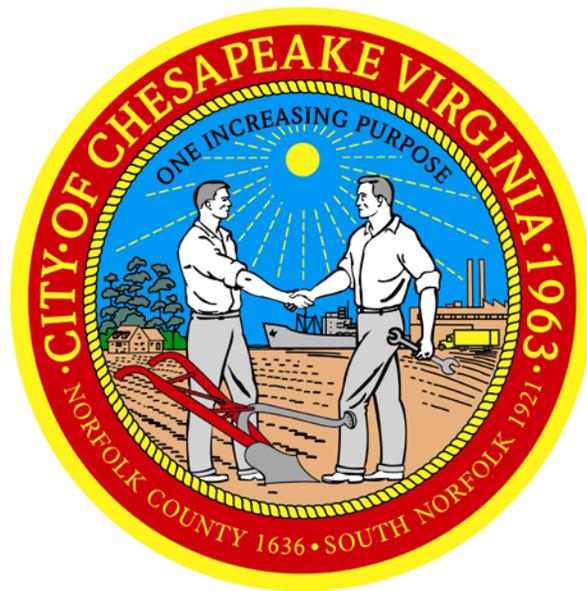


Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2010



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	Emilia Lonigro	Nancy Tracy
Bobbie Berger	Evon Madison	Louella Vess
Rannie Brown	Elizabeth Meinen	Tamara Walters
Donna Foreman	Loretta Mitchell	Dawn Werner
Pamela Hardesty	John Mundy	Bobbie Jo Whitaker
Donna Hildebrand	Victoria Reed	Karen Woodson
Jennifer Holmes	Anna Riddlehoover	
Robert Knowles	Rhonda Sommer	

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

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

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INTRODUCTORY SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

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

December 6, 2010

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, 2010, 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 second largest city in the Commonwealth with 353 square miles, surrounded by the cities of Norfolk, Portsmouth, Virginia Beach, Suffolk, and the North Carolina state-line.

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

In accordance with the requirements of 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 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 social services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

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

Economic Condition and Outlook

The City and regions growth were predicted to experience the beginnings of a recovery in 2010; however this predicted growth did not materialize. Retail sales decreased from the prior year by 5% to \$2.89 billion according to the Virginia Department of Taxation. This retail contraction reflects the current economic conditions.

The regions diversity of the local economy and military presence have historically shielded it from the more dramatic shifts in the national and global economies. However, on August 9, 2010, U.S. Defense Secretary Robert Gates announced the planned closure of the Joint Forces Command (JFCOM) as a part of the Department of Defense's initiative to reduce certain types of military spending and reliance on defense contractors. JFCOM, located in the neighboring cities of Norfolk and Suffolk, is charged with training military personnel from the different service branches to work together effectively and is one of the military's ten combatant commands. According to the JFCOM website, JFCOM employs approximately 6,324 people with a majority based in the Hampton Roads region, including about 3,300 contractors with the remaining 3,024 split almost evenly between military and civilian workers. JFCOM has an operating budget of roughly \$703.9 million. The closure is expected to take place over the coming year.

The number of workers living in Chesapeake and the full economic impact to the City and the region have yet to be determined but may include displacement of employees (including the potential elimination of positions in the region) and related contracting and service firms. In response to Secretary Gates' announcement, the Governor of Virginia signed an executive order creating a commission to identify "the appropriate strategies to retain the military and national security facilities located in the Commonwealth and to identify operations and facilities that can be located within Virginia." On August 24, 2010, the Chesapeake City Council passed a resolution protesting the proposed closure of JFCOM and requested the Virginia congressional delegation and Governor to take

any and all actions necessary to preserve and maintain the joint forces command in Hampton Roads. Due to the efforts of the Regional Congressional delegation, while no final plan has been approved, the JFCOM reductions anticipated could be mitigated in terms of both timing for the proposed closure and relocation and the number of workers impacted.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2010, the average unemployment rate was 6.8% in Chesapeake and 7.0% for the State, compared to 9.8% for the U.S.

Despite the economic uncertainties, Chesapeake continues to progress with more than \$135 million in investment and over 600 new jobs being generated as a result of the City's economic development business retention and attraction efforts. The City of Chesapeake is home to the largest concentration of the region's foreign businesses, with more than 90 firms representing at least 18 different countries. Nearly 50% of the international firms doing business in Hampton Roads are located in Chesapeake.

The 2009-2010 fiscal year includes the following new economic development highlights:

- Existing company investment and job creation of \$94.3 million and 459 jobs. New company investment resulted in \$40.7 million and 145 jobs. The majority of the economic development activity was concentrated in healthcare and professional business services.
- Chesapeake Regional Medical Center completed a \$6.5 million Emergency Department expansion.
- Several existing Chesapeake companies also renewed their office leases choosing to stay here and retain 1,145 jobs and occupy 473,200 total square feet.
- The FBI (Federal Bureau of Investigations) will relocate their regional headquarters to Chesapeake's Oakbrooke Business and Technology Center bringing a 131,463 square foot multi-story building and over 100 jobs.

For the first time in the City's 47-year history, Chesapeake has received the highest bond rating available, AAA, from Fitch Ratings Service. Fitch states "the City's excellent financial management and conservative debt structure" is responsible for the elevated ranking.

Major Initiatives

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

During fiscal year 2010 the City achieved the following through its capital planning and improvement program:

- Advancing a preliminary plan of finance and strategy to undertake Dominion Boulevard improvements with strategic partners, VDOT (Virginia Department of Transportation) and FHWA (Federal Highway Administration).

- Other transportation improvements funding including replacement of the Gilmerton Bridge with a new vertical lift span, Rt. 17 Steel Bridge repairs and replacement of the Long Bridge.
- Implemented the Big Bin Recycling Program as requested by citizens and Council Members.
- Effectively pursued additional regulation of above ground liquid fertilizer storage tanks (over 100 thousand gallons) after the Allied tank collapse.
- Aggressively worked with Dominion Resources to provide water to citizens adjacent to the Battlefield Golf Course.
- Community facility improvements funding to include a new animal control bureau shelter and expansion of the Tidewater Community College Chesapeake campus, which are in their initial stages.

