks. In addition, a new special revenue fund, Parks and Recreation, was created at July 1, 2008 to account for all parks activities. \$7.5 million of these expenditures were accounted for in the General Fund in 2008. Overall, the decrease in total expenditures was a result of a \$16.5 million deappropriation in March 2009 and a concerted effort, such as a hiring freeze, to control costs due to the expected decrease in revenue as a result of the current economic conditions.

The Debt Service Fund ended the year with \$37 million in total fund balance, a slight increase of \$399,222 from 2008. The unreserved fund balance is \$36.2 million, which has been designated by City Council for the payment of debt service. The following major transactions were recorded in the Debt Service Fund during the year:

- Proceeds of \$34.3 million School bonds issued through the Virginia Public School Authority (VPSA) were transferred to Chesapeake Public Schools for construction of Oscar Smith Middle School and an addition to Western Branch High School.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

- Proceeds of \$9.5 million Public Improvement bonds issued to fund various public improvements including, but not limited to, a police station, land acquisition for Tidewater Community College, repairs to City buildings, design costs for the jail and the replacement of Long Bridge.
- Proceeds of \$13.6 million of Tax Increment Financing bonds issued to fund various public improvements in the Greenbrier Tax Increment Financing District.
- Proceeds of \$17.3 million of Public Improvement Refunding bonds to refund or partially refund various outstanding issues.

The City spent \$28 million in the Capital Projects Fund to fund major capital projects, including City infrastructure improvements, critical repairs to City buildings, the design and initial site work for the jail expansion and other community facilities.

Proprietary Funds

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

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year amounted to \$56.9 million. Beginning July 1, 2008, water and sewer rates increased for a second time as part of a tiered rate increase that began on January 1, 2007, providing the fund with a full year of increased revenues from the new rates. Growth in net assets was \$16.3 million, partially resulting from the booking of deeded and donated utility improvements from developers in the amount of \$9.9 million. The increase in net assets prior to the impact of this transaction was \$6.4 million. Approximately \$12.5 million was spent on various water and sewer renewal and replacement capital projects.

The Chesapeake Expressway toll road reported operating revenues for fiscal year 2009 totaling \$6.9 million versus \$7.2 million for 2008. Toll revenues and toll transactions were slightly down from 2008, due to the increase in gasoline prices and an expected general decline in toll road traffic. Operating expenses for the year amounted to \$7.9 million, with \$4.6 million from depreciation expense. Net assets decreased by \$3.1 million, with the Chesapeake Expressway Fund covering interest expense of \$2.1 million on the toll road revenue bonds. A principal payment on the bonds was also paid in the amount of \$410,000. Additionally, the fund made repayments of \$842,204 to the Commonwealth of Virginia for Toll Facility Revolving funds that helped fund the initial construction of the toll road.

The Stormwater Management Fund, an enterprise fund, had \$34.1 million in total net assets at June 30, 2009, up from \$27.9 million in 2008. Income from operations was \$6 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.4 million was spent on various stormwater,

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

dredging, and drainage improvement projects during the year. Effective January 1, 2007, City Council approved an increase in stormwater utility fees from \$2.55 to \$5.55 per month per ERU (equivalent residential unit), with subsequent increases for 2008 to \$6.35 and 2009 to \$6.85.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 423,521,804	408,117,553	407,725,510
Intergovernmental	83,528,039	83,190,599	82,761,401
Other	25,520,019	22,806,342	27,030,580
Total	532,569,862	514,114,494	517,517,491
Expenditures and transfers:			
Expenditures *	253,050,292	253,984,744	245,042,282
Transfers (net)	278,802,746	272,087,062	268,264,798
Total	531,853,038	526,071,806	513,307,080
Change in fund balance	\$ 716,824	(11,957,312)	4,210,411

*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$1.2 million for encumbrances reappropriated from June 30, 2008.

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$5.8 million (net decrease in appropriations and transfers) and include the following major changes:

- Deappropriation of \$16.5 million to accommodate lower than originally expected revenues;
- Appropriation of \$2 million from the General Fund undesignated fund balance from prior year end resources to fund SPSA increased tipping fees;
- Appropriation of \$3.6 million from the capital reserves from prior year revenues in excess of budget for capital projects for Chesapeake Public Schools;
- \$1.9 million of interest from the Courthouse equity fund to reimburse for debt service payments;
- \$1.6 million to establish the Termination Benefits internal service fund;
- \$1.3 million of miscellaneous local revenue to acquire real property for improvements to Cahoon Parkway.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

Actual total revenues exceeded the amended budget by \$3.4 million, primarily due to miscellaneous local revenues being higher than expected due to the receipt of \$2.5 million in proffers for schools, libraries and fire. Charges for services exceeded the amended budget by approximately \$850,000 largely due to more collections for jail services and subdivision inspection fees than expected. Expenditures were significantly below budget by \$8.9 million. The general government category returned 5% of its budget, partially due to City Council and Human Resources contingencies that were not required. Additionally, the City Treasurer and Sheriff's office returned significant dollar amounts. No operating departments exceeded their budget in 2009, as all departments were encouraged to be conservative in their spending for the fiscal year and salaries were controlled through the hiring freeze. Interest earned of \$1.2 million on payments made to the Chesapeake Public Schools was transferred back to the City's General Fund. These combined positive budget variances helped to offset the planned use of \$12 million of the undesignated fund balance and reserves, resulting in a net \$4.2 million increase of total fund balance for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to approximately \$1.6 billion (net of accumulated depreciation). This investment includes land, development rights, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 1% or \$14.7 million (an increase of .8% for governmental activities and an increase of 1.3% for business-type activities).

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

- Construction in progress totaled \$71.5 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$20.3 million for business-type activities, which includes Public Utility and Stormwater projects.

The City's fiscal year 2010 capital budget calls for \$82.2 million for capital projects, including \$14.2 million for an animal services facility, \$4 million for Dominion Boulevard South, \$5.4 million for the Greenbrier and South Norfolk Tax Increment Financing Districts improvements, \$4.2 million for the Tidewater Community College expansion, \$20.5 million for water and sewer projects, and \$17.7 million for HVAC replacements/improvements and roof repairs to School buildings. The City plans to issue \$45.6 million in bonds with other funding provided by local and State funds and funds on hand.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

City of Chesapeake's Capital Assets (net of accumulated depreciation) June 30, 2009 and 2008 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008*	2009	2008*	2009	2008
Land	\$ 291.6	284.6	23.7	22.4	315.3	307.0
Development rights	1.3	1.3	-	-	1.3	1.3
Construction in progress	71.5	67.3	20.3	14.1	91.8	81.4
Buildings	411.1	418.3	4.6	4.6	415.7	422.9
Improvements other than buildings	16.2	14.0	2.4	2.4	18.6	16.4
Equipment and vehicles	39.8	38.4	1.9	2.5	41.7	40.9
Infrastructure	276.5	275.9	438.8	439.3	715.3	715.2
Total	\$ 1,108.0	1,099.8	491.7	485.3	1,599.7	1,585.1

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008.

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

Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans) of \$525,701,207. Of this amount, \$504,866,207 comprises debt backed by the full faith and credit of the City and \$20,835,000 is debt secured by revenues of the Chesapeake Expressway Fund.

City of Chesapeake's Outstanding Debt General Obligation Bonds, Revenue Bonds, Literary Loans and Installment Purchase Agreement June 30, 2009 and 2008 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 384.1	359.9	115.9	120.8	500.0	480.7
Revenue bonds	-	-	20.8	21.2	20.8	21.2
Literary loans	3.6	4.1	-	-	3.6	4.1
Installment Purchase Agreement	1.3	1.3	-	-	1.3	1.3
Total	\$ 389.0	365.3	136.7	142.0	525.7	507.3

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

Chesapeake's total bonded debt increased by \$18.4 million during the fiscal year. The City sold over \$34 million general obligation bonds for School purposes and \$9.5 million for public safety and road construction purposes. The City also sold \$13.6 million of Tax Increment Financing general obligation bonds to fund various public improvements in the Greenbrier Tax Increment Financing District. These issuances were offset by debt principal repayments amounting to \$38.9 million. Principal outstanding on lease revenue bonds backed by the City's general obligation pledge in the amount of \$4.4 million, issued by a blended component unit, CSB of Chesapeake, Inc., have been reported with the City's total debt outstanding for governmental activities. An installment purchase agreement in the amount of \$1.3 million is also included in the City's debt at June 30, 2009. This debt instrument was used to finance the City's purchase of development rights under the Open Space and Agricultural Preservation (OSAP) program, in which the landowner will be paid interest on a semi-annual basis for a period of years until the actual purchase takes place.

During the year, the City issued \$17.2 million of general obligation public improvement refunding bonds to refund or partially refund various outstanding issues to take advantage of favorable interest rates. The result will be a net savings of \$1,444,551 in future debt service payments.

In fiscal year 2009, the City received an upgraded rating of AA+ (from AA) from Standard & Poor's Rating Service on existing general obligation bonds. Under Moody's Investors Service, the City maintains an Aa2 rating. Chesapeake Expressway toll road revenue bonds are rated Baa1 by Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2,557,379,253 which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2009 for the City of Chesapeake is 5.3%, which is up from the 3.3% in 2008. This compares to the state's average unemployment rate of 5.6% and the average national rate of 7.6% for the same time period.
- Chesapeake's annual population growth rate was 0.68% between 2008 and 2009, which was a smaller increase than the 1.11% experienced between 2007 and 2008. This is a decrease also over the 1.2% average annual growth rate that has occurred over the past decade.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2009

- The effects of worsening national, state and local economic conditions, evidenced locally by reduced real estate transactions, home values, construction permits and vehicle registrations, prompted a focus on core service delivery for the next three to five years. The City's real estate tax base decreased 3% for 2009 versus a 12% growth for 2008.
- To help address the identified School and City capital requirements, funds continue to be reserved in the General Fund for Schools Future Capital Projects (School Capital Reserve) and City Future Capital Projects (City Capital Reserve), to provide resources for future debt service and cash funding for projects.
- Rate increases, approved in prior fiscal years, for the Stormwater and Public Utility funds continue to provide resources for critical maintenance and operations in these areas.

All of these factors were considered in preparing Chesapeake's budget for the 2010 fiscal year. During the current fiscal year, undesignated fund balance in the General Fund increased from \$31.6 million to \$35.8 million. The fiscal year 2010 operating budget includes a planned use of undesignated General Fund fund balance of \$4.1 million. The budget provides for approximately \$10.3 million funding for the City and Schools capital reserves ("lock boxes") mentioned above. The general real estate tax rate was unchanged at \$1.04 per \$100 value.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Chesapeake
VIRGINIA

Basic Financial Statements



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Chesapeake
VIRGINIA

Government-Wide Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Schedule A

Statement of Net Assets
June 30, 2009

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 207,588,088	29,159,170	236,747,258	69,095,534	8,647,731
Receivables, net of allowance for uncollectible amounts (note 3)	75,468,457	22,015,783	97,484,240	16,756,140	23,038,552
Due from component units, net of allowance for uncollectible amounts (note 7)	412,100	-	412,100	-	-
Internal balances (note 1)	1,261,293	(1,261,293)	-	-	-
Inventories	584,457	869,431	1,453,888	1,053,381	7,534,387
Prepaid expenses	875,103	-	875,103	-	-
Restricted assets (note 2):					
Cash and temporary investments with trustee	187	1,360,183	1,360,370	-	-
Cash restricted for debt service	-	564,927	564,927	-	-
Cash restricted for debt service with trustee	-	4,333,346	4,333,346	-	-
Cash with State Set-Aside (note 6)	1,376,091	-	1,376,091	-	-
Capital construction:					
Cash and temporary investments	92,977,670	37,278,239	130,255,909	40,836,002	-
Cash and temporary investments with trustee	4,276,029	2,623,861	6,899,890	-	-
Investment - zero coupon bond	503,330	-	503,330	-	-
Capital Assets (notes 4, 6, and 9):					
Land	291,567,338	23,710,527	315,277,865	16,846,470	1,494,190
Construction in progress	71,469,341	20,303,615	91,772,956	66,785,718	-
Developmental rights	1,342,284	-	1,342,284	-	-
Buildings	590,257,902	5,642,819	595,900,721	36,769,878	3,407,908
Improvements other than buildings	29,294,309	3,004,862	32,299,171	5,604,150	17,125,276
Equipment and vehicles	97,581,948	8,486,376	106,068,324	73,372,300	1,745,785
Infrastructure	1,060,806,882	616,297,049	1,677,103,931	-	-
Accumulated depreciation	(1,034,303,955)	(185,754,924)	(1,220,058,879)	(53,772,902)	(10,066,406)
Other assets	1,313,468	771,358	2,084,826	-	209,258
Total assets	\$ 1,494,652,322	589,405,329	2,084,057,651	273,346,671	53,136,681
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 22,411,036	5,991,680	28,402,716	49,418,363	289,895
Deferred revenues	650,889	7,117,706	7,768,595	-	12,939
Due to primary government (note 7)	-	-	-	-	2,675,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	55,158,299	6,493,596	61,651,895	3,870,702	3,377,115
Due in more than one year	467,221,303	201,135,087	668,356,390	153,915,414	21,321,091
Total liabilities	545,441,527	220,738,069	766,179,596	207,204,479	27,676,642
Net Assets					
Invested in capital assets, net of related debt	701,163,988	287,074,512	988,238,500	133,168,432	11,644,653
Restricted for:					
Capital projects	6,797,052	3,110,328	9,907,380	36,422,441	-
Debt service	7,032,992	6,095,925	13,128,917	-	-
Other purposes:					
Expendable:					
General Fund	34,270,058	-	34,270,058	-	-
Special Revenue Funds	13,616,451	-	13,616,451	-	-
Permanent Funds	167,099	-	167,099	-	-
Public Utilities Fund	-	52,987,619	52,987,619	-	-
Chesapeake Expressway Fund	-	1,482,932	1,482,932	-	-
Stormwater Management Fund	-	16,754,312	16,754,312	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	1,994,027
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	186,150,360	1,161,632	187,311,992	(103,448,681)	11,821,359
Total net assets	949,210,795	368,667,260	1,317,878,055	66,142,192	25,460,039
Total liabilities and net assets	\$ 1,494,652,322	589,405,329	2,084,057,651	273,346,671	53,136,681

CITY OF CHESAPEAKE, VIRGINIA
Statement of Activities
Year Ended June 30, 2009

Schedule B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-type Activities	Discretely Presented Component Units	
							Total	Public Schools
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 143,489,932	15,214,785	25,431,327	358,173	(102,485,647)	-	(102,485,647)	-
Public safety	91,889,008	5,749,819	11,249,671	93,827	(74,795,691)	-	(74,795,691)	-
Public works	47,649,415	1,661,573	27,756,938	19,412,612	1,181,708	-	1,181,708	-
Parks	9,066,099	1,040,947	173,782	-	(7,851,370)	-	(7,851,370)	-
Public welfare	44,005,141	3,240,175	27,871,543	-	(12,893,423)	-	(12,893,423)	-
Education	226,520,024	-	2,229,109	2,007,962	(222,282,953)	-	(222,282,953)	-
Interest on long term debt	18,948,390	-	-	-	(18,948,390)	-	(18,948,390)	-
Depreciation and amortization - net unallocated portion (note 4)	22,760,633	-	-	-	(22,760,633)	-	(22,760,633)	-
Total governmental activities	604,328,642	26,907,299	94,712,370	21,872,574	(460,836,399)	-	(460,836,399)	-
Business-type activities:								
Public Utilities	51,901,055	56,097,409	1,274,628	10,661,753	-	16,132,735	16,132,735	-
Chesapeake Expressway	9,945,582	6,910,173	256,524	-	-	(2,778,885)	(2,778,885)	-
Stormwater Management	7,140,754	13,036,755	339,949	-	-	6,235,950	6,235,950	-
Jordan Bridge	2,074,693	527,523	-	-	-	(1,547,170)	(1,547,170)	-
Total business-type activities	71,062,084	76,571,860	1,871,101	10,661,753	-	18,042,630	18,042,630	-
Total primary government	\$ 675,390,726	103,479,159	96,583,471	32,534,327	(460,836,399)	-	(442,793,769)	-
COMPONENT UNITS								
Public Schools	\$ 500,750,043	7,426,524	77,494,672	1,895,524	-	-	(413,933,323)	-
Chesapeake Mosquito Control Commission	4,833,609	-	4,012,088	-	-	-	(821,521)	-
Economic Development Authority	2,380,983	-	2,712,306	-	-	-	331,323	-
Chesapeake Port Authority	12,479	-	11,724	-	-	-	(755)	-
Chesapeake Airport Authority	1,396,948	394,838	973,538	-	-	-	(8,572)	-
Elizabeth River Properties of Chesapeake, Inc	107,633	78,675	56,917	-	-	-	27,959	-
Total component units	\$ 509,481,695	7,900,037	85,261,245	1,895,524	-	-	(413,933,323)	-
General revenues:								
Taxes:								
Property taxes, levied for general purposes				\$ 308,040,890	-	-	308,040,890	-
Local sales and use taxes				32,772,077	-	-	32,772,077	-
Consumer utility taxes				10,016,340	-	-	10,016,340	-
Communication sales tax				12,400,222	-	-	12,400,222	-
Business license taxes				23,960,628	-	-	23,960,628	-
Local utility consumption tax				994,360	-	-	994,360	-
Bank stock taxes				1,211,481	-	-	1,211,481	-
Taxes on recordation and wills				2,788,407	-	-	2,788,407	-
Tobacco taxes				4,660,678	-	-	4,660,678	-
Hotel and motel room taxes				4,661,444	-	-	4,661,444	-
Restaurant food taxes				19,809,387	-	-	19,809,387	-
Admission taxes				623,560	-	-	623,560	-
Short-term rental taxes				281,537	-	-	281,537	-
Part-mutual wagging pool tax				138,853	-	-	138,853	-
Payment from City				-	-	-	-	-
Grants and contributions not restricted to specific programs				31,439,703	64,430	-	31,439,703	218,635,536
Unrestricted investment earnings				7,444,350	-	-	7,444,350	183,774,094
Miscellaneous				3,516,856	-	-	3,516,856	1,764,666
Transfers				370,150	(370,150)	-	-	3,811,315
Total general revenues and transfers				465,130,923	(305,720)	-	464,825,203	407,985,611
Change in net assets				4,294,524	17,736,910	-	22,031,434	(5,947,712)
Net assets - beginning (note 18) (as restated)				944,916,271	350,930,350	-	1,295,846,621	72,089,904
Net assets - ending				\$ 949,210,795	368,667,260	-	1,317,878,055	66,142,192
								25,460,039

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.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 102,194,858	36,336,919	-	40,820,079	179,351,856
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,594,443	-	-	-	2,594,443
State categorical aid	1,862,939	-	-	-	1,862,939
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	87,816	-	155,745	2,305,526	2,549,087
Federal government	-	-	1,953,057	2,364,348	4,317,405
Federal government - American Reinvestment and Recovery Act	-	-	-	31,190	31,190
Receivables (note 3):					
Property taxes	25,011,591	-	-	-	25,011,591
Accounts receivable	3,163,074	-	-	2,283,417	5,446,491
Utility taxes	858,715	-	-	-	858,715
Interest	637,945	244,716	125	605	883,391
Fines	118,865	-	-	-	118,865
Ambulance fees	3,548,476	-	-	-	3,548,476
Restaurant and food tax	1,710,670	-	-	-	1,710,670
Other	2,974,827	-	-	334,451	3,309,278
Allowance for uncollectible amounts	(4,294,467)	-	-	(1,320,605)	(5,615,072)
Inventory	262,292	-	-	15,635	277,927
Due from other funds (note 8)	226,491	187,557	-	-	414,048
Restricted assets (note 2):					
Cash and temporary investments with trustee	187	-	-	-	187
Cash with state set-aside (note 6)	1,376,091	-	-	-	1,376,091
Capital construction:					
Cash and temporary investments	-	-	92,977,670	-	92,977,670
Cash and temporary investments with trustee	-	-	4,276,029	-	4,276,029
Investment	-	-	-	503,330	503,330
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	174,260	237,840	-	-	412,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 171,099,074	37,007,032	99,362,626	47,337,976	354,806,708

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 3,486,274	8,765	-	1,779,427	5,274,466
Deposits (note 3)	2,223,947	-	-	72,610	2,296,557
Accrued expenditures (note 3)	5,418,021	-	-	135,603	5,553,624
Deferred revenues (note 5)	25,977,055	-	-	416,685	26,393,740
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	1,298,201	-	1,298,201
Due to other funds (note 8)	-	-	187,557	226,491	414,048
Total liabilities	37,105,297	8,765	1,485,758	2,630,816	41,230,636
Fund Balances					
Reserved (note 12):					
Expendable	33,004,234	838,522	18,636,248	668,725	53,147,729
Unexpendable	-	-	-	12,795	12,795
Unreserved:					
Designated for debt service	-	36,159,745	-	-	36,159,745
Designated for cash flow emergencies (note 1)	34,270,058	-	-	-	34,270,058
Designated for operating emergencies (note 1)	28,558,382	-	-	-	28,558,382
Designated - General Fund (note 12)	2,368,429	-	-	-	2,368,429
Designated - Special Revenue Funds	-	-	-	1,540,435	1,540,435
Undesignated	35,792,674	-	79,240,620	-	115,033,294
Undesignated - Special Revenue Funds	-	-	-	42,318,106	42,318,106
Undesignated - Permanent Funds	-	-	-	167,099	167,099
Total fund balances	133,993,777	36,998,267	97,876,868	44,707,160	313,576,072
Total liabilities and fund balances	\$ 171,099,074	37,007,032	99,362,626	47,337,976	354,806,708

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
Governmental Funds
June 30, 2009

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

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

Ending fund balance - governmental funds \$ 313,576,072

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capital assets used in governmental activities as reported in footnote 4 to the financial statements also include assets of \$33,775,491 associated with the internal service funds as indicated below.

Capital assets 1,074,240,558

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

1,313,468

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.

25,742,851

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$1,261,293 as noted on Schedule E.

Capital assets	33,775,491
Long-term debt	(35,866,343)
Other assets and liabilities	<u>27,955,057</u>

25,864,205

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

(5,013,100)

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 \$35,866,343 associated with the internal service funds as indicated above.

Long-term debt related to assets	(442,765,081)
Long-term debt not related to assets	<u>(43,748,178)</u>

(486,513,259)

Net assets of governmental activities **\$ 949,210,795**

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

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 296,392,157	-	-	9,437,573	305,829,730
Other local taxes	111,333,353	-	-	2,985,621	114,318,974
Licenses, permits, and fees	7,803,173	-	-	-	7,803,173
Fines and forfeitures	2,335,259	-	-	-	2,335,259
Investment income	1,974,866	1,320,213	3,089,240	519,970	6,904,289
Revenues from use of property	163,884	115,765	-	568,608	848,257
Charges for services	9,786,891	-	-	6,450,182	16,237,073
Miscellaneous local revenues	4,077,457	-	84,447	190,250	4,352,154
Recovered costs	688,430	-	17,835	1,841,927	2,548,192
Program income	-	-	-	277,191	277,191
Revenues from local developers	200,620	-	505,375	-	705,995
Intergovernmental revenues:					
Commonwealth of Virginia	79,598,182	219,534	823,871	21,244,472	101,886,059
Federal government	103,638	-	2,407,400	14,606,944	17,117,982
Federal government - American Reinvestment and Recovery Act	3,059,581	-	-	129,321	3,188,902
Chesapeake Public Schools	1,193,405	1,035,704	-	-	2,229,109
Total revenues	518,710,896	2,691,216	6,928,168	58,252,059	586,582,339
EXPENDITURES					
Current:					
General government	106,163,139	-	-	12,354,629	118,517,768
Public safety	82,283,424	-	-	6,687,000	88,970,424
Public works	52,872,322	-	-	-	52,872,322
Parks	-	-	-	8,889,221	8,889,221
Public welfare	-	-	-	43,289,297	43,289,297
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	50,282	50,282
Education - Payments to Public Schools	181,558,576	37,000,026	76,934	-	218,635,536
Capital outlay	1,494,972	-	28,341,477	2,357,653	32,194,102
Debt service	2,228,425	52,337,798	-	697,860	55,264,083
Total expenditures	426,600,858	89,337,824	28,418,411	74,325,942	618,683,035
Excess (deficiency) of revenues over (under) expenditures	\$ 92,110,038	(86,646,608)	(21,490,243)	(16,073,883)	(32,100,696)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES(USES)					
Transfers from other funds (note 8)	\$ 2,879,224	49,630,935	20,505,512	32,064,382	105,080,053
General obligation bonds issued (note 6)	-	201,929	22,813,071	-	23,015,000
General obligation refunding bonds issued (note 6)	-	17,255,000	-	-	17,255,000
Transfers to other funds (note 8)	(90,778,851)	-	(5,016,674)	(9,325,866)	(105,121,391)
Payment to refund bond escrow agent (note 6)	-	(17,774,815)	-	-	(17,774,815)
Premiums on general obligation bonds issued (note 6)	-	732,755	-	-	732,755
VPSA bonds proceeds (note 6)	-	34,285,000	-	-	34,285,000
Premium on VPSA bonds (note 6)	-	2,715,026	-	-	2,715,026
Total other financing sources (uses)	(87,899,627)	87,045,830	38,301,909	22,738,516	60,186,628
Net change in fund balance	4,210,411	399,222	16,811,666	6,664,633	28,085,932
Fund balance - beginning (note 18) (as restated, other governmental funds*)	129,783,366	36,599,045	81,065,202	38,042,527	285,490,140
Fund balance - ending	\$ 133,993,777	36,998,267	97,876,868	44,707,160	313,576,072

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

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 \$ 28,085,932

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	(39,837,357)
Capital outlay expenditures	35,185,801
Donated assets	18,919,456
Noncapitalizable assets related to closed projects	(6,146,459)
Asset transfers	(953,067)
Loss on disposal	(33,340)
	7,135,034

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 2,211,160

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, refunding costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:

Debt issued (and related costs)	(77,464,711)
Principal repayments	39,254,858
Payment to escrow agent for refunding	17,774,815
	(20,435,038)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of the changes in:

Accrued interest	110,848
Compensated absences	(1,238,990)
Net pension obligation	1,148
Net other post employment benefit obligation	(9,687,835)
	(10,814,829)

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.

Change in net assets of governmental activities \$ 4,294,524

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

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

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

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

Other Enterprise Funds – Includes Jordan Bridge.

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



CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2009

Schedule E

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund			
ASSETS							
Current assets:							
Cash and temporary investments (note 2)	\$ 22,077,421	652,173	4,021,953	2,407,623	29,159,170	28,236,232	
Receivables (note 3):							
Accounts	13,850,661	335,130	8,438,024	-	22,623,815	153,851	
Interest	234,834	76,441	25,675	15,370	352,320	97,136	
Allowance for uncollectible amounts	(1,365,198)	-	(149,960)	-	(1,515,158)	-	
Intergovernmental Revenues due from Commonwealth of Virginia	75,392	-	-	-	75,392	-	
Inventory of materials and supplies	869,431	-	-	-	869,431	306,530	
Prepaid expenses	-	-	-	-	-	875,103	
Total current assets	35,742,541	1,063,744	12,335,692	2,422,993	51,564,970	29,668,852	
Noncurrent assets:							
Restricted assets:							
Cash and temporary investments with trustee	-	1,360,183	-	-	1,360,183	-	
Cash restricted for debt service	564,927	-	-	-	564,927	-	
Cash restricted for debt service with trustee	-	4,333,346	-	-	4,333,346	-	
Capital construction:							
Cash and temporary investments	25,515,953	64,943	11,697,343	-	37,278,239	-	
Cash and temporary investments with trustee	-	2,623,861	-	-	2,623,861	-	
Total restricted assets	26,080,880	8,382,333	11,697,343	-	46,160,556	-	
Accounts receivable (note 3)	479,414	-	-	-	479,414	-	
Capital assets (note 4 and note 9):							
Land	11,876,632	11,105,618	552,635	175,642	23,710,527	-	
Construction in progress	15,903,617	-	4,399,998	-	20,303,615	806,356	
Buildings	73,598	5,389,295	160,302	19,624	5,642,819	157,949	
Improvements other than buildings	2,906,315	-	98,547	-	3,004,862	398,303	
Equipment and vehicles	2,694,279	5,314,931	98,781	378,385	8,486,376	76,783,922	
Infrastructure	519,493,318	82,355,685	14,127,101	320,945	616,297,049	34,734	
Less accumulated depreciation	(146,661,884)	(36,547,130)	(2,050,701)	(495,209)	(185,754,924)	(44,405,773)	
Total capital assets, net of accumulated depreciation	406,285,875	67,618,399	17,386,663	399,387	491,690,324	33,775,491	
Other assets	627,122	144,236	-	-	771,358	-	
Total noncurrent assets	433,473,291	76,144,968	29,084,006	399,387	539,101,652	33,775,491	
Total assets	\$ 469,215,832	77,208,712	41,419,698	2,822,380	590,666,622	63,444,343	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2009

Schedule E, Continued

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund	Total	
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities:						
Accounts payable (note 3)	\$ 2,545,278	24,945	116,999	68	2,687,290	1,922,451
Accrued expenses and other liabilities (note 3)	506,741	957,363	25,159	-	1,489,263	1,052,637
Deposits (note 3)	829,314	-	-	-	829,314	-
Deferred revenues (note 5)	10,574	-	6,821,643	-	6,832,217	-
Construction projects payable (note 3)	839,205	-	146,608	-	985,813	-
Current portion of long-term debt (note 6)	4,626,305	1,259,520	-	-	5,885,825	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	-	2,257,574
Current portion of notes payable (note 6)	115,000	-	-	-	115,000	-
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	382,649	41,787	68,335	-	492,771	211,434
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	6,276,151
Total current liabilities	9,855,066	2,283,615	7,178,744	68	19,317,493	11,720,247
Noncurrent liabilities:						
Deferred revenues (note 5)	285,489	-	-	-	285,489	-
General obligation bonds (note 6)	113,726,503	-	-	-	113,726,503	-
Revenue bonds (note 6)	-	20,205,871	-	-	20,205,871	-
Due to Commonwealth of Virginia (note 6)	-	66,481,762	-	-	66,481,762	-
Obligations under capital leases (note 6)	-	-	-	-	-	2,713,694
Accrued vacation, sick pay, and overtime leave (note 6)	559,836	61,136	99,979	-	720,951	309,342
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	24,098,148
Total noncurrent liabilities	114,571,828	86,748,769	99,979	-	201,420,576	27,121,184
Total liabilities	124,426,894	89,032,384	7,278,723	68	220,738,069	38,841,431
Net Assets						
Invested in capital assets, net of related debt	287,933,067	(18,644,605)	17,386,663	399,387	287,074,512	28,804,223
Restricted for:						
Capital projects	500,000	2,610,328	-	-	3,110,328	-
Debt service	3,368,252	2,727,673	-	-	6,095,925	-
Other purposes - Expendable:						
Public Utilities Fund	52,987,619	-	-	-	52,987,619	-
Chesapeake Expressway Fund	-	1,482,932	-	-	1,482,932	-
Stormwater Management Fund	-	-	16,754,312	-	16,754,312	-
Unrestricted	-	-	-	2,422,925	2,422,925	(4,201,311)
Total net assets (deficit)	344,788,938	(11,823,672)	34,140,975	2,822,312	369,928,553	24,602,912
Total liabilities and net assets	\$ 469,215,832	77,208,712	41,419,698	2,822,380	590,666,622	63,444,343

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

\$ 369,928,553
 (1,261,293)
 \$ 368,667,260

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule F

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2009

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund			
REVENUES							
Charges for services:							
Sale of water	\$ 33,135,755	-	-	-	-	33,135,755	-
Billings to departments	-	-	-	-	-	-	32,448,642
Billings to outside agencies & component units	-	-	-	-	-	-	2,298,054
Sewer service charges	17,637,957	-	-	-	-	17,637,957	-
Stormwater management fees	-	6,890,532	13,026,683	-	527,299	13,026,683	-
Tolls and tickets	-	-	-	-	-	-	7,417,831
Rental fees	1,121,480	-	-	-	-	1,121,480	-
Connection fees	3,132,380	-	-	-	-	3,132,380	-
Miscellaneous	430,508	18,817	9,996	-	-	459,321	-
Recovered costs	630,724	824	76	-	-	631,624	411,074
Other	-	-	-	224	-	224	-
Total operating revenues	56,088,804	6,910,173	13,036,755	527,523	224	76,563,255	35,157,770
OPERATING EXPENSES							
Cost of materials billed	-	-	-	-	-	-	4,758,578
Purchases for resale	15,580,226	-	-	-	-	15,580,226	1,282,396
Water production	7,627,326	-	-	-	-	7,627,326	-
Sewer maintenance and operation	4,721,218	-	-	-	-	4,721,218	-
Water maintenance and operation	2,720,337	-	-	-	-	2,720,337	-
Customer service	1,239,153	-	-	-	-	1,239,153	-
General and administrative	2,170,506	120,025	678,905	79,315	-	3,048,751	923,367
Technical services	1,300,739	-	-	-	-	1,300,739	-
Other salaries and wages	-	1,174,651	2,205,040	231,923	-	3,611,614	6,177,683
Other fringe benefits	-	448,270	916,298	140,077	-	1,504,645	1,882,776
Self-insurance losses	-	-	-	-	-	-	7,045,485
Indemnity and medical claims	-	-	-	-	-	-	3,497,728
Other repairs and supplies	-	310,655	1,380,873	12,391	-	1,703,919	3,833,044
Equipment rental	-	5,134	13,971	2,265	-	21,370	415,695
Other contractual services	-	1,210,978	1,269,545	19,863	-	2,500,386	740,960
Depreciation and amortization	10,427,810	4,615,753	604,520	158,082	-	15,806,165	6,571,208
Insurance premiums	-	-	-	-	-	-	1,231,386