For the Future.

Financial Information

Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, 353 square miles of land in the heart of Hampton Roads, and a 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 118,257 in 2010 per the U.S. Labor Statistics, an increase of 22.8% over the period.

The City is continuing its efforts to manage growth to achieve a balance between employment opportunities, its tax base, housing that meet the needs of a diverse population, and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic, and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995 to an overall rate of 11.7%, or an average of 1.2% between 2000 and 2009. The growth rate between 2009 and 2010 was 1.01%, which was a larger increase than the .68% experienced between 2008 and 2009. 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 established 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 the 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, 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.

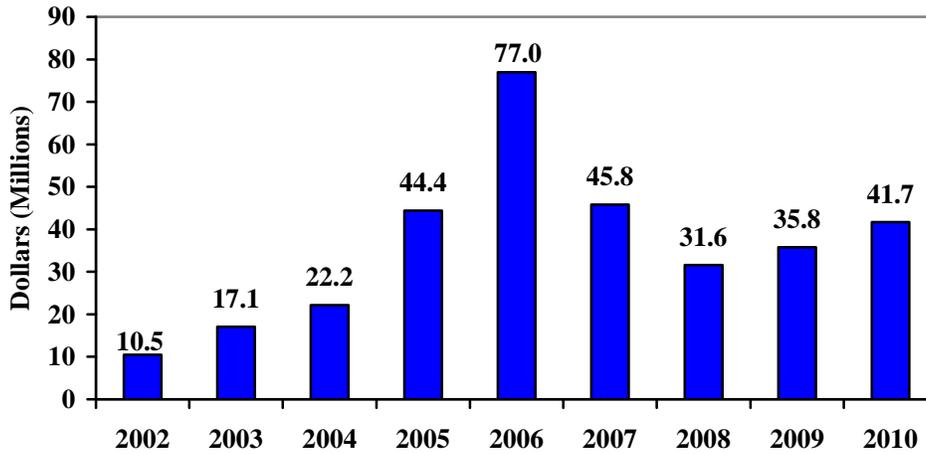
Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – 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 re-appropriated 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, the Special Revenue Funds, and the Permanent Funds. The General Fund is the main operating fund of the City, and is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Capital Projects Fund is used to account for proceeds from public improvement bond issues, local funding sources, and construction grants and expenditures relating to capital projects. When capital projects are completed, the costs of the improvements are transferred from construction in progress to the appropriate fixed asset category. Special revenue funds have been established for programs that the City needs to track separately. There are seventeen special revenue funds for specific purposes, such as the Grants Fund, Virginia Public Assistance Fund, Interagency Consortium Fund and two Tax Increment Financing Funds (TIFs). 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 three distinct activities: Public Utilities, Chesapeake Expressway, and Stormwater Management. 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, 2010 designation for cash flow emergencies totaled \$32,100,281. 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, 2010, the designation for operating emergencies is \$26,783,568. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$29,429,560 has been set aside in various reserves and other designations.

Fund Balance of the General Fund (Undesignated)



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$41,699,790 at June 30, 2010, an increase of \$5,907,116 from the prior year. The change is primarily due to the use of reserved fund balance to fund various Schools capital projects, rather than using current resources. 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 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, 2009	\$ 35.8
Revenues	\$ 505.3
Expenditures:	
Current	\$ 220.9
Other financing uses, net	<u>288.4</u> (509.3)
Decrease in reserves and designations	<u>9.9</u>
Increase in undesignated fund balance	<u>5.9</u>
Undesignated fund balance at June 30, 2010	<u>\$ 41.7</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. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were 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, 2010 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Other Information

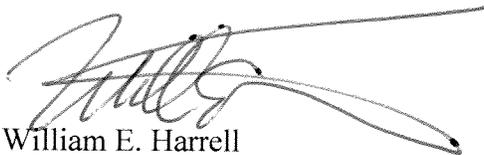
Independent Audit. The City's Charter, SEC 11.06, *Annual Audit* requires an audit by independent certified public accountants. The accounting firm of Cherry, Bekaert & Holland was selected by the City's Audit Selection Committee. In addition to meeting the requirements set forth in the City's Charter, 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, 2009. This was the 28th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

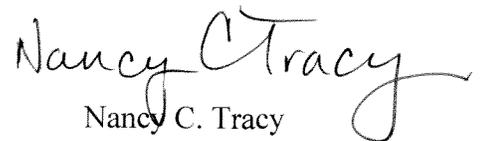
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Very truly yours,

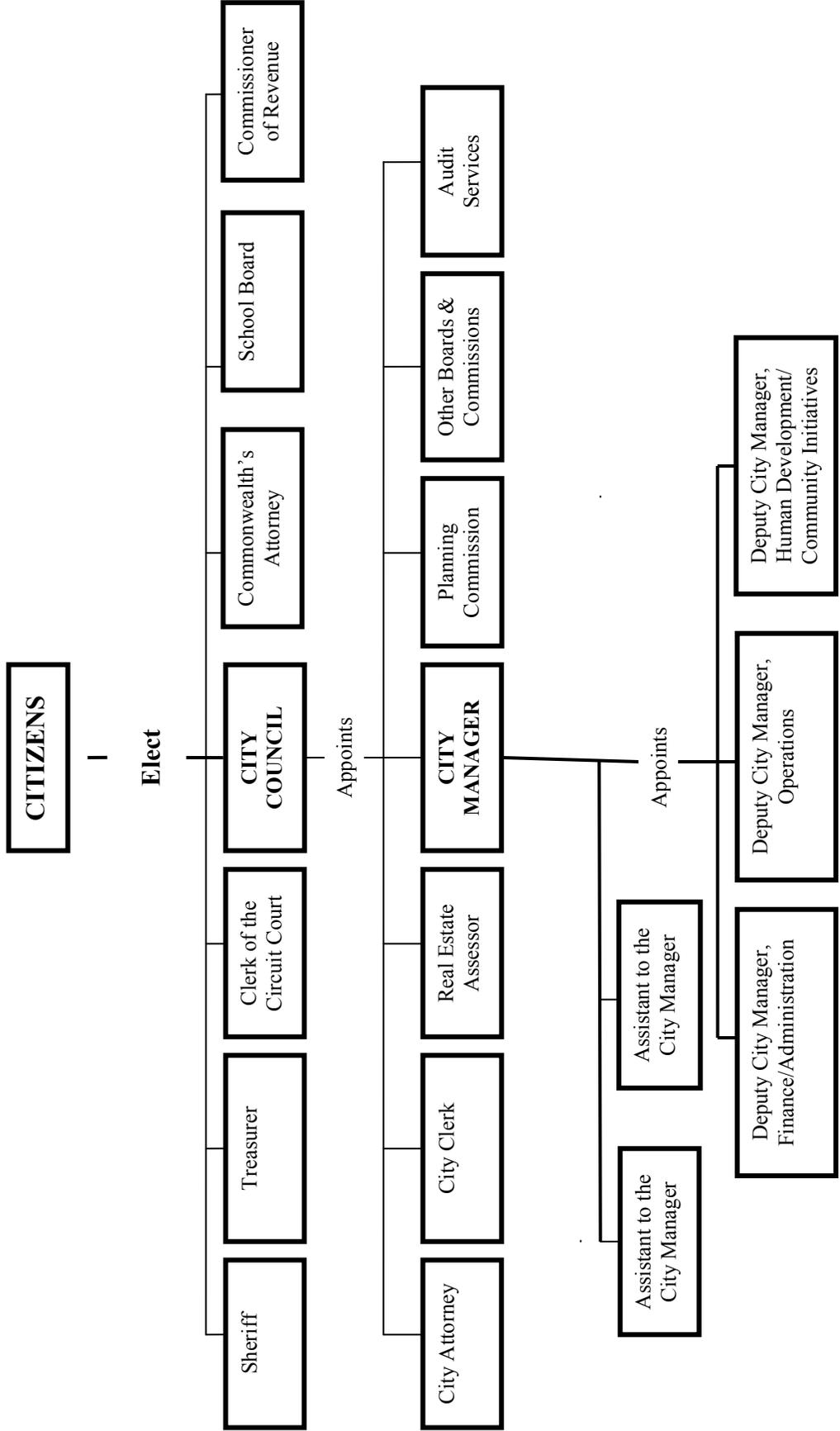


William E. Harrell
City Manager



Nancy C. Tracy
Director of Finance

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials

June 30, 2010

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
Steven L. Jenkins Budget Director
Joseph J. Scislowicz Executive Director of Community Services Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued

June 30, 2010

Maury B. Brickhouse Director of Court Services
Jay B. Tate..... Director of Development and Permits
Steven C. Wright..... Director of Economic Development
Nancy C. Tracy Director of Finance
Edmund E. Elliott, Jr..... Fire Chief
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
David E. Carter 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
Michael L. Thomas Procurement Administrator of Purchasing

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, 2010

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 G. Willis Executive Director, Chesapeake Redevelopment and Housing Authority
Doreen Quane Director of Finance and Administration,
Chesapeake Redevelopment and Housing Authority
R. Joe Simmons 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, 2009

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



President

Executive Director

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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, 2010, 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 24% 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 the 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, 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 6, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, 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 6, 2010

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

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2010

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, 2010. 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 2010

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2010 by \$1.332 billion (net assets). Of this amount, \$170.9 million is unrestricted.
- The City's total net assets increased by \$14.3 million from the prior year. The governmental net assets increased \$9.0 million and business-type net assets increased by \$5.3 million. The donation of infrastructure assets to the City, for governmental purposes of \$7.5 million and business-type purposes of \$3.4 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 \$305.6 million, a decrease of \$8 million from the prior year. Approximately 76% or \$231.5 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported a deficiency of revenues and other financing sources under expenditures and other financing uses of \$4 million. The original budget projected expenditures and other financing uses over revenue and other financing sources of \$13.7 million. Revised revenue projections indicated an impact in State revenues and softness in local revenues which resulted in an amended budget projecting a shortfall of \$27.9 million. Through continued efforts by City management to control costs, including a hiring freeze which has been in place for over 2 years, the City was able to minimize the shortfall in the General Fund despite declining revenues.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$41.7 million, or 10.1% of total General Fund expenditures (including payments to Chesapeake Public Schools). Total reserved and designated fund balance totals \$88.3 million, a decrease of \$9.9 million from the prior year balance.
- Reserved fund balance of the General Fund decreased to \$26 million for 2010 from \$33 million for 2009. This primarily resulted from a decrease to the Schools Capital Project Reserve for \$14.5 million to fund Schools' capital projects in progress. The City Capital Project Reserve increased by \$4.2 million for future capital projects. The Road/Transportation reserve also increased by \$2.3 million. Other reserves were increased, including the reserves for encumbrances and the Treasurer's late license fees.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

- The City's total bonded debt increased by \$12.4 million (approximately 2%) during the fiscal year. The City sold over \$12.2 million in general obligation bonds for Schools' purposes and \$36.4 million of water and sewer revenue bonds under a new Master Agreement of Trust to finance capital improvements to the water and sewer system. The City also sold \$2.6 million of general obligation tax increment Recovery Zone Economic Development bonds to fund various streetscape improvements in the South Norfolk Tax Increment Financing District. These issuances were offset by scheduled debt principal repayments amounting to \$38.9 million.

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*.