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule F, Continued

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2009

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund	Total	
OPERATING EXPENSES, continued						
Meter reading services	\$ 280,276	-	-	-	280,276	-
Other	90,634	2,310	-	-	92,944	-
Total operating expenses	46,158,225	7,887,776	7,069,152	643,916	61,759,069	38,360,306
Operating income (loss)	9,930,579	(977,603)	5,967,603	(116,393)	14,804,186	(3,202,536)
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,274,628	256,524	339,949	64,430	1,935,531	540,061
Interest expense	(5,113,286)	(2,057,806)	-	-	(7,171,092)	(252,623)
Gain on sale of equipment	8,605	-	-	-	8,605	144,020
Loss on sale of equipment	(491,639)	-	(26,228)	(1,430,777)	(1,948,644)	(242,907)
Total nonoperating revenue (expenses)	(4,321,692)	(1,801,282)	313,721	(1,366,347)	(7,175,600)	188,551
Income (loss) before transfers and contributions	5,608,887	(2,778,885)	6,281,324	(1,482,740)	7,628,586	(3,013,985)
Transfers in (note 8)	9,878	-	-	-	9,878	609,103
Transfers out (note 8)	-	(348,117)	(11,467)	(20,444)	(380,028)	(229,526)
State capital grant	810,000	-	-	-	810,000	-
Capital contributions	9,851,753	-	-	-	9,851,753	792,413
Increase (decrease) in net assets	16,280,518	(3,127,002)	6,269,857	(1,503,184)	17,920,189	(1,841,995)
Total net assets (deficit) - beginning	328,508,420	(8,696,670)	27,871,118	4,325,496	352,008,364	26,444,907
Total net assets (deficit) - ending	\$ 344,788,938	(11,823,672)	34,140,975	2,822,312	369,928,553	24,602,912

Change in net assets of enterprise funds, Schedule F	\$ 17,920,189
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(183,279)
Change in net assets of business-type activities, Schedule B	<u>\$ 17,736,910</u>

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, 2009

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund			
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 53,880,366	6,829,808	12,772,445	527,523		74,010,142	35,274,869
Payments to suppliers	(23,696,521)	(1,659,984)	(3,619,361)	(127,371)		(29,103,237)	(19,083,000)
Payments to employees	(11,575,338)	(1,606,125)	(3,095,678)	(443,064)		(16,720,205)	(7,034,139)
Net cash provided by (used in) operating activities	18,608,507	3,563,699	6,057,406	(42,912)		28,186,700	9,157,730
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	9,878	-	-	-		9,878	609,103
Transfers out	-	(348,117)	-	-		(348,117)	(229,526)
Repayments of obligations under capital leases for equipment not capitalized	-	-	-	-		-	(52,842)
Net cash provided by (used in) noncapital financing activities	9,878	(348,117)	-	-		(338,239)	326,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Commonwealth of Virginia	734,608	-	-	-		734,608	-
Proceeds from sale of capital assets	8,605	-	-	-		8,605	144,020
Acquisition of capital assets	(12,439,674)	-	(1,414,213)	-		(13,853,887)	(7,336,480)
Increase (decrease) in construction projects payable	203,006	-	(93,477)	-		109,529	-
Interest paid	(5,610,699)	(2,080,059)	-	-		(7,690,758)	(252,623)
Repayments of obligations under capital leases	-	-	-	-		-	(2,803,761)
Repayments of notes payable	(115,000)	-	-	-		(115,000)	-
Repayments of long-term debt	(4,819,154)	(1,252,204)	-	-		(6,071,358)	-
Net cash used in capital and related financing activities	(22,038,308)	(3,332,263)	(1,507,690)	-		(26,878,261)	(10,248,844)
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment income	\$ 1,305,898	303,627	337,434	64,602		2,011,561	549,559
Net cash provided by investing activities	1,305,898	303,627	337,434	64,602		2,011,561	549,559
Net increase (decrease) in cash and temporary investments	(2,114,025)	186,946	4,887,150	21,690		2,981,761	(214,820)
Cash and temporary investments beginning of year	50,272,326	8,847,560	10,832,146	2,385,933		72,337,965	28,451,052
Cash and temporary investments end of year	\$ 48,158,301	9,034,506	15,719,296	2,407,623		75,319,726	28,236,232

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule G, Continued

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2009

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 9,930,579	(977,603)	5,967,603	(116,393)	14,804,186	(3,202,536)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	10,427,810	4,615,753	604,520	158,082	15,806,165	6,571,208
Change in assets and liabilities increasing (decreasing) cash and temporary investments:						
Receivables	(2,087,033)	(80,365)	(865,301)	-	(3,032,699)	117,099
Inventory of materials and supplies	(299,978)	-	-	-	(299,978)	111,924
Prepaid expenses and other assets	-	-	-	-	-	(14,884)
Accounts payable	682,671	(10,882)	(276,067)	(13,537)	382,185	976,977
Deferred revenues	-	-	600,991	-	600,991	-
Deposits	(121,405)	-	-	-	(121,405)	-
Accrued expenses and other liabilities	16,707	(132)	(602)	(13,141)	2,832	1,018,388
Liability for self insurance losses	-	-	-	-	-	3,563,802
Accrued vacation, sick pay, and overtime leave	59,156	16,928	26,262	(57,923)	44,423	15,752
Total adjustments	8,677,928	4,541,302	89,803	73,481	13,382,514	12,360,266
Net cash provided by (used in) operating activities	\$ 18,608,507	3,563,699	6,057,406	(42,912)	28,186,700	9,157,730
Supplemental information on significant noncash transactions:						
Public Utilities Fund:						
Contributions of capital assets	\$ 9,851,753					
Stormwater Management Fund:						
Transfer out of capital assets to primary government		\$ 11,467				
Other Enterprise Fund:						
Transfer out of capital assets to primary government				\$ 20,444		

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

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Chesapeake
VIRGINIA

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund

Trust Fund – Includes Other Postemployment Benefits Fund

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule H-1

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Special Welfare	Other Postemployment Benefits Trust
ASSETS		
Cash and temporary investments (note 2)	\$ 11,516	-
Cash and temporary investments with trustee (note 2)	-	6,787,781
Total assets	11,516	6,787,781
LIABILITIES AND NET ASSETS		
Liabilities		
Due to children under foster care	11,516	-
Total liabilities	11,516	-
Net Assets		
Net assets held in trust for other postemployment benefits	-	6,787,781
Total liabilities and net assets	\$ 11,516	6,787,781

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

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

Year Ended June 30, 2009

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	\$ 6,483,590
Contributions from plan members (note 11)	938,980
Net investment income	53,857
Total additions	7,476,427
DEDUCTIONS	
Administrative expenses	34,451
Benefits and refunds paid on behalf of plan members and beneficiaries	2,929,021
Total deductions	2,963,472
Change in net assets	4,512,955
Net assets held in trust for other postemployment benefits - beginning of year	2,274,826
Net assets held in trust for other postemployment benefits - end of year	\$ 6,787,781

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 I

Combining Statement of Net Assets
Other Discretely Presented Component Units
June 30, 2009

	Governmental Activities		Business-type Activities				Total
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.		
ASSETS							
Current assets:							
Cash and temporary investments (note 2)	\$ 5,719,518	1,070,359	1,808	441,839	1,414,207	8,647,731	
Receivables, net of allowance for uncollectible amounts	-	3,322,292	-	65,306	954	3,388,552	
Inventories	388,266	7,146,121	-	-	-	7,534,387	
Capital assets:							
Land	204,340	-	-	1,015,348	274,502	1,494,190	
Buildings	2,696,737	-	-	-	711,171	3,407,908	
Improvements other than buildings	14,897	-	-	17,110,379	-	17,125,276	
Equipment and vehicles	1,564,951	-	-	173,487	7,347	1,745,785	
Less accumulated depreciation	(1,114,526)	-	-	(8,855,547)	(96,333)	(10,066,406)	
Other assets	-	173,206	-	36,052	-	209,258	
Noncurrent assets:							
Receivables, net of allowance for uncollectible amounts	-	19,650,000	-	-	-	19,650,000	
Total assets	9,474,183	31,361,978	1,808	9,986,864	2,311,848	53,136,681	
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable and accrued expenses	\$ 80,798	140,139	-	68,958	-	289,895	
Deferred revenues	-	-	-	12,939	-	12,939	
Due to primary government	-	1,319,095	944,407	412,100	-	2,675,602	
Current portion of long-term debt	-	3,262,115	-	115,000	-	3,377,115	
Long term liabilities	-	19,786,091	-	1,535,000	-	21,321,091	
Total liabilities	80,798	24,507,440	944,407	2,143,997	-	27,676,642	
Net Assets							
Invested in capital assets, net of related debt	3,366,399	-	-	7,381,567	896,687	11,644,653	
Restricted	-	-	-	-	1,994,027	1,994,027	
Unrestricted	6,026,986	6,854,538	(942,599)	461,300	(578,866)	11,821,359	
Total net assets (deficit)	9,393,385	6,854,538	(942,599)	7,842,867	2,311,848	25,460,039	
Total liabilities and net assets	\$ 9,474,183	31,361,978	1,808	9,986,864	2,311,848	53,136,681	

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

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2009

Schedule J

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc	Total
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 4,833,609	-	4,012,088	(821,521)	-	-	-	-	(821,521)
Business-type Activities									
Economic Development Authority	2,380,983	-	2,712,306	-	331,323	-	-	-	331,323
Chesapeake Port Authority	12,479	-	11,724	-	-	(755)	-	-	(755)
Chesapeake Airport Authority	1,396,948	394,838	973,538	-	-	-	(28,572)	-	(28,572)
Elizabeth River Properties of Chesapeake, Inc	107,633	78,675	56,917	-	-	-	-	27,959	27,959
Total component units	\$ 8,731,652	473,513	7,766,573	(821,521)	331,323	(755)	(28,572)	27,959	(491,566)
Change in net assets				\$ (821,521)	331,323	(755)	(28,572)	27,959	(491,566)
Net assets (deficit) - beginning				\$ 10,214,906	6,523,215	(941,844)	7,871,439	2,283,889	25,951,605
Net assets (deficit) - ending				\$ 9,393,385	6,854,538	(942,599)	7,842,867	2,311,848	25,460,039

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements



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Chesapeake
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CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(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 or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the City. All of the City's component units have a fiscal year end of June 30. The following component units are discretely presented in the City's financial statements:

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

- The Economic Development Authority of the City of Chesapeake (the EDA) was established under the Industrial Development and Revenue Bond Act, *Code of Virginia*. The EDA is responsible for promoting industry and developing trade by inducing manufacturing, industrial, and commercial enterprises to locate or to remain in the City. The City Council appoints the members of the Board of the EDA. The EDA issued lease revenue bonds for two major construction projects for which the City is the lessor. The City also appropriates funds annually to pay the administrative expenses of the EDA. Separate audited financial statements for the EDA are available through the City's Department of Economic Development at 501 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.
- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes. Beginning July 1, 2008, this increment decreased from \$.02 to \$.01 per \$100 of assessed value for real estate properties. The increment of \$.08 per \$100 of assessed value for personal property remained unchanged from 2008. The Commission does not issue separate audited financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

- 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 the City's Community Services Department. The Community Services' Board of Directors, 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 Community Services. The Community Services Board has also transferred funds to ERPC to be used for the purchase of additional residences for individuals served by Community Services. Separate audited financial statements are available through the City's Department of Community Services at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.
- The South Norfolk Belharbour Waterfront Community Development Authority (CDA) was created by City Council on January 22, 2008 as a separate political entity pursuant to express authority given under Virginia law. The purpose of the Belharbour CDA is to assist in the funding, planning, establishing, acquiring, constructing or reconstructing, enlarging, extending, equipping, operating and maintaining public improvements in the Belharbour area. The board members, appointed by City Council, serve a four year term. As of June 30, 2009 no financial transactions were executed by the CDA; therefore, no financial statements for the CDA are included within the City's Comprehensive Annual Financial Report as of June 30, 2009.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(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 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

Nonmajor proprietary funds:

An *Enterprise Fund* accounts for the activities of the Jordan Bridge. The Jordan Bridge, located at Poindexter Street in South Norfolk west of I-464, crosses the southern branch of the Elizabeth River. In March 2008, the annual inspection was conducted and reported findings indicating the need for repairs that would total over \$4 million. A replacement bridge was estimated to cost between \$200 - \$500 million. Public Works and the City Manager determined the bridge would continue to be a safety concern and, due to the city-wide transportation needs, a recommendation was made to decommission the bridge. The 80-year-old bridge had reached the end of its useful life. On October 14, 2008, the City Council passed a resolution to close the bridge on Saturday, November 8, 2008. The City conveyed the Jordan Bridge and land on one side of the river to Figg Bridge Development and Britton Hill Partners. They will finance, design, build, operate, maintain and own a new bridge across the Elizabeth River in the same corridor as the Jordan Bridge. There will be no expenditures of any city, state or federal funds. Remaining Jordan Bridge assets or infrastructure will be donated to other City departments. The Jordan Bridge Fund is inactive but will remain open until City Council determines the course of action for the remaining fund balance.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

During fiscal year 2009, the Recreation and Northwest River Park nonmajor enterprise funds were closed and a new Parks and Recreation special revenue fund was created. Beginning fund balance for fiscal year 2009 of the Parks and Recreation Fund is comprised of unrestricted net assets of the two enterprise funds at June 20, 2008 less the accrued vacation, sick pay and overtime leave balances which are not recorded in special revenue funds. These long-term obligations and the capital assets of the two enterprise funds are being accounted for in the Statement of Net Assets for Governmental Activities.

Fund Statements - Parks and Recreation Fund		
Unrestricted net assets at June 30, 2008		
Northwest River Park	\$	253,088
Recreation		464,531
Total unrestricted		717,619
Add compensated absences at June 30, 2008		11,950
Beginning fund balance at July 1, 2008, Parks and Recreation		\$ 729,569
Government-wide Statements	Governmental Activities	Business-Type Activities
Ending Net Assets at June 30, 2008	\$ 943,149,990	351,866,631
Net Assets of non-major Enterprise Funds at June 30, 2008		
Northwest River Park	446,584	(446,584)
Recreation	489,697	(489,697)
Beginning Net Assets at July 1, 2008	\$ 944,086,271 *	350,930,350

* In addition, a prior period adjustment of \$830,000 (see note 18) brings beginning net assets at July 1, 2008 for governmental activities to \$944,916,271.

Internal Service Funds account for central computer and information technology services, central fleet management services for City-owned vehicles, and services of the City's self-insurance program, provided to other departments, agencies, or components units of the City on a cost-reimbursement basis. A new fund was established in fiscal year 2009 to account for termination benefits provided by the City.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

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 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* (Statement No. 20), the government-wide financial statements and the fund financial statements of the proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor APB Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 that do not contradict or conflict with GASB pronouncements. Under paragraph 7 of Statement No. 20, the City has elected not to apply FASB pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's public utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The Public Utilities Enterprise Fund also recognizes certain rental fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

In all funds, when both restricted and unrestricted resources are available for a particular use and have not been earmarked for other purposes, it is the City's policy to use restricted resources first for any allowable costs. After restricted resources have been depleted, unrestricted resources are used as they are needed unless the City determines and documents otherwise.

Cash and Temporary Investments

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

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

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

Receivables and Payables

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

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

Provisions for uncollectible water, sewer, stormwater, community services 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, 2008, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2009 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, 2009 less an allowance for uncollectible amounts and taxes not collected within 45 days

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

after year end. The tax rate for 2009 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 at cost using the first-in, first-out (FIFO) method. All inventories of governmental funds and proprietary funds are recorded under the consumption method as expenditures or expenses when consumed, rather than when purchased.

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

Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. \$480,317 of interest expense was capitalized during fiscal year ended June 30, 2009 in the Public Utilities Fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

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:

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

Vacation, Sick Pay, and Accrued Overtime Leave

City employees are granted vacation, sick pay and accrued overtime leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay 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 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.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Assets. Bond premiums and discounts, as well as issuance and refunding costs, are deferred and amortized over the life of the bonds using the straight-line method. 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 and refunding costs. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(1) Continued

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

Encumbrances

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

Designated Fund Balances

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

Net Assets

The government-wide statement of net assets reports \$48,053,608 of expendable restricted net assets for other purposes, of which \$34,270,058 is restricted by enabling legislation.

(2) Deposits and Investments

Deposits

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*, or covered by federal depository insurance. The carrying value of pooled deposits, as of June 30, 2009 is \$287,984,324 including petty cash of \$25,910 and cash in

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(2) Continued

the special welfare fiduciary fund of \$11,516. Cash of \$1,376,091 is being held by the Commonwealth of Virginia.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof (including Government sponsored enterprise (obligations), obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Money market accounts and mutual funds with underlying securities which are within the parameters described above are also allowable. Statutes limit the localities to a maximum percentage of total investments of 50% for repurchase agreements, 40% for bankers acceptances, 35% for commercial paper or 20% for corporate notes. Investments in Virginia State Non-Arbitrage Program (SNAP) and the Evergreen Money Market Mutual funds are SEC registered open-ended mutual funds. The Local Government Investment Pool (LGIP) is a 2a7 “like” investment pool (as defined by GASB 31). The Virginia Public School Authority bond covenants require the bond proceeds to be invested with the Virginia State Non-Arbitrage Program which is monitored by the Virginia Treasury Board. These external investment pools are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form. Shares purchased through the external investment pools maintain a fair value equal to the share value within these funds. The Local Government Investment Pool is audited by the Auditor of Public Accounts, and is under the supervision of the Virginia Treasury Board. All Money Market Mutual funds have a fair market value equivalent to \$1.00 per share.

Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented below is the minimum rating required by the Virginia State Code, the City’s investment policy, or the debt agreements as well as the actual investment ratings as of June 30, 2009.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(2) Continued

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City of Chesapeake investment policy requires all certificates of deposit and time deposits of banks and savings and loan institutions located in the State of Virginia that are under the Virginia statute of public funds to be approved depositories by the State Treasury Board. These certificates of deposit and time deposits must be federally insured to the maximum extent possible and/or collateralized under the Virginia Security for Public Deposit Act, Section 2.5-4400 et seq. of the *Code of Virginia*.

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

The City places no limit on the amount that can be invested in any one issuer beyond that stipulation by Virginia State Code. At June 30, 2009, the City was holding certificates of deposits in TowneBank of \$97,000,000 which represented 20.49%; SunTrust of \$55,000,000 which represented 11.62%; BB&T of \$36,000,000 which represented 7.61%; and RBC Centura Bank for \$29,000,000 which represented 6.13% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments, other than U.S. Treasury securities, mutual funds, and external investment pools.

Interest Rate Risk

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(2) Continued

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.

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the Other Postemployment Benefits 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 \$2,928,213, have been excluded because risk information is not available.

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

Deposits and investments reported above:	
Pooled deposits	\$ 287,984,324
State set-aside fund	1,376,091
Investments	215,131,057
Other component units	2,928,213
Total deposits and investments reported above	\$ 507,419,685
Per Schedules A and H-1:	
Cash and temporary investments	\$ 314,502,039
Cash and temporary investments with trustee	8,148,151
Cash restricted for debt service	564,927
Cash restricted for debt service with trustee	4,333,346
Cash with State Set-Aside	1,376,091
Investment - zero coupon bond	503,330
Capital construction:	
Cash and temporary investments	171,091,911
Cash and temporary investments with trustee	6,899,890
Total capital construction	177,991,801
Total cash and temporary investments per Schedules A and H-1	\$ 507,419,685

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2009

(2) Continued

Investments by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA+	AA	AA-	AIPI	Unrated
Investments:								
Commercial paper	58	A1/P1/F1	\$ -	-	-	-	6,984,775	-
U.S. Government-sponsored coupon securities	964	n/a	42,949,152	-	-	-	-	-
Corporate notes and municipal notes	196	n/a	407,168	1,985,377	1,163,837	1,429,381	-	-
Local Government Investment Pool	n/a	n/a	96,638,239	-	-	-	-	-
Virginia State Non-Arbitrage Program	n/a	n/a	42,527,909	-	-	-	-	-
Evergreen money market mutual fund	n/a	n/a	383,355	-	-	-	-	-
Bank money market accounts	n/a	n/a	-	-	-	-	-	64,927
Repurchase agreements	76	n/a	7,000,000	-	-	-	-	-
Total			\$ 189,905,823	1,985,377	1,163,837	1,429,381	6,984,775	64,927
Restricted investments:								
Bank money market accounts	1	n/a	\$ -	-	-	-	-	500,000
Virginia State Non-Arbitrage Program	1	n/a	262,883	-	-	-	-	-
Federated U.S. money market mutual fund	1	n/a	1,976,294	-	-	-	-	-
U.S. Government-sponsored discount securities	2	n/a	2,048,740	-	-	-	-	-
STI Classic funds - money market mutual fund	1	n/a	1,427,034	-	-	-	-	-
PFM - money market mutual fund	n/a	n/a	5,345,061	-	-	-	-	-
Repurchase agreements	2,778	n/a	2,036,925	-	-	-	-	-
Total			\$ 13,096,937	-	-	-	-	500,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2009 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 35,596,470	75,392
Due from Federal government	4,348,595	-
Due from customers	2,625,728	21,588,071
Property taxes receivable	22,860,659	-
Interest receivable	980,527	352,320
Other	9,056,478	-
Total accounts receivable	\$ 75,468,457	22,015,783

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2009 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,135,199	-	155,745	2,305,526
Due from Federal government	-	-	1,953,057	2,395,538
Property taxes receivable	22,860,659	-	-	-
Interest receivable	637,945	244,716	125	605
Other	10,231,092	-	-	1,297,263
Total accounts receivable	\$ 66,864,895	244,716	2,108,927	5,998,932

Property taxes receivable in the General Fund as of June 30, 2009 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 8,725,626	89,006	8,636,620
Personal property	16,279,515	2,061,926	14,217,589
Public service corporations	6,450	-	6,450
Total property taxes receivable	\$ 25,011,591	2,150,932	22,860,659

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(3) Continued

The total allowance for uncollectible amounts in the General Fund is \$4,294,467, which includes a \$1,958,759 allowance for uncollectible emergency medical service fees, a \$112,544 allowance for uncollectible vehicle license fees, and a \$72,232 allowance for uncollectible miscellaneous City invoices. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from community services.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2009 are as follows:

	Due From Customers and Others	Due From Commonwealth of Virginia	Interest Receivable
Public Utilities Fund	\$ 12,964,877	75,392	234,834
Chesapeake Expressway Fund	335,130	-	76,441
Stormwater Management Fund	8,288,064	-	25,675
Other enterprise funds	-	-	15,370
Internal Service Funds	153,851	-	97,136
Total accounts receivable	\$ 21,741,922	75,392	449,456

In June 2009, the City entered into an agreement with a customer to collect unpaid water billings of \$639,414 over a four-year period. Three annual payments of \$160,000 begin in July 2009 with a final payment of \$159,414 due in July 2012.

Accounts payable, deposits, and accrued expenses in the Statement of Net Assets as of June 30, 2009 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 7,196,917	2,687,290
Deposits	2,296,557	829,314
Accrued expenses, excluding interest	6,606,261	97,053
Construction projects payable	1,298,201	985,813
Accrued interest	5,013,100	1,392,210
Total accounts payable, deposits, and accrued expenses	\$ 22,411,036	5,991,680

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2009 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	\$ 5,710,221	5,418,021	-
Debt Service Fund	8,765	-	-
Capital Projects Fund	-	-	1,298,201
Other governmental funds	1,852,037	135,603	-
Total accounts payable, deposits, and accrued expenditures	\$ 7,571,023	5,553,624	1,298,201

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2009 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 3,374,592	57,595	839,205	449,146
Chesapeake Expressway Fund	24,945	14,299	-	943,064
Stormwater Management Fund	116,999	25,159	146,608	-
Other enterprise funds	68	-	-	-
Internal Service Funds	1,922,451	1,052,637	-	-
Total accounts payable, deposits, and accrued expenses	\$ 5,439,055	1,149,690	985,813	1,392,210

In March 2009, the City announced that it was offering eligible employees an opportunity to participate in a Voluntary Retirement Incentive Program (the Program). Eligible employees were given a deadline of July 1, 2009 to commit to the Program. Incentive payments are based on annual salary groupings and will be made within 30 days of when the person actually retires (eligible employees must retire no later than December 1, 2009). A total of 62 employees elected to participate in the Program, with 56 of them committing to the Program by June 30, 2009. The City accrued \$1,008,347 in the Termination Benefits internal service fund for all incentive payments not yet paid at June 30, 2009 for those employees who had committed to the Program at June 30, 2009. After June 30, 2009, the City became committed to pay an additional \$169,512 in incentive payments for the eight employees who committed to the Program after June 30.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances, as restated *	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 281,534,936	7,030,034	(13,713)	288,551,257
Land - School	3,016,081	-	-	3,016,081
Developmental Rights	1,342,284	-	-	1,342,284
Construction in progress	65,165,072	29,188,898	(23,690,985)	70,662,985
Construction in progress - ISF	2,090,767	649,112	(1,933,523)	806,356
Total capital assets, not being depreciated	353,149,140	36,868,044	(25,638,221)	364,378,963
Capital assets, being depreciated:				
Buildings	180,978,685	4,944,356	-	185,923,041
Buildings - ISF	157,949	-	-	157,949
Buildings - School	403,925,430	251,482	-	404,176,912
Improvements other than buildings	24,703,352	4,192,654	-	28,896,006
Improvements other than buildings - ISF	398,303	-	-	398,303
Equipment and vehicles	20,311,682	1,325,984	(839,640)	20,798,026
Equipment and vehicles - ISF	71,497,903	9,623,278	(4,337,259)	76,783,922
Infrastructure	1,037,237,860	23,534,288	-	1,060,772,148
Infrastructure - ISF	-	34,734	-	34,734
Total capital assets being depreciated	1,739,211,164	43,906,776	(5,176,899)	1,777,941,041
Less accumulated depreciation for:				
Buildings	(55,985,475)	(4,452,564)	-	(60,438,039)
Buildings - ISF	(50,596)	(5,401)	-	(55,997)
Buildings - School	(110,759,154)	(7,884,489)	-	(118,643,643)
Improvements other than buildings	(10,791,739)	(1,977,482)	-	(12,769,221)
Improvements other than buildings - ISF	(242,851)	(38,189)	-	(281,040)
Equipment and vehicles	(11,997,851)	(2,538,485)	820,013	(13,716,323)
Equipment and vehicles - ISF	(41,390,762)	(6,527,401)	3,849,644	(44,068,519)
Infrastructure	(761,346,619)	(22,984,337)	-	(784,330,956)
Infrastructure - ISF	-	(217)	-	(217)
Total accumulated depreciation	(992,565,047)	(46,408,565)	4,669,657	(1,034,303,955)
Total capital assets being depreciated, net	746,646,117	(2,501,789)	(507,242)	743,637,086
Capital assets, net	\$ 1,099,795,257	34,366,255	(26,145,463)	1,108,016,049

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Continued

Governmental Activities capital assets net of accumulated depreciation at June 30, 2009 are comprised of the following:

General Government Capital Assets, net	\$ 1,074,240,558
Internal Service Fund Capital Assets, net	33,775,491
Total	\$ 1,108,016,049

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2009 as follows:

General government	\$ 7,025,893
Public safety	1,073,926
Public works	734,307
Public welfare	54,699
Parks	79,706
Education	7,884,489
Net unallocated portion (depreciation of general infrastructure assets)	22,984,337
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	6,571,208
Total depreciation expense, governmental activities	\$ 46,408,565

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$22,760,633 includes the unallocated portion of depreciation expense noted above of \$22,984,337 and amortization of bond costs of issuance, deferred bond premiums and refunding costs of \$223,704.

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

Function	Project Authorization	Expended to June 30, 2009	Committed	Required Future Financing
General Government	\$ 79,208,448	32,261,470	46,946,978	none
Public safety	20,454,967	5,425,723	15,029,244	none
Public works	86,420,616	28,875,430	57,545,186	none
Parks	12,915,829	4,685,005	8,230,824	none
Public Welfare	267,180	221,713	45,467	none
Education	1,568,878	-	1,568,878	none
Total	\$ 200,835,918	71,469,341	129,366,577	-

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Continued

Business-type activities:

	Beginning Balances, as restated *	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,367,776	1,550,803	(208,052)	23,710,527
Construction in progress	14,146,148	13,837,634	(7,680,167)	20,303,615
Total capital assets, not being depreciated	36,513,924	15,388,437	(7,888,219)	44,014,142
Capital assets, being depreciated:				
Buildings	5,482,517	160,302	-	5,642,819
Improvements other than buildings	2,840,010	164,852	-	3,004,862
Equipment and vehicles	8,837,538	633,823	(984,985)	8,486,376
Infrastructure	605,507,838	15,518,710	(4,729,499)	616,297,049
Total capital assets, being depreciated	622,667,903	16,477,687	(5,714,484)	633,431,106
Less accumulated depreciation for:				
Buildings	(895,056)	(148,540)	-	(1,043,596)
Improvements other than buildings	(513,059)	(69,405)	-	(582,464)
Equipment and vehicles	(6,367,930)	(685,596)	455,651	(6,597,875)
Infrastructure	(166,150,566)	(14,866,753)	3,486,330	(177,530,989)
Total accumulated depreciation	(173,926,611)	(15,770,294)	3,941,981	(185,754,924)
Total capital assets being depreciated, net	448,741,292	707,393	(1,772,503)	447,676,182
Capital assets, net	\$ 485,255,216	16,095,830	(9,660,722)	491,690,324

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008.

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

Public Utilities	\$ 10,409,630
Chesapeake Expressway	4,598,062
Stormwater Management	604,520
Jordan Bridge	158,082
Total depreciation expense, business-type activities	\$ 15,770,294

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$46.9 million at June 30, 2009. There was \$480,317 of capitalized interest incurred this fiscal year related to construction in progress.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Continued

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,514,878	1,361,754	-	11,876,632
Construction in progress	7,503,804	12,478,340	(4,078,527)	15,903,617
Total capital assets, not being depreciated	18,018,682	13,840,094	(4,078,527)	27,780,249
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	2,840,010	66,305	-	2,906,315
Equipment and vehicles	2,931,381	601,629	(838,731)	2,694,279
Infrastructure	507,151,075	12,342,243	-	519,493,318
Total capital assets, being depreciated	512,996,064	13,010,177	(838,731)	525,167,510
Less accumulated depreciation for:				
Buildings	(30,827)	(2,495)	-	(33,322)
Improvements other than buildings	(513,059)	(66,941)	-	(580,000)
Equipment and vehicles	(2,353,581)	(126,619)	347,092	(2,133,108)
Infrastructure	(133,701,879)	(10,213,575)	-	(143,915,454)
Total accumulated depreciation	(136,599,346)	(10,409,630)	347,092	(146,661,884)
Total capital assets being depreciated, net	376,396,718	2,600,547	(491,639)	378,505,626
Capital assets, net	\$ 394,415,400	16,440,641	(4,570,166)	406,285,875

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Continued

Chesapeake Expressway Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Total capital assets, not being depreciated	11,105,618	-	-	11,105,618
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	5,375,320	-	(60,389)	5,314,931
Infrastructure	82,355,685	-	-	82,355,685
Total capital assets, being depreciated	93,120,300	-	(60,389)	93,059,911
Less accumulated depreciation for:				
Buildings	(852,289)	(134,732)	-	(987,021)
Equipment and vehicles	(3,798,388)	(514,434)	60,389	(4,252,433)
Infrastructure	(27,358,780)	(3,948,896)	-	(31,307,676)
Total accumulated depreciation	(32,009,457)	(4,598,062)	60,389	(36,547,130)
Total capital assets being depreciated, net	61,110,843	(4,598,062)	-	56,512,781
Capital assets, net	\$ 72,216,461	(4,598,062)	-	67,618,399

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(4) Continued

Stormwater Management Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 363,586	189,049	-	552,635
Construction in progress	6,642,344	1,359,294	(3,601,640)	4,399,998
Total capital assets, not being depreciated	7,005,930	1,548,343	(3,601,640)	4,952,633
Capital assets, being depreciated:				
Buildings	-	160,302	-	160,302
Improvements other than buildings	-	98,547	-	98,547
Equipment and vehicles	114,235	32,194	(47,648)	98,781
Infrastructure	10,950,634	3,176,467	-	14,127,101
Total capital assets, being depreciated	11,064,869	3,467,510	(47,648)	14,484,731
Less accumulated depreciation for:				
Buildings	-	(9,351)	-	(9,351)
Improvements other than buildings	-	(2,464)	-	(2,464)
Equipment and vehicles	(48,529)	(13,397)	9,953	(51,973)
Infrastructure	(1,407,605)	(579,308)	-	(1,986,913)
Total accumulated depreciation	(1,456,134)	(604,520)	9,953	(2,050,701)
Total capital assets being depreciated, net	9,608,735	2,862,990	(37,695)	12,434,030
Capital assets, net	\$ 16,614,665	4,411,333	(3,639,335)	17,386,663

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 16,846,470	-	-	16,846,470
Construction in progress	37,651,353	32,059,695	(2,925,330)	66,785,718
Total capital assets, not being depreciated	54,497,823	32,059,695	(2,925,330)	83,632,188
Capital assets, being depreciated:				
Buildings	36,769,878	-	-	36,769,878
Improvements other than buildings	5,604,150	-	-	5,604,150
Furniture, equipment, vehicles, and textbooks	69,996,474	5,799,079	(2,423,253)	73,372,300
Total capital assets, being depreciated	112,370,502	5,799,079	(2,423,253)	115,746,328
Less accumulated depreciation for:				
Buildings	(7,115,999)	(644,464)	-	(7,760,463)
Improvements other than buildings	(2,612,163)	(245,917)	-	(2,858,080)
Furniture, equipment, vehicles, and textbooks	(38,400,678)	(6,994,932)	2,241,251	(43,154,359)
Total accumulated depreciation	(48,128,840)	(7,885,313)	2,241,251	(53,772,902)
Total capital assets being depreciated, net	64,241,662	(2,086,234)	(182,002)	61,973,426
Capital assets, net	\$ 118,739,485	29,973,461	(3,107,332)	145,605,614

Depreciation expense of \$7,885,313 was charged to the Public Schools' governmental functions.