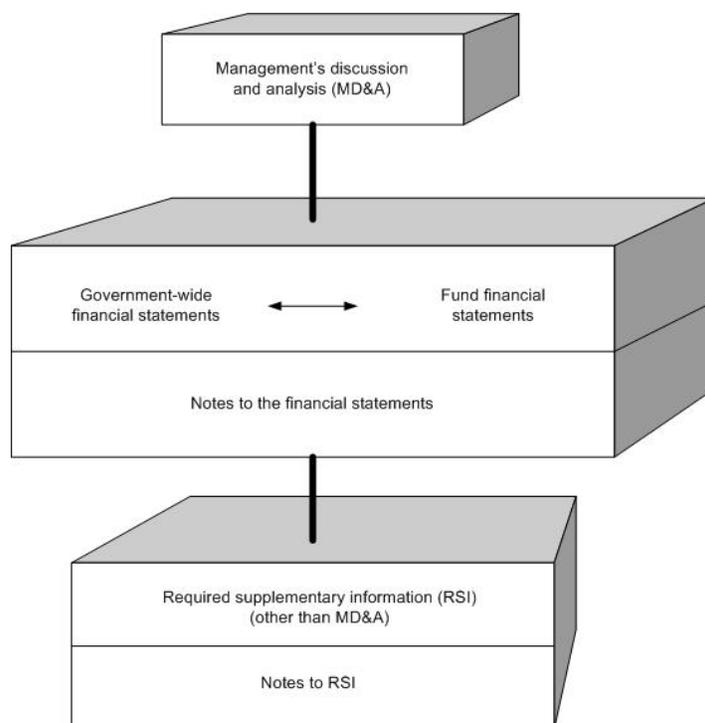
CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

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

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

Figure A
Required Components of Chesapeake's Financial Statements



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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – 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.

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.

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.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements. The City includes in its governmental fund statements a blended component unit, CSB of Chesapeake, Inc. because it provides services entirely for the benefit of the City.
- *Proprietary funds* – 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).

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

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 \$1.332 billion at the close of fiscal year 2010. By far the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and 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, 2010 and 2009
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 384.9	386.6	136.9	97.7	521.8	484.3
Capital assets	1,105.0	1,108.0	488.9	491.7	1,593.9	1,599.7
Total assets	\$ 1,489.9	1,494.6	625.8	589.4	2,115.7	2,084.0
Liabilities						
Current and other liabilities	\$ 25.4	23.0	14.4	13.1	39.8	36.1
Long-term liabilities	506.3	522.4	237.4	207.6	743.7	730.0
Total liabilities	531.7	545.4	251.8	220.7	783.5	766.1
Net assets						
Invested in capital assets, net of related debt	711.5	701.2	274.6	287.1	986.1	988.3
Restricted net assets	74.7	61.9	100.5	80.4	175.2	142.3
Unrestricted net assets (deficit)	172.1	186.1	(1.2)	1.2	170.9	187.3
Total net assets	958.3	949.2	373.9	368.7	1,332.2	1,317.9
Total liabilities and net assets	\$ 1,490.0	1,494.6	625.7	589.4	2,115.7	2,084.0

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

Approximately 13% or \$175.2 million of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$170.9 million or 13%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the primary government as a whole. In addition, all categories of net assets for its separate governmental and business-type activities are positive balances except for unrestricted net assets for business-type activities of (\$1.2) million. All categories reported positive balances in 2009. Total unrestricted net assets decreased by \$16.4 million or 8.8% less than the prior year. Total restricted net assets increased \$33.0 million or 23.1 %, largely due to bond proceeds restricted for capital projects, rate increases for fees collected in the business-type activities that must be spent on those specific activities and unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas. Lastly, net assets invested in capital assets, net of related debt, decreased \$2.2 million or less than 1%. The City's total net assets increased by \$14.3 million or 1.1% during the fiscal year.

Governmental Activities

Net assets of the City's governmental activities increased by \$9.0 million, as shown on the Statement of Activities, accounting for 63% of the total growth in net assets of the City. This increase was largely due to \$10.3 million in capital grants and contributions. Interest earnings fell 48% or \$3.6 million. Total donated land and infrastructure assets, which include roads, were \$7.5 million, reported in the Public Works function. Expenses decreased by 3.2%, including decreases in certain functional areas, primarily public safety and education. Revenues for governmental activities decreased 2.9% from the prior year, with a 0.3% decrease in property tax revenues versus a 0.5% increase from fiscal year 2008 to 2009.

Business-type Activities

The net assets of the City's business-type activities increased from \$368.7 million to \$374 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 \$3.4 million. Revenues decreased 8.3% for business-type activities primarily due to the decrease in Public Utilities capital grants and contributions. Expenses increased approximately 3.2%, due primarily to stormwater cave-in repairs, and renewal and replacement expenses on the Expressway.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

Statement of Activities

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

Table 2
Changes in Net Assets
Years Ended June 30, 2010 and 2009
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 28.1	26.9	77.0	76.6	105.1	103.5
Operating grants and contributions	93.9	94.7	1.1	1.9	95.0	96.6
Capital grants and contributions	10.3	21.9	3.6	10.7	13.9	32.6
General revenues:						
Property taxes	307.2	308.0	-	-	307.2	308.0
Other taxes	112.3	114.3	-	-	112.3	114.3
Unrestricted investment earnings	3.9	7.5	-	-	3.9	7.5
Other	3.5	3.5	-	-	3.5	3.5
not restricted to specific programs	31.5	31.4	-	-	31.5	31.4
Total revenues	590.7	608.2	81.7	89.2	672.4	697.4
Expenses						
General government	143.7	143.5	-	-	143.7	143.5
Public safety	87.1	91.9	-	-	87.1	91.9
Public works	48.1	47.7	-	-	48.1	47.7
Parks	7.8	9.0	-	-	7.8	9.0
Public welfare	42.5	44.0	-	-	42.5	44.0
Education	213.6	226.5	-	-	213.6	226.5
Public Utilities	-	-	53.1	51.9	53.1	51.9
Chesapeake Expressway	-	-	11.2	9.9	11.2	9.9
Stormwater Management	-	-	8.8	7.1	8.8	7.1
Depreciation - unallocated	22.8	22.8	-	-	22.8	22.8
Other	-	-	0.2	2.1	0.2	2.1
Interest on long-term debt	19.2	18.9	-	-	19.2	18.9
Total expenses	584.8	604.3	73.3	71.0	658.1	675.3
Excess before transfers	5.9	3.9	8.4	18.2	14.3	22.1
Transfers	3.1	0.4	(3.1)	(0.4)	-	-
Increase in net assets	9.0	4.3	5.3	17.8	14.3	22.1
Net assets - beginning	949.2	944.9	368.7	350.9	1,317.9	1,295.8
Net assets - ending	\$ 958.2	949.2	374.0	368.7	1,332.2	1,317.9

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

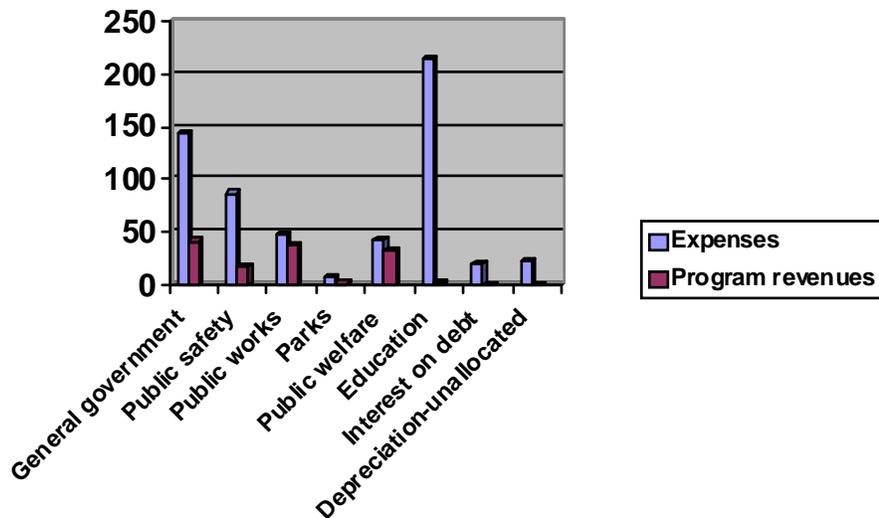
Governmental Activities

The City's total revenues from governmental activities were \$590.7 million for the fiscal year ended June 30, 2010. The largest source (52%) of revenue (\$307.2 million for fiscal year 2010) for the City is property taxes, composed of real estate and personal property taxes. Revenue from property taxes experienced a 0.3% decrease from the prior year. There was 0.5% increase between 2008 and 2009. The 2009-2010 real estate tax rate of \$1.04 per \$100 of assessed value with an additional \$.01 for the Mosquito Control Commission remained the same as 2008-2009.

Revenues from other taxes make up 19% of the City's resources and decreased 1.7% from the prior fiscal year, reflecting a slow-down in consumer activity and activity in the real estate market. Approximately 62% of the City's revenue from governmental and business-type activities comes from some type of tax, and 4% comes from fees charged for services in governmental activities.

The City's expenses for governmental activities cover a wide range of services, with 15% or \$87.1 million for fiscal year 2010 related to public safety and 37% or \$213.6 million for fiscal year 2010 for education (including payments to the Public Schools, a component unit). Overall, expenses for governmental activities decreased by 3.2% which includes a 5.7% decrease in education.

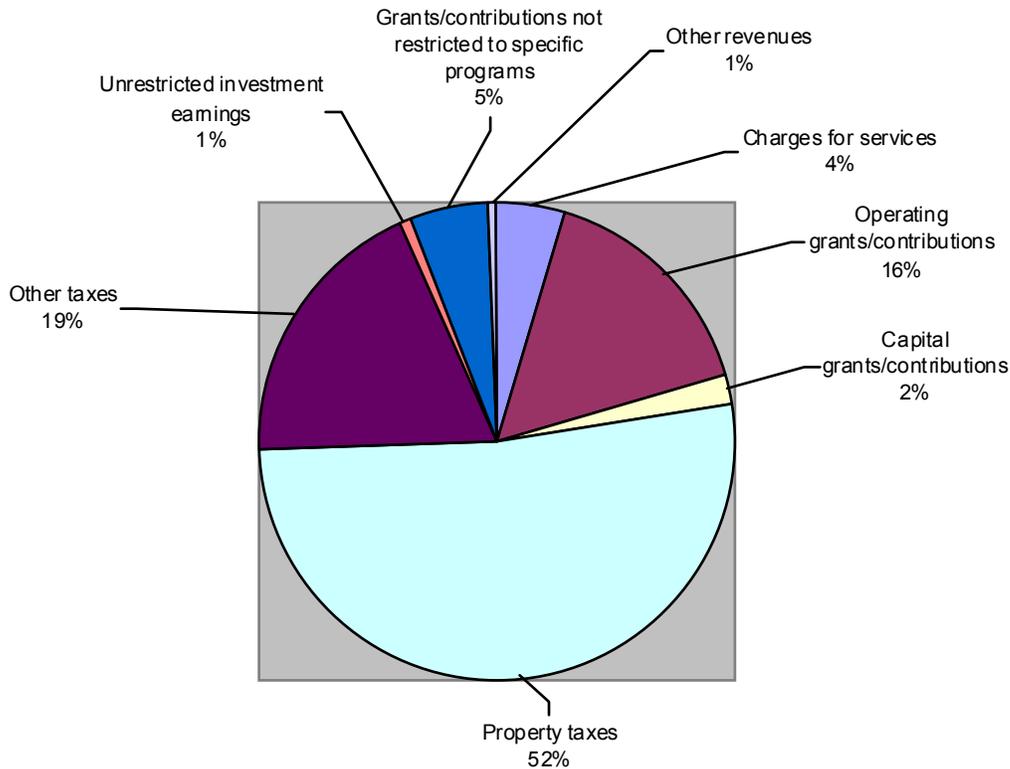
Expenses and Program Revenues – Governmental Activities (in millions) Year Ended June 30, 2010



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

Revenues by Source – Governmental Activities – Year Ended June 30, 2010



Business-Type Activities

Net assets for the City's business-type activities increased by \$5.3 million largely as a result of operating and capital grants as well as charges for services. The increase in net assets accounted for 37% 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 94% of total revenues for business-type activities. The overall net increase in expenses for all business-type activities was 3.2% which resulted largely from increased costs for stormwater cave-in repairs, and renewal and replacement expenses on the Expressway.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