(5) Deferred Revenues

Deferred revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred revenues for the primary government's fund-based financial statements at June 30, 2009 are comprised of the following:

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 21,330,603	-	-
Personal Property Tax Relief Act	3,209,133	-	-
Emergency medical service fees	1,203,115	-	-
Public utilities fees	-	-	296,063
Stormwater management fees	-	-	6,821,643
Other	234,204	416,685	-
Total deferred revenues	\$ 25,977,055	416,685	7,117,706

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2009 follows:

	Balances at July 1, 2008, as restated *	Increases	Decreases	Balances at June 30, 2009	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 355,376,595	74,555,000	(50,287,111)	379,644,484	33,108,360
Lease revenue bond with general obligation pledge	4,540,000	-	(125,000)	4,415,000	130,000
	359,916,595	74,555,000	(50,412,111)	384,059,484	33,238,360
Deferred amounts:					
Plus bond premiums	15,475,052	3,447,781	(1,824,195)	17,098,638	1,993,947
Less refunding costs	(9,449,564)	(459,815)	1,498,053	(8,411,326)	(1,538,537)
Total bonds payable	365,942,083	77,542,966	(50,738,253)	392,746,796	33,693,770
Other long-term obligations:					
Net pension obligation	1,590,826	23,172,099	(23,173,247)	1,589,678	-
Net OPEB obligation	13,571,937	16,171,425	(6,483,590)	23,259,772	-
Arbitrage rebate and yield restriction	790,009	-	(189,327)	600,682	-
Compensated absences	17,069,762	13,729,379	(12,474,637)	18,324,504	7,439,749
Literary loans	4,078,369	-	(549,493)	3,528,876	549,493
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	8,903,865	-	(3,730,529)	5,173,336	2,402,261
Capital leases to component unit	25,960,000	-	(3,085,000)	22,875,000	3,225,000
Supplemental payments agreement	22,065,000	-	(1,140,000)	20,925,000	1,190,000
Liability for self-insurance losses	26,810,497	6,883,517	(3,319,715)	30,374,299	6,276,151
Section 108 loan payable	1,415,000	-	(320,000)	1,095,000	340,000
Deferred amounts:					
Plus refunding gains on supplemental payments agreement	586,250	-	(41,875)	544,375	41,875
Total long-term obligations	\$ 490,125,882	137,499,386	(105,245,666)	522,379,602	55,158,299

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2009 follows:

	Balances at July 1, 2008, as restated *	Increases	Decreases	Balances at June 30, 2009	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 120,754,717	-	(4,819,154)	115,935,563	4,595,564
Deferred amounts:					
Plus bond premiums	5,402,362	-	(324,671)	5,077,691	324,671
Less bond discounts	(23,959)	-	4,216	(19,743)	(4,216)
Less refunding costs	(2,930,417)	-	289,714	(2,640,703)	(289,714)
Total bonds payable	123,202,703	-	(4,849,895)	118,352,808	4,626,305
Notes payable	230,000		(115,000)	115,000	115,000
Compensated absences	883,329	712,874	(653,718)	942,485	382,649
	124,316,032	712,874	(5,618,613)	119,410,293	5,123,954
Chesapeake Expressway:					
Revenue bonds	21,245,000	-	(410,000)	20,835,000	430,000
Less bond discount	(220,090)	-	10,481	(209,609)	(10,480)
Total bonds payable	21,024,910	-	(399,519)	20,625,391	419,520
Due to Commonwealth of Virginia	68,163,966	-	(842,204)	67,321,762	840,000
Compensated absences	85,995	89,826	(72,898)	102,923	41,787
	89,274,871	89,826	(1,314,621)	88,050,076	1,301,307
Stormwater Management:					
Compensated absences	142,052	142,591	(116,329)	168,314	68,335
Nonmajor business-type activities:					
Compensated absences	57,923	-	(57,923)	-	-
Total long-term obligations	\$ 213,790,878	945,291	(7,107,486)	207,628,683	6,493,596

* 2008 balances for Governmental Activities and Business-Type Activities have been restated to reflect that two non-major Enterprise Funds were closed and all activity was rolled into a new non-major Special Revenue Fund beginning July 1, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2009 follows:

	Balances at July 1, 2008	Increases	Decreases	Balances at June 30, 2009	Due Within One Year
Compensated absences	\$ 33,716,954	3,973,752	(1,434,089)	36,256,617	1,800,000
Net pension obligation	96,691	3,209,119	(3,208,909)	96,901	-
Net OPEB obligation	40,887,180	69,331,712	(5,787,049)	104,431,843	-
Liability for self-insurance losses	3,814,311	749,262	-	4,563,573	-
Capital leases	12,184,820	4,114,116	(3,861,754)	12,437,182	2,070,702
Total long-term obligations	\$ 90,699,956	81,377,961	(14,291,801)	157,786,116	3,870,702

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2009 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding
Governmental activities - General Obligation bonds		
1993 Public Improvement Refunding bonds	5.50%	\$ 1,419,437
1994A School bonds	6.48% - 6.60%	2,770,123
1996A School bonds	5.23%	4,760,000
1997A School bonds	5.40% - 5.60%	7,695,000
1998 Public Improvement bonds	5.00%	1,050,000
1998A School bonds	4.60% - 5.10%	4,100,000
1999A School bonds	5.35% - 6.10%	5,500,000
2000A School bonds	5.10% - 5.60%	5,780,000
2001A School bonds	4.85% - 5.60%	5,175,000
2001B School bonds	3.10% - 5.10%	1,174,924
2001 Public Improvement bonds	5.00% - 5.50%	2,260,000
2001 Public Improvement Refunding bonds	5.50%	34,360,000
2002A School bonds	5.10% - 5.60%	4,270,000
2002B School bonds	4.10% - 4.35%	2,300,000
2003 School Refunding bonds	4.00% - 5.25%	65,690,000
2003A School bonds	4.10% - 5.35%	1,890,000
2003A Public Improvement bonds	3.00% - 4.20%	9,715,000
2004A Public Improvement Refunding bonds	5.00%	40,825,000
2003 Lease Revenue bond with general obligation pledge	4.39%	4,415,000
2005A Public Improvement bonds	3.00% - 4.75%	11,845,000
2005A School bonds	3.10% - 5.10%	17,440,000
2005B School bonds	4.60% - 5.10%	8,600,000
2006A School bonds	4.10% - 5.10%	16,365,000
2006A Public Improvement bonds	4.25% - 4.50%	14,215,000
2006B School bonds	4.23% - 5.10%	16,480,000
2007A School bonds	4.10% - 5.10%	10,200,000
2007B School bonds	4.35% - 5.10%	9,210,000
2008A Public Improvement bonds	3.00% - 5.00%	9,460,000
2008A Public Improvement Refunding bonds	3.00% - 5.00%	17,255,000
2008B Tax Increment Financing bonds	3.00% - 4.63%	13,555,000
2009A School bonds	2.55% - 5.05%	34,285,000
		384,059,484
Add unamortized bond premiums		17,098,638
Less deferred refunding costs		(8,411,326)
Total general obligation bonds, governmental activities		\$ 392,746,796
Governmental activities - literary loans		
School literary loans, collateralized by certain school buildings	3.00%	\$ 3,528,876
Total Literary loans		\$ 3,528,876
Governmental activities - installment purchase agreement		
Installment purchase agreement	4.80%	\$ 1,342,284
Total Installment purchase agreement		\$ 1,342,284
Business-type activities		
Public Utilities - General Obligation bonds		
1993 Public Improvement Refunding bonds	5.50%	\$ 305,563
1995A Water and Sewer bonds	5.00%	23,100,000
2001 Water and Sewer Refunding bonds	4.25%	1,995,000
2003B Water and Sewer bonds	3.00% - 5.00%	49,110,000
2003C Water and Sewer Refunding bonds	2.75% - 3.50%	5,350,000
2004B Water and Sewer Refunding bonds	5.00%	30,750,000
2005B Water and Sewer Refunding bonds	3.00% - 4.00%	5,325,000
		\$ 115,935,563
Add unamortized bond premiums		5,077,691
Less unamortized bond discount		(19,743)
Less deferred refunding costs		(2,640,703)
Total Public Utilities bonds		\$ 118,352,808
Chesapeake Expressway - Revenue bonds:		
1999A Toll Road Revenue bonds	5.63%	\$ 20,835,000
Less unamortized bond discount		(209,609)
Total Chesapeake Expressway bonds		\$ 20,625,391

Schedule K, Continued

Callable	Noncallable	Call Premium
-	1,419,437	-
-	2,770,123	-
4,760,000	-	.00%-3.00%
7,695,000	-	.00%-3.00%
1,050,000	-	.00%-2.00%
4,100,000	-	.00%-2.00%
5,000,000	500,000	.00%-2.00%
5,060,000	720,000	.00%-2.00%
4,270,000	905,000	.00%-2.00%
-	1,174,924	-
1,865,000	395,000	.00 %
18,410,000	15,950,000	.00 %
3,350,000	920,000	.00%-1.00%
-	2,300,000	-
24,425,000	41,265,000	.00 %
1,520,000	370,000	.00%-1.00%
7,475,000	2,240,000	.00 %
9,515,000	31,310,000	.00%-1.00%
4,415,000	-	.00%-2.00%
7,620,000	4,225,000	.00%
11,980,000	5,460,000	.00% - 1.00%
5,910,000	2,690,000	.00% - 1.00%
10,840,000	5,525,000	.00% - 1.00%
9,540,000	4,675,000	.00%
10,820,000	5,660,000	.00% - 1.00%
6,530,000	3,670,000	.00% - 1.00%
5,925,000	3,285,000	.00% - 1.00%
5,650,000	3,810,000	.00%
-	17,255,000	.00%
8,110,000	5,445,000	.00% - 1.00%
21,130,000	13,155,000	.00% - 1.00%
206,965,000	177,094,484	
n/a	n/a	n/a
n/a	n/a	n/a
-	3,528,876	-
-	3,528,876	-
-	1,342,284	-
-	1,342,284	-
-	305,563	-
23,100,000	-	.00%-2.00%
-	1,995,000	.00 %
44,025,000	5,085,000	.00 %
2,460,000	2,890,000	.00 %
19,130,000	11,620,000	.00%-1.00%
2,680,000	2,645,000	.00%
91,395,000	24,540,563	
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
20,405,000	430,000	.00% - 1.00%

(Continued)

(6) Continued

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

Year ending June 30:	Bonds			Governmental Activities			Business-Type Activities		
	Principal	Interest	Installment Purchase Agreement	Literary loans	Principal	Interest	Public Utilities - Bonds	Chesapeake Expressway - Bonds	Interest
2010	\$ 33,238,360	17,623,923	-	549,493	105,866	64,430	4,595,563	430,000	1,159,875
2011	34,107,574	16,451,451	-	549,493	89,381	64,430	4,455,000	455,000	1,134,984
2012	34,072,175	14,760,076	-	509,578	72,897	64,430	4,640,000	480,000	1,108,688
2013	36,868,043	13,074,651	-	323,493	57,609	64,430	4,815,000	510,000	1,080,844
2014	40,990,538	11,173,579	-	324,034	47,905	64,430	5,105,000	535,000	1,051,453
2015-2019	102,863,940	34,629,021	-	1,073,252	121,989	322,148	26,825,000	3,170,000	4,755,938
2020-2024	59,568,854	16,874,858	-	199,533	5,986	322,148	30,340,000	4,165,000	3,730,359
2025-2029	39,760,000	4,350,701	-	-	-	322,147	22,770,000	5,485,000	2,381,484
2030-2033	2,590,000	57,304.00	1,342,284	-	-	193,289	12,390,000	5,605,000	652,078
	\$ 384,059,484	128,995,564	1,342,284	3,528,876	501,633	1,481,882	115,935,563	20,835,000	17,055,703

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2009

(6) Continued

- (d) In May 2009, the City sold \$34,285,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 3.86% and a net premium of \$2,715,026. The bonds were issued to partially fund the construction of a replacement middle school and an addition to a high school.
- (e) In August 2008, the City sold \$9,460,000 of general obligation public improvement bonds with a true interest cost of 4.15% and a premium of \$11,402. The bonds were issued to fund various public improvements including, but not limited to, a police station, land acquisition for Tidewater Community College, repairs to City buildings, design costs for the jail and the replacement of Long Bridge.
- (f) In August 2008, the City issued \$17,255,000 of general obligation public improvement refunding bonds with a true interest cost of 3.26% to refund or partially refund various outstanding issues. The refunded bonds had interest rates ranging from 4.65% to 5.00%. The net proceeds of \$17,774,815 (after an original issue premium of \$648,688 and payment of \$128,873 for underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Assets. None of the defeased bonds remain outstanding at June 30, 2009. The reacquisition price exceeded the net carrying amount of the old debt by \$459,815. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to or shorter than the life of the debt being refunded. This current refunding resulted in an economic gain of \$1,072,907 and a net savings of \$1,444,551 in future debt service payments.

The amounts refunded and earliest call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
1994 Public Improvement Bonds	2013-2014	\$ 5,275,000	8/21/2008
1998 Public Improvement Bonds	2010-2018	12,040,000	8/21/2008
Total		\$ 17,315,000	

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

- (g) In August 2008, the City sold \$13,555,000 of general obligation tax increment financing bonds with a true interest cost of 4.17% and a premium of \$72,665. The bonds were issued to fund various public improvements including, but not limited to, safety, signage and intersection improvements in the Greenbrier Tax Increment Financing District, as well as renovations to the Conference Center.
- (h) 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.
- (i) In December 2003, the CSB of Chesapeake, Inc., a blended component unit reported as a special revenue fund of the City, issued a \$4,940,000 lease revenue bond with a fixed interest rate of 4.39%. The City has pledged its full faith and credit for this obligation, which was incurred to construct the Community Services Board building. The holding bank may require prepayment of this bond on January 1, 2014, with at least 90 days written notice to the City. Therefore, although the bond has a maturity of July 1, 2030, the remaining principal is reflected as being due in 2014. At June 30, 2009, \$4,415,000 was outstanding.
- (j) In July 1999, the City sold \$21,630,000 Chesapeake Expressway Toll Road Revenue Bonds with a stated interest rate of 5.625%. An original issue discount of \$314,414 was offered, for a true interest rate on the issue of 5.824%. The bonds, together with state and federal funds, financed a \$116 million toll road project. This toll road began operations in 2001. Revenues of the Chesapeake Expressway Enterprise Fund are used as set forth in the indenture of trust to fund operations maintenance, and debt service on the toll road revenue bonds.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

In addition, the City entered into a “City-State Agreement” with the Virginia Department of Transportation (VDOT), in which the City will repay with interest certain contributions provided by VDOT, once all funding requirements for the toll road revenue bonds have been met per the indenture and the project generates sufficient net revenues. State contributions to be repaid as of June 30, 2009 amounted to \$67,321,762. Revenues generated from the project were used to make a \$842,204 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.

- (k) In July 1997, the Commonwealth Transportation Board issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. The net proceeds were used to finance the City’s Oak Grove Connector project. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the Commonwealth Transportation Board to make annual payments equal to the debt service payments on these bonds based on the original terms of the bonds including principal amount of \$33,075,000, interest rates ranging from 5.00% to 5.25%, and a maturity date of 2022. In May 2006 the Commonwealth Transportation Board refunded the bonds maturing in the years 2008 – 2022 in the amount of \$23,830,000. The Supplemental Payments Agreement has been adjusted accordingly to reflect a total debt service savings of \$1,615,054 including principal savings in the amount of \$670,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City’s portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City’s share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City’s full faith and credit. The City made a \$1,140,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2009.

Fiscal year ending June 30:	Principal	Interest
2010	\$ 1,190,000	1,037,325
2011	1,240,000	986,750
2012	1,305,000	924,750
2013	1,365,000	859,500
2014	1,435,000	791,250
2015-2019	8,335,000	2,805,000
2020-2022	6,055,000	615,500
Total payments	\$ 20,925,000	8,020,075

- (l) In November 1996, the City financed a new Chesapeake Circuit Court building through financing arrangements with the EDA, a component unit of the City. Under the arrangement, the EDA issued \$24,460,000 in public facility lease revenue bonds to finance the construction, and the City leases the building from the EDA. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2009, \$12,980,000 was outstanding.
- (m) In June 1994, the City financed a 320-bed addition to the City jail through a financing agreement with the EDA. Under the arrangement, the EDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2009, the amount owed by the City under this capital lease obligation was \$9,895,000.

In addition, the Commonwealth of Virginia has agreed to reimburse the City for a portion of the capital costs and financing costs of the City jail project. This agreement was signed in June 1994. At that time, total reimbursement to the City was projected to be \$16,078,836, to be reimbursed on an installment basis for 20 years, and subject to General Assembly approval. In April 2004 and March 2005, portions of the debt related to the City jail project were refunded.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

The Commonwealth has the right under the agreement to modify the reimbursement installments in the event of a refunding, but an adjusted schedule has not yet been received from the Commonwealth. Total reimbursements of \$12,547,384 have been received by the City as of June 30, 2009. The current year reimbursement was \$833,789.

- (n) In April 2003, the City agreed to pay \$808,075 to the City of Norfolk for an under-billing of treated water. The payments, without interest, began in fiscal year 2004 and will be made over seven years. The remaining balance at June 30, 2009 is \$115,000, which is the final payment and due in 2010.
- (o) Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2009 was the settlement date, and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Expressway Fund, or the governmental activities column of the Statement of Net Assets, depending on the bond issue and timing of payment.

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

- (p) The future payments by year of accumulated vacation, sick pay, and accrued overtime leave, arbitrage, net pension obligation, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension obligation and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay and accrued overtime leave liability is generally liquidated by the fund for which the employee works. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension obligation and net OPEB obligation are generally liquidated by the General Fund, and the liability for Self-Insurance losses is liquidated by the Self-Insurance Fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2009

(6) Continued

(q) In October 1996, the City entered into a Section 108 loan in the amount of \$3,100,000. These funds were used for Community Development and will be repaid in annual installments through August 2011 with remaining interest rates ranging from 6.46% to 6.78%. In September 2003, the City drew an additional \$720,000 against the original \$3,800,000 Section 108 Loan Guarantee authorization, approved by City Council in 1996. Principal payments are due August 1, 2010 and August 1, 2011 in the amounts of \$330,000 and \$390,000 respectively. Interest is paid quarterly on the unpaid principal balance on the first day of February, May, August, and November. The interest rate is equal to 20 basis points (0.2 percent) above the applicable three-month London Interbank Offered Rate (LIBOR). Future debt service payments for the September 2003 draw are based on the interest rate of 0.87% effective June 30, 2009.

The following is a schedule of projected future loan payments:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 340,000	20,027
2011	365,000	5,297
2012	390,000	848
Total payments	\$ 1,095,000	26,172

(r) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 8% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 30, 2008 was \$37,730,000. 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 \$187,345,097 as of June 30, 2009.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

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

Assessed valuation - real estate		\$ 25,573,792,526
<hr/>		
Legal debt limit - 10% of assessed valuation		\$ 2,557,379,253
Amount of debt applicable to legal debt limit:		
General bonded debt	\$ 525,701,207	
Plus:		
Notes payable	115,000	
Less:		
Self-supporting debt not chargeable to debt limit	76,680,000	
Amounts available for debt service	36,159,745	
		<hr/>
		412,976,462
<hr/>		
Legal debt margin available		\$ 2,144,402,791
<hr/>		
Percent of:		
Legal debt margin outstanding		16.1%
Legal debt margin available		83.9%
		<hr/>
		100.0%
<hr/>		
Summary of assessed valuation:		
Public service real estate	\$ 979,365,290	
Other city real estate	24,594,427,236	
		<hr/>
		\$ 25,573,792,526

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of debt per capita and a threshold of 3.5% of debt to assessed value of taxable real property. For fiscal year 2009 management believes the City is in compliance with these policies.

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

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(6) Continued

Project. The bonds are being repaid through City lease payments on the facility. The remaining interest rates on the bonds vary from 5.25% to 6.25%. At June 30, 2009, \$12,980,000 remains outstanding, of which all are callable.

On June 1, 1994, the EDA issued \$30,205,000 of Lease Revenue Bonds to finance construction of the City of Chesapeake Jail Project. The bonds are being repaid through City lease payments on the facility. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue refunding bonds, to refund the remaining outstanding 1994 Public Facility Lease Revenue Bonds of \$18,050,000. At June 30, 2009, \$9,895,000 remains outstanding, of which none are callable.

In October 1998, the City entered into a support agreement with the Chesapeake Airport Authority, to provide a non-binding obligation of the City to consider certain appropriations to the Airport Authority in conjunction with the Airport Authority's issuance of \$2,500,000 Airport Revenue Bonds. The bonds, issued in January 1999, funded the acquisition, construction, and equipping of airplane hangers and related facilities at the Chesapeake Municipal Airport. The City's support extends only to the debt service reserve account for these bonds, as required under the master indenture, to appropriate sufficient funds if a deficit exists in the debt service reserve account. At June 30, 2009, \$1,650,000 remains outstanding, of which all is callable.

(7) Advances and On Behalf Of Payments

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

Component Unit – Chesapeake Airport Authority

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 reservation of fund balance has been made in the General Fund for \$174,260 and in the Debt Service Fund for \$237,840 for the balance outstanding at June 30, 2009 of 412,100.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(7) Continued

The General Fund also budgeted and made payments of \$368,556 on behalf of the Airport Authority during fiscal year 2009. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

Component Unit – Chesapeake Port Authority

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$11,721 on behalf of the Port Authority during fiscal year 2009. The City does not intend to collect these payments from the Port Authority.

Component Unit – Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2009, \$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 \$640,027 on behalf of the Authority during fiscal year 2009. The City does not intend to collect these payments from the EDA.

Advances from the primary government to its component units as reported on the Statement of Net Assets as of June 30, 2009 is summarized as follows:

Advances to Airport Authority	\$	412,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
<u>Total advances to component units</u>		<u>2,675,602</u>
<u>Less allowance for uncollectible amounts</u>		<u>(2,263,502)</u>
Net advances to component units	\$	412,100

(8) Interfund Balances and Transfers

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(8) Continued

Individual fund interfund receivable and payable balances for the primary government at June 30, 2009 are as follows:

Due To Other Funds	Due From Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	226,491
Debt Service Fund	187,557	-
Total interfund balances	\$ 187,557	226,491

These interfund balances are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund and temporary capital project funding. The amount due from the nonmajor governmental funds of \$226,491 is due within one year.

In addition, the City purchased the Chesapeake Conference Center and one acre of land for a parking facility on July 1, 1998 with accumulated reserves in the Debt Service Fund, which were not already dedicated to the repayment of the debt. City Council authorized the purchase and the repayment of \$9,142,398 of funds advanced. The funds are accruing interest and began being repaid to the Debt Service Fund from the Conference Center Special Revenue Fund surpluses beginning in fiscal year 2001, subject to annual appropriation by City Council. The amount repaid in the current year was \$653,132.

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2009, City Council approved transfers totaling \$13,581,478 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included \$4,836,361 for Deep Creek Park; and \$4,010,000 for jail addition.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2009

(8) Continued

Interfund transfers for the year ended June 30, 2009 are as follows:

	Transfers From Other Funds					Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Chesapeake Expressway Fund	Internal Service Funds	
General Fund	\$ -	1,985,122	752,486	-	141,616	2,879,224
Debt Service Fund	45,211,375	2,927,552	1,492,008	-	-	49,630,935
Capital Projects Fund	13,581,478	-	6,488,007	348,117	87,910	20,505,512
Public Utilities Fund	9,878	-	-	-	-	9,878
Nonmajor governmental funds	31,652,512	60,000	351,870	-	-	32,064,382
Internal Service Funds	323,608	44,000	241,495	-	-	609,103
Total	\$ 90,778,851	5,016,674	9,325,866	348,117	229,526	105,699,034
Transfer of general capital assets: From Stormwater Management Fund						11,467
From Nonmajor Enterprise Fund						20,444
Total transfers out						105,730,945

In the fund financial statements, total transfers in of \$105,699,034 are less than total transfers out of \$105,730,945 because of the treatment of transfers of capital assets from the enterprise funds. During the year, existing capital assets related to enterprise funds, with a book value of \$31,911, were transferred to governmental funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However the enterprise funds did report a transfer out for the capital resources donated.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2009

(9) Leases

The City and Schools, a component unit, lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2009, the City's capital assets from governmental activities include \$54,665,000 of buildings leased from component units and leased equipment of \$11,836,185. Current year amortization expense for leased assets is \$2,905,636 and is included in depreciation expense. Accumulated amortization expense for these assets is \$17,026,683.

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for governmental activities (including capital leases to component units) as of June 30, 2009 are as follows:

	Capital	Operating
Fiscal years:		
2010	\$ 6,955,306	764,388
2011	6,155,759	614,368
2012	5,417,240	67,047
2013	4,475,656	54,652
2014	3,855,688	45,789
2015 - 2017	6,104,050	-
Total future minimum lease payments	32,963,699	\$ 1,546,244
Less amounts representing interest	4,915,363	
Present value of minimum capital lease payments	\$ 28,048,336	

Total governmental operating lease payments for the year ended June 30, 2009 were \$1,206,620.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(9) Continued

At June 30, 2009, the Schools capital assets include \$19,109,923 of equipment financed under capital leases. Current year amortization expense for leased assets is \$230,801. Accumulated amortization expense for these assets is \$4,390,750. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2009 are as follows:

Fiscal years:		
2010	\$	2,557,534
2011		2,557,534
2012		1,792,152
2013		1,792,152
2014		1,390,358
2015-2018		4,410,881
<hr/>		
Total future minimum lease payments		14,500,611
Less amounts representing interest		2,063,429
<hr/>		
Present value of minimum capital lease payments	\$	12,437,182

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

The City and Public Schools contribute to the Virginia Retirement System (the VRS), an agent and cost-sharing, multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service (1.85% for public safety sworn employees). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS plan also provides death and disability benefits. Title 51.1 of the *Code of Virginia*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(10) Continued

(1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The City and Schools have assumed this 5% member contribution. In addition, the City and Schools are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and Schools' nonprofessional employees' contribution rates for the fiscal year ended June 30, 2009 were 15.97% and 15.06%, respectively, of annual covered payrolls.

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

		Annual Required Contributions	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2009	\$	30,721,581	30,721,581	100%
2008		32,881,785	32,881,785	100%
2007		29,258,886	29,258,886	100%

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(10) Continued

Annual Pension Cost

For the year ended June 30, 2009, the City's and Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 23,173,247	3,208,909
Interest on net pension obligation	119,312	7,252
Adjustment to annual required contribution	(120,460)	(7,042)
Annual pension cost	23,172,099	3,209,119
Less contributions made	23,173,247	3,208,909
Increase (decrease) in net pension obligation	(1,148)	210
Net pension obligation at June 30, 2008	1,590,826	96,691
Net pension obligation at June 30, 2009	\$ 1,589,678	96,901

The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an investment rate of return (net of administrative expenses of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both (a) and (b) also included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis over 20 years.

Three-Year Trend Information

Fiscal Year Ended	City			Schools' Nonprofessional Employees		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 23,172,099	100.0%	\$ 1,589,678	\$ 3,209,119	100.0%	\$ 96,901
June 30, 2008	\$ 23,311,596	100.0%	\$ 1,590,826	\$ 3,118,032	100.0%	\$ 96,691
June 30, 2007	\$ 20,557,684	100.4%	\$ 1,588,558	\$ 2,951,103	100.0%	\$ 96,761

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

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

As of June 30, 2008, the most recent actuarial valuation date, the funded status of the plan was as follows:

	City	Schools
Actuarial accrued liability (AAL)	\$ 594,194,584	71,507,633
Less actuarial value of plan assets	516,024,998	58,067,113
Unfunded actuarial accrued liability (UAAL)	\$ 78,169,586	13,440,520
Funded ratio (actuarial value of plan assets/AAL)	86.84%	81.20%
Covered payroll	\$ 138,445,780	20,744,338
UAAL as a percentage of covered payroll	56.46%	64.79%

The Schedule of Funding Progress, presented as RSI following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(11) Other Postemployment Benefits***Plan Description***

The City's 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. The Post-Medicare Medical Plan is closed to employees hired July 1, 2007 or after. Plan membership as of June 30, 2009, consisted of 3,094 active service participants and 485 retirees and beneficiaries currently receiving benefits. There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(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 benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2009, the City contributed \$6,483,590 to the plan, including \$1,990,042 for current premiums (68% of total premiums) and an additional \$4,493,548 to prefund benefits. Plan members receiving benefits contributed \$938,980, or 32% of the total premiums, through their required monthly contributions. Member contributions are 0.59% of covered payroll. Costs to administer current benefits are paid from the general fund.

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

For the year ended June 30, 2009, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	16,382,822
Interest on net OPEB obligation		651,453
Adjustment to annual required contribution		(862,850)
<hr/>		
Annual OPEB cost		16,171,425
Less employer contributions made		6,483,590
<hr/>		
Increase in net OPEB obligation		9,687,835
Net OPEB obligation at June 30, 2008		13,571,937
<hr/>		
Net OPEB obligation at June 30, 2009	\$	23,259,772

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(11) Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were as follows:

Three-Year Trend Information				
Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 16,171,425	\$ 6,483,590	40.1%	\$ 23,259,772
June 30, 2008	17,772,418	4,200,481	23.6%	13,571,937

Since 2008 was the transition year, only 2008 and 2009 information is provided above. Going forward, information for the current year and each of the two preceding years will eventually be provided.

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for fiscal year ending June 30, 2009, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 143,957,588
Less actuarial value of plan assets	6,959,793
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 136,997,795
Funded ratio (actuarial value of plan assets/AAL)	4.83%
<hr/>	
Covered payroll	\$ 158,131,203
UAAL as a percentage of covered payroll	86.64%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2009 and 2008, with 2008 being the first year of implementation. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(11) Continued

Actuarial Method and Assumptions

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

In the actuarial valuation for fiscal year ending June 30, 2009 (dated July 1, 2009), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.8% investment rate of return (discount rate) and an annual healthcare cost trend rate of 9.5% initially, reduced by 0.2 – 0.4% each year to an ultimate rate of 4.5% after twenty years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on a closed basis within a period of 30 years.

Discretely presented component unit - Public Schools:

Plan Description

The Public 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 June 30, 2009, consisted of 6,065 active service participants and 1,129 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund ("the Trust"). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(11) Continued

Significant Accounting Policies

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

Funding Policy

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2009, the Schools contributed \$5,787,049 to the plan, all of which covered current premiums (67% of total premiums). Plan members receiving benefits contributed \$2,848,740, or 33% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' general fund.

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(11) Continued

For the year ended June 30, 2009, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	69,969,792
Interest on net OPEB obligation		1,635,487
Adjustment to annual required contribution		(2,273,567)
<hr/>		
Annual OPEB cost		69,331,712
Less employer contributions made		5,787,049
<hr/>		
Increase in net OPEB obligation		63,544,663
Net OPEB obligation at June 30, 2008		40,887,180
<hr/>		
Net OPEB obligation at June 30, 2009	\$	104,431,843
<hr/>		

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were as follows:

Three-Year Trend Information				
Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 69,331,712	\$ 5,787,049	8.3%	\$ 104,431,843
June 30, 2008	44,939,118	4,051,938	9.0%	40,887,180

Since 2008 was the transition year, only 2008 and 2009 information is provided above. Going forward, information for the current year and each of the two preceding years will eventually be provided.

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2008, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	552,551,956
Less actuarial value of plan assets		-
<hr/>		
Unfunded actuarial accrued liability (UAAL)	\$	552,551,956
Funded ratio (actuarial value of plan assets/AAL)		0.00%
<hr/>		
Covered payroll	\$	234,879,180
UAAL as a percentage of covered payroll		235.25%

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(11) Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the Schools' annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2009, the second year of implementation. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 10.0% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after eleven years. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

Notes to Basic Financial Statements
June 30, 2009

(12) Fund Balances

Primary Government

The reserved fund balances in the fund financial statements at June 30, 2009 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED:					
Expendable:					
Advances to component units	\$ 174,260	237,840	-	-	412,100
Oak Grove Connector	1,376,278	-	-	-	1,376,278
Radio system	2,454,250	-	2,043	-	2,456,293
City future capital projects	521,220	-	-	-	521,220
Schools future capital projects	26,503,225	-	-	-	26,503,225
Treasurer's EGOV	38,498	-	-	-	38,498
Treasurer's late license fee	332,769	-	-	-	332,769
Road/Transportation	297,497	-	-	-	297,497
Open space projects	-	-	1,533,596	-	1,533,596
City Courts construction	-	-	2,036,925	-	2,036,925
City Jail construction	-	-	2,239,104	-	2,239,104
AIW Bridge	-	-	62,024	-	62,024
Drainage projects	-	-	4,500,111	-	4,500,111
Other	519,533	-	436,344	-	955,877
Arbitrage rebate and yield restriction	-	600,682	-	-	600,682
Encumbrances	786,704	-	7,826,101	668,725	9,281,530
Nonexpendable:					
Nonexpendable fund corpus	-	-	-	12,795	12,795
Total	\$ 33,004,234	838,522	18,636,248	681,520	53,160,524

The designated fund balances in the fund financial statements at June 30, 2009 were as follows:

	General
UNRESERVED:	
Designated:	
Economic Development Investment Program	\$ 1,020,549
Schools cash reversion	71,622
Gilmerton Bridge	348,372
Technology Fees	226,357
Open space agriculture preservation	534,397
Sheriff civil enforcement software	165,000
Sheriff mowing	2,132
Total	\$ 2,368,429

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(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 for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2009.

(14) Commitments

Lake Gaston Pipeline Project

On November 10, 1987, the City Council authorized the City Manager to execute a contract with the City of Virginia Beach pertaining to the design, construction and operation of a project to provide facilities for withdrawal and transportation of water from Lake Gaston to the City and to the City of Virginia Beach. Upon execution of the contract, the City agreed to purchase a one-sixth (1/6) ownership interest in the project and, accordingly, will be entitled to use water transported by the project in proportion to its ownership interest. The City will fund one-sixth of any and all costs relating to the acquisition, design, construction and operation of the Project except for certain costs related to normal maintenance and operation that fluctuate and which will be funded based upon the amount of water pumped through the pipeline. As of June 30, 2009, the City has incurred cumulative costs of \$24,819,500 related to the design and construction of the pipeline. These costs are capitalized in the Public Utilities Fund.

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 12, 2009 the total estimated cost of which amounted to \$454,255,611 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(14) Continued

A summary of the sources of funds for the amended capital budget follows:

VDOT Reimbursement	\$ 17,948,000
Funds Previously Appropriated	104,506,789
General Fund	6,612,000
Greenbrier TIF Cash	9,749,182
SoNo TIF Cash	100,000
Public Utilities - Fund Balance	18,776,387
Virginia Public Assistance - Fund Balance	1,120,000
Stormwater Management Fees	29,000,000
Proffers	171,195
Grants funds	750,000
Redirects from Other Projects	2,858,743
Borrowing Authority - Unissued	30,878,763
Public Utilities - Unissued Borrowing	113,277,932
Borrowing Authority - Greenbrier TIF	74,051,920
Borrowing Authority - SoNo TIF	25,000,000
Reserve for School Capital - Cash	17,722,000
VSPA Borrowing	1,732,700
	\$ 454,255,611

(15) Contingent Liabilities*Self-Insurance*

The City is exposed to various risks of loss related to civil torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for up to: a) \$1,000,000 per claim for general and automobile liability claims; b) \$1,000,000 per workers' compensation claim; and c) \$100,000 per claim for most other types of exposures including public official and law enforcement officer liability. For liability claims, the excess of each of these limits up to \$5,000,000 is covered by commercial insurance policies. For workers' compensation claims, the excess of the limit up to \$25,000,000 is covered by commercial insurance policies. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(15) Continued

workers is 2/3 salary for 500 weeks and lifetime medical care. The insurance coverage is substantially the same as in prior fiscal years.

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

The claims liability of \$30,374,299 reported in the Self-Insurance Fund at June 30, 2009 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount, using an annual discount rate of 3%, for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2009 and 2008 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2008-2009	\$ 26,810,497	6,883,517	3,319,715	30,374,299
2007-2008	\$ 25,140,766	5,980,575	4,310,844	26,810,497

The Public Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a \$500,000 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 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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2009

(15) Continued

future years on claims as of June 30, 2009 are recognized as a long-term liability. The Public Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2009 is \$9,506,631. Changes in the Public Schools' liability for self-insurance losses amount during the fiscal years ended June 30, 2009 and 2008 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2008-2009	\$ 3,814,311	40,156,582	34,464,262	9,506,631
2007-2008	\$ 2,490,528	3,987,943	2,664,160	3,814,311

Pollution Remediation Obligation

As of June 30, 2009, the City has an obligation established in the Self Insurance fund in the amount of \$1,102,150 to cover a claim asserted by the Environmental Protection Agency (EPA) for its response costs associated with analysis and cleanup of the Wingfield Point Subdivision in the Deep Creek area of the City. The site was found to have been operated as a private dump prior to being developed as a residential subdivision. Hazardous substances were discovered on the site. The EPA is holding the City responsible for its costs as a "responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) or the Superfund law. Under Section 122(h) of CERCLA, the EPA requested an administrative settlement agreement between the City and the EPA for response costs totaling \$965,322. The City has entered into a Tolling Agreement to facilitate settlement negotiations with the EPA as of October 2009.

Litigation

The City has been put on notice of several potential claims by surrounding residents of the Battlefield Golf Club, a golf course constructed by a private entity using fly ash from Dominion Power's energy facility in Chesapeake. Fly ash is associated with contaminants such as arsenic, lead and mercury. An engineering firm hired by the City found elevated levels of lead and other constituents at the site. A complete environmental assessment is slated to be completed by the City very soon. The United States Environmental Protection Agency is also conducting water quality tests on, and in the vicinity of, the golf course. Residents living near the golf course filed suit against Dominion Power, the contractor that delivered the fly ash to the site, its subcontractors and the owner of the golf course.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(15) Continued

There are approximately 400 potential claims which could total millions in damages. The plaintiffs seek over one billion dollars from Dominion Power. However, the likelihood of recovery by the residents against the City is very low. The City's approval of the golf course through the issuance of a conditional use permit was based on information provided by Dominion Power. It is also to be noted that the Virginia Department of Environmental Quality approved use of fly ash at this location. The City should have immunity against such claims. The appropriate defendant in this matter is Dominion Power.

Southeastern Public Service Authority

On May 12, 2009, the City Council authorized the City Manager to execute an agreement with the City of Norfolk and the Southeastern Public Service Authority (SPSA) to provide a moral obligation guaranty of working capital credit lines to be maintained by SPSA in the aggregate amount of \$17,200,000. 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. The City's moral obligation guaranty is part of a Financial Assistance Plan (the Plan) for SPSA which has been agreed upon by all its members. In addition to the moral obligation guaranty of working capital credit lines provided by the Cities of Chesapeake and Norfolk, the Plan also includes a general obligation pledge by the Cities of Franklin, Portsmouth and Suffolk and the County of Isle of Wight and a moral obligation pledge by the County of Southampton to guarantee up to \$72,000,000 aggregate principal amount of refunding bonds expected to be issued by SPSA to the Virginia Resources Authority (VRA) as part of a plan to restructure certain outstanding SPSA indebtedness. The provisions of the City's guaranty are subject to the following terms: (a) the SPSA note shall not exceed \$17,200,000; (b) the City's allocable share of debt service shall not exceed 50%; (c) the final stated maturity of the SPSA note or any extension or renewal will not extend beyond December 31, 2010; and (d) SPSA authorizes the issuance of up to \$72,000,000 aggregate principal amount of refunding bonds to VRA as part of a plan to restructure certain outstanding SPSA indebtedness. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA, as evidenced by a repayment agreement approved by the SPSA Board of Directors. As of October, 2009, SPSA had no outstanding draw on the Wachovia letter of credit. SPSA is also in the process of reducing its indebtedness by the approved sale of one of its major assets, the Waste-to-Energy plant.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(15) Continued

Federal Award Programs

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

(16) Fund Deficits

The Self-Insurance Fund, an Internal Service Fund, had a net asset deficit of \$14,206,931 at June 30, 2009. This deficit will be funded by future internal billings to other funds of the City.

The Chesapeake Expressway Fund, an Enterprise Fund, had a net asset deficit of \$11,823,672 at June 30, 2009. Depreciation expense began in 2001 when the Chesapeake Expressway was capitalized. Principal payments on Chesapeake Expressway debt began in January 2007. The deficit will be reduced as the debt is repaid and future toll revenue is collected.

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of \$10,255 at June 30, 2009. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of \$942,599 at June 30, 2009. This deficit consists of an advance of \$944,407 to the Port Authority from the General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

(17) Subsequent Event

Capital Lease Obligation

On July 13, 2009, the City entered into a capital lease agreement with Proteus On-Demand Facilities to provide temporary structures to house inmates during the construction of the jail addition. An initial payment of \$1,109,557 was made in fiscal

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2009

(17) Continued

year 2009. Twenty quarterly payments of \$259,522 are due beginning upon delivery of the structures which is estimated to be by the end of calendar year 2009.

(18) Prior Period Adjustment

Beginning fund balance in the Community Services Fund, a special revenue fund, has been increased by \$830,000 due to the effects of client services revenue being understated in the previous year by amounts which should have been recorded as accounts receivable at June 30, 2008. An accounts receivable balance was established for these revenues for the first time at June 30, 2009 based on an analysis by City staff to quantify the collectible balance. Beginning net assets in the government-wide Statement of Activities for governmental activities, as well as, financial data in the Management's Discussion and Analysis for 2008 has been restated to reflect what would have been the accounts receivable balance at 2008. Management will continue to record client services accounts receivable in future years using the same methodology.

Required Supplementary Information
Other Than MD&A



CITY OF CHESAPEAKE, VIRGINIA

Schedule L-1

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	\$ 304,118,304	297,157,108	296,392,157	(764,951)
Other local taxes	119,403,500	110,960,445	111,333,353	372,908
Licenses, permits, and fees	8,179,330	7,165,545	7,803,173	637,628
Intergovernmental revenues:				
Commonwealth of Virginia	83,462,859	83,125,419	79,598,182	(3,527,237)
Federal government	65,180	65,180	103,638	38,458
Federal government -American Reinvestment and Recovery Act	-	-	3,059,581	3,059,581
Recovered costs	-	-	688,430	688,430
Investment income	4,000,000	2,000,000	1,974,866	(25,134)
Revenues from use of property	166,235	166,235	163,884	(2,351)
Charges for services	9,768,203	8,929,839	9,786,891	857,052
Fines and forfeitures	3,305,000	2,955,000	2,335,259	(619,741)
Miscellaneous local revenues	101,251	1,589,723	4,278,077	2,688,354
Total revenues	532,569,862	514,114,494	517,517,491	3,402,997
EXPENDITURES				
Current:				
General government	113,044,849	113,973,623	107,616,589	6,357,034
Public safety	84,023,129	83,148,302	82,283,424	864,878
Public works	53,755,039	54,635,544	52,913,844	1,721,700
Debt Service	2,227,275	2,227,275	2,228,425	(1,150)
Total expenditures	253,050,292	253,984,744	245,042,282	8,942,462
Excess of revenues over expenditures	279,519,570	260,129,750	272,475,209	12,345,459
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	275,217	2,321,987	2,879,224	557,237
Transfer from component units	-	-	1,193,405	1,193,405
Transfer from component unit - cash reversion	-	-	71,622	71,622
Transfers to other funds	(94,071,014)	(92,778,851)	(90,778,851)	2,000,000
Transfer to component units	(185,006,949)	(181,630,198)	(181,630,198)	-
Total other financing sources (uses)	(278,802,746)	(272,087,062)	(268,264,798)	3,822,264
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	716,824	(11,957,312)	4,210,411	16,167,723
Fund balances - beginning	129,783,366	129,783,366	129,783,366	-
Fund balances - ending	\$ 130,500,190	117,826,054	133,993,777	16,167,723

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedules of Funding Progress - Virginia Retirement System (unaudited)
Year Ended June 30, 2009

City Employees	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	June 30, 2008	\$ 516,024,998	594,194,584	78,169,586	86.84%	\$ 138,445,780	56.46%
	June 30, 2007	463,376,118	536,503,720	73,127,602	86.37%	129,815,086	56.33%
	June 30, 2006	404,564,232	484,901,709	80,337,477	83.43%	124,731,599	64.41%

Schools' Non-Professional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ 58,067,113	71,507,633	13,440,520	81.20%	\$ 20,744,338	64.79%
June 30, 2007	52,011,985	66,405,313	14,393,328	78.33%	19,713,778	73.01%
June 30, 2006	45,136,547	59,266,035	14,129,488	76.16%	18,602,631	75.95%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-3

**Schedules of Funding Progress - Other Postemployment Benefits (unaudited)
Year Ended June 30, 2009**

City	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2009	June 30, 2009	\$ 6,959,793	143,957,588	136,997,795	4.83%	\$ 158,131,203	86.64%
	August 1, 2007*	June 30, 2008	-	140,246,181	140,246,181	0.00%	149,715,202	93.68%

*The initial actuarial valuation date was August 1, 2007. The City's first transfer to the Trust fund was in June 2008, so as of August 1, 2007, the actuarial value of assets was zero, but on June 30, 2008, the market value was 2,274,826. Subsequent actuarial valuations will be performed on July 1 to coincide with the City's fiscal year.

Schools	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2008	\$ -	552,551,956	552,551,956	0.00%	\$ 234,879,180	235.25%
	July 1, 2007	-	341,903,028	341,903,028	0.00%	211,208,943	161.88%

The City and Schools implemented GASB Statement Nos. 43 and 45 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide additional multiyear trend information.

CITY OF CHESAPEAKE, VIRGINIA*Schedule L-4*

Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)
 Year Ended June 30, 2009

City		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2009	\$	16,382,822	6,483,590	39.58%
2008		17,772,418	4,200,481	23.63%

Schools		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2009	\$	69,331,712	5,787,049	8.35%
2008		44,939,118	4,051,938	9.02%

The City and Schools implemented GASB Statement Nos. 43 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide additional multiyear trend information.

Unaudited - see accompanying auditors' report

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2009

(1) Budgets and Budgetary Accounting

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

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

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

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

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

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

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2009

(1) Continued

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

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

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

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

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

Unaudited – see accompanying auditors' report.

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Chesapeake
VIRGINIA

Supplementary Information -
Combining and Individual Fund
Schedules

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

General Fund

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 241,941,035	240,296,297	(1,644,738)
Current taxes on public service corporations	10,196,000	10,231,355	35,355
Current taxes on personal property	26,993,914	28,727,659	1,733,745
Delinquent taxes on real property	5,153,793	4,590,435	(563,358)
Delinquent taxes on personal property	10,229,514	9,927,167	(302,347)
Penalties, interest, and advertising	2,642,852	2,619,244	(23,608)
Total general property taxes	297,157,108	296,392,157	(764,951)
Other local taxes			
Local sales and use taxes	32,552,576	32,772,077	219,501
Consumer utility taxes	10,233,762	10,016,340	(217,422)
Communications sales tax	12,610,807	12,400,222	(210,585)
Business license taxes	23,588,012	23,960,628	372,616
Local utility consumption tax	902,525	994,360	91,835
Bank stock taxes	612,562	1,211,481	598,919
Taxes on recordation and wills	2,912,473	2,788,407	(124,066)
Tobacco taxes	4,884,211	4,660,678	(223,533)
Hotel and motel room taxes	3,336,682	3,469,653	132,971
Restaurant food taxes	18,302,869	18,015,557	(287,312)
Admission taxes	563,679	623,560	59,881
Short-term rental taxes	304,100	281,537	(22,563)
Pari-mutuel wagering pool tax	156,187	138,853	(17,334)
Total other local taxes	110,960,445	111,333,353	372,908
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	40	83	43
Building structure and equipment permits	857,197	868,433	11,236
Precious metals and gems permits	2,000	4,000	2,000
Highway and driveway permits	8,000	10,840	2,840
Transfer fees	4,794	5,194	400
Zoning inspection fees	44,346	53,602	9,256
Building inspection fees	27,325	52,309	24,984
Electrical inspection fees	259,150	262,355	3,205
Elevator inspection fees	9,068	13,370	4,302
Plumbing inspection fees	136,957	145,873	8,916
Mechanical permits	331,500	322,346	(9,154)
Subdivision review fees	253,326	215,638	(37,688)
Solicitors permits	1,900	1,360	(540)
Taxi operators licenses	480	460	(20)
Motor vehicle license	5,013,369	5,611,817	598,448
Inspection fees - gas appliances	47,417	47,522	105
Animal license and fees	153,700	171,956	18,256
Rodent free certification fee	2,100	2,800	700
Rental inspection fees	12,876	13,215	339
Total licenses, permits, and fees	7,165,545	7,803,173	637,628
Fines and forfeitures	2,955,000	2,335,259	(619,741)
Investment income	2,000,000	1,974,866	(25,134)

(Continued)

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 146,235	146,989	754
Rental of recreational properties and facilities	6,000	6,000	-
Library rental revenue	14,000	10,895	(3,105)
Total revenues from use of property	166,235	163,884	(2,351)
Charges for services:			
Special court costs	68,253	66,021	(2,232)
Law library fees	102,050	107,461	5,411
Accident report fees	43,402	41,846	(1,556)
Municipal court fees	40,314	45,420	5,106
Civil penalties	15,410	20,615	5,205
Non-support fees	56,471	72,112	15,641
Commonwealth's Attorney fees	9,279	8,948	(331)
Police escort fees	3,735	3,990	255
Sale of service - police	222,095	213,515	(8,580)
Fire report fees	-	543	543
Sheriff fees	36,135	55,485	19,350
Inmate medical fees	20,289	21,952	1,663
Sale of service - jail	671,030	990,521	319,491
Sale of service - jail inmates	274,111	275,417	1,306
Inmate phone system - jail	341,015	341,636	621
Sale of service - sheriff	982,077	1,048,477	66,400
Sale of service - public works	731,595	778,720	47,125
Engineering and administrative fees	106,021	135,005	28,984
Vending machine commissions	2,323	2,223	(100)
Gallery fees and dues	3,083	3,132	49
Library fines and fees	380,911	374,663	(6,248)
Lot processing fees	52,187	37,925	(14,262)
Sale of service - planning	3,481	1,868	(1,613)
Sale of service - public information	1,818	1,450	(368)
Sale of publications	587	354	(233)
Returned check fees	29,452	25,866	(3,586)
Custodian service	134,648	138,036	3,388
Wage assignment fees	7,567	7,868	301
Sale of service - assessor	8,072	6,307	(1,765)
Emergency medical service fees	3,200,000	3,252,013	52,013
Administration collected fees	825,343	903,986	78,643
Wetland Board Civil fees	50,415	34,300	(16,115)
Passport application fee	10,906	16,425	5,519
Sale of service - Commissioner of Revenue	1,574	13,660	12,086
Subdivision inspection fees	291,710	479,712	188,002
Sale of service - sponsorship	10,500	10,500	-
Fire plan review fees	35,967	57,812	21,845
Zoning fees	13,326	28,355	15,029
Building plan fees	74,673	75,625	952
Inspections technology fee	53,550	62,930	9,380
E-Government subscription fee	13,127	22,860	9,733
Cable franchise fees	1,337	1,337	-
Total charges for services	8,929,839	9,786,891	857,052

(Continued)

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Proffers	\$ -	2,532,964	2,532,964
Sale of real property	-	38,250	38,250
Sale of ARC - public works	80,137	36,725	(43,412)
Public Works claims reimbursement	17,808	49,974	32,166
Primary fees	-	9,670	9,670
Sale of junk and salvage	-	13,309	13,309
Escheated funds	7,552	7,552	-
Revenues from local developers	200,620	200,620	-
Other revenue	1,283,606	1,389,013	105,407
Total miscellaneous local revenues	1,589,723	4,278,077	2,688,354
Recovered costs:			
Insurance claims and collections	-	43,381	43,381
Other recoveries and rebates	-	506,702	506,702
Recoveries - Indirect costs	-	137,423	137,423
Recoveries - Jury	-	924	924
Total recovered costs	-	688,430	688,430
Total revenues from local sources	430,923,895	434,756,090	3,832,195
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	121,088	141,512	20,424
Mobile home titling taxes	30,000	45,020	15,020
Indirect costs	272,100	286,500	14,400
Police	7,490,114	7,208,563	(281,551)
Daily rental taxes - auto	744,000	707,507	(36,493)
Deed taxes	846,670	572,623	(274,047)
Personal Property Tax Relief	28,590,000	28,590,001	1
Local aid to the Commonwealth Contra Revenue	-	(1,232,303)	(1,232,303)
Total noncategorical aid	38,093,972	36,319,423	(1,774,549)
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,679,689	1,696,895	17,206
Sheriff	8,874,567	6,647,479	(2,227,088)
Commissioner of the Revenue	400,158	404,712	4,554
Treasurer	453,077	450,217	(2,860)
Registrar/Electoral Board	94,316	97,812	3,496
Circuit court clerk	1,230,273	1,096,477	(133,796)
Agriculture	79,683	53,935	(25,748)
Jail project reimbursement - State	669,138	614,255	(54,883)
Total shared expenses	13,480,901	11,061,782	(2,419,119)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 3,305,445	2,810,643	(494,802)
Street and highway maintenance	26,393,125	27,540,925	1,147,800
Library	205,976	215,778	9,802
Health	57,876	21,297	(36,579)
Excess fees	642,124	531,795	(110,329)
Transportation improvement set-aside	946,000	1,096,539	150,539
Total other categorical aid	31,550,546	32,216,977	666,431
Total categorical aid	45,031,447	43,278,759	(1,752,688)
Total revenues from the Commonwealth	83,125,419	79,598,182	(3,527,237)
Revenues from the Federal Government			
Noncategorical aid - Refugee Revenue Sharing Act	50,000	40,241	(9,759)
Categorical aid:			
Other federal grants	15,180	14,003	(1,177)
Drug Enforcement Agency	-	17,208	17,208
Emergency reimbursement - federal	-	32,186	32,186
American Reinvestment and Recovery Act	-	3,059,581	3,059,581
Total revenues from the Federal Government	65,180	3,163,219	3,098,039
Total revenues	514,114,494	517,517,491	3,402,997
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	1,193,405	1,193,405
Chesapeake Public Schools - cash reversion	-	71,622	71,622
Transfers from other funds	2,321,987	2,879,224	557,237
Total other financing sources	2,321,987	4,144,251	1,822,264
Total revenues and other financing sources	\$ 516,436,481	521,661,742	5,225,261

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2009

	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital					
			Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 947,791	900,746	-	-	900,746	47,045	2,765	44,280
Executive Department								
City manager	1,754,739	1,635,807	-	-	1,635,807	118,932	10,500	108,432
Public communications	1,344,520	1,340,391	-	-	1,340,391	4,129	-	4,129
Contingencies	285,682	-	-	-	-	285,682	-	285,682
Environmental emergencies	531,142	-	-	-	-	531,142	-	531,142
Department of Law - City Attorney	1,748,761	1,689,407	-	-	1,689,407	59,354	900	58,454
Department of Finance:								
Commissioner of revenue	3,241,540	3,115,246	23,953	-	3,139,199	102,341	-	102,341
Real estate assessor	2,366,067	2,238,551	-	-	2,238,551	127,516	-	127,516
Board of equalization	3,993	2,403	-	-	2,403	1,590	-	1,590
City treasurer	4,136,681	3,682,050	-	-	3,682,050	454,631	-	454,631
Director of finance	2,270,372	2,093,706	-	-	2,093,706	176,666	19,968	156,698
Economic development	1,585,812	1,445,727	-	-	1,445,727	140,085	123,631	16,454
Portlock galleries	133,350	128,622	-	-	128,622	4,728	-	4,728
Budget director	811,367	625,382	68,189	-	693,571	117,796	5,071	112,725
City auditor	500,161	494,320	-	-	494,320	5,841	-	5,841
Independent auditors	161,200	117,267	-	-	117,267	43,933	-	43,933
Financial advisory services	292,500	-	-	-	-	292,500	67,500	225,000
Department of Human Resources:								
Human resources	2,727,709	1,732,749	-	-	1,732,749	994,960	30,000	964,960
HIPAA	395,056	332,544	-	-	332,544	62,512	61,200	1,312
Judicial Department:								
Circuit court	643,019	600,306	-	-	600,306	42,713	-	42,713
Magistrates office	62,446	57,483	-	-	57,483	4,963	137	4,826
General district court	2,347,433	2,305,500	-	-	2,305,500	41,933	-	41,933
Juvenile and domestic relations court	132,839	126,797	-	-	126,797	6,042	-	6,042
Court services unit	467,386	417,948	-	-	417,948	49,438	-	49,438
Commonwealth's attorney	3,684,713	3,435,251	7,256	-	3,442,507	242,206	-	242,206
Circuit court clerk	2,132,528	2,124,788	-	-	2,124,788	7,740	1	7,739
Sheriff	36,986,027	35,778,481	38,866	-	35,817,347	1,168,680	11,725	1,156,955
Law library	138,454	124,005	-	-	124,005	14,449	-	14,449
Chesapeake volunteer services	292,363	225,509	-	-	225,509	66,854	-	66,854
Department of General Services:								
Purchasing	798,308	776,118	-	-	776,118	22,190	-	22,190
Buildings maintenance	5,959,870	5,711,139	-	-	5,711,139	248,731	1,350	247,381
Facilities Management - building	1,632,612	1,522,700	-	-	1,522,700	109,912	23	109,889
Department of Public Health:								
Adult clinics	835,906	775,291	27,970	-	803,261	32,645	3,172	29,473
General clinics	1,589,803	1,511,799	-	-	1,511,799	78,004	-	78,004
OSHA services	412,902	397,398	-	-	397,398	15,504	-	15,504

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2009

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Unexpended Balance			
General government, continued:								
Department of Public Library:								
Public library	\$ 7,496,464	7,273,490	-	7,273,490	222,974	98,119	124,855	
Records management	59,583	56,158	-	56,158	3,425	-	3,425	
Public library state aid	217,734	208,862	6,916	215,778	1,956	-	1,956	
Boards and Commissions:								
Planning department	2,031,739	1,831,516	-	1,831,516	200,223	1,224	198,999	
Planning commission	54,557	36,707	-	36,707	17,850	-	17,850	
Electoral board	1,033,855	991,415	-	991,415	42,440	243	42,197	
Electoral workers	122,377	121,512	-	121,512	865	-	865	
Department of Agriculture	437,653	376,384	-	376,384	61,269	159	61,110	
Department of Neighborhood Services:								
Office of youth services	276,623	258,668	-	258,668	17,955	-	17,955	
Housing office	220,784	194,331	-	194,331	26,453	-	26,453	
Nondepartmental:								
Support of civic and community organizations	1,053,874	1,044,427	-	1,044,427	9,447	2,500	6,947	
Regional cooperation and support	5,777,398	5,732,380	-	5,732,380	45,018	-	45,018	
Other postemployment benefits	6,485,544	6,483,590	-	6,483,590	1,954	-	1,954	
Other nondepartmental support	4,981,830	3,719,712	1,280,300	5,000,012	(18,182)	-	(18,182)	
Chesapeake regional airport	368,556	368,556	-	368,556	-	-	-	
Debt service	2,227,275	2,228,425	-	2,228,425	(1,150)	-	(1,150)	
Total general government	116,200,898	108,391,564	1,453,450	109,845,014	6,355,884	440,188	5,915,696	
Public Safety:								
Police department	38,012,238	37,885,981	-	37,885,981	126,257	25	126,232	
Animal control	1,154,917	1,132,678	-	1,132,678	22,239	-	22,239	
Public safety training	574,898	564,093	-	564,093	10,805	-	10,805	
Fire department	36,076,893	36,039,574	-	36,039,574	37,319	2,175	35,144	
Fire prevention bureau	1,261,599	1,226,559	-	1,226,559	35,040	21,798	13,242	
Fire training	161,397	160,933	-	160,933	464	-	464	
Fire - environmental compliance	229,740	111,289	-	111,289	118,451	-	118,451	
Emergency medical services	901,245	876,544	-	876,544	24,701	-	24,701	
Neighborhood services	3,595,434	3,241,945	-	3,241,945	353,489	-	353,489	
Citizen call center	649,371	575,112	-	575,112	74,259	-	74,259	
Neighborhood coordination	298,239	254,093	-	254,093	44,146	6,640	37,506	
Emergency management operations	232,331	214,623	-	214,623	17,708	-	17,708	
Total public safety	83,148,302	82,283,424	-	82,283,424	864,878	30,638	834,240	
Public works:								
Engineering and administration	12,299,351	12,194,327	-	12,194,327	105,024	12,609	92,415	
Traffic engineering	1,891,718	1,625,996	-	1,625,996	265,722	-	265,722	
Street maintenance	10,745,187	10,430,788	41,522	10,472,310	272,877	241,720	31,157	
Bridges and structures	1,819,639	1,744,467	-	1,744,467	75,172	21,029	54,143	
Bureau of drainage	2,036,603	2,023,499	-	2,023,499	13,104	-	13,104	
Street cleaning	557,273	551,953	-	551,953	5,320	-	5,320	
Solid waste collection	10,287,909	10,286,111	-	10,286,111	1,798	40,520	(38,722)	
SPSA	14,997,864	14,015,181	-	14,015,181	982,683	-	982,683	
Total public works	54,635,544	52,872,322	41,522	52,913,844	1,721,700	315,878	1,405,822	
Total expenditures and encumbrances	253,984,744	243,547,310	1,494,972	245,042,282	8,942,462	786,704	8,155,758	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2009

	Expenditures					Unencumbered Balance
	Appropriations	Capital		Unexpended Balance	Encumbrances	
		Operating	Outlay			
OTHER FINANCING USES						
Transfers to component unit:						
Public Schools	\$ 181,630,198	181,630,198	-	181,630,198	-	-
Transfers to other funds:						
Debt Service Fund	47,211,375	45,211,375	-	45,211,375	-	2,000,000
Capital Projects Fund	13,581,478	13,581,478	-	13,581,478	-	-
Virginia Public Assistance Fund	6,771,205	6,771,205	-	6,771,205	-	-
Community Services Fund	5,838,299	5,838,299	-	5,838,299	-	-
Interagency Consortium Fund	2,113,853	2,113,853	-	2,113,853	-	-
Community Corrections Fund	29,139	29,139	-	29,139	-	-
Fee Supported Activities Fund	62,707	62,707	-	62,707	-	-
Grants Fund	424,733	424,733	-	424,733	-	-
E-911 Operations Fund	5,780,150	5,780,150	-	5,780,150	-	-
Chesapeake Juvenile Services Fund	2,230,571	2,230,571	-	2,230,571	-	-
Open Space Agriculture Preservation Fund	300,000	300,000	-	300,000	-	-
City Garage Fund	323,608	323,608	-	323,608	-	-
Conference Center Fund	10,000	10,000	-	10,000	-	-
Parks and Recreation Fund	8,091,855	8,091,855	-	8,091,855	-	-
Public Utilities Fund	9,878	9,878	-	9,878	-	-
Total transfers to other funds	92,778,851	90,778,851	-	90,778,851	2,000,000	2,000,000
Total other financing uses	274,409,049	272,409,049	-	272,409,049	2,000,000	2,000,000
Total expenditures, encumbrances, and other financing uses	\$ 528,393,793	515,956,359	1,494,972	517,451,331	10,942,462	786,704
						10,155,758

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.