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, 2010, the governmental funds reported combined ending fund balances of \$305.6 million, a decrease of \$8 million over the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2010:

- \$42 million spent in the Capital Projects Fund to fund infrastructure improvements including Tidewater Community College expansion, critical repairs and replacement of City bridges, the purchase of equipment for each fire fighter to comply with federally mandated OSHA regulations, Phase II of the design and initial site work for the jail expansion, and the Human Resource/Payroll System.
- \$205.7 million contributed by the City in operating and capital funds to finance the Public Schools' operations and capital construction. Additionally, the City paid \$34.6 million in debt service for the Public Schools.
- \$10.2 million of tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- \$33.1 million principal debt retired, plus \$14.8 million of new borrowing.
- The City contributed \$7.8 million to the OPEB Trust Fund, including \$2.3 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) and (GASB 45).

Approximately \$234 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, 2010 in the following amounts and for the following purposes:

- \$32.1 million for General Fund cash flow emergencies (6% of revenue required by City Charter)
- \$26.8 million for operating emergencies (City Council policy of an additional 5%)
- \$38.3 million for debt service
- \$7 million for various other purposes

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

The remainder of the unreserved fund balance at June 30, 2010, not designated for a specific purpose, includes \$41.7 million in the General Fund, the City's chief operating fund. This amount represents 10.1% of total General Fund expenditures, as a measure of the General Fund's liquidity. Total fund balance of the General Fund decreased by \$4 million for fiscal year 2010. The General Fund had an increase in undesignated fund balance from operations amounting to \$5.9 million. This increase represents an excess of revenues over expenditures of \$93.2 million and other financing uses of \$97.2 million with the remainder of the increase in the General Fund undesignated fund balance due to City Council's approved use of reserves and designations. Capital Projects reserved fund balance increased \$24 million from last year. This increase is for encumbrances made for several projects including Smart Traffic Phase 4, Deep Creek Park, the Animal Service Facility, the Human Resource/Payroll System and various bridge repairs and replacements.

The General Fund experienced an overall 2.5% decrease in revenue. Investment income was down 34% due to a decrease in interest rates as well as lower cash balances available for investment. Miscellaneous local revenue decreased by \$3.5 million primarily due to the creation of a new proffer revenue fund which collected \$2.3 million in revenue previously recorded in the General Fund. A one time settlement of \$1.2 million was received in FY 2009, also contributing to the revenue variance from the prior fiscal year. Intergovernmental revenues from the Commonwealth of Virginia decreased \$6.7 million. The decrease in this revenue source was primarily due to decreased non-categorical 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 3.3% from the fiscal year 2009 level. One causal factor to this decrease is a 39% decrease in the public works category. This decrease is mainly attributable to the creation of a new Solid Waste Disposal and Recycling Fund where revenue generated from the solid waste and recyclable materials collection and disposal fee were recorded. In addition, a capital outlay decreased by 83% due to a one time non-recurring land acquisition in 2009. There was an increase of 5.5% in the education category for payments to Chesapeake Public Schools.

The Debt Service Fund ended the year with \$39 million in total fund balance, an increase of \$2 million from 2009. The unreserved fund balance is \$38.3 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 over \$12.2 million of General Obligation School bonds issued through the Virginia Public School Authority (VPSA) to partially fund the construction of an addition to a high school.
- Proceeds of \$2.6 million of Recovery Zone Economic Development Bonds were issued by VML/VACo through the Finance Recovery Act Pool I to fund various streetscape improvements.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

The City spent \$42 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 \$73.2 million. Growth in net assets was \$7.1 million, partially resulting from the booking of deeded and donated utility improvements from developers in the amount of \$3.4 million. The increase in net assets prior to the impact of this transaction was \$3.5 million. Proceeds of \$36.4 million of water and sewer system revenue bonds (\$32.5 million taxable – Build America Bonds and \$3.9 million tax-exempt) were issued to finance capital improvements to the water and sewer system. Approximately \$7.76 million was spent on various water and sewer renewal and replacement capital projects.

The Chesapeake Expressway toll road reported operating revenues for fiscal year 2010 totaling \$7.1 million versus \$6.9 million for 2009. Operating expenses for the year amounted to \$9.2 million, with \$4.6 million from depreciation expense. Net assets decreased by \$4.6 million, with the Chesapeake Expressway Fund covering interest expense of \$2.0 million on the toll road revenue bonds. A principal payment on the bonds was also paid in the amount of \$430,000. Additionally, the fund made repayments of \$1,493,505 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 \$39.7 million in total net assets at June 30, 2010, up from \$34.1 million in 2009. Income from operations was \$5.8 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$2.2 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Effective January 1, 2007, City Council approved an increase in stormwater utility fees from \$2.55 to \$5.55 per month per ERU (equivalent residential unit), with subsequent increases for 2008 to \$6.35, 2009 to \$6.85 and 2010 to \$7.35.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 402,414,191	397,614,191	403,910,678
Intergovernmental	82,577,437	80,924,241	80,288,539
Other	21,045,545	19,886,414	21,155,142
Total	506,037,173	498,424,846	505,354,359
Expenditures and transfers:			
Expenditures *	232,266,854	234,134,039	220,912,885
Transfers (net)	287,518,573	292,148,298	288,422,052
Total	519,785,427	526,282,337	509,334,937
Change in fund balance	\$ (13,748,254)	(27,857,491)	(3,980,578)

*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$.79 million for encumbrances reappropriated from June 30, 2009.

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$6.5 million (net increase in appropriations and transfers) and include the following major changes:

- Deappropriation of \$1.9 million to accommodate lower than originally expected revenues;
- Deappropriation of \$6.1 million of local and state revenue (using fund balance of \$3.7 million and reduction of transfer to Schools Operating funds of \$2.4 million)
- Appropriation of \$4.7 million from the General Fund undesignated fund balance from prior year end resources to fund primarily high priority transportation projects (\$2.3 million), Economic Development Incentive Grant program (\$.75 million), and Fire Department overtime needs (\$.9 million);
- Appropriation of \$2.2 million to the Termination Benefits internal service fund;
- Appropriation of \$1.1 million from the school lock box for payment of school non-subsidized bonds debt service.

Actual total revenues exceeded the amended budget by \$6.9 million, primarily due to general property taxes exceeding budget by \$6.1 million. Revised revenue projections indicated an impact in State revenues and softness in local revenues so the original budget for general property taxes was de-appropriated \$6.1 million. Although revenue projections indicated revenue shortness, total general property tax revenues came in 2% over budget. Charges for services

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

exceeded the amended budget by approximately \$460,000 largely due to more collections by the jail and sheriff. Expenditures were significantly below the amended budget by \$13.2 million. The general government category returned 7% 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 2010, as all departments were encouraged to be conservative in their spending for the fiscal year and salaries were controlled through the hiring freeze. Although the amended budget called for a reduction of \$27.9 in fund balance, the actual higher revenues and lower expenditures resulted in a smaller decrease of \$4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2010, 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 decrease of .4% or \$5.8 million (a decrease of .3% for governmental activities and a decrease of .57% for business-type activities).

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

- Construction in progress totaled \$83.2 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$20.2 million for business-type activities, which includes Public Utility and Stormwater projects.

The City's fiscal year 2011 capital budget calls for \$107.1 million for capital projects, including \$9.7 million for Butts Station Operation Relocation, \$35.9 million for the Greenbrier and South Norfolk Tax Increment Financing Districts improvements, \$4.5 million for Public Safety Network Ops Center, \$3.6 million for George Washington Highway Improvements, \$6.6 for Portsmouth Boulevard, \$16 million for Dominion Boulevard, \$14.8 million for water and sewer projects. The City plans to issue \$66 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, 2010

**City of Chesapeake's Capital Assets
 (net of accumulated depreciation)
 June 30, 2010 and 2009
 (in millions)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 39.0	37.9	21.2	21.4	60.2	59.3
Intangibles	258.5	255.0	3.0	2.3	261.5	257.3
Construction in progress	83.1	71.5	20.2	20.3	103.3	91.8
Buildings	399.1	411.1	4.4	4.6	403.5	415.7
Improvements other than buildings	17.8	16.2	2.5	2.4	20.3	18.6
Equipment and vehicles	43.0	39.8	1.5	1.9	44.5	41.7
Infrastructure	264.5	276.5	436.1	438.8	700.6	715.3
Total	\$ 1,105.0	1,108.0	488.9	491.7	1,593.9	1,599.7

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 and the installment purchase agreement) of \$538,107,791. Of this amount, \$481,317,791 comprises debt backed by the full faith and credit of the City, \$36,385,000 is debt secured by revenues of the Water and Sewer System, and \$20,405,000 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, 2010 and 2009
 (in millions)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 365.7	384.1	111.3	115.9	477.0	500.0
Revenue bonds	-	-	56.8	20.8	56.8	20.8
Literary loans	3.0	3.6	-	-	3.0	3.6
Installment Purchase Agreement	1.3	1.3	-	-	1.3	1.3
Total	\$ 370.0	389.0	168.1	136.7	538.1	525.7

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

Chesapeake's total bonded debt increased by \$12.4 million during the fiscal year. The City sold over \$12.2 million in general obligation bonds for School purposes. The City also sold \$36.4 million water and sewer system revenue bonds. \$2.6 million general obligation tax increment Recovery Zone Economic Development Bonds were issued to fund various streetscape improvements. 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 \$4.3 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, 2010. 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.

In fiscal year 2010, Fitch Rating Service assigned the City of Chesapeake the highest bond rating available, "AAA," the first in the City's history.

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 \$2,547,913,348 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 2010 for the City of Chesapeake is 6.8%, which is up from the 3.3% in 2009. This compares to the state's average unemployment rate of 7% and the average national rate of 9.8% for the same time period.
- Chesapeake's annual population growth rate was 1.01% between 2009 and 2010, which was a larger increase than the .68% experienced between 2008 and 2009. This is a decrease also over the 1.2% average annual growth rate that has occurred over the past decade.
- 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 .4% for 2010 versus 3% growth for 2009.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2010

- 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 2011 fiscal year. During the current fiscal year, undesignated fund balance in the General Fund increased from \$35.8 million to \$41.7 million. The fiscal year 2011 operating budget includes a planned use of General Fund fund balance of \$27.1 million. The general real estate tax rate was unchanged at \$1.04 per \$100 value, exclusive of .01 for the Mosquito Control Commission.