Chesapeake
VIRGINIA

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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, 2009

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 1,000,000	1,320,213	320,213
Revenues from use of property	115,765	115,765	-
Intergovernmental revenues:			
Commonwealth of Virginia	219,533	219,534	1
Total revenues	1,335,298	1,655,512	320,214
EXPENDITURES			
Interest on general obligation bonds	17,564,651	17,515,333	49,318
Interest on literary loans	122,351	122,351	-
Arbitrage	-	8,855	(8,855)
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	750,077	750,077	-
Other debt expenditures	405,000	355,149	49,851
Redemption of general obligation bonds	33,908,112	32,972,110	936,002
Redemption of literary loans	549,493	549,493	-
Total expenditures	53,364,114	52,337,798	1,026,316
Deficiency of revenues under expenditures	(52,028,816)	(50,682,286)	1,346,530
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	47,211,375	45,211,375	(2,000,000)
Conference Center Fund	653,132	653,132	-
E-911 Operations Fund	750,080	750,080	-
Capital Projects Fund	-	2,927,552	2,927,552
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	262,274	24,366	(237,908)
Total transfers from other funds	48,941,291	49,630,935	689,644
Payments from component unit - Public Schools Capital Projects Fund	682,525	1,035,704	353,179
Premium on VPSA bonds	-	2,715,026	2,715,026
VPSA bonds proceeds	-	34,285,000	34,285,000
Premiums on general obligation bonds issued	-	732,755	732,755
Proceeds from general obligation bonds issued	405,000	201,929	(203,071)
Proceeds from general obligation refunding bonds issued	-	17,255,000	17,255,000
Payment to refund bond escrow agent	-	(17,774,815)	(17,774,815)
Payment to component unit - Public Schools Capital Projects Fund	-	(37,000,026)	(37,000,026)
Total other financing sources (uses)	50,028,816	51,081,508	1,052,692
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,000,000)	399,222	2,399,222
Fund balance - beginning	36,599,045	36,599,045	-
Fund balance - ending	\$ 34,599,045	36,998,267	2,399,222

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Chesapeake
VIRGINIA

Capital Projects Fund

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



CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

Schedule O

Project	Appropriations			Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Prior Years	Current Year		Current Year					
General construction projects:									
General government:									
1011200100	American with Disabilities Act III	\$ 50,000	-	15,000	-	15,000	35,000	-	35,000
1021100100	Project Management Services	150,000	118,682	31,318	-	150,000	-	-	-
1021200100	Facilities High Priority Renewal & Replacement	1,200,000	-	737,851	-	737,851	462,149	50,329	411,820
1030800100	American with Disabilities Act II	250,000	224,256	4,450	-	228,706	21,294	-	21,294
1051000100	Parole & Probation	3,100,000	-	-	-	-	3,100,000	-	3,100,000
1060700100	Jail Construction/Repair/Remediation	911,077	760,068	148,708	-	908,776	2,301	-	2,301
1060800100	Detention Home Space Study	231,345	230,474	-	-	230,474	872	871	1
1070410100	Integrated Financial Management System	44,883	-	-	-	-	44,883	-	44,883
1070500100	Congestion Mitigation Air Quality Program	170,354	7,631	-	-	7,631	162,723	-	162,723
1070900100	TCC Land Acquisition	6,121,093	5,828,430	-	-	5,828,430	292,663	-	292,663
1080900100	Battlefield Boulevard Strategic Development	1,000,000	-	-	-	-	1,000,000	-	1,000,000
1081100100	Greenbrier - Community Center	1,000,000	7,011	136,678	-	143,689	856,311	113,194	743,117
1090800100	TCC Off-Site Improvement	1,992,004	1,992,004	-	-	1,992,004	-	-	-
1090900100	South Norfolk Strategic Development	2,000,000	1,204,455	712,689	-	1,917,144	82,856	56,127	26,729
1091100100	Greenbrier - Wayfinding Signage	236,411	8,667	3,283	-	11,950	224,461	25,319	199,142
1101100100	Greenbrier Sidewalk/Crosswalk Improvement	990,160	65,242	73,663	-	138,905	851,255	3,395	847,860
1101200100	South Norfolk Community Development	50,000	-	-	-	-	50,000	-	50,000
1110900100	Battlefield Boulevard Plan Land Acquisition	1,000,000	194,239	916	-	195,155	804,845	999	803,846
1111100100	Greenbrier Site Survey	250,000	191,810	56,238	-	248,048	1,952	12	1,940
1119400100	Municipal Center Parking	4,300	3,905	-	-	3,905	-	-	395
1120400100	Undesignated Utilities and Water and Sewer Lines	494,358	426,124	68,234	-	494,358	-	-	-
1120900100	South Norfolk Plan Land Acquisition	1,850,000	1,688,818	-	-	1,688,818	161,182	-	161,182
1121100100	Enterprise Wide Technology Improvement	405,986	65,428	60,246	-	125,674	280,312	177,426	102,886
1128810100	Drainage City-Wide II	153,718	98,632	40,914	-	139,546	14,173	5,086	9,087
1131200100	Greenbrier Center District - Greenbrier TIF	9,101,413	44,425	1,075,470	-	1,119,894	7,981,519	302,487	7,679,032
1140600100	Facilities High Priority Renewal & Replacement	7,101,094	4,676,154	2,311,841	-	6,987,996	113,098	108,669	4,429
1140700100	South Norfolk Community Improvement	264,098	229,648	(42,864)	-	186,784	77,314	-	77,314
1140900100	Open Space & Agriculture	75,000	7,058	-	-	7,058	67,942	-	67,942
1141000100	Greenbrier TIF - Conference Center District	1,131,952	-	3,540	-	3,540	1,128,412	96,895	1,031,517
1149600100	Arts Education Center	165,000	86,352	-	-	86,352	78,648	-	78,648
1150900100	Fire Station #3 - Indian River	366,348	-	156,822	-	156,822	209,526	-	184,460
1150910100	Fire Station #3 - Indian River	3,287,252	2,124,453	1,162,799	-	3,287,252	-	-	-
1151000100	Conference Center Renovations	2,754,870	1,052,794	182,572	-	1,235,367	1,519,503	-	1,484,872
1151100100	Community Quality of Life Incentive	300,000	5,660	39,019	-	44,679	255,321	-	255,321
1151200100	North Corporate District - Greenbrier TIF	528,090	5,819	12,000	-	17,819	510,271	-	510,271
1159810100	American with Disabilities Act	2,859	-	-	-	-	2,859	-	2,859
1161100200	Police Precinct / Parks & Recreation Building	527,800	-	-	-	-	527,800	-	527,800
1161200100	Commerce District - Greenbrier TIF	316,854	-	-	-	-	316,854	-	316,854
1171200100	South Retail District - Greenbrier TIF	555,534	-	(18,036)	-	537,498	18,036	-	18,036
1181000100	Greenbrier Gateway Signage	250,000	11,638	-	-	11,638	238,362	-	238,362
1181200100	Municipal District - Greenbrier TIF	192,594	6,077	9,192	-	15,268	177,326	5,947	171,379

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

Project	Expenditures				Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	
General construction projects, continued:					
General government, continued:					
1191000100 Greenbrier TIF Master Study	\$ 250,000	250,000	-	250,000	-
1191200100 South Norfolk TIF - Poindexter Street Scope	1,000,000	-	26,007	26,007	973,993
1201000100 Greenbrier Center Pedestrian Safety	1,120,474	-	-	-	1,120,474
1201200100 South Norfolk TIF - Library Expansion	500,000	-	7,495	7,495	492,505
1221000100 EMS Field Data Collection and Billing System	395,000	207,843	798	208,641	186,359
1230900100 Animal Control Bureau Shelter	4,270,520	7,477	1,795,918	1,803,395	2,467,125
1241000100 Public Safety Facility Design	265,000	131,586	16,625	148,212	1,304,180
1251000100 Juvenile Services-Windows and Doors	131,567	131,567	-	131,567	53,838
1260600100 Tidewater Detention Home Floor Replacement	222,629	222,629	-	222,629	-
1280500100 Environment Assessment Remedial Program	1,363,037	1,259,236	-	1,259,236	103,801
1280610100 Cash Processing System/Treasurer II	138,734	33,931	39,802	73,733	65,001
1281100100 Asset Management / Work Order System	1,200,000	272,261	854,202	1,126,463	73,537
1300600100 Chesapeake Airport Improvement	388,755	388,755	-	388,755	-
1300900100 Conference Center Equipment Replacement	812,344	537,821	158,273	696,094	116,250
1311100100 Various Technology Projects	516,696	144,618	164,741	309,359	207,337
1311100100 Various Technology Projects II	99,013	82,463	16,550	99,013	-
1311100100 Various Technology Projects - Videostream	32,600	16,574	16,026	32,600	-
1371100100 South Norfolk Development Plan Waterfront	310,000	295,178	1,430	296,608	13,392
1390600100 Facility Space Needs	113,000	18,033	-	18,033	94,967
1391300100 Public Safety Building Windows	700,000	-	-	-	700,000
1411300100 Risk Management Software	510,910	-	274,280	274,280	236,630
1441300100 Fast Payback Energy Conservation	720,000	-	16,705	16,705	703,295
1451300100 Circuit Court Clerk Security and Document Preservation	270,000	-	1,097	1,097	268,903
1461300100 Buildout for Judges' Chambers	250,500	-	9,596	9,596	240,904
1551200100 Public Communication Equipment Replacement	100,000	-	99,979	99,979	21
1561200100 Battlefield Park and Visitor Center	548,000	-	-	-	548,000
1571200100 Greenbrier TIF - Mall Bike Trail	69,426	-	-	-	69,426
1581200100 Greenbrier TIF - Commerce Bike Trail	120,338	-	-	-	120,338
1611200100 Municipal Center Parking Lots / Sidewalks	400,000	-	-	-	240,521
1621200100 Commerce Park	1,475,000	-	144,865	144,865	1,475,000
1631200100 Infrastructure Improvement	7,158,583	-	149,218	149,218	7,009,365
1911200100 Personal Property System Rewrite	700,000	-	24,925	24,925	675,075
1921200100 Human Resource/Payroll System	6,540,212	-	121,203	121,203	6,419,009
1931200100 Public Communication - Council Chambers	50,000	-	35,375	35,375	14,625
1931210100 EFS Bundle and Module Improvement	264,000	-	24,759	24,759	239,241
1931220100 Various Technology Projects	195,000	-	112,940	112,940	82,060
1931220100 Various Technology Projects - Army Equipment Removal	11,000	-	11,000	11,000	-
1931220100 Various Technology Projects - Disaster Recovery	35,000	-	35,000	35,000	-
1931220100 Various Technology Projects - GIS Server Upgrades	20,000	-	20,000	20,000	-
1931220100 Various Technology Projects - KRONOS	115,088	42,725	72,363	115,088	-

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

Project	Expenditures					Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance	
General construction projects, continued:						
General government, continued:						
1931220100 Various Technology Projects - Planning	\$ 22,492	22,492	-	22,492	-	- *
1951200100 City Hall Campus Security	231,500	-	113,598	113,598	117,902	117,902
1981200100 Community Revitalization	800,000	-	800,000	800,000	-	-
Total general government	85,012,867	25,986,678	12,147,312	38,133,990	46,878,876	2,732,300
Department of Public Safety:						
1040900200 Grade Crossing Safety & Intersection	150,000	1,192	-	1,192	148,808	148,808
1061100200 Land Acquisition - Fire Station # 10 / Police Precinct # 6	605,610	-	-	-	605,610	605,610
1131100200 Self Contained Breathing Apparatus	1,543,470	-	1,236,541	1,236,541	306,929	306,929
1150610200 Fire Station #9 Camelot/Brentwood II	43,929	33,929	-	33,929	10,000	10,000 *
1189600200 Jail Addition	41,915	11,000	30,915	41,915	-	- *
1220900200 Public Safety Building Addition Study	100,000	65,288	3,422	68,710	31,290	10,000
1230900200 Animal Control Bureau Shelter	840,999	455,317	124,481	579,798	261,201	24,747
1241000200 Public Safety Facility Design	3,690,000	7,344	11,335	18,679	3,671,321	3,632,098
1380800200 800 Mhz Tower Demolition	3,138	-	-	3,138	-	3,138
1391400200 PS Headquarters EOC/EDC Phase I	1,000,000	-	21,312	21,312	978,688	978,688
1401100200 Automated Summons System	410,000	-	-	-	410,000	410,000
1421300200 Fire Pumper Apparatus Replacement	5,800,000	-	-	-	5,800,000	5,800,000
1591200200 Jail Phase II - Design	5,010,000	592,616	1,753,743	2,346,359	2,663,641	1,688,546
1601200200 Juvenile Court Security Improvement	432,000	63,723	293,157	356,880	75,120	65,120
1971200200 Public Safety Training Academy	300,000	-	45,929	45,929	254,071	202,970
1991200200 Sheriff Work Release Equipment	50,000	-	4,091	4,091	45,909	45,909
Total Department of Public Safety	20,021,061	1,230,408	3,524,927	4,755,335	15,265,726	1,333,163
Department of Public Works:						
1002400300 Portsmouth Boulevard Phase 4	252,459	146,685	-	146,685	105,774	105,774 *
1020710300 Gilmerton Bridge Repairs II	1,040,117	56,153	706,676	762,828	277,288	58,671
1020810300 Campestella Road Culvert and Ditch Upgrade	200,000	-	-	-	200,000	200,000
1031000300 Poindexter Street Outfall Improvements	300,000	44,374	141,136	185,510	114,490	114,178
1040600300 Gilmerton Bridge Replacement	3,176,000	-	67,606	67,606	3,108,394	3,108,394
1040900300 Grade Crossing Safety Program	100,000	-	-	-	100,000	100,000
1050900300 Smart Traffic Center Phase 4	4,202,273	-	446,386	446,386	3,755,887	3,755,887
1051100300 George Washington Highway Right of Way Acquisition	915,000	30,808	284,686	315,494	599,507	586,409
1060900300 Smart Traffic Center Phase 3	1,000,000	-	48,849	48,849	951,151	951,151
1071200300 Citywide Signal Timings	200,000	33,530	159,270	192,800	7,200	7,200
1080410300 Undesignated Public Works Projects II	2,775	1,231	-	1,231	1,544	1,544
1081200300 Dominion Blvd South	5,741,500	-	-	-	5,741,500	5,741,500
1110500300 Various Traffic Signals	1,196,964	1,196,530	-	1,196,530	434	434
1110600300 Salt Storage Building	5,000	-	-	-	5,000	5,000
1141100300 Long Bridge Replacement	3,557,327	247,450	278,690	526,140	3,031,187	2,961,100
1150500300 Master Road Plan Study	205,000	157,061	-	157,061	47,939	47,939
Total Department of Public Works	20,021,061	1,230,408	3,524,927	4,755,335	15,265,726	1,333,163

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund

Schedule of Expenditures and Encumbrances - Budget and Actual

Year Ended June 30, 2009

Schedule O, Continued

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1160900300	\$ 4,174,439	4,174,439	-	4,174,439	-	-	- *
1170900300	580,000	188,695	-	188,695	391,305	-	391,305
1171100300	337,000	231,955	-	231,955	105,045	-	105,045 *
1181300300	70,880	-	57,049	57,049	13,831	4,316	9,515
1200410300	373,212	334,853	37,271	372,124	1,088	-	1,088 *
1200500300	625,000	154,919	74,476	229,395	395,605	22,838	372,767
1210500300	1,878,206	1,364,330	992	1,365,322	512,884	7,370	505,514
1210600300	200,000	181,459	-	181,459	18,541	-	18,541
1210800300	1,356,556	393,236	101,116	494,352	862,205	49,872	812,333
1211000300	1,967,200	253,192	198,482	451,674	1,515,526	30,176	1,485,350
1220600300	182,346	135,986	-	135,986	46,360	-	46,360 *
1230600300	16,975,546	5,232,546	1,305,186	6,537,732	10,437,268	240,721	10,196,547
1240800300	51,986	37,876	-	37,876	14,110	-	14,110
1241100300	625,000	2,384	-	2,384	622,616	-	622,616
1260800300	42,500	38,499	-	38,499	4,002	-	4,002 *
1270710300	1,956,980	833,808	156,117	989,925	967,055	23,719	943,336
1271300300	200,000	-	3,500	3,500	196,500	15,660	180,840
1281000300	3,673	3,673	-	3,673	-	-	- *
1290900300	273,000	273,000	-	273,000	-	-	-
1291100300	328,000	1,307	286,281	287,588	40,412	6,291	34,121
1301000400	20,852	9,454	-	9,454	11,398	-	11,398
1301100300	500,000	2,796	17,974	20,769	479,231	255	478,976
1310400300	2,175	2,175	-	2,175	-	-	- *
1320400300	75,695	75,695	-	75,695	-	-	- *
1320610300	732,320	492,950	-	492,950	239,370	-	239,370 *
1321000300	4,625,490	3,638,975	964,053	4,603,028	22,462	1,121	21,341
1330900300	15,793	15,560	150	15,710	83	-	83
1331100300	1,602,000	156,142	30,700	186,842	1,415,158	18,721	1,396,437
1341100300	845,000	61,904	122,824	184,728	660,272	115,645	544,627
1341110300	500,000	-	52,077	52,077	447,923	-	447,923
1341120300	450,000	-	525	525	449,475	-	449,475
1341130300	700,000	-	-	-	700,000	-	700,000
1341140300	600,000	-	-	-	600,000	-	600,000
1350900300	486,764	179,508	171,094	350,602	136,162	-	136,162
1351000300	7,012,000	389,640	56,646	446,286	6,565,714	571,163	5,994,551
1361000300	1,700,000	112,876	66,318	179,194	1,520,806	104,531	1,416,275
1361100300	300,000	-	-	-	300,000	-	300,000
1370800300	2,013,236	-	1,996,736	1,996,736	16,500	-	16,500
1380600300	25,000	25,000	-	25,000	-	-	-
	1,006,779	571,762	9,540	581,302	425,477	23,636	401,841

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

Project	Expenditures					Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance	
General construction projects, continued:						
Department of Public Works continued:						
1381100300	\$ 338,241	338,241	-	338,241	-	- *
1391100300	308,400	282,401	25,118	307,519	881	881 *
1450900300	297,930	317,163	(19,233)	297,930	-	- *
1471300300	469,465	-	1,464	468,001	468,001	468,001
1479910300	101,800	10,657	91,143	101,800	-	-
1529900300	799	799	-	799	-	-
1599900300	1,057,129	757,365	284,424	1,041,789	15,339	15,339
1641200300	500,000	-	4,593	4,593	495,407	14,567
1651200300	500,000	-	7,499	7,499	492,501	11,661
1661200300	600,000	69,170	225,107	294,277	305,723	305,723
1671200300	750,000	278,918	3,919	282,837	467,163	154,380
1831200300	2,969,000	-	160,447	1,60,447	2,808,553	269,737
1851200300	1,542,000	-	330,342	330,342	1,211,658	209,732
1861200300	1,900,000	-	259,684	1,640,316	1,640,316	185,643
1871200300	1,500,000	-	173,659	1,326,341	1,326,341	147,885
1881200300	1,500,000	-	29,930	29,930	1,470,070	274,555
1891200300	450,000	-	-	-	450,000	55,544
1901200300	890,000	1,637	(21)	1,616	888,384	-
Total Department of Public Works	93,183,259	23,540,766	9,420,482	32,961,247	60,222,009	3,167,576
Department of Libraries:						
1129811000	88,159	3,738	-	3,738	84,421	-
1941201000	612,000	-	587,812	587,812	24,188	22,705
Total Department of Libraries	700,159	3,738	587,812	591,550	108,609	22,705
Department of Parks and Recreation:						
1000000400	23,830	-	-	-	23,830	-
1041100400	204,651	181,979	-	181,979	22,672	-
1050710400	202,994	193,964	-	193,964	9,030	-
1130800400	55,007	55,007	-	55,007	-	-
1150800400	158,351	105,826	39,389	145,215	13,136	4,408
1161300400	4,836,361	-	223,389	223,389	4,612,972	32,000
1170500400	2,295,740	1,961,694	742	1,962,436	333,304	333,304
1180800400	83,969	57,945	-	57,945	26,024	-
1221200400	500,000	-	230,605	230,605	269,395	235,135
1230800400	3,412,381	3,363,897	48,484	3,412,382	(1)	(1) *
1260700400	850,000	355,434	57,771	413,205	436,795	122,872
1270800400	97,248	53,431	-	53,431	43,817	-
1271100400	556,853	128,389	187,777	316,166	240,687	51,623
1280900400	83,685	39,818	10,739	50,558	33,127	30,086
Total Department of Parks and Recreation	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000
Total Department of Public Works	93,183,259	23,540,766	9,420,482	32,961,247	60,222,009	3,167,576
Total Department of Libraries	700,159	3,738	587,812	591,550	108,609	22,705
Total Department of Parks and Recreation	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000
Total Department of Public Works	93,183,259	23,540,766	9,420,482	32,961,247	60,222,009	3,167,576
Total Department of Libraries	700,159	3,738	587,812	591,550	108,609	22,705
Total Department of Parks and Recreation	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000
Total Department of Public Works	93,183,259	23,540,766	9,420,482	32,961,247	60,222,009	3,167,576
Total Department of Libraries	700,159	3,738	587,812	591,550	108,609	22,705
Total Department of Parks and Recreation	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000	12,830,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Parks and Recreation continued:							
1300800400	\$ 158,317	135,747	-	135,747	22,570	-	22,570
1320800400	21,000	228	-	228	20,772	-	20,772
1340600400	428,637	303,490	(16,392)	287,098	141,539	200	141,339
1390900400	22,000	13,223	-	13,223	8,777	-	8,777
1410900400	7,239	-	-	7,239	-	7,239	-
1481300400	50,000	-	-	-	50,000	-	50,000
1811200400	78,936	-	78,936	78,936	-	-	- *
1821200400	62,139	11,368	10,772	22,140	40,000	-	40,000
1841200400	839,550	64,584	341,106	405,690	433,860	25,022	408,838
1961200400	1,581,250	-	130,940	130,940	1,450,310	49,759	1,400,551
Total Department of Parks and Recreation	16,610,140	7,026,025	1,344,261	8,370,286	8,239,854	538,344	7,681,510
Total General construction projects	215,527,486	57,787,615	27,024,795	84,812,409	130,715,073	7,814,090	122,900,986
School capital projects:							
9050326650	1,568,878	-	-	-	1,568,878	12,011	1,556,867
9050326651	622,519	-	622,519	622,519	-	-	- *
Total school capital projects	2,191,397	-	622,519	622,519	1,568,878	12,011	1,556,867
Community development projects							
3813000509	267,180	35,685	186,028	221,713	45,467	-	45,467
Total community development projects	267,180	35,685	186,028	221,713	45,467	-	45,467
Lease revenue bonds							
6945010194	n/a	1,191,757	-	1,191,757	(1,191,757)	-	(1,191,757) *
6945020196	n/a	2,439,642	508,136	2,947,778	(2,947,778)	-	(2,947,778) *
Total lease revenue bonds	n/a	3,631,399	508,136	4,139,535	(4,139,535)	-	(4,139,535)
Supplemental agreements (trustee)							
6945030197	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	217,986,066	63,666,018	28,341,477	92,007,495	125,978,571	7,826,101	118,152,470
Less completed projects	19,265,405	-	-	22,779,669	-	-	-
Construction in progress	\$ 198,720,661	-	-	69,227,827	-	-	-

* Completed Projects
 n/a - not applicable

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Chesapeake
VIRGINIA

Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

Tax Increment Financing 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.

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

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

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

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

Parks and Recreation Fund – To account for revenues and expenditures related to the parks and recreation activities.

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

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, 2009

	Special Revenue Funds			
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center
ASSETS				
Cash and temporary investments	\$ 5,456,764	5,629,965	702,500	2,212,094
Intergovernmental revenues due from:				
Commonwealth of Virginia	635,336	68,571	-	-
Federal government	962,727	-	-	-
Federal government - American Reinvestment and Recovery Act	31,190	-	-	-
Receivables:				
Accounts receivable	-	1,988,708	-	20,588
Interest receivable	-	-	-	-
Other	452	-	-	193,469
Allowance for uncollectible amounts	-	(1,320,605)	-	-
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	7,086,469	6,366,639	702,500	2,426,151
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	342,181	338,004	-	69,358
Deposits	-	-	-	72,610
Accrued expenditures	1,509	33,272	-	7,960
Deferred revenues	-	284,239	-	-
Due to other funds	-	-	-	-
Total liabilities	343,690	655,515	-	149,928
Fund Balances				
Reserved:				
Expendable	167,109	37,661	-	111,061
Unexpendable	-	-	-	-
Unreserved:				
Designated	-	500,000	220,000	-
Undesignated	6,575,670	5,173,463	482,500	2,165,162
Total fund balances	6,742,779	5,711,124	702,500	2,276,223
Total liabilities and fund balances	\$ 7,086,469	6,366,639	702,500	2,426,151

Schedule P-1

Special Revenue Funds					
Community Development	Interagency Consortium	Community Corrections	Fee Supported Activities	Tax Increment Financing Greenbrier	Subtotal
-	2,569,507	78,449	1,059,335	6,028,821	23,737,435
-	1,223,008	-	-	-	1,926,915
386,173	-	-	-	-	1,348,900
-	-	-	-	-	31,190
-	3,634	-	23,720	-	2,036,650
-	-	-	-	-	-
20,000	-	-	-	-	213,921
-	-	-	-	-	(1,320,605)
-	-	-	-	-	-
-	-	-	-	-	-
406,173	3,796,149	78,449	1,083,055	6,028,821	27,974,406
189,937	509,270	5,201	-	4	1,453,955
-	-	-	-	-	72,610
-	148	-	575	-	43,464
-	-	-	-	-	284,239
226,491	-	-	-	-	226,491
416,428	509,418	5,201	575	4	2,080,759
1,080	-	-	3,200	63,250	383,361
-	-	-	-	-	-
(10,757)	-	-	62,506	-	771,749
(578)	3,286,731	73,248	1,016,774	5,965,567	24,738,537
(10,255)	3,286,731	73,248	1,082,480	6,028,817	25,893,647
406,173	3,796,149	78,449	1,083,055	6,028,821	27,974,406

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	Special Revenue Funds			
	Tax Increment Financing South Norfolk	Grants	E-911 Operations	Chesapeake Juvenile Services
ASSETS				
Cash and temporary investments	\$ 5,958,423	3,845,699	3,112,135	1,621,519
Intergovernmental revenues due from:				
Commonwealth of Virginia:	-	377,711	-	900
Federal government	-	1,015,448	-	-
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Receivables:				
Accounts receivable	-	-	237,417	9,350
Interest receivable	-	-	-	-
Other	-	-	-	120,530
Allowance for uncollectible amounts	-	-	-	-
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	5,958,423	5,238,858	3,349,552	1,752,299
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	3,354	156,866	51,380	23,444
Deposits	-	-	-	-
Accrued expenditures	-	8,513	-	22,730
Deferred revenues	-	6,059	-	-
Due to other funds	-	-	-	-
Total liabilities	3,354	171,438	51,380	46,174
Fund Balances				
Reserved:				
Expendable	1,987	137,938	90,769	150
Unexpendable	-	-	-	-
Unreserved:				
Designated	-	-	768,686	-
Undesignated	5,953,082	4,929,482	2,438,717	1,705,975
Total fund balances	5,955,069	5,067,420	3,298,172	1,706,125
Total liabilities and fund balances	\$ 5,958,423	5,238,858	3,349,552	1,752,299

Schedule P-1, Continued

Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
Open Space Agriculture Preservation	Parks and Recreation	Housing Trust	Poor	Carney	
1,139,653	1,165,926	60,000	166,511	12,778	40,820,079
-	-	-	-	-	2,305,526
-	-	-	-	-	2,364,348
-	-	-	-	-	31,190
-	-	-	-	-	2,283,417
-	-	-	437	168	605
-	-	-	-	-	334,451
-	-	-	-	-	(1,320,605)
-	15,635	-	-	-	15,635
503,330	-	-	-	-	503,330
1,642,983	1,181,561	60,000	166,948	12,946	47,337,976
163	90,265	-	-	-	1,779,427
-	-	-	-	-	72,610
-	60,896	-	-	-	135,603
-	126,387	-	-	-	416,685
-	-	-	-	-	226,491
163	277,548	-	-	-	2,630,816
-	54,520	-	-	-	668,725
-	-	-	11,295	1,500	12,795
-	-	-	-	-	1,540,435
1,642,820	849,493	60,000	155,653	11,446	42,485,205
1,642,820	904,013	60,000	166,948	12,946	44,707,160
1,642,983	1,181,561	60,000	166,948	12,946	47,337,976

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2009

	Special Revenue Funds			
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center
REVENUES				
Taxes on real property	\$ -	-	-	-
Restaurant food tax	-	-	-	1,793,830
Lodging sales tax	-	-	-	495,665
Lodging flat tax	-	-	-	696,126
Revenues from use of property	-	-	-	323,350
Intergovernmental revenues:				
Commonwealth of Virginia	5,814,389	7,197,685	-	-
Federal government	8,883,708	1,087,728	-	-
Federal government - American Reinvestment and Recovery Act	111,403	-	-	-
Recovered costs	2,378	9,586	-	12,433
Investment income	67,640	69,787	23,656	27,358
Charges for services	4,162	3,232,009	-	462,461
Sale of food and beverages	-	-	-	1,462,636
Miscellaneous local revenues	278	1,405	-	25
Program income	-	-	2,248	-
Total revenues	14,883,958	11,598,200	25,904	5,273,884
EXPENDITURES				
Current:				
General government	-	-	-	4,383,927
Public safety	-	-	-	-
Parks	-	-	-	-
Public welfare	20,125,068	16,957,642	6,315	-
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	50,282	-	-
Capital outlay	-	58,594	580,000	59,721
Debt service	-	-	322,989	-
Total expenditures	20,125,068	17,066,518	909,304	4,443,648
Excess (deficiency) of revenues over (under) expenditures	(5,241,110)	(5,468,318)	(883,400)	830,236
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	6,771,205	5,838,299	322,989	10,000
Transfers to other funds	(90,641)	(392,776)	-	(688,290)
Total other financing sources (uses)	6,680,564	5,445,523	322,989	(678,290)
Net change in fund balance	1,439,454	(22,795)	(560,411)	151,946
Fund balance - beginning (note 18) (as restated, Community Services*)	5,303,325	5,733,919	1,262,911	2,124,277
Fund balance - ending	\$ 6,742,779	5,711,124	702,500	2,276,223

Special Revenue Funds					
Community Development	Interagency Consortium	Community Corrections	Fee Supported Activities	Tax Increment Financing Greenbrier	Subtotal
-	-	-	-	4,929,957	4,929,957
-	-	-	-	-	1,793,830
-	-	-	-	-	495,665
-	-	-	-	-	696,126
-	-	-	-	-	323,350
-	2,016,430	477,317	-	-	15,505,821
2,305,845	-	-	-	-	12,277,281
-	-	-	-	-	111,403
-	25,450	-	28,548	-	78,395
-	31,851	972	13,131	74,731	309,126
-	383	-	183,498	-	3,882,513
-	-	-	-	-	1,462,636
-	-	-	-	-	1,708
274,943	-	-	-	-	277,191
2,580,788	2,074,114	478,289	225,177	5,004,688	42,145,002
-	-	493,114	-	35,505	4,912,546
-	-	-	144,950	-	144,950
-	-	-	-	-	-
2,019,889	3,715,838	-	-	-	42,824,752
-	-	-	-	-	50,282
-	-	-	-	-	698,315
374,871	-	-	-	-	697,860
2,394,760	3,715,838	493,114	144,950	35,505	49,328,705
186,028	(1,641,724)	(14,825)	80,227	4,969,183	(7,183,703)
-	2,113,853	29,139	62,707	-	15,148,192
(186,028)	(31,851)	(972)	(25,838)	(4,660,361)	(6,076,757)
(186,028)	2,082,002	28,167	36,869	(4,660,361)	9,071,435
-	440,278	13,342	117,096	308,822	1,887,732
(10,255)	2,846,453	59,906	965,384	5,719,995	24,005,915
(10,255)	3,286,731	73,248	1,082,480	6,028,817	25,893,647

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2009

	Special Revenue Funds			
	Tax Increment Financing South Norfolk	Grants	E-911 Operations	Chesapeake Juvenile Services
REVENUES				
Taxes on real property	\$ 4,507,616	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	1,756,627	1,434,751	2,547,273
Federal government	-	2,329,663	-	-
Federal government - American Reinvestment and Recovery Act	-	17,918	-	-
Recovered costs	-	-	-	1,762,796
Investment income	73,858	42,354	38,577	-
Charges for services	-	52,731	-	11,355
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	188,542	-	-
Program income	-	-	-	-
Total revenues	4,581,474	4,387,835	1,473,328	4,321,424
EXPENDITURES				
Current:				
General government	50,735	1,013,831	-	6,376,820
Public safety	-	1,692,327	4,849,723	-
Parks	-	86,923	-	-
Public welfare	-	464,545	-	-
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Capital outlay	-	1,626,759	19,624	-
Debt service	-	-	-	-
Total expenditures	50,735	4,884,385	4,869,347	6,376,820
Excess (deficiency) of revenues over (under) expenditures	4,530,739	(496,550)	(3,396,019)	(2,055,396)
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	-	453,614	5,780,150	2,230,571
Transfers to other funds	(1,693,864)	(292,772)	(788,657)	(5,573)
Total other financing sources (uses)	(1,693,864)	160,842	4,991,493	2,224,998
Net change in fund balance	2,836,875	(335,708)	1,595,474	169,602
Fund balance - beginning (note 18) (as restated)	3,118,194	5,403,128	1,702,698	1,536,523
Fund balance - ending	\$ 5,955,069	5,067,420	3,298,172	1,706,125

Schedule P-2, Continued

Special Revenue Funds			Permanent Funds			Total Nonmajor Governmental Funds
Open Space Agriculture Preservation	Parks and Recreation	Housing Trust	Poor	Carney		
-	-	-	-	-	-	9,437,573
-	-	-	-	-	-	1,793,830
-	-	-	-	-	-	495,665
-	-	-	-	-	-	696,126
-	245,258	-	-	-	-	568,608
-	-	-	-	-	-	21,244,472
-	-	-	-	-	-	14,606,944
-	-	-	-	-	-	129,321
-	736	-	-	-	-	1,841,927
36,516	14,714	-	4,482	343	-	519,970
-	1,027,394	-	-	-	-	4,973,993
-	13,553	-	-	-	-	1,476,189
-	-	-	-	-	-	190,250
-	-	-	-	-	-	277,191
36,516	1,301,655	-	4,482	343	-	58,252,059
697	-	-	-	-	-	12,354,629
-	-	-	-	-	-	6,687,000
-	8,802,298	-	-	-	-	8,889,221
-	-	-	-	-	-	43,289,297
-	-	-	-	-	-	50,282
-	12,955	-	-	-	-	2,357,653
-	-	-	-	-	-	697,860
697	8,815,253	-	-	-	-	74,325,942
35,819	(7,513,598)	-	4,482	343	-	(16,073,883)
300,000	8,091,855	60,000	-	-	-	32,064,382
(64,430)	(403,813)	-	-	-	-	(9,325,866)
235,570	7,688,042	60,000	-	-	-	22,738,516
271,389	174,444	60,000	4,482	343	-	6,664,633
1,371,431	729,569	-	162,466	12,603	-	38,042,527
1,642,820	904,013	60,000	166,948	12,946	-	44,707,160

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Virginia Public Assistance Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,817,186	5,814,389	(2,797)
Federal government	8,335,013	8,883,708	548,695
Federal government - American Reinvestment and Recovery Act	-	111,403	111,403
Total intergovernmental revenue	14,152,199	14,809,500	657,301
Recovered costs	-	2,378	2,378
Charges for services	-	4,162	4,162
Investment income	-	67,640	67,640
Miscellaneous local revenues	-	278	278
Total revenues	14,152,199	14,883,958	731,759
OTHER FINANCING SOURCES			
Transfer from the General Fund	6,771,205	6,771,205	-
Total other financing sources	6,771,205	6,771,205	-
Total revenues and other financing sources	\$ 20,923,404	21,655,163	731,759

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Virginia Public Assistance Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
EXPENDITURES								
Public welfare:								
Bureau of Public Assistance	\$ 8,037,999	6,996,601	-	6,996,601	1,041,398	163,919	877,479	
Administration	3,676,876	3,389,326	-	3,389,326	287,550	2,422	285,128	
Employment Service Program/VIEW	4,951,425	4,766,119	-	4,766,119	185,306	768	184,538	
Food Stamp Administration	5,162,165	4,883,284	-	4,883,284	278,881	-	278,881	
Other special programs	92,093	89,738	-	89,738	2,355	-	2,355	
Total expenditures and encumbrances	\$21,920,558	20,125,068	-	20,125,068	1,795,490	167,109	1,628,381	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Community Services Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 907,575	896,281	(11,294)
Mental health grants	5,912,450	5,604,233	(308,217)
Mental retardation grants	813,832	697,171	(116,661)
Total from the Commonwealth of Virginia	7,633,857	7,197,685	(436,172)
From the Federal government:			
Substance abuse and mental health and retardation grant	1,107,046	1,087,728	(19,318)
Charges for services:			
Mental health fees	1,923,595	1,683,276	(240,319)
Mental retardation fees	1,286,713	1,401,485	114,772
Substance abuse fees	175,000	147,248	(27,752)
Total charges for services	3,385,308	3,232,009	(153,299)
Recovered costs	-	9,586	9,586
Investment income	-	69,787	69,787
Miscellaneous revenue	-	1,405	1,405
Total revenues	12,126,211	11,598,200	(528,011)
OTHER FINANCING SOURCES			
Transfer from the General Fund	5,838,299	5,838,299	-
Total other financing sources	5,838,299	5,838,299	-
Total revenues and other financing sources	\$ 17,964,510	17,436,499	(528,011)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Expenditures					Unencumbered Balance
	Revised Budget	Operating	Capital Outlay	Total	Unexpended Balance	
EXPENDITURES - Public welfare	\$18,442,277	16,957,642	58,594	17,016,236	1,426,041	1,388,380
Total expenditures and encumbrances	\$18,442,277	16,957,642	58,594	17,016,236	1,426,041	1,388,380

CITY OF CHESAPEAKE, VIRGINIA*Schedule P-7*

Conference Center Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,809,729	1,793,830	(15,899)
Lodging sales tax	641,048	495,665	(145,383)
Lodging flat tax	750,000	696,126	(53,874)
Revenues from use of property	341,850	323,350	(18,500)
Recovered costs	4,500	12,433	7,933
Investment income	-	27,358	27,358
Charges for services	609,920	462,461	(147,459)
Sale of food and beverages	1,884,829	1,462,636	(422,193)
Miscellaneous revenue	100	25	(75)
Total revenues	6,041,976	5,273,884	(768,092)
OTHER FINANCING SOURCES			
Transfer from the General Fund	10,000	10,000	-
Total other financing sources	10,000	10,000	-
Total revenues and other financing sources	\$ 6,051,976	5,283,884	(768,092)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Conference Center Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Operating	Capital Outlay	Total	Unexpended Balance			
EXPENDITURES - General government	\$ 5,380,131	4,383,927	59,721	4,443,648	936,483	111,061	825,422	
Total expenditures and encumbrances	\$ 5,380,131	4,383,927	59,721	4,443,648	936,483	111,061	825,422	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund, Fee Supported Activities Fund, Tax Increment Financing Fund - Greenbrier, Tax Increment Financing Fund - South Norfolk, Grants Fund, E-911 Operations Fund, Chesapeake Juvenile Services Fund, Open Space Agriculture Preservation Fund, Parks and Recreation Fund, and Housing Trust Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,221,737	1,484,120	262,383
Home Rehabilitation program	630,749	821,725	190,976
Program income	333,860	274,943	(58,917)
Total revenues	\$ 2,186,346	2,580,788	394,442
Interagency Consortium Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,777,724	2,016,430	238,706
Recovered costs	-	25,450	25,450
Investment income	-	31,851	31,851
Charges for services	-	383	383
Total revenues	1,777,724	2,074,114	296,390
Other financing source - transfer from the General Fund	2,113,853	2,113,853	-
Total revenues and other financing source	\$ 3,891,577	4,187,967	296,390
Community Corrections Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 477,317	477,317	-
Investment income	-	972	972
Total revenues	477,317	478,289	972
Other financing source - transfer from the General Fund	29,139	29,139	-
Total revenues and other financing source	\$ 506,456	507,428	972
Fee Supported Activities Fund			
Revenues			
Charges for services	\$ 179,100	183,498	4,398
Recovered costs	-	28,548	28,548
Investment income	-	13,131	13,131
Total revenues	179,100	225,177	46,077
Other financing source - transfer from the General Fund	62,707	62,707	-
Total revenues and other financing source	\$ 241,807	287,884	46,077
Tax Increment Financing Fund - Greenbrier			
Revenues			
Taxes on real property	\$ 5,009,901	4,929,957	(79,944)
Investment income	-	74,731	74,731
Total revenues	\$ 5,009,901	5,004,688	(5,213)
Tax Increment Financing Fund - South Norfolk			
Revenues			
Taxes on real property	\$ 4,873,427	4,507,616	(365,811)
Investment income	-	73,858	73,858
Total revenues	\$ 4,873,427	4,581,474	(291,953)
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,830,108	1,756,627	(73,481)
Federal government	2,730,718	2,329,663	(401,055)
Federal government - American Reinvestment and Recovery Act	1,029,123	17,918	(1,011,205)
Investment income	74,060	42,354	(31,706)
Charges for services	58,101	52,731	(5,370)
Miscellaneous revenue	713,737	188,542	(525,195)
Total revenues	6,435,847	4,387,835	(2,048,012)
Other financing sources			
Transfer from the General Fund	175,654	424,733	249,079
Transfer from other funds	28,881	28,881	-
Total other financing sources	204,535	453,614	249,079
Total revenues and other financing sources	\$ 6,640,382	4,841,449	(1,798,933)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9, Continued

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund, Fee Supported Activities Fund,
 Tax Increment Financing Fund - Greenbrier, Tax Increment Financing Fund - South Norfolk, Grants Fund,
 E-911 Operations Fund, Chesapeake Juvenile Services Fund, Open Space Agriculture Preservation Fund,
 Parks and Recreation Fund, and Housing Trust Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Actual	Variance Positive (Negative)
E-911 Operations Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	\$ 1,140,000	1,434,751	294,751
Investment income	-	38,577	38,577
Total revenues	1,140,000	1,473,328	333,328
Other financing source - transfer from the General Fund	5,780,150	5,780,150	-
Total revenues and other financing source	\$ 6,920,150	7,253,478	333,328
Chesapeake Juvenile Services Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,824,100	2,547,273	(276,827)
Recovered costs	1,872,550	1,762,796	(109,754)
Charges for services	12,000	11,355	(645)
Total revenues	4,708,650	4,321,424	(387,226)
Other financing source - transfer from the General Fund	2,230,571	2,230,571	-
Total revenues and other financing source	\$ 6,939,221	6,551,995	(387,226)
Open Space Agriculture Preservation Fund			
Revenues			
Investment income	\$ -	36,516	36,516
Total revenues	-	36,516	36,516
Other financing source - transfer from the General Fund	300,000	300,000	-
Total revenues and other financing source	\$ 300,000	336,516	36,516
Parks and Recreation Fund			
Revenues			
Revenues from use of property	\$ 230,939	245,258	14,319
Recovered costs	-	736	736
Charges for services	997,884	1,027,394	29,510
Investment income	-	14,714	14,714
Sale of food and beverages	116,673	13,553	(103,120)
Total revenues	1,345,496	1,301,655	(43,841)
Other financing source - transfer from the General Fund	8,091,855	8,091,855	-
Total revenues and other financing source	\$ 9,437,351	9,393,510	(43,841)
Housing Trust Fund			
Other financing source - Transfer from other funds	\$ -	60,000	60,000
Total other financing source	\$ -	60,000	60,000

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD- Twenty-Three:							
HOME program grant	\$ 493,311	486,981	-	486,981	6,330	-	6,330
Total HUD-Twenty-Three	493,311	486,981	-	486,981	6,330	-	6,330
HUD- Twenty-Four:							
CDBG program grants	328,408	106,665	-	106,665	221,743	-	221,743
HOME program grant	588,611	588,614	-	588,614	(3)	-	(3)
Total HUD-Twenty-Four	917,019	695,279	-	695,279	221,740	-	221,740
HUD- Twenty-Five:							
CDBG program grants	381,956	374,828	-	374,828	7,128	-	7,128
Section 108 debt service	3,123	3,123	-	3,123	-	-	-
HOME program grant	1,424,913	1,424,700	100	1,424,800	113	-	113
Total HUD-Twenty-Five	1,809,992	1,802,651	100	1,802,751	7,241	-	7,241
HUD- Twenty-Six:							
CDBG program grants	354,843	346,268	-	346,268	8,575	-	8,575
Section 108 debt service	347,090	347,090	-	347,090	-	-	-
HOME program grant	1,163,492	1,158,868	500	1,159,368	4,124	-	4,124
Total HUD-Twenty-Six	1,865,425	1,852,226	500	1,852,726	12,699	-	12,699
HUD- Twenty-Seven:							
CDBG program grants	296,016	296,016	-	296,016	-	-	-
Section 108 debt service	350,229	350,229	-	350,229	-	-	-
HOME program grant	1,284,093	1,259,156	24,937	1,284,093	-	-	-
Total HUD-Twenty-Seven	1,930,338	1,905,401	24,937	1,930,338	-	-	-
HUD- Twenty-Eight:							
CDBG program grants	281,895	282,396	-	282,396	(501)	-	(501)
Section 108 debt service	352,321	352,321	-	352,321	-	-	-
HOME program grant	1,126,937	840,416	211,129	1,051,545	75,392	-	75,392
Total HUD-Twenty-Eight	1,761,153	1,475,133	211,129	1,686,262	74,891	-	74,891
HUD- Twenty-Nine:							
CDBG program grants	1,490,322	1,483,710	-	1,483,710	6,612	-	6,612
Section 108 debt service	400,000	400,000	-	400,000	-	-	-
HOME program grant	697,329	621,970	44,777	666,747	30,582	-	30,582
Total HUD-Twenty-Nine	\$ 2,587,651	2,505,680	44,777	2,550,457	37,194	-	37,194

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD- Thirty:							
CDBG program grants	\$ 857,030	771,236	-	771,236	85,794	-	85,794
Section 108 debt service	467,679	469,264	-	469,264	(1,585)	-	(1,585)
HOME program grant	811,302	270,614	240,134	510,748	300,554	-	300,554
Total HUD-Thirty	2,136,011	1,511,114	240,134	1,751,248	384,763	-	384,763
HUD- Thirty-One:							
CDBG program grants	711,954	682,124	-	682,124	29,830	-	29,830
Section 108 debt service	380,000	379,999	-	379,999	1	-	1
HOME program grant	820,080	200,033	121,261	321,294	498,786	-	498,786
Total HUD-Thirty-One	1,912,034	1,262,156	121,261	1,383,417	528,617	-	528,617
HUD- Thirty-Two:							
CDBG Grants	763,191	666,588	18,480	685,068	78,123	-	78,123
Section 108 debt service	380,000	380,001	-	380,001	(1)	-	(1)
HOME program grant	675,250	384,145	36,013	420,158	255,092	-	255,092
Total HUD-Thirty-Two	1,818,441	1,430,734	54,493	1,485,227	333,214	-	333,214
HUD- Thirty-Three:							
CDBG Grants	856,543	530,727	213,600	744,327	112,216	441	111,775
Section 108 debt service	399,427	272,821	126,606	399,427	-	-	-
HOME program grant	962,811	273,430	384,554	657,984	304,827	-	304,827
Total HUD-Thirty-Three	2,218,781	1,076,978	724,760	1,801,738	417,043	441	416,602
HUD- Thirty-Four:							
CDBG Grants	801,754	-	651,223	651,223	150,531	639	149,892
Section 108 debt service	395,761	-	248,265	248,265	147,496	-	147,496
HOME program grant	635,749	-	73,181	73,181	562,568	-	562,568
Total HUD-Thirty-Four	1,833,264	-	972,669	972,669	860,595	639	859,956
Total expenditures and encumbrances	\$ 21,283,420	16,004,333	2,394,760	18,399,093	2,884,327	1,080	2,883,247

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Interagency Consortium Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Contract services	\$ 3,856,676	3,538,849	-	3,538,849	317,827	-	317,827
Administrative expenses	268,077	176,989	-	176,989	91,088	-	91,088
Total expenditures and encumbrances	\$ 4,124,753	3,715,838	-	3,715,838	408,915	-	408,915

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Community Corrections Fund
 Schedule of Expenditures, Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
General government:							
Diversion services	\$ 226,935	221,287	-	221,287	5,648	-	5,648
Pre-trial services	279,521	271,827	-	271,827	7,694	-	7,694
Total expenditures and encumbrances	\$ 506,456	493,114	-	493,114	13,342	-	13,342

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Fee Supported Activities Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 279,100	144,950	-	144,950	134,150	3,200	130,950
Total expenditures and encumbrances	\$ 279,100	144,950	-	144,950	134,150	3,200	130,950

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

Tax Increment Financing Fund - Greenbrier
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 562,689	35,505	-	35,505	527,184	63,250	463,934
Total expenditures and encumbrances	\$ 562,689	35,505	-	35,505	527,184	63,250	463,934

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Tax Increment Financing Fund - South Norfolk
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 167,243	50,735	-	50,735	116,508	1,987	114,521
Total expenditures and encumbrances	\$ 167,243	50,735	-	50,735	116,508	1,987	114,521

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

Grants Fund

Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2009

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Prior Year	Current Year	Total	Unexpended Balance			
EXPENDITURES								
General government	\$12,245,217	7,676,938	1,084,737	8,761,675	3,483,542	47,594	3,435,948	
Public safety	25,898,510	18,074,184	2,812,876	20,887,060	5,011,450	82,111	4,929,339	
Parks	1,585,694	1,021,634	86,923	1,108,557	477,137	7,990	469,147	
Public welfare	6,643,372	4,946,589	464,545	5,411,134	1,232,238	243	1,231,995	
Public Works	855,747	418,529	435,304	853,833	1,914	-	1,914	
Total expenditures and encumbrances	\$47,228,540	32,137,874	4,884,385	37,022,259	10,206,281	137,938	10,068,343	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-17

E-911 Operations Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
EXPENDITURES - Public safety	\$ 6,174,305	4,849,723	19,624		4,869,347	1,304,958	90,769	1,214,189
Total expenditures and encumbrances	\$ 6,174,305	4,849,723	19,624		4,869,347	1,304,958	90,769	1,214,189

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-18

Chesapeake Juvenile Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - General government	\$ 6,866,221	6,376,820	-	6,376,820	489,401	150	489,251
Total expenditures and encumbrances	\$ 6,866,221	6,376,820	-	6,376,820	489,401	150	489,251

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-19

Open Space Agriculture Preservation Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Prior Years	Current Year	Total	Unexpended Balance			
	\$ 2,346,944	375,386	697	376,083	1,970,861	-	1,970,861	
EXPENDITURES - General government								
Total expenditures and encumbrances	\$ 2,346,944	375,386	697	376,083	1,970,861	-	1,970,861	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-20

Parks and Recreation Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2009

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 9,563,725	8,802,298	12,955	8,815,253	748,472	54,520	693,952
Total expenditures and encumbrances	\$ 9,563,725	8,802,298	12,955	8,815,253	748,472	54,520	693,952

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Chesapeake
VIRGINIA

Nonmajor Enterprise Fund

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

On October 14, 2008, the City Council passed a resolution to close the bridge on Saturday, November 8, 2008. The City conveyed the Jordan Bridge and land on one side of the river to Figg Bridge Development and Britton Hill Partners. Remaining Jordan Bridge assets or infrastructure will be donated to other City departments. The Jordan Bridge Fund is inactive but will remain open until City Council determines the course of action for the remaining fund balance.



CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Statement of Net Assets
 Nonmajor Enterprise Fund
 June 30, 2009

	Jordan Bridge
ASSETS	
Current assets:	
Cash and temporary investments	\$ 2,407,623
Receivables:	
Interest	15,370
Total current assets	2,422,993
Noncurrent assets:	
Capital assets:	
Land	175,642
Buildings	19,624
Equipment and vehicles	378,385
Infrastructure	320,945
Less accumulated depreciation	(495,209)
Total capital assets, net of accumulated depreciation	399,387
Total noncurrent assets	399,387
Total assets	\$ 2,822,380
LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities:	
Accounts payable	\$ 68
Total current liabilities	68
Total liabilities	68
Net Assets	
Invested in capital assets, net of related debt	399,387
Unrestricted	2,422,925
Total net assets	2,822,312
Total liabilities and net assets	\$ 2,822,380

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Nonmajor Enterprise Fund
 Year Ended June 30, 2009

	Jordan Bridge
REVENUES	
Charges for services:	
Tolls and tickets	\$ 527,299
Other	224
Total operating revenues	527,523
OPERATING EXPENSES	
General and administrative	79,315
Other salaries and wages	231,923
Other fringe benefits	140,077
Other repairs and supplies	12,391
Equipment rental	2,265
Other contractual services	19,863
Depreciation and amortization	158,082
Total operating expenses	643,916
Operating loss	(116,393)
NONOPERATING REVENUES (EXPENSES)	
Investment income	64,430
Loss on disposal of land and equipment	(1,430,777)
Total nonoperating revenues (expenses)	(1,366,347)
Loss before transfers	(1,482,740)
Transfers out	(20,444)
Decrease in net assets	(1,503,184)
Total net assets - beginning	4,325,496
Total net assets - ending	\$ 2,822,312

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Statement of Cash Flows
 Nonmajor Enterprise Fund
 Year Ended June 30, 2009

	Jordan Bridge
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 527,523
Payments to suppliers	(127,371)
Payments to employees	(443,064)
Net cash used in operating activities	(42,912)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	64,602
Net cash provided by investing activities	64,602
Net increase in cash and temporary investments	21,690
Cash and temporary investments beginning of year	2,385,933
Cash and temporary investments end of year	\$ 2,407,623
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (116,393)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	158,082
Change in assets and liabilities decreasing cash and temporary investments:	
Accounts payable	(13,537)
Accrued expenses and other liabilities	(13,141)
Accrued vacation and sick pay	(57,923)
Total adjustments	73,481
Net cash used in operating activities	\$ (42,912)

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.

Termination Benefits Fund – To account for the activity of the City’s voluntary retirement incentive program and other termination benefits programs.



CITY OF CHESAPEAKE, VIRGINIA

Schedule R-1

Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
ASSETS					
Current assets:					
Cash and temporary investments	\$ 3,644,792	7,808,360	15,216,164	1,566,916	28,236,232
Receivables:					
Accounts	119	153,732	-	-	153,851
Interest	-	-	97,136	-	97,136
Inventory of materials and supplies	-	306,530	-	-	306,530
Prepaid expenses	-	-	875,103	-	875,103
Total current assets	3,644,911	8,268,622	16,188,403	1,566,916	29,668,852
Noncurrent assets:					
Capital assets:					
Construction in progress	392,096	414,260	-	-	806,356
Buildings	-	137,019	20,930	-	157,949
Improvements other than buildings	228,124	170,179	-	-	398,303
Equipment and vehicles	9,384,364	67,343,422	56,136	-	76,783,922
Infrastructure	-	34,734	-	-	34,734
Less accumulated depreciation	(5,783,703)	(38,554,756)	(67,314)	-	(44,405,773)
Total capital assets, net of accumulated depreciation	4,220,881	29,544,858	9,752	-	33,775,491
Total noncurrent assets	4,220,881	29,544,858	9,752	-	33,775,491
Total assets	\$ 7,865,792	37,813,480	16,198,155	1,566,916	63,444,343
LIABILITIES AND NET ASSETS					
Liabilities					
Current liabilities:					
Accounts payable	\$ 1,617,388	297,029	8,034	-	1,922,451
Accrued expenses and other liabilities	9,270	35,020	-	1,008,347	1,052,637
Current portion of obligations under capital leases	327,036	1,930,538	-	-	2,257,574
Current portion of accrued vacation, sick pay, and overtime leave	143,632	58,564	9,238	-	211,434
Current portion of liability for self-insurance losses	-	-	6,276,151	-	6,276,151
Total current liabilities	2,097,326	2,321,151	6,293,423	1,008,347	11,720,247
Noncurrent liabilities:					
Obligations under capital leases	171,163	2,542,531	-	-	2,713,694
Accrued vacation, sick pay, and overtime leave	210,142	85,685	13,515	-	309,342
Liability for self-insurance losses	-	-	24,098,148	-	24,098,148
Total noncurrent liabilities	381,305	2,628,216	24,111,663	-	27,121,184
Total liabilities	2,478,631	4,949,367	30,405,086	1,008,347	38,841,431
Net Assets (deficit)					
Invested in capital assets, net of related debt	3,722,682	25,071,789	9,752	-	28,804,223
Unrestricted	1,664,479	7,792,324	(14,216,683)	558,569	(4,201,311)
Total net assets (deficit)	5,387,161	32,864,113	(14,206,931)	558,569	24,602,912
Total liabilities and net assets	\$ 7,865,792	37,813,480	16,198,155	1,566,916	63,444,343

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)
Internal Service Funds
Year Ended June 30, 2009

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
REVENUES					
Billings to departments	\$ 8,186,249	15,548,212	7,147,265	1,566,916	32,448,642
Billings to outside agencies & component units	1,100,170	1,197,884	-	-	2,298,054
Recovered costs	20,892	74,060	316,122	-	411,074
Total operating revenues	9,307,311	16,820,156	7,463,387	1,566,916	35,157,770
OPERATING EXPENSES					
Cost of materials billed	-	4,758,578	-	-	4,758,578
Purchases for resale	-	1,282,396	-	-	1,282,396
General and administrative	441,197	466,452	15,718	-	923,367
Other salaries and wages	3,327,236	1,650,108	191,992	1,008,347	6,177,683
Other fringe benefits	1,104,814	707,959	70,003	-	1,882,776
Self-insurance losses	-	-	7,045,485	-	7,045,485
Indemnity and medical claims	-	-	3,497,728	-	3,497,728
Other repairs and supplies	2,884,913	940,050	8,081	-	3,833,044
Equipment rental	384,438	29,166	2,091	-	415,695
Other contractual services	563,267	110,203	67,490	-	740,960
Depreciation and amortization	1,661,510	4,909,175	523	-	6,571,208
Insurance premiums	-	-	1,231,386	-	1,231,386
Total operating expenses	10,367,375	14,854,087	12,130,497	1,008,347	38,360,306
Operating income (loss)	(1,060,064)	1,966,069	(4,667,110)	558,569	(3,202,536)
NONOPERATING REVENUES (EXPENSES)					
Investment income	45,179	96,437	398,445	-	540,061
Interest expense	(30,123)	(222,500)	-	-	(252,623)
Gain on sale of equipment	-	144,020	-	-	144,020
Loss on sale of equipment	(8,676)	(234,231)	-	-	(242,907)
Total nonoperating revenues (expenses)	6,380	(216,274)	398,445	-	188,551
Income (loss) before transfers and contributions	(1,053,684)	1,749,795	(4,268,665)	558,569	(3,013,985)
Transfers in	38,000	571,103	-	-	609,103
Transfers out	(45,179)	(96,437)	(87,910)	-	(229,526)
Capital contributions	240,138	552,275	-	-	792,413
Increase (decrease) in net assets (deficit)	(820,725)	2,776,736	(4,356,575)	558,569	(1,841,995)
Total net assets (deficit) - beginning	6,207,886	30,087,377	(9,850,356)	-	26,444,907
Total net assets (deficit) - ending	\$ 5,387,161	32,864,113	(14,206,931)	558,569	24,602,912

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2009

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,317,525	16,927,041	7,463,387	1,566,916	35,274,869
Payments to suppliers	(3,211,202)	(7,555,484)	(8,316,314)	-	(19,083,000)
Payments to employees	(4,416,923)	(2,356,196)	(261,020)	-	(7,034,139)
Net cash provided by (used in) operating activities	1,689,400	7,015,361	(1,113,947)	1,566,916	9,157,730
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	38,000	571,103	-	-	609,103
Transfers out	(45,179)	(96,437)	(87,910)	-	(229,526)
Repayment of obligations under capital leases for equipment not capitalized	(52,842)	-	-	-	(52,842)
Net cash provided by (used in) noncapital financing activities	(60,021)	474,666	(87,910)	-	326,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(435,554)	(6,900,926)	-	-	(7,336,480)
Interest paid	(30,123)	(222,500)	-	-	(252,623)
Repayment of obligations under capital leases	(345,962)	(2,457,799)	-	-	(2,803,761)
Proceeds from sale of capital assets	-	144,020	-	-	144,020
Net cash used in capital and related financing activities	(811,639)	(9,437,205)	-	-	(10,248,844)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	45,179	96,437	407,943	-	549,559
Net cash provided by investing activities	45,179	96,437	407,943	-	549,559
Net increase (decrease) in cash and temporary investments	862,919	(1,850,741)	(793,914)	1,566,916	(214,820)
Cash and temporary investments beginning of year	2,781,873	9,659,101	16,010,078	-	28,451,052
Cash and temporary investments end of year	\$ 3,644,792	7,808,360	15,216,164	1,566,916	28,236,232
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (1,060,064)	1,966,069	(4,667,110)	558,569	(3,202,536)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,661,510	4,909,175	523	-	6,571,208
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	10,214	106,885	-	-	117,099
Inventory of materials and supplies	-	111,924	-	-	111,924
Prepaid expenses	-	-	(14,884)	-	(14,884)
Accounts payable	1,054,793	(80,563)	2,747	-	976,977
Accrued expenses and other liabilities	7,820	2,221	-	1,008,347	1,018,388
Liability for self-insurance losses	-	-	3,563,802	-	3,563,802
Accrued vacation, sick pay, and overtime leave	15,127	(350)	975	-	15,752
Total adjustments	2,749,464	5,049,292	3,553,163	1,008,347	12,360,266
Net cash provided by (used in) operating activities	\$ 1,689,400	7,015,361	(1,113,947)	1,566,916	9,157,730

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

Fiduciary Fund Financial Statements

Agency Fund:

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

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule S

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2009

	Balances at July 1, 2008	Additions	Deductions	Balances at June 30, 2009
ASSETS				
Cash and temporary investments	\$ 26,417	43,805	58,706	11,516
Total current assets	\$ 26,417	43,805	58,706	11,516
LIABILITIES				
Due to children under foster care	\$ 26,417	43,805	58,706	11,516
Total liabilities	\$ 26,417	43,805	58,706	11,516

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Chesapeake
VIRGINIA

Other Component Units

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Assets
 Other Component Units
 June 30, 2009

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 5,719,518	1,808
Inventory of materials and supplies	388,266	-
Total current assets	6,107,784	1,808
Total assets	\$ 6,107,784	1,808
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 80,798	-
Total current liabilities	80,798	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	80,798	944,407
Fund Balance		
Reserved:		
Encumbrances	130,841	-
Inventory	388,266	-
Future capital improvements	1,190,821	-
Unreserved	4,317,058	-
Net Assets		
Unrestricted	-	(942,599)
Total fund balance and net assets (deficit)	6,026,986	(942,599)
Total liabilities, fund balance, and net assets	\$ 6,107,784	1,808
Reconciliation to Net Assets:		
Total fund balance	\$ 6,026,986	
Capital assets - net of depreciation	3,366,399	
Net Assets	\$ 9,393,385	

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-2

Statement of Revenue, Expenditures, and Changes in Fund Balance
 Chesapeake Mosquito Control Commission
 Year Ended June 30, 2009

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 3,875,982
Investment income	130,983
Other	5,123
Total revenues	4,012,088
EXPENDITURES	
Other salaries and wages	2,268,895
Other fringe benefits	876,988
Other repairs and supplies	784,705
Insurance premiums	249,880
Capital outlay	371,875
Other	417,552
Total expenditures	4,969,895
Deficiency of revenues under expenditures	(957,807)
Fund balance - beginning	6,984,793
Fund balance - ending	\$ 6,026,986

Reconciliation to Change in Net Assets:

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

Deficiency of revenues under expenditures	\$ (957,807)
Depreciation expense	(235,589)
Capital outlay expenditures	371,875
Change in Net Assets	\$ (821,521)

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-3

Statement of Revenue, Expenditures, and Changes in Fund Net Assets (Deficit)
Chesapeake Port Authority
Year Ended June 30, 2009

	Chesapeake Port Authority	
OPERATING EXPENSES		
General and administrative	\$	12,479
Total operating expenditures		12,479
Operating loss		(12,479)
NONOPERATING REVENUES		
Investment income		3
Appropriations from the City		11,721
Total nonoperating revenues		11,724
Increase (decrease) in net assets (deficit)		(755)
Net assets (deficit) - beginning		(941,844)
Net assets (deficit) - ending	\$	(942,599)

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

Statement of Cash Flows
Chesapeake Port Authority
Year Ended June 30, 2009

	Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES	
Payments to suppliers	\$ (12,479)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	11,721
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Investment income	3
Net decrease in cash and temporary investments	(755)
Cash and temporary investments beginning of year	2,563
Cash and temporary investments end of year	\$ 1,808
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ 12,479
Net cash used in operating activities	\$ 12,479

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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 depicts the government's overall financial health.

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

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Net Assets by Component
Last Eight Fiscal Years - Unaudited

	Fiscal Years			
	2002	2003	2004	2005
Governmental Activities				
Invested in capital assets, net of related debt	\$ 539,948,528	544,936,380	563,288,318	588,733,474
Restricted for:				
Capital projects	8,083,703	7,989,225	11,735,419	9,684,866
Debt service	15,682,603	15,626,869	15,699,358	10,976,974
Other purposes:				
Expendable	2,489,268	3,668,508	5,947,315	1,270,039
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	91,868,082	98,889,061	104,355,168	158,375,919
Total governmental activities net assets	\$ 658,084,979	671,122,838	701,038,373	769,054,067
Business Type Activities				
Invested in capital assets, net of related debt	\$ 228,743,587	237,029,324	228,068,375	249,688,287
Restricted for:				
Capital projects	1,486,345	2,152,881	2,636,724	2,061,689
Debt service	7,118,289	5,948,680	6,789,536	5,710,688
Other purposes:				
Expendable	38,257,791	36,571,541	51,110,767	38,493,631
Unrestricted	1,479,914	1,180,559	1,169,678	1,986,705
Total business-type activities net assets	\$ 277,085,926	282,882,985	289,775,080	297,941,000
Primary Government				
Invested in capital assets, net of related debt	\$ 768,692,115	781,965,704	791,356,693	838,421,761
Restricted for:				
Capital projects	9,570,048	10,142,106	14,372,143	11,746,555
Debt service	22,800,892	21,575,549	22,488,894	16,687,662
Other purposes:				
Expendable	40,747,059	40,240,049	57,058,082	39,763,670
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	93,347,996	100,069,620	105,524,846	160,362,624
Total primary government net assets	\$ 935,170,905	954,005,823	990,813,453	1,066,995,067
Component Units				
Invested in capital assets, net of related debt	\$ 55,519,786	68,023,154	72,780,433	76,186,297
Restricted for:				
Capital projects	11,127,232	8,992,924	8,533,984	6,602,465
Other purposes:				
Expendable	1,720,719	1,882,000	1,866,409	
Unrestricted	(6,741,990)	(10,675,859)	(13,647,190)	(10,102,135)
Total component units net assets	\$ 61,625,747	68,222,219	69,533,636	72,686,627

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

Table 1

Fiscal Years			
2006	2007	2008	2009
649,736,620	666,474,648	684,361,590	701,163,988
6,604,716	8,818,429	8,353,966	6,797,052
7,585,894	9,498,240	6,836,388	7,032,992
32,080,786	39,740,870	44,031,261	48,053,608
12,795	12,795	12,795	12,795
175,198,047	193,675,640	199,553,990	186,150,360
871,218,858	918,220,622	943,149,990	949,210,795
254,349,571	263,256,688	275,037,856	287,074,512
3,260,963	3,053,741	2,919,414	3,110,328
5,532,370	4,987,244	4,995,386	6,095,925
46,287,418	55,711,887	66,957,564	71,224,863
1,619,932	2,492,078	1,956,411	1,161,632
311,050,254	329,501,638	351,866,631	368,667,260
904,086,191	929,731,336	959,399,446	988,238,500
9,865,679	11,872,170	11,273,380	9,907,380
13,118,264	14,485,484	11,831,774	13,128,917
78,368,204	95,452,179	110,988,825	119,278,471
12,795	12,795	12,795	12,795
176,817,979	196,167,718	201,510,401	187,311,992
1,182,269,112	1,247,721,682	1,295,016,621	1,317,878,055
84,249,220	97,490,222	124,861,846	144,813,085
5,669,625	32,955,766	23,851,420	36,422,441
		2,010,154	1,994,027
(13,520,512)	(8,265,134)	(52,681,911)	(91,627,322)
76,398,333	122,180,854	98,041,509	91,602,231

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Eight Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Program Revenues			
Governmental activities:			
Charges for Services:			
General government	\$ 9,437,972	11,271,768	12,610,106
Public safety	3,856,216	4,581,012	4,487,073
Public works	1,047,905	893,075	1,266,418
Parks	136,676	115,118	133,233
Public welfare	1,783,245	2,036,441	2,235,788
Operating grants and contributions	71,087,965	70,035,588	88,508,739
Capital grants and contributions	8,709,059	13,475,575	18,544,379
Total governmental activities program revenues	<u>\$ 96,059,038</u>	<u>102,408,577</u>	<u>127,785,736</u>
Business-type activities:			
Charges for Services:			
Public Utilities	\$ 34,632,317	34,453,540	39,898,644
Chesapeake Expressway	4,368,653	6,249,849	6,678,718
Stormwater Management	1,111,604	4,424,005	4,532,744
Northwest River Park	125,909	105,798	102,271
Jordan Bridge	5,869,474	1,104,234	1,089,250
Recreation	542,970	574,164	570,169
Operating grants and contributions	1,939,415	998,269	997,162
Capital grants and contributions	6,121,552	8,258,622	5,959,652
Total business-type program revenues	<u>\$ 54,711,894</u>	<u>56,168,481</u>	<u>59,828,610</u>
Total primary government program revenues	<u>\$ 150,770,932</u>	<u>158,577,058</u>	<u>187,614,346</u>
Component Units			
Charges for Services:			
Public Schools	\$ 6,617,048	7,174,775	7,536,856
Chesapeake Mosquito Control Commission (1)	3,289,893	3,427,738	-
Economic Development Authority	40,823	300,000	-
Chesapeake Port Authority	32,500	234,252	-
Chesapeake Airport Authority	180,231	-	273,697
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Operating grants and contributions	51,600,015	56,775,219	55,723,417
Capital grants and contributions	3,541,036	1,318,018	2,216,117
Total component unit program revenues	<u>\$ 65,301,546</u>	<u>69,230,002</u>	<u>65,750,087</u>
Total primary government and component units program revenues	<u>\$ 216,072,478</u>	<u>227,807,060</u>	<u>253,364,433</u>
Expenses			
Governmental activities:			
General government	\$ 84,448,270	80,503,601	107,595,440
Public safety	64,783,649	65,792,095	73,556,936
Public works	36,157,109	37,462,813	36,681,770
Parks	8,505,832	9,346,534	8,871,362
Public welfare	34,782,299	32,721,747	33,963,274
Education	127,641,137	134,217,915	134,528,877
Interest on long term debt	22,917,657	21,747,106	21,435,242
Depreciation and amortization - net unallocated portion	20,330,313	20,499,181	20,634,855
Total governmental activities	<u>\$ 399,566,266</u>	<u>402,290,992</u>	<u>437,267,756</u>

Table 2

Fiscal Years				
2005	2006	2007	2008	2009
12,691,638	11,164,814	11,622,631	11,413,581	15,214,785
5,140,050	5,975,514	6,128,427	6,025,679	5,749,819
1,379,049	1,331,973	1,285,196	1,460,197	1,661,573
174,071	74,469	74,480	79,588	1,040,947
2,121,147	2,635,982	2,715,215	3,466,956	3,240,175
77,669,726	90,120,716	91,298,815	99,583,775	94,712,370
35,617,170	27,830,644	13,814,033	11,219,370	21,872,574
134,792,851	139,134,112	126,938,797	133,249,146	143,492,243
39,725,069	42,572,239	47,743,685	52,591,554	56,097,409
6,911,794	7,074,711	7,375,691	7,217,160	6,910,173
4,600,299	4,713,008	6,645,062	10,580,469	13,036,755
138,998	128,933	120,954	108,187	-
1,649,017	1,538,705	1,591,275	1,501,230	527,523
630,819	694,222	711,779	716,131	-
1,248,956	1,858,181	2,878,949	2,591,258	1,871,101
8,134,879	10,928,051	13,419,662	15,845,647	10,661,753
63,039,831	69,508,050	80,487,057	91,151,636	89,104,714
197,832,682	208,642,162	207,425,854	224,400,782	232,596,957
7,287,354	7,870,493	8,398,845	8,227,885	7,426,524
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
278,615	361,632	371,644	391,022	394,838
-	-	-	64,151	78,675
67,183,629	76,851,214	86,696,917	87,790,467	85,261,245
2,181,385	1,343,384	1,922,839	1,907,684	1,895,524
76,930,983	86,426,723	97,390,245	98,381,209	95,056,806
274,763,665	295,068,885	304,816,099	322,781,991	327,653,763
102,155,781	101,278,295	117,954,878	135,964,547	143,489,932
71,944,068	77,947,397	82,617,025	93,861,996	91,889,008
40,171,186	40,314,100	44,270,405	52,669,486	47,649,415
4,040,492	6,417,776	6,747,501	7,553,891	9,066,099
37,546,666	38,702,645	40,178,450	43,104,880	44,005,141
143,874,317	157,328,449	209,181,274	212,504,699	226,520,024
19,215,361	19,785,611	20,504,113	20,048,717	18,948,390
21,051,803	21,445,311	22,485,199	22,321,802	22,760,633
439,999,674	463,219,584	543,938,845	588,030,018	604,328,642

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Eight Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Expenses (Continued)			
Business-type activities:			
Public Utilities	\$ 35,894,396	36,267,069	38,593,511
Chesapeake Expressway	2,399,388	8,956,642	8,730,072
Stormwater Management	985,979	2,665,521	3,391,274
Northwest River Park	94,993	96,570	83,006
Jordan Bridge	7,999,192	905,821	1,260,395
Recreation	424,166	590,973	537,006
Total business-type activities	<u>\$ 47,798,114</u>	<u>49,482,596</u>	<u>52,595,264</u>
Total primary government	<u>\$ 447,364,380</u>	<u>451,773,588</u>	<u>489,863,020</u>
Component units			
Public Schools	\$ 276,048,977	300,984,185	317,127,950
Chesapeake Mosquito Control Commission	2,861,611	3,381,853	3,593,597
Economic Development Authority	3,003,184	3,342,738	3,147,811
Chesapeake Port Authority	31,159	-	400
Chesapeake Airport Authority	984,715	1,035,264	1,173,685
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Total component units	<u>\$ 282,929,646</u>	<u>308,744,040</u>	<u>325,043,443</u>
Net (Expense)/Revenue			
Governmental activities	\$ (303,507,228)	(299,882,415)	(309,482,020)
Business-type activities	6,913,780	6,685,885	7,233,346
Total primary government net expense	<u>\$ (296,593,448)</u>	<u>(293,196,530)</u>	<u>(302,248,674)</u>
Total component units net expense	<u>\$ (217,628,100)</u>	<u>(239,514,038)</u>	<u>(259,293,356)</u>
General Revenue and Other Changes in Net Assets			
Governmental activities:			
Taxes (2):			
Property taxes, levied for general purposes	\$ 172,104,542	186,726,025	205,187,258
Other local taxes	26,121,116	n/a	n/a
Public service taxes	17,068,149	n/a	n/a
Sales taxes	15,191,835	n/a	n/a
Local sales and use taxes	n/a	26,452,698	29,744,620
Business license taxes	n/a	17,532,069	19,351,581
Consumer utility taxes	n/a	17,200,898	19,820,181
Other taxes	27,831,303	33,468,540	33,974,457
Grants and contributions not restricted to specific programs	28,089,957	28,323,399	29,354,088
Unrestricted investment earnings	3,064,209	1,549,235	1,307,168
Miscellaneous	2,066,037	676,900	255,430
Loss on disposition of assets	(15,126)	(46,502)	-
Transfers	1,195,621	1,037,012	402,772
Total general activities revenues & transfers	<u>\$ 292,717,643</u>	<u>312,920,274</u>	<u>339,397,555</u>
Business-type activities:			
Unrestricted investment earnings	\$ 24,842	148,186	61,521
Transfers	(1,195,621)	(1,037,012)	(402,772)
Total business-type activities revenues & transfers	<u>\$ (1,170,779)</u>	<u>(888,826)</u>	<u>(341,251)</u>
Total primary government revenues & transfers	<u>\$ 291,546,864</u>	<u>312,031,448</u>	<u>339,056,304</u>

Table 2, Continued

Fiscal Years				
2005	2006	2007	2008	2009
39,964,142	41,565,116	45,326,237	49,066,651	51,901,055
8,822,878	9,353,137	10,069,048	9,353,126	9,945,582
3,578,748	3,244,651	3,504,445	6,200,482	7,140,754
103,767	110,101	108,625	114,018	-
1,111,030	1,082,663	1,149,121	1,368,308	2,074,693
629,371	665,589	666,376	681,384	-
54,209,936	56,021,257	60,823,852	66,783,969	71,062,084
494,209,610	519,240,841	604,762,698	654,813,987	675,390,726
348,832,222	374,191,792	413,008,600	495,669,077	500,750,043
3,606,347	4,137,568	4,558,222	4,595,989	4,833,609
2,760,873	5,105,041	5,120,015	3,529,822	2,380,983
2,000	12,984	14,672	15,404	12,479
1,151,836	1,202,651	1,421,866	1,295,891	1,396,948
-	-	-	70,361	107,633
356,353,278	384,650,036	424,123,375	505,176,544	509,481,695
(305,206,823)	(324,085,472)	(417,000,048)	(454,780,872)	(460,836,399)
8,829,895	13,486,793	19,663,205	24,367,667	18,042,630
(296,376,928)	(310,598,679)	(397,336,843)	(430,413,205)	(442,793,769)
(279,422,295)	(298,223,313)	(326,733,130)	(406,795,335)	(414,424,889)
224,842,486	260,070,410	290,780,794	306,455,101	308,040,890
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
31,989,281	34,355,722	35,952,042	35,091,242	32,772,077
21,461,924	23,853,491	24,170,737	24,381,697	23,960,628
20,087,144	20,203,462	21,166,147	23,556,638	10,016,340
38,078,922	41,289,606	41,880,370	41,183,079	47,569,929
31,790,594	33,769,560	32,178,481	31,527,350	31,439,703
3,132,655	8,312,030	13,435,389	11,268,317	7,444,350
990,374	3,906,011	3,101,211	4,103,726	3,516,856
-	-	-	-	-
849,137	489,971	1,336,063	2,143,668	370,150
373,222,517	426,250,263	464,001,234	479,710,818	465,130,923
185,162	112,432	124,242	140,994	64,430
(849,137)	(489,971)	(1,336,063)	(2,143,668)	(370,150)
(663,975)	(377,539)	(1,211,821)	(2,002,674)	(305,720)
372,558,542	425,872,724	462,789,413	477,708,144	464,825,203

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Eight Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Component Units:			
Payment from City	\$ 120,484,322	127,255,113	126,876,092
Grants and contributions not restricted to specific programs	110,076,825	118,549,819	132,018,587
Unrestricted investment earnings	68,678	24,185	9,668
Miscellaneous	19,588	271,971	1,700,426
Gain (loss) on disposition of assets	(315,750)	9,422	-
Total component units	<u>\$ 230,333,663</u>	<u>246,110,510</u>	<u>260,604,773</u>
Change in Net Assets			
Governmental activities	\$ (10,789,585)	13,037,859	29,915,535
Business-type activities	5,743,001	5,797,059	6,892,095
Total primary government net change in net assets	<u>\$ (5,046,584)</u>	<u>18,834,918</u>	<u>36,807,630</u>
Total component units net change in net assets	<u>\$ 12,705,563</u>	<u>6,596,472</u>	<u>1,311,417</u>

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

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

2 Change in presentation for tax revenue beginning in 2003.

Table 2, Continued

Fiscal Years				
2005	2006	2007	2008	2009
136,398,571	150,652,116	202,519,335	204,566,937	218,635,536
145,451,853	149,142,199	166,996,775	170,014,139	183,774,094
73,136	1,204,100	2,410,518	4,065,837	1,764,666
651,726	936,605	589,023	2,747,274	3,811,315
-	-	-	-	-
282,575,286	301,935,020	372,515,651	381,394,187	407,985,611
68,015,694	102,164,791	47,001,186	24,929,946	4,294,524
8,165,920	13,109,254	18,451,384	22,364,993	17,736,910
76,181,614	115,274,045	65,452,570	47,294,939	22,031,434
3,152,991	3,711,707	45,782,521	(25,401,148)	(6,439,278)

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

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

Table 3

	Fiscal Years				
	2000	2001	2002	2003	2004
General Fund					
Reserved:					
Expendable	\$ 15,431,465	\$ 14,233,897	\$ 6,426,892	\$ 5,233,480	\$ 7,540,096
Unreserved:					
Designated for cash flow emergencies	18,902,848	19,847,762	20,571,440	22,079,730	24,111,563
Designated for operating emergencies	-	16,505,980	16,505,980	16,505,980	16,785,980
Designated - General Fund	3,068,624	1,453,683	3,988,991	1,520,106	834,642
Undesignated	35,849,589	19,671,195	10,470,970	17,105,425	22,218,033
Total general fund	73,252,526	71,712,517	57,964,273	62,444,721	71,490,314
All Other Governmental Funds					
Reserved:					
Expendable	30,796,614	28,244,640	22,279,871	20,963,764	36,369,243
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	17,561,581	21,919,014	21,793,882	22,072,376	22,098,361
Designated for construction projects	20,676,532	17,086,910	25,741,923	38,131,214	18,756,584
Designated - Special Revenue Funds	321,747	47	47	225,097	6,687,149
Undesignated - Capital Projects Fund	-	6,246,288	5,679,332	-	-
Undesignated - Special Revenue Funds	6,633,379	-	-	7,529,476	9,205,815
Undesignated - Permanent Funds	117,017	125,548	-	-	137,962
Total all other governmental funds	76,119,665	73,635,242	75,507,850	88,934,722	93,267,909
Total Governmental Funds	\$ 149,372,191	\$ 145,347,759	\$ 133,472,123	\$ 151,379,443	\$ 164,758,223

	Fiscal Years				
	2005	2006	2007	2008	2009
General Fund					
Reserved:					
Expendable	\$ 11,689,066	\$ 19,163,556	43,175,202	31,281,093	33,004,234
Unreserved:					
Designated for cash flow emergencies	25,590,428	28,188,802	31,444,789	33,669,622	34,270,058
Designated for operating emergencies	17,355,561	23,490,669	26,203,990	28,058,018	28,558,382
Designated - General Fund	1,772,905	2,073,599	1,780,871	5,204,852	2,368,429
Undesignated	44,393,697	77,023,045	45,750,452	31,569,781	35,792,674
Total general fund	100,801,657	149,939,671	148,355,304	129,783,366	133,993,777
All Other Governmental Funds					
Reserved:					
Expendable	79,765,826	66,586,197	43,720,331	38,004,007	20,143,495
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	22,935,812	27,015,545	35,722,093	35,555,537	36,159,745
Designated for construction projects	-	-	-	-	-
Designated - Special Revenue Funds	62,553	51,796	51,749	851,749	1,540,435
Undesignated - Capital Projects Fund	(10,387,836)	8,110,323	32,148,580	44,612,739	79,240,620
Undesignated - Special Revenue Funds	12,823,816	16,361,382	26,987,225	34,948,104	42,318,106
Undesignated - Permanent Funds	141,235	146,589	154,274	162,274	167,099
Total all other governmental funds	105,354,201	118,284,627	138,797,047	154,147,205	179,582,295
Total Governmental Funds	\$ 206,155,858	\$ 268,224,298	287,152,351	283,930,571	313,576,072

¹ Total Governmental Funds Expendable minus General Fund expendable

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Years				
	2000	2001	2002	2003	2004
REVENUES					
General property taxes	\$ 164,829,570	166,443,901	173,500,445	187,609,314	203,503,495
Other local taxes	80,304,129	84,245,486	86,212,403	94,654,205	102,890,839
Licenses, permits, and fees	1,976,338	1,749,404	1,897,261	1,969,790	2,495,770
Fines and forfeitures	1,901,936	1,753,633	2,154,515	2,416,446	2,440,972
Investment income	6,818,853	8,641,916	4,249,510	2,150,796	1,363,374
Revenues from use of property	706,420	734,009	363,907	340,415	428,172
Charges for services	9,534,311	10,560,675	10,580,604	11,361,018	12,026,360
Miscellaneous local revenues	1,272,094	1,365,849	1,082,857	342,431	394,904
Recovered costs	4,043,245	3,713,818	4,851,799	4,412,312	4,087,899
Program income	-	-	716,253	407,175	284,699
Revenues from local developers	570,665	651,519	899,776	636,732	1,011,455
Intergovernmental revenues:					
Commonwealth of Virginia	65,704,907	75,077,885	81,956,131	83,417,285	89,547,556
Federal government	13,353,705	12,205,666	13,735,228	15,930,534	29,013,323
Federal government - American Reinvestment and Recovery Act					
Mosquito Control Commission	-	-	-	-	-
Chesapeake Public Schools	-	-	1,497,066	920,741	1,318,184
Other localities	-	20,000	-	-	-
Total revenues	\$ 351,016,173	367,163,761	383,697,755	406,569,194	450,807,002
EXPENDITURES					
Current:					
General government	\$ 69,593,718	73,731,655	79,542,562	79,234,484	105,434,018
Public safety	49,096,314	52,129,599	63,579,124	64,901,277	65,491,774
Public works	33,970,570	35,047,846	39,440,560	38,551,088	38,461,949
Parks	7,962,211	7,967,933	8,539,053	7,932,242	8,741,202
Public welfare	29,883,922	30,794,751	34,694,601	32,916,436	33,987,999
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.					
Education - Payments to Public Schools	-	-	121,225,833	127,635,002	127,774,672
Capital outlay ²	21,123,946	19,676,289	19,350,133	13,885,628	15,599,421
Debt service:					
Principal	13,590,131	21,530,560	24,435,865	22,935,196	25,577,280
Interest	23,271,407	23,784,635	23,074,156	22,431,441	21,393,424
Total expenditures	248,492,219	264,663,268	413,881,887	410,422,794	442,461,739
Excess (deficiency) of revenues over (under) expenditures	\$ 102,523,954	102,500,493	(30,184,132)	(3,853,600)	8,345,263

Table 4

Fiscal Years				
2005	2006	2007	2008	2009
224,815,562	254,570,961	287,428,178	303,752,471	305,829,730
111,617,271	115,380,212	117,811,881	118,584,264	114,318,974
2,900,145	7,422,144	8,267,568	8,320,450	7,803,173
2,929,501	3,587,702	3,284,658	3,571,138	2,335,259
3,361,642	7,628,030	12,277,373	10,159,705	6,904,289
402,355	692,489	752,247	821,971	848,257
12,586,752	13,094,005	14,430,213	15,356,589	16,237,073
701,593	1,181,755	2,111,967	2,579,045	4,352,154
3,522,595	3,039,786	2,235,212	2,452,331	2,548,192
172,643	179,969	196,657	140,431	277,191
1,737,131	2,360,155	1,539,730	1,088,464	705,995
91,882,899	99,075,408	101,746,899	106,204,101	101,886,059
17,469,444	19,257,416	16,213,096	19,646,487	17,117,982
				3,188,902
-	300,000	300,000	300,000	-
2,252,275	3,461,393	3,050,079	4,456,580	2,229,109
-	-	-	-	-
476,351,808	531,231,425	571,645,758	597,434,027	586,582,339
96,583,251	99,715,504	104,994,583	114,701,994	118,517,768
70,474,672	76,643,995	83,176,840	91,538,720	88,970,424
41,022,326	42,423,515	47,655,696	52,950,476	52,872,322
3,932,120	6,373,828	6,910,347	7,827,906	8,889,221
37,357,981	37,860,700	39,744,863	41,520,684	43,289,297
			1,040,243	50,282
137,190,122	150,652,116	202,519,335	204,566,937	218,635,536
34,960,257	51,450,380	44,627,098	37,665,536	32,194,102
26,854,851	29,135,993	30,420,147	33,226,719	35,766,343
19,760,635	19,369,437	21,508,440	20,321,152	19,497,740
468,136,215	513,625,468	581,557,349	605,360,367	618,683,035
8,215,593	17,605,957	(9,911,591)	(7,926,340)	(32,100,696)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Years				
	2000	2001	2002	2003	2004
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	\$ 54,546,154	64,673,482	63,756,863	61,746,888	65,857,985
Proceeds from equipment capital leases	-	265,708	9,104,490	-	-
Transfers from component units	2,511,513	1,641,798	-	-	-
Proceeds from line of credit	-	-	-	-	-
Lease revenue bond issued	-	-	-	-	4,940,000
Section 108 loan funds	-	-	-	-	720,000
General obligation bonds issued	89,289	6,883,019	60,771,601	102,825,000	-
General obligation refunding bonds issued	-	-	-	-	62,920,000
Transfers to other funds	(51,522,171)	(66,709,904)	(64,551,515)	(61,580,997)	(66,899,055)
Transfer to component units	(103,676,514)	(113,126,514)	-	-	-
Payment to refunded bond escrow agent	-	-	(54,308,889)	(89,449,965)	(70,300,043)
Premiums on general obligation bonds issued	-	-	3,535,946	8,219,994	-
Premiums on refunding bonds issued	-	-	-	-	7,794,630
VPSA bond proceeds	-	-	-	-	-
Premiums on VPSA bonds	-	-	-	-	-
Total other financing sources (uses)	(98,051,729)	(106,372,411)	18,308,496	21,760,920	5,033,517
Net change in fund balances	\$ 4,472,225	(3,871,918)	(11,875,636)	17,907,320	13,378,780
Debt service as a percentage of noncapital expenditures	14.83%	17.12%	12.15%	11.51%	11.06%

Table 4, Continued

Fiscal Years				
2005	2006	2007	2008	2009
68,380,647	70,582,784	110,177,288	112,215,093	105,080,053
-	531,918	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,815,000	15,865,000	-	-	23,015,000
-	-	-	-	17,255,000
(68,917,222)	(70,584,457)	(110,345,316)	(117,513,581)	(105,121,391)
-	-	-	-	-
(913,530)	-	-	-	(17,774,815)
394,743	59,276	-	-	732,755
-	-	-	-	-
19,275,000	26,935,000	28,080,000	9,490,000	34,285,000
1,147,404	1,072,963	927,672	513,048	2,715,026
33,182,042	44,462,484	28,839,644	4,704,560	60,186,628
41,397,635	62,068,441	18,928,053	(3,221,780)	28,085,932
10.83%	10.58%	9.74%	9.43%	9.47%

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

	Fiscal Years				
	2000	2001	2002	2003	2004
Real Property Assessed Value ¹	\$ 10,013,133,847	10,544,713,562	11,262,033,169	12,119,195,740	13,248,747,216
Real Property Estimated Actual Value ¹	10,013,133,847	10,544,713,562	11,262,033,169	12,119,195,740	13,248,747,216
Personal Property Assessed Value ¹	1,238,515,865	1,301,853,895	1,327,827,157	1,374,652,783	1,426,488,475
Personal Property Estimated Actual Value ¹	1,238,515,865	1,301,853,895	1,327,827,157	1,374,652,783	1,426,488,475
Total Assessed Value	11,251,649,712	11,846,567,457	12,589,860,326	13,493,848,523	14,675,235,691
Total Direct Tax Rate ²	1.56	1.56	1.55	1.54	1.54
Estimated Actual Value	11,251,649,712	11,846,567,457	12,589,860,326	13,493,848,523	14,675,235,691
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2005	2006	2007	2008	2009
Real Property Assessed Value ¹	\$ 14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526
Real Property Estimated Actual Value ¹	14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526
Personal Property Assessed Value ¹	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067
Personal Property Estimated Actual Value ¹	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067
Total Assessed Value	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593
Total Direct Tax Rate ²	1.53	1.46	1.30	1.24	1.22
Estimated Actual Value	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593
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 Commission of the Revenue² The Direct Tax Rate is calculated using a formula that includes the City's actual current tax rates which are \$1.04 for real property and \$4.00 for personal property.

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

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Personal Property ^{3,4}	Real Estate ^{1,2}	\$ 1.26	1.26	1.26	1.26	1.26	1.26	1.21	1.09	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	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 ⁵	1.50	1.50	1.50	1.50	1.50	1.50	0.01	0.01	0.01	0.01
	Business	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Mobile Homes ⁶	1.26	1.26	1.26	1.26	1.26	1.26	1.21	1.09	1.04	1.04
	Machinery & Tools	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
	Farm	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Airplanes	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate ⁷	1.56	1.56	1.55	1.54	1.54	1.53	1.46	1.30	1.24	1.22	

¹ Assessment of Real Estate is 100 percent of fair market value.

² The general City real estate tax levy is 1.04 per \$100 as 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 \$4.00 per \$100 as assessed value. An additional \$0.08 per \$100 is 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 The general tax rate on boat assessments was reduced to \$.01 per \$100 effective January 1, 2006.

⁶ Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

⁷ The Direct tax rate is calculated using a weighted formula that includes the City's current tax rate of \$1.04 for real property and \$4.00 for personal property.

SOURCE: City of Chesapeake, Ordinance

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago

Principal Taxpayer	Type of Business	Fiscal Year 2009		Fiscal Year 2000	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 677,291,887	2.75%	\$ 476,718,528	4.76%
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	103,906,600	0.42%	-	-
Liberty Property LTD	Shopping Center & Office Bldg	83,550,200	0.34%	-	-
Chesapeake Mall LLC	Shopping Mall	82,165,300	0.33%	-	-
Empirian Chesapeake LLC	Apartment Complex	57,460,300	0.23%	-	-
CP Venture Two LLC	Shopping Mall	53,462,000	0.22%	54,292,500	0.54%
Woodlake Co Limited Partnership	Apartment Complex	50,183,500	0.20%	30,954,800	0.31%
352 LLC	Apartment Complex	43,500,000	0.18%	-	-
JLP Chesapeake LLC	Retail and Vacant Land	41,674,300	0.17%	-	-
Crossways Associates LLC	Apartment Complex	40,954,800	0.17%	-	-
CPRE 1 Bay LLC	Apartment Complex	-	-	-	-
Mountain Energy	Apartment Complex	-	-	-	-
Dollar Tree Distribution Inc	Distribution Center	-	-	25,450,900	0.25%
Cove Land LLC	Apartment Complex	-	-	-	-
Chesapeake Center Associates	Shopping Center	-	-	18,009,400	0.18%
Mitsubishi Kasei America Inc	Manufacturing	-	-	23,759,500	0.24%
Wal-Mart Stores Inc	Retail and Vacant Land	-	-	29,605,000	0.30%
Schroder Chesapeake Ltd. Partnership	Shopping Mall	-	-	94,976,600	0.95%
Chesapeake - JCP Associates	Shopping Mall	-	-	77,060,600	0.77%
Prudential Insurance Co of America	Office Buildings & Shopping Center	-	-	39,681,300	0.40%
Total Top Ten Principal Taxpayers ¹		<u>\$1,234,148,887</u>	<u>5.02%</u>	<u>\$870,509,128</u>	<u>8.70%</u>
Total Assessed Valuation ²		<u>\$24,594,427,236</u>		<u>\$10,013,133,847</u>	

Source: ¹ City of Chesapeake Real Estate Assessor

² City of Chesapeake Commissioner of Revenue

Property Tax Levies
Last Ten Fiscal Years - Unaudited

		FISCAL YEARS				
		2000	2001	2002	2003	2004
Personal Property ¹	Real Property ¹	\$ 119,019,794	125,644,567	134,698,510	145,107,682	158,879,070
	Motor Vehicles	37,612,479	39,419,716	40,945,175	42,472,194	43,910,119
	Motor Carriers	167,619	202,508	252,341	298,298	277,821
	Recreation Vehicles	186,054	197,218	227,750	259,567	283,302
	Boats ²	285,502	300,746	315,873	332,763	337,128
	Business	6,828,776	7,513,072	7,756,524	7,948,489	8,243,408
	Motor Homes	161,894	166,544	159,110	172,051	174,286
	Machinery & Tools	3,061,695	3,175,035	2,371,407	2,399,467	2,608,522
	Farm	102,477	98,063	100,679	104,042	109,295
	Airplanes	25,120	17,334	19,458	15,919	19,651

		FISCAL YEARS				
		2005	2006	2007	2008	2009
Personal Property ¹	Real Property ¹	\$ 177,090,767	204,335,250	235,211,107	252,360,481	258,241,894
	Motor Vehicles	49,151,769	53,519,922	54,529,778	56,812,984	50,011,773
	Motor Carriers	394,098	400,580	532,659	597,997	677,954
	Recreation Vehicles	335,302	380,969	405,623	448,615	403,302
	Boats ²	374,285	-	16	-	18,733
	Business	8,789,092	9,216,386	9,766,342	10,339,218	10,665,984
	Motor Homes	184,361	181,302	173,849	167,164	163,960
	Machinery & Tools	2,699,724	2,835,759	3,006,118	2,481,580	2,673,382
	Farm	111,666	76,574	120,436	122,233	124,263
	Airplanes	31,450	35,978	37,310	38,278	40,165

¹ Public service corporation property is not included

² Beginning January 1, 2006 the general tax rate on boat assessment was reduced to \$.01 per \$100

Source: City of Chesapeake Commissioner of the Revenue

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

	2000	2001	Fiscal Years 2002	2003	2004
Total Tax Levy	\$ 176,589,725	186,048,152	196,280,930	209,091,303	225,644,477
Current Tax Collections ^{1,2,3}	163,705,418	173,088,321	182,439,282	197,419,119	212,646,800
Percent of Levy Collected	92.70%	93.03%	92.95%	94.42%	94.24%
Delinquent Tax Collections ¹	15,244,557	15,504,949	16,894,630	16,737,939	18,331,933
Total Tax Collections	178,949,975	188,593,270	199,333,912	214,157,058	230,978,733
Total Collections as a Percent of Total Tax Levy	101.34%	101.37%	101.56%	102.42%	102.36%
Outstanding Delinquent Taxes ⁴	10,609,066	8,559,955	8,384,422	7,949,957	9,127,960
Ratio of Delinquent Taxes to Total Tax Levy	6.01%	4.60%	4.27%	3.80%	4.05%

	2005	2006	Fiscal Years 2007	2008	2009
Total Tax Levy	\$ 250,428,244	281,317,257	313,533,474	333,265,028	333,315,537
Current Tax Collections ^{1,2,3}	235,274,576	270,230,570	302,736,730	320,625,461	321,158,867
Percent of Levy Collected	93.95%	96.06%	96.56%	96.21%	96.35%
Delinquent Tax Collections ¹	19,255,212	16,996,163	16,452,269	15,321,936	14,517,602
Total Tax Collections	254,529,788	287,226,733	319,188,999	335,947,397	335,676,469
Total Collections as a Percent of Total Tax Levy	101.64%	102.10%	101.80%	100.80%	100.71%
Outstanding Delinquent Taxes ⁴	9,574,391	14,349,235	17,610,961	21,971,429	22,860,659
Ratio of Delinquent Taxes to Total Tax Levy	3.82%	5.10%	5.62%	6.59%	6.86%

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

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

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

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

Source: City of Chesapeake Commissioner of the Revenue

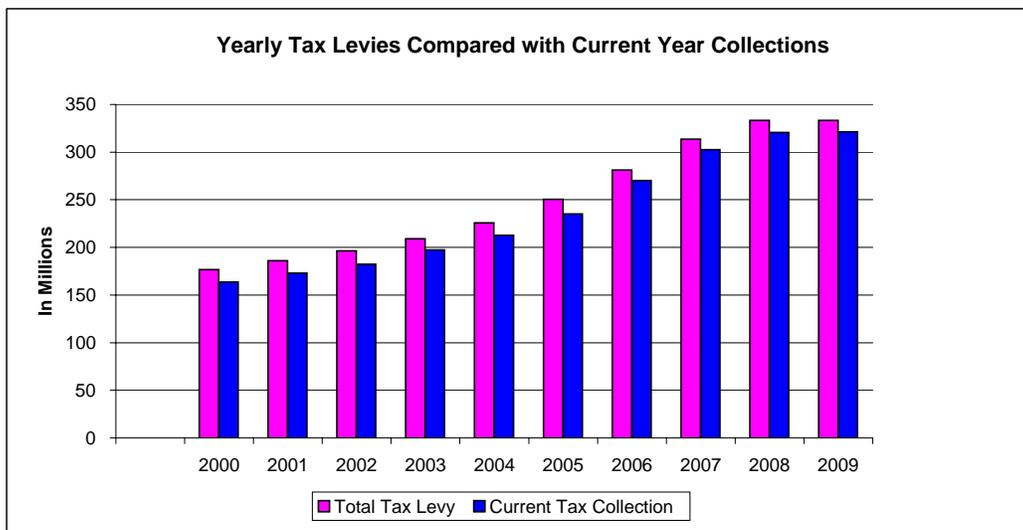


Table 10

Governmental Activities					
2004	2005	2006	2007	2008	2009
355,039,000	363,966,570	381,132,435	380,587,671	359,916,595	384,059,484
6,276,341	5,726,848	5,177,355	4,627,862	4,078,369	3,528,876
4,015,000	2,060,000	-	-	-	-
-	-	-	1,342,284	1,342,284	1,342,284
2,500,000	2,255,000	1,995,000	1,715,000	1,415,000	1,095,000
26,820,000	25,870,000	24,205,000	23,160,000	22,065,000	20,925,000
38,125,000	34,335,000	31,750,000	28,915,000	25,960,000	22,875,000
14,165,348	12,112,890	12,170,380	12,590,549	8,903,865	5,173,336
121,849	48,578	-	-	-	-
447,062,538	446,374,886	456,430,170	452,938,366	423,681,113	438,998,980

Business-Type Activities					
2004	2005	2006	2007	2008	2009
133,117,323	135,351,558	130,434,187	125,473,614	120,754,717	115,935,563
690,000	575,000	460,000	345,000	230,000	115,000
-	-	-	-	-	-
29,120,000	21,630,000	21,630,000	21,630,000	21,245,000	20,835,000
69,964,516	71,958,461	71,078,118	68,520,358	68,163,966	67,321,762
232,891,839	229,515,019	223,602,305	215,968,972	210,393,683	204,207,325
679,954,377	675,889,905	680,032,475	668,907,338	634,074,796	643,206,305

9.86%	9.30%	8.77%	8.26%	n/a	n/a
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3,188	3,120	3,110	3,023	2,834	2,855
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Ratios of Outstanding General Bonded Debt - Governmental Type
Last Ten Fiscal Years - Unaudited

Fiscal Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	School Literary Loans	Total		
2000	\$ 398,493,895	8,774,313	407,268,208	3.62%	\$ 2,034
2001	385,511,930	8,124,820	393,636,750	3.32%	1,944
2002	373,538,133	7,475,327	381,013,460	3.03%	1,862
2003	375,081,773	6,825,834	381,907,607	2.83%	1,831
2004	355,039,000	6,276,341	361,315,341	2.46%	1,694
2005	363,966,570	5,726,848	369,693,418	2.27%	1,706
2006	381,132,435	5,177,355	386,309,790	2.02%	1,767
2007	380,587,671	4,627,862	385,215,533	1.62%	1,741
2008	359,916,595	4,078,369	363,994,964	1.37%	1,627
2009	384,059,484	3,528,876	387,588,360	1.42%	1,721

¹ Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.

² Refer to Table 12 Debt Affordability Indicators for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

Debt Affordability Indicators
Last Five Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000¹

Fiscal Year	Overall Net Debt²	Assessed Value of Taxable Real Property³	Overall Net Debt to Assessed Value of Taxable Real Property	Population⁴	Overall Net Debt Per Capita
2003	\$ 471,396,517	12,119,195,740	3.89%	208,533	2,261
2004	447,062,538	13,248,747,216	3.37%	213,303	2,096
2005	446,374,886	14,713,238,641	3.03%	216,644	2,060
2006	456,430,170	17,451,186,558	2.62%	218,638	2,088
2007	452,938,366	22,067,528,772	2.05%	221,282	2,047
2008	423,681,113	24,740,116,412	1.71%	223,743	1,894
2009	438,998,980	25,573,792,526	1.72%	225,255	1,949

¹ Policy adopted February 27, 2007.

² Source: Table 10. Does not include business-type activities.

³ Source: Table 5

⁴ Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2005) and City of Chesapeake Planning Board estimates (2006 - 2009).

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 Expenditures¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
2000	\$ 482,055,117	34,534,255	7.16%
2001	515,764,180	42,984,842	8.33%
2002	552,004,523	44,428,354	8.05%
2003	573,498,079	41,536,122	7.24%
2004	621,319,617	43,143,614	6.94%
2005	657,971,769	42,781,735	6.50%
2006	689,369,774	43,929,646	6.37%
2007	759,523,545	47,464,752	6.25%
2008	810,133,787	49,092,355	6.06%
2009	813,688,744	51,587,721	6.34%

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

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

CITY OF CHESAPEAKE, VIRGINIA

Table 14

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

Fiscal Year	Local Revenues ¹	Bonded Debt Expenditures ²	Ratio of Bonded Debt Expenditures To Local Revenues
2000	\$ 310,600,678	43,064,772	13.86%
2001	321,649,673	53,077,434	16.50%
2002	335,931,888	55,228,050	16.44%
2003	357,571,178	52,409,607	14.66%
2004	388,086,776	56,876,709	14.66%
2005	422,035,831	56,134,812	13.30%
2006	469,471,620	57,006,066	12.14%
2007	518,706,472	60,616,238	11.69%
2008	545,720,961	62,041,525	11.37%
2009	539,694,349	64,080,911	11.87%

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 Expressway Fund and Stormwater Fund. Prior to 2002 Permanent Funds were not included. Excluded are Capital Projects - primary government, Chesapeake Public Schools Capital Projects - component unit, and transfers/expenditures/revenues between the City, Chesapeake Public Schools, and Elizabeth River Properties of Chesapeake.

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

CITY OF CHESAPEAKE, VIRGINIA*Table 15*

Direct and Overlapping Governmental Activities Debt

June 30, 2009 - Unaudited

Jurisdiction	Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$ 438,998,980	100.00%	\$ 438,998,980
Overlapping:			
None	-		-
TOTAL	\$ 438,998,980		\$ 438,998,980

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

Table 16

Fiscal Years	Debt Limit ¹	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2000	\$ 1,001,313,385	402,518,079	598,795,306	40.2%
2001	1,054,471,356	380,631,488	673,839,868	36.1%
2002	1,126,203,317	369,487,941	756,715,376	32.8%
2003	1,211,919,574	431,796,488	780,123,086	35.6%
2004	1,324,874,722	408,131,152	916,743,570	30.8%
2005	1,471,323,864	419,397,742	1,051,926,122	28.5%
2006	1,745,118,656	428,638,432	1,316,480,224	24.6%
2007	2,206,752,877	416,954,338	1,789,798,539	18.9%
2008	2,474,011,641	392,971,429	2,081,040,212	15.9%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%

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 two affordability ratios that further restrict the debt below the amount indicated by the Legal Debt Margin.

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 17

Revenue Bond Coverage (Pledged-Revenue)
Last Ten Fiscal Years - Unaudited

Water and Sewer Systems								
Fiscal Year	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage ³	
				Principal	Interest	Total		
2000	\$ 26,836,455	20,353,662	6,482,793	600,000	1,192,698	1,792,698	3.62	
2001	27,415,623	21,334,342	6,081,281	635,000	1,162,161	1,797,161	3.38	
2002	32,748,966	23,156,628	9,592,338	665,000	1,127,270	1,792,270	5.35	
2003	32,372,879	23,536,100	8,836,779	700,000	1,090,046	1,790,046	4.94	
2004	37,595,984	23,697,902	13,898,082	275,000	392,674	667,674	20.82	
2005	37,354,500	25,652,449	11,702,051	193,333	190,895	384,228	30.46	
2006	40,665,906	27,263,177	13,402,729	-	-	-	n/a	
2007	45,444,218	29,780,532	15,663,686	-	-	-	n/a	
2008	50,215,171	32,922,887	17,292,284	-	-	-	n/a	
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a	

Chesapeake Expressway ⁴								
Fiscal Year	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage	
				Principal	Interest	Total		
2000	\$ -	-	-	-	608,344	608,344	0.00	
2001	1,001,358	182,134	819,224	-	1,216,688	1,216,688	0.67	
2002	5,869,474	1,995,368	3,874,106	-	1,216,688	1,216,688	3.18	
2003	6,249,849	2,362,723	3,887,126	-	1,216,688	1,216,688	3.19	
2004	6,678,718	2,173,814	4,504,904	-	1,216,688	1,216,688	3.70	
2005	6,911,794	2,204,682	4,707,112	-	1,216,688	1,216,688	3.87	
2006	7,074,711	2,480,948	4,593,763	-	1,216,688	1,216,688	3.78	
2007	7,375,691	2,520,958	4,854,733	-	1,216,688	1,216,688	3.99	
2008	7,217,160	2,607,820	4,609,340	385,000	1,205,859	1,590,859	2.90	
2009	6,910,173	2,965,959	3,944,214	410,000	1,183,500	1,593,500	2.48	

¹ Gross revenues are exclusive of interest and less fifty percent (50%) of connection fees for Water and Sewer Systems.

² Operating expenses are exclusive of depreciation and amortization and renewal and replacement costs in the Chesapeake Expressway.

³ As of June 30, 2005, all revenue bonds for Public Utilities have been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. It is anticipated that future Public Utility issuances will be revenue bonds.

⁴ The Chesapeake Expressway opened on May 31, 2001.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Years			
	2000	2001	2002	2003
Gross Revenue ¹	\$ 30,906,817	31,734,005	36,036,842	35,268,165
Operating Expenses ²	20,353,662	21,334,342	23,156,628	23,536,100
Net Revenue Available for Debt Service	10,553,155	10,399,663	12,880,214	11,732,065
Debt Service Requirements ³				
Principal	2,079,573	2,728,702	2,776,559	2,911,246
Interest ⁴	4,520,782	4,379,421	4,127,684	3,918,004
Total	\$ 6,600,355	7,108,123	6,904,243	6,829,250
Coverage	1.60	1.46	1.87	1.72

¹ Revenue as defined by the 1987 bond resolution.

² Total operating expenses exclusive of depreciation.

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

⁴ Interest includes amounts capitalized.

Table 18

Fiscal Years					
2004	2005	2006	2007	2008	2009
40,734,861	40,832,527	43,844,559	49,912,088	54,480,530	58,182,037
23,697,902	25,652,449	27,263,177	29,780,532	32,922,887	35,730,415
17,036,959	15,180,078	16,581,382	20,131,556	21,557,643	22,451,622
4,372,794	4,685,766	4,917,371	4,960,573	4,718,897	4,819,154
6,512,557	6,099,103	6,046,225	5,907,878	5,735,465	5,593,603
10,885,351	10,784,869	10,963,596	10,868,451	10,454,362	10,412,757
1.57	1.41	1.51	1.85	2.06	2.16

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ³	School Enrollment ⁴	Chesapeake Unemployment Rate ⁵	Virginia Unemployment Rate ⁵
2000	200,277	\$ 5,379,533	26,861	36,920	2.5%	2.5%
2001	202,540	5,749,389	28,391	37,264	2.4%	2.5%
2002	204,652	6,107,527	29,855	38,010	3.5%	4.0%
2003	208,533	6,528,754	31,324	38,862	3.8%	4.2%
2004	213,303	6,896,084	32,350	39,440	3.7%	3.9%
2005	216,644	7,266,605	33,567	40,005	3.7%	3.6%
2006	218,638	7,753,052	35,504	40,121	3.2%	3.2%
2007	221,282	8,102,202	37,025	39,465	3.1%	2.9%
2008	223,743	n/a	n/a	39,026	3.3%	3.3%
2009	225,255	n/a	n/a	38,868	5.3%	5.6%

n/a - Information not yet available

Sources:

- ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2000 - 2006 as of April 2009) and City of Chesapeake Planning Department Estimates (2007 - 2009)
- ² Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2009)
- ³ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2009)
- ⁴ Chesapeake Public Schools
- ⁵ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through July 2009)

Principal Employers
Current Year and Nine Years Ago

Principal Employers	Type of Business	Fiscal Year 2009		Fiscal Year 2000	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,899	5.34%	4,794	4.69%
City of Chesapeake	Government	3,325	3.01%	2,893	2.83%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,400	2.17%	n/a	n/a
QVC Chesapeake Inc	Phone center/order processing facility	1,276	1.16%	n/a	n/a
HSBC - Household International	Regional processing center for financial services	1,200	1.09%	n/a	n/a
LTD Management Co LLC	Hotel development and management	1,810	1.64%	n/a	n/a
Cox Communications	Hampton Roads head quarters/customer care center	800	0.72%	n/a	n/a
EDS	National employee benefits administration service center	800	0.72%	n/a	n/a
Reliance Staffing Services	Employment supply service	700	0.63%	n/a	n/a
Lifetouch National School Studios Inc	School photography processing plant	665	0.60%	n/a	n/a
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	660	0.60%	n/a	n/a
Maersk Distribution Services, Inc	Gateway Commerce	637	0.58%	n/a	n/a
Sentara Home Care Services	Home care nursing	620	0.56%	n/a	n/a
General Dynamics Information Technology	Engineering and technical services	820	0.74%	n/a	n/a
Canon Information Technology Service Inc	Technical and consumer support	572	0.52%	n/a	n/a
		<u>22,184</u>		<u>7,687</u>	<u>7.52%</u>
<u>Total Employment ²</u>		<u>110,397</u>		<u>102,182</u>	

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

n/a - not available

¹ Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

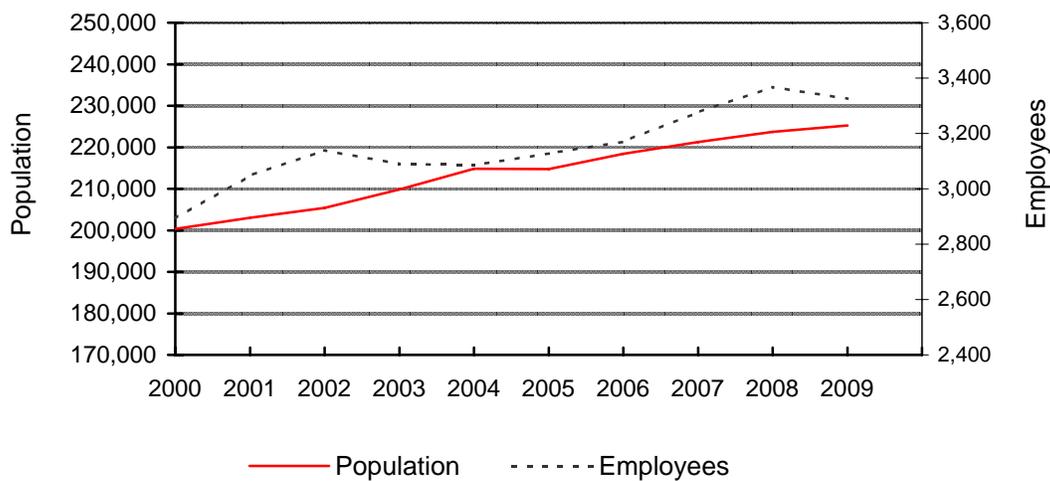
² Source is Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2009)

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees	Employees Per 1,000 Population
2000	200,368	2,893	14.4
2001	203,003	3,048	15.0
2002	205,379	3,139	15.3
2003	209,831	3,090	14.7
2004	214,830	3,085	14.4
2005	214,759	3,128	14.6
2006	218,438	3,170	14.5
2007	221,282	3,277	14.8
2008	223,743	3,368	15.1
2009	225,255	3,325	14.8

Sources: ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2000 - 2004) and City of Chesapeake Planning Department (2005 - 2009)

Population and Employee Figures



CITY OF CHESAPEAKE, VIRGINIA

Table 22

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

	Full-Time Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Function/Program</u>										
General Government										
Management Services							40	41	43	43
Economic Development							71	74	74	73
Finance							24	25	26	25
Information Technology							54	55	57	54
Human Resources							17	20	20	21
Budget							7	7	7	7
Agriculture							8	8	8	7
Intergovernmental Affairs							7	4	7	6
Other							244	257	248	242
Police							507	498	546	520
Sheriff							346	389	396	403
Fire							418	452	426	432
Community Services							158	159	172	167
Neighborhood Services							57	59	58	58
Public Works							425	438	445	424
Parks and Recreation							77	81	84	89
Library							80	85	84	84
Public Utilities							195	184	194	198
General Services							66	71	70	70
Justice							53	63	94	86
Health and Human Services							316	307	309	316
Total	<u>2,893</u>	<u>3,048</u>	<u>3,139</u>	<u>3,090</u>	<u>3,085</u>	<u>3,128</u>	<u>3,170</u>	<u>3,277</u>	<u>3,368</u>	<u>3,325</u>

Source: Human Resources and prior year CAFRs

Note: Information not available by Function/Program for 2000-2005.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Function/Program					
General Government					
Building Permits Issued	7,177	6,654	6,704	6,321	6,519
Building Inspections Conducted	16,067	13,901	16,624	15,616	14,864
Electrical Permits Issued	4,552	3,700	3,960	4,093	4,483
Electrical Inspections Performed	13,130	10,278	11,751	10,688	11,520
Plumbing Permits Issued	2,296	1,751	1,823	1,913	1,925
Plumbing Inspections Performed	11,159	18,238	9,872	8,912	10,946
Mechanical/Gas Permits Issued	6,978	5,291	5,529	6,101	6,120
Mechanical/Gas Inspections Performed	15,752	12,478	12,481	14,020	14,305
Code Compliance Inspections	13,695	15,284	15,317	15,992	13,339
Police					
Calls for Police Service	145,833	147,999	155,059	156,002	151,753
Part I Law Violations	7,480	7,821	9,239	10,125	8,432
Adult Criminal Charges	14,372	13,847	15,227	14,879	14,829
Total Criminal Arrests	n/a	n/a	n/a	n/a	n/a
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	n/a	n/a	n/a
DUI Arrests	882	841	728	823	948
Fire					
Calls answered for Fire Protection Services	21,187	21,333	22,875	22,421	23,416
Public Works					
Refuse Collected (tons per year)	102,469	101,208	106,448	108,046	115,592
Street Resurfacing (miles)	55.70	66.73	92.67	67.69	56.57
Potholes Repaired	n/a	n/a	n/a	n/a	n/a
Water					
Service Connections	54,463	55,194	56,176	57,210	58,187
Daily Average Consumption in Gallons (in mgd)	14.81	15.10	15.00	15.00	15.00
Daily Average Water Provided by Chesapeake (in mgd) ¹	9.32	9.25	9.74	8.67	9.15
Daily Average Water Purchased from other localities (in mgd)	6.54	6.32	6.32	6.14	6.37
Wastewater					
Service Connections	53,429	54,223	54,297	55,361	56,340
Parks and Recreation					
Youth Athletics - Participants	10,868	11,091	10,845	10,036	9,414
Youth Athletics - Teams	799	812	799	772	715
Youth Athletics - Coaches	1,549	1,666	1,675	1,481	1,345
Adult Athletics - Participants	4,576	4,904	4,554	3,890	3,544
Adult Athletics - Teams	260	276	256	219	199
Special Programs Athletics - Participants	597	662	621	491	510
Special Programs Athletics - Programs	10	11	10	11	10
Leisure Classes - Youth Participants	n/a	2,668	2,224	1,915	2,174
Leisure Classes - Adult Participants	n/a	1,310	1,432	1,085	1,246
Leisure Classes - Community Program Participants ²	n/a	1,298	34,005	33,560	44,151
Leisure Classes - Special Event Attendance	n/a	27,850	32,850	28,250	29,200
Community Center Attendance	152,552	163,939	154,995	164,818	n/a
Community Center ID Sales	7,575	8,575	7,937	8,582	n/a
Community Center Rentals	2,098	2,116	2,192	1,848	n/a
Library					
Items Checked Out	1,533,411	1,615,250	1,721,960	1,623,957	1,781,996
Interlibrary Loans - Borrowed	798	826	797	871	906
Interlibrary Loans - Loans	2,925	3,003	2,654	2,380	2,452
Library Collection	669,073	684,188	664,330	637,065	646,189
Patron Visits	1,103,002	1,126,717	1,162,439	1,160,061	1,125,096
Website Visits	26,187	291,000	321,000	353,100	n/a
Registered Patrons	142,943	160,030	179,421	195,481	163,089
Total Programming	1,502	1,875	2,154	2,446	2,316
Total Programming - Participants	48,311	57,864	65,645	71,745	67,858
Typewriter Use	2,497	2,848	1,864	1,592	1,443
Public Computer Use	95,963	126,136	172,727	191,387	222,471
Bookmobile - Patrons	11,560	12,656	12,293	13,093	15,514
Bookmobile - Number of Stops	1,097	1,182	1,323	1,312	1,453
Bookmobile - Miles Driven	5,488	5,900	6,520	6,609	7,266
Schools					
Student Enrollment	36,920	37,264	38,010	38,862	39,440

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

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

² Summer Food Service Program was transferred to School's in Fiscal Year 2009.

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

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
General Government					
Building Permits Issued	6,769	6,481	5,547	4,843	3,947
Building Inspections Conducted	16,432	14,600	11,022	9,452	7,251
Electrical Permits Issued	4,996	4,775	4,156	3,578	3,028
Electrical Inspections Performed	13,462	12,260	12,636	11,339	8,411
Plumbing Permits Issued	2,420	2,280	1,898	1,738	1,418
Plumbing Inspections Performed	10,952	9,724	8,788	7,441	4,569
Mechanical/Gas Permits Issued	6,878	6,163	5,147	4,655	4,021
Mechanical/Gas Inspections Performed	17,981	18,447	12,769	10,241	7,028
Code Compliance Inspections	14,013	20,270	20,570	25,568	19,899
Police					
Calls for Police Service	135,054	131,669	126,458	159,180	156,618
Part I Law Violations	9,236	9,183	8,005	8,270	8,640
Adult Criminal Charges	12,890	10,248	n/a	n/a	13,807
Total Criminal Arrests	10,167	9,229	9,969	10,575	10,266
Total Traffic Charges (moving/ non-moving/excludes DUI)	57,858	63,609	55,715	31,547	34,841
DUI Arrests	1,243	1,159	925	721	830
Fire					
Calls answered for Fire Protection Services	23,460	23,911	24,504	25,152	24,839
Public Works					
Refuse Collected (tons per year)	114,605	118,899	116,794	114,145	110,931
Street Resurfacing (miles)	47.58	44.99	54.58	35.56	36.87
Potholes Repaired	n/a	5,200	3,376	3,047	4,717
Water					
Service Connections	59,008	59,880	60,390	60,923	61,243
Daily Average Consumption in Gallons (in mgd)	16.00	16.53	16.20	16.19	16.96
Daily Average Water Provided by Chesapeake (in mgd) ¹	9.25	9.73	10.67	10.69	11.14
Daily Average Water Purchased from other localities (in mgd)	6.71	6.08	5.46	5.50	5.82
Wastewater					
Service Connections	57,160	58,046	58,579	59,126	59,437
Parks and Recreation					
Youth Athletics - Participants	9,003	8,414	7,793	7,002	6,261
Youth Athletics - Teams	695	648	601	537	506
Youth Athletics - Coaches	1,353	1,359	1,200	1,062	915
Adult Athletics - Participants	4,180	4,445	4,064	3,924	4,095
Adult Athletics - Teams	236	235	228	227	237
Special Programs Athletics - Participants	1,065	818	627	700	495
Special Programs Athletics - Programs	11	9	10	7	6
Leisure Classes - Youth Participants	2,104	2,073	1,908	1,580	2,372
Leisure Classes - Adult Participants	1,258	779	769	614	1,301
Leisure Classes - Community Program Participants ²	47,268	42,623	45,247	63,892	3,346
Leisure Classes - Special Event Attendance	34,900	34,250	31,750	26,915	27,775
Community Center Attendance	173,191	199,587	172,544	188,276	189,700
Community Center ID Sales	10,147	8,974	9,528	7,604	8,314
Community Center Rentals	1,607	1,769	1,392	1,157	1,328
Library					
Items Checked Out	1,890,069	1,956,559	1,912,077	2,010,415	2,365,984
Interlibrary Loans - Borrowed	910	1,072	974	1,269	1,189
Interlibrary Loans - Loans	2,591	2,696	2,146	2,467	2,841
Library Collection	678,422	677,933	691,482	699,943	598,224
Patron Visits	1,349,598	1,589,297	1,622,831	1,491,973	1,623,514
Website Visits	520,208	692,305	654,106	779,001	394,623
Registered Patrons	182,623	188,999	207,190	227,348	161,373
Total Programming	2,418	2,417	2,541	2,987	3,205
Total Programming - Participants	73,708	70,343	96,476	78,256	66,313
Typewriter Use	925	774	471	540	409
Public Computer Use	407,157	517,870	600,024	596,540	651,984
Bookmobile - Patrons	14,597	12,761	15,516	16,219	15,348
Bookmobile - Number of Stops	1,380	1,201	1,307	1,331	1,291
Bookmobile - Miles Driven	7,078	6,364	7,811	8,240	7,415
Schools					
Student Enrollment	40,005	40,121	39,465	39,026	38,868

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

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

² Summer Food Service Program was transferred to School's in Fiscal Year 2009.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2000	2001	2002	2003	2004
<u>Function/Program</u>					
Police					
Stations	4	5	5	5	5
Patrol Units	296	303	301	214	231
Fire Stations	14	15	15	15	15
Public Works					
Refuse Collection					
Collection Trucks	n/a	58	58	58	58
Other Public Works					
Storm Sewers (miles)	n/a	n/a	n/a	n/a	n/a
Streets (miles)	2,046	2,106	2,150	2,185	2,222
Streetlights	20,078	20,839	22,423	21,446	21,266
Parks and Recreation					
Park Acreage	2,084	2,067	1,992	2,042	2,042
Parks and Play Areas	62	68	63	65	65
Athletic Fields/Tennis Courts	196	211	211	211	211
Community Centers	7	7	7	7	7
Specialized Centers	4	4	4	4	4
Water					
Water Mains (miles)	734.81	742.27	749.00	761.00	772.00
Fire Hydrants	4,165	4,221	4,268	4,358	4,432
Wastewater					
Sanitary Sewers (miles)	928.55	938.41	950.00	968.00	982.00
Sewage Pumping Stations	238	240	243	248	248
Schools					
Elementary Schools	28	28	28	28	28
Secondary Schools	14	15	16	16	16
Educational Centers	3	3	3	3	3

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

Table 24

Fiscal Year				
2005	2006	2007	2008	2009
5	5	5	5	5
208	194	214	193	194
15	15	15	15	15
58	58	60	61	60
n/a	1,100	1,100	1,100	1,100
2,257	2,310	2,314	2,329	2,346
21,745	22,023	22,287	22,634	23,432
2,043	2,066	2,066	2,262	2,262
67	64	66	67	673
211	211	200	199	203
7	7	8	8	8
4	4	4	4	4
786.00	795.00	804.00	818.00	824.00
4,522	4,608	4,681	4,823	4,892
1,003.00	1,018.66	1,033.90	1,048.40	1,053.00
253	255	259	262	262
28	28	28	28	28
16	16	16	17	17
3	3	3	3	3

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Chesapeake
VIRGINIA

COMPLIANCE SECTION

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2009

Federal Granting Agency/Recipient State Agency / Grant Program	Federal Catalogue Number	Expenditures
Department of Agriculture:		
Direct payments:		
Food and Nutrition Service		
Summer Food Service Program for Children	10.559	102,966
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,733,475
Virginia Department of Education:		
School Breakfast Program	10.553	1,207,536
National School Lunch Program	10.555	4,043,427
Summer School Service Program For Children	10.559	194,352
Fresh Fruit and Vegetable Program	10.582	13,220
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	686,675
Food Distribution - commodities value - Detention Home	10.555	21,682
Virginia Department of Forestry		
Department of Agriculture - Cooperative Forestry Assistance	10.664	3,207
		8,006,540
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grant Program:		
Program Year 2007	14.218	103,086
Program Year 2008	14.218	287,178
Program Year 2009	14.218	679,067
Section 108 Loan Program - 2008 Program	14.248	126,606
Section 108 Loan Program - 2009 Program	14.248	248,265
Portlock Area/Money Point Drainage	14.228	435,304
Shelter Plus/Mckinney-Vento Grant	14.238	11,092
HOME Investment Partnerships Program		
Program Year 2000	14.239	100
Program Year 2001	14.239	500
Program Year 2002	14.239	24,937
Program Year 2003	14.239	211,129
Program Year 2004	14.239	44,777
Program Year 2005	14.239	240,134
Program Year 2006	14.239	121,261
Program Year 2007	14.239	36,013
Program Year 2008	14.239	384,554
Program Year 2009	14.239	73,181
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization and Planning Grant	14.228	51
		3,027,235
Department of Health and Human Services:		
Pass-through payments:		
Virginia Department of Health		
Infant Mortality and Chronic Disease Prevention	93.945	24,732
Health and Human Services Preparedness and Response Grant	93.889	18,503
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	132,133
Block Grants for Prevention and Treatment of Substance Abuse	93.959	759,914
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	70,122
Temporary Assistance for Needy Families	93.558	1,643,688
Refugee and Entrant Assistance - State Administered Program	93.566	2,858
Low Income Home Energy Assistance	93.568	65,556
Payments to States for Child Care Assistance	93.575	987,833
Child Care & Development Fund	93.596	1,119,958

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1, Continued

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2009

Federal Granting Agency/Recipient State Agency / Grant Program	Federal Catalogue Number	Expenditures
Department of Health and Human Services (Continued):		
Pass-through payments (Continued):		
Virginia Department of Social Services (Continued):		
Chaffee Education and Training Vouchers Program (ETV)	93.599	7,586
Child Welfare Services-State Grants	93.645	7,826
Foster Care-Title IV-E	93.658	1,010,376
Foster Care-Title IV-E - American Recovery and Reinvestment Act	93.658	41,848
Adoption Assistance	93.659	487,534
Adoption Assistance - American Recovery and Reinvestment Act	93.659	45,963
Adoption Incentive Grant	93.603	6,547
Social Services Block Grant	93.667	576,746
Independent Living	93.674	16,508
State Children's Insurance Program	93.767	128,473
Child Care and Development Block Grant - American Recovery and Reinvestment Act	93.713	23,592
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,133,690
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	87,656
		8,399,642
Department of Labor:		
Pass-through payments:		
Opportunity Incorporated		
Youth Employment Program - American Recovery and Reinvestment Act	17.259	17,918
		17,918
Department of the Interior:		
Direct payments:		
Payment in Lieu of Taxes	15.226	3,403
U.S. Fish and Wildlife Service		
Back Bay Grants	15.614	22,817
Dismal Swamp Youth Employment	15.231	9,769
Refuge Revenue Sharing	15.226	40,241
		76,230
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	262,233
State Criminal Alien Assistance Program	16.606	32,186
Office of Community Oriented Policing Services - Public Safety -		
Partnership and Community Policing Grants	16.710	16,980
Pass-through payments:		
Bureau of Justice Assistance:		
Juvenile Accountability Block Grant		
Fiscal year 2008	16.523	25,838
Fiscal year 2009	16.523	23,792
Edward Byrne Grant Program		
Fiscal Year 2006	16.738	4,703
Fiscal Year 2009	16.579	57,214
		422,946
Environmental Protection Agency		
Direct Payment:		
Chesapeake Integrated Pest Management Initiative	66.716	140
		140
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	10,600
		10,600

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1, Continued

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2009

Federal Granting Agency/Recipient State Agency / Grant Program	Federal Catalogue Number	Expenditures
Department of Transportation:		
Pass-through payments:		
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		
Fiscal year 2008	20.607	13,790
Fiscal year 2009	20.607	10,517
Department of Emergency Management		
Hazardous Emergency Preparedness Grant	20.703	19,200
Virginia Department of Transportation:		
Federal Highway Administration - Planning and Construction		
Citywide Signal Timings	20.205	192,800
Route 104 Steel Bridge	20.205	1,070,252
Dismal Swamp Trail	20.205	198,482
Gum Road Multi Use Path	20.205	59,337
Poindexter	20.205	49,774
Greenbrier/Volvo	20.205	1,226
Portsmouth Blvd Phase IV	20.205	45,317
Hanbury/Battlefield Interchange	20.205	53,055
Greenbrier/Eden Way	20.205	28,987
Johnstown/Waters Road	20.205	69,002
Woodlake	20.205	19,778
Battlefield Visitor Center	20.205	42,751
		1,874,268
Federal Emergency Management		
Department of Defense:		
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	1,275
		1,275
Department of Education:		
Direct payments:		
Impact Aid	84.041	4,362,770
Pass-through payments:		
Virginia Department of Education:		
State Stabilization - State Compensation Board - American Recovery and Reinvestment Act	84.397	3,059,581
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	198,692
Title I, Part D - Program for Neglected & Delinquent Children	84.013	54,959
Title I Grants to Local Educational Agencies	84.010	4,465,729
Title V, Part A - State Grants for Innovative Programs	84.298	3,746
Special Education - Grants to States	84.027	5,938,009
Special Education - Preschool Grants	84.173	225,168
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,124,353
Vocational Education - Basic Grants to States	84.048	440,728
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	98,571
Title III, Part A - English Language Acquisition Grants	84.365	71,190
Title II, Part D - Enhancing Education Through Technology Program	84.318	40,139
Part C Funds	84.181	195,682
		20,279,317
Department of Homeland Security:		
Pass-through payments:		
Virginia Department of Emergency Management:		
Interoperable Communications Grant	11.555	332,998
Hazard Mitigation - Inland Colony	83.580	6,286
Pre-Disaster Mitigation Program	97.047	23,473
Hazard Mitigation Grant - Repetitive Flood Claims Grant - 2007	97.039	12,882

(Continued)

CITY OF CHESAPEAKE, VIRGINIA*Schedule U-1, Continued*

Schedule of Expenditures of Federal Awards

For the Period Ended June 30, 2009

Federal Granting Agency/Recipient State Agency / Grant Program	Federal Catalogue Number	Expenditures
Department of Homeland Security (Continued):		
Pass-through payments (Continued):		
Virginia Department of Emergency Management (Continued):		
Hazard Mitigation Grant - Repetitive Flood Claims Grant - 2008	97.092	497,152
Home Security Grant Program	97.055	382,098
Homeland Security Grant Program	97.004	18,713
Citizen Preparedness and Citizen Corps Program - 2005	97.053	307
Citizen Preparedness and Citizen Corps Program - 2006	97.053	19,645
Citizen Preparedness and Citizen Corps Program - 2007	97.073	2,147
Local Emergency Management Performance Grant - 2008	97.073	240
City of Portsmouth:		
Port Security Grant Program	97.056	44,870
		1,340,811
Corporation for National and Community Service:		
Pass-through payments:		
Virginia Department of Education:		
Learn and Serve America - School and Community-Based Programs	94.004	36,393
		36,393
Total federal expenditures per the Schedule of Expenditures of Federal Awards		43,493,315

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to Financial Statements

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

Intergovernmental revenues per the basic financial statements:

Primary government:	
General Fund	\$ 3,163,219
Capital Projects Fund	2,407,400
Special Revenue Funds:	
Virginia Public Assistance Fund	8,995,111
Community Services Fund	1,087,728
Community Development Fund	2,305,845
Grants Fund	2,347,581
<u> Total primary government</u>	<u>20,306,884</u>
Component unit - Public Schools:	
School Operating Fund	22,608,614
School Food Services Fund	708,357
<u> Total component unit - Public Schools</u>	<u>23,316,971</u>
<u> Total federal expenditures from intergovernmental revenue</u>	<u>43,623,855</u>
Other reconciling items	(130,540)
<u> Total federal expenditures per the Schedule of</u>	
<u> Expenditures of Federal Awards</u>	<u>\$ 43,493,315</u>

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, and Our House Families are the subrecipients for the federal awards of \$849,689 for the Community Development Block Grant Program and \$907,669 for the HOME Investment Program received from the Department of Housing and Urban Development

The Planning Council is the subrecipient of \$1,052,409 related to the Child Care Assistance and Child Care Development Fund received from the Department of Social Services.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management’s Response, and Prior Year Findings
Year Ended June 30, 2009

(1) Summary of Auditors’ Results

- (a) The type of report issued on the basic financial statements: **UNQUALIFIED OPINIONS**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **NO**
- (c) Noncompliance, which is material to the financial statements: **NO**
- (d) Significant deficiencies in internal control over major programs: **NO**
- (e) The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
- (g) The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Health and Human Services:	
Child Care Cluster	93.575/93.596
ARRA – Child Care Cluster	93.713
Adoption Assistance	93.659
ARRA – Adoption Assistance	93.659
Department of Homeland Security:	
Repetitive Flood Claim Grant	97.092
Department of Education:	
ARRA - State Fiscal Stabilization Fund	84.397
Special Education Cluster	84.027/84.173

- (h) Dollar threshold to distinguish between Types A and B Programs: **\$1,304,799**
- (i) The City of Chesapeake was determined to be a low risk auditee.

(2) Findings - Financial Statement Audit: NONE

(3) Findings and Questioned Costs - Major Federal Awards: NONE

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2009

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

Virginia Department of Social Services

Child Welfare Trust Accounts

State Finding 09-1: Child Welfare Trust Accounts

Criteria:

All accounts with sustained balances should be held in an interest bearing account

Condition:

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we determined that pooled Child Welfare Trust funds are not being held in an interest bearing account.

Cause:

The checking account that holds the pooled Child Welfare Trust Funds is not an interest bearing account.

Effect:

Child Welfare Trust funds do not receive the opportunity to earn interest.

Recommendation:

We recommend that all Child Welfare Trust funds be held in interest bearing accounts.

Management Response:

Management agrees with this finding. The City's Department of Social Services (CDSS) has reviewed and updated procedures to review accounts quarterly to ensure all accounts with sustained balances are held in an interest bearing account. Updated procedures have been communicated to staff.

VIEW Purchased Service Transactions

State Finding 09-2: VIEW Purchased Service Transactions

Criteria:

Virginia Initiative for Employment not Welfare (VIEW) purchased service transactions should be in accordance with policy and appropriate based on the individual VIEW participants Activity and Service Plan.

(Continued)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2009

(4) Continued

State Finding 09-2, Continued

Condition:

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we discovered two instances in which expenditure were charged to the VIEW program that pertained to clients who were not VIEW participants.

Cause:

Expenditures are not being properly reviewed before they are charged to a program.

Effect:

VIEW funds were used improperly.

Recommendation:

We recommend that a procedure be put into place to ensure that all reimbursable expenditures are charged to the right programs.

Management Response:

Management agrees with this finding. The City's Department of Social Services (CDSS) has reviewed and updated procedures to conduct two level of fiscal unit review of expenditure coding for all programs prior to the payment process. Updated procedures have been communicated to staff.

(5) Schedule of Prior Year Findings

Year Ended June 30, 2008:

Virginia Department of Social Services

Child Welfare Trust Accounts

State Finding 08-1: Accounts Without Recent Activity are Necessary and Unexpended Funds are Returned

Status: Completed



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the basic financial statements of the City of Chesapeake, Virginia (the "City") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.. Other auditors audited the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City of Chesapeake, Virginia'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, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We did identify two matters of noncompliance with State compliance requirements which are described in the accompanying schedule of findings and questioned costs as findings 2009-1 and 2009-2.

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

We noted certain matters that we reported to management of the City in a separate letter dated December 1, 2009.

This report is intended for the information of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
December 1, 2009



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

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

Compliance

We have audited the compliance of the City of Chesapeake, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Chesapeake's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Chesapeake's management. Our responsibility is to express an opinion on the City of Chesapeake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chesapeake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Chesapeake's compliance with those requirements.

In our opinion, the City of Chesapeake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Chesapeake is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The report is intended for the information of the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
December 1, 2009