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, 2010

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 225,092,528	27,479,011	252,571,539	59,297,518	7,723,269
Receivables, net of allowance for uncollectible amounts (note 3)	80,972,143	22,419,316	103,391,459	24,236,657	19,778,139
Due from component units, net of allowance for uncollectible amounts (note 7)	385,100	-	385,100	-	-
Internal balances (note 1)	1,229,016	(1,229,016)	-	-	-
Inventories	1,141,093	948,254	2,089,347	1,334,883	7,514,177
Prepaid expenses	878,779	-	878,779	-	-
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	1,349,120	1,349,120	-	-
Cash restricted for debt service	-	2,710,920	2,710,920	-	-
Cash restricted for debt service with trustee	-	7,033,350	7,033,350	-	-
Cash with State Set-Aside (note 2)	1,331,909	-	1,331,909	-	-
Capital construction:					
Cash and temporary investments	65,295,497	50,074,961	115,370,458	50,029,525	-
Cash and temporary investments with trustee	6,782,062	23,855,852	30,637,914	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	575,986	-	575,986	-	-
Capital Assets (notes 4, 6, and 9):					
Land	38,974,553	21,229,546	60,204,099	16,846,470	1,604,072
Intangibles	258,530,657	2,986,767	261,517,424	-	-
Construction in progress	83,161,760	20,154,664	103,316,424	83,347,609	-
Buildings	590,670,722	5,623,195	596,293,917	36,769,878	3,612,788
Improvements other than buildings	32,771,763	3,118,300	35,890,063	5,604,150	17,275,193
Software, equipment and vehicles	103,932,110	8,621,395	112,553,505	69,301,506	1,882,475
Infrastructure	1,071,978,499	628,262,241	1,700,240,740	-	-
Accumulated depreciation	(1,075,007,272)	(201,085,366)	(1,276,092,638)	(56,065,368)	(11,056,586)
Other assets	1,243,457	1,260,703	2,504,160	-	168,347
Total assets	\$ 1,489,940,362	625,813,213	2,115,753,575	290,702,828	48,501,874
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 24,204,375	6,806,975	31,011,350	47,448,557	262,062
Deferred revenues	1,189,947	7,640,304	8,830,251	-	6,280
Due to primary government (note 7)	-	-	-	-	2,648,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	57,233,691	6,320,057	63,553,748	3,949,342	3,562,115
Due in more than one year	449,049,646	231,089,484	680,139,130	204,572,287	17,758,976
Total liabilities	531,677,659	251,856,820	783,534,479	255,970,186	24,238,035
Net Assets					
Invested in capital assets, net of related debt	711,456,653	274,620,304	986,076,957	145,437,765	10,467,759
Restricted for:					
Capital projects	6,733,774	1,421,019	8,154,793	44,293,952	-
Debt service	5,977,598	8,400,300	14,377,898	-	-
Other purposes:					
Expendable:					
General Fund	36,947,059	-	36,947,059	-	-
Special Projects	24,848,115	-	24,848,115	-	-
Educational Purposes	171,038	-	171,038	-	-
Public Utilities Fund Operations	-	67,632,438	67,632,438	-	-
Chesapeake Expressway Fund Operations	-	2,359,482	2,359,482	-	-
Stormwater Management Fund Operations	-	20,751,866	20,751,866	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	1,986,967
Chesapeake Airport Authority	-	-	-	-	347,535
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	172,115,671	(1,229,016)	170,886,655	(154,999,075)	11,461,578
Total net assets	958,262,703	373,956,393	1,332,219,096	34,732,642	24,263,839
Total liabilities and net assets	\$ 1,489,940,362	625,813,213	2,115,753,575	290,702,828	48,501,874

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

CITY OF CHESAPEAKE, VIRGINIA
Statement of Activities
Year Ended June 30, 2010

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 Government Business-type Activities	Total	Discretely Presented Component Units		
								Public Schools	Others	
PRIMARY GOVERNMENT										
Governmental activities:										
General government	\$ 143,688,526	14,634,265	26,630,656	473,712	(101,949,893)	-	(101,949,893)	-	-	-
Public safety	87,113,239	6,066,443	10,324,844	188,828	(70,533,124)	-	(70,533,124)	-	-	-
Public works	48,092,037	2,533,979	27,529,490	7,957,336	(10,071,232)	-	(10,071,232)	-	-	-
Parks	7,795,681	1,058,795	86,466	-	(6,650,420)	-	(6,650,420)	-	-	-
Public welfare	42,497,064	3,758,146	28,350,135	-	(10,388,783)	-	(10,388,783)	-	-	-
Education	213,583,783	-	960,854	1,699,602	(210,923,327)	-	(210,923,327)	-	-	-
Interest on long term debt	19,234,044	-	-	-	(19,234,044)	-	(19,234,044)	-	-	-
Depreciation and amortization - net unallocated portion (note 4)	22,734,730	-	-	-	(22,734,730)	-	(22,734,730)	-	-	-
Total governmental activities	\$ 884,739,104	28,051,628	93,882,445	10,319,478	(452,485,553)	-	(452,485,553)	-	-	-
Business-type activities:										
Public Utilities	53,143,253	55,733,051	909,301	3,597,675	-	7,096,774	7,096,774	-	-	-
Chesapeake Expressway	11,183,690	7,097,481	(16,779)	-	(4,102,988)	-	(4,102,988)	-	-	-
Stormwater Management	8,838,137	14,194,442	252,770	-	-	5,609,075	5,609,075	-	-	-
Jordan Bridge	181,365	-	-	-	-	(181,365)	(181,365)	-	-	-
Total business-type activities	\$ 73,346,445	77,024,974	1,145,292	3,597,675	(452,485,553)	8,421,496	8,421,496	-	-	-
Total primary government	\$ 658,085,549	105,076,602	95,027,737	13,917,153	(452,485,553)	8,421,496	(444,064,057)	-	-	-
COMPONENT UNITS										
Public Schools	\$ 486,073,626	7,245,368	82,506,111	955,420	-	-	-	(395,366,727)	-	-
Chesapeake Mosquito Control Commission	4,717,522	-	4,046,690	-	-	-	-	-	(670,832)	-
Economic Development Authority	2,232,533	-	2,121,748	-	-	-	-	-	(110,785)	-
Chesapeake Port Authority	8,619	-	7,121	-	-	-	-	-	(1,498)	-
Chesapeake Airport Authority	1,656,760	431,858	796,698	-	-	-	-	-	(428,204)	-
Elizabeth River Properties of Chesapeake, Inc	110,503	88,050	37,572	-	-	-	-	-	15,119	-
Total component units	\$ 494,799,563	7,765,276	89,515,940	955,420	-	-	-	(395,366,727)	-	(1,196,200)
General revenues:										
Taxes:										
Property taxes, levied for general purposes					\$ 307,213,245					
Local sales and use taxes					31,888,444					
Consumer utility taxes					10,115,683					
Communication sales tax					12,451,943					
Business license taxes					22,022,114					
Local utility consumption tax					874,573					
Bank stock taxes					1,343,472					
Taxes on recordation and wills					2,556,662					
Tobacco taxes					4,681,393					
Hotel and motel room taxes					4,931,085					
Restaurant food taxes					20,406,319					
Admission taxes					679,612					
Short-term rental taxes					263,012					
Pari-mutuel wagering pool tax					109,233					
Payment from City					-					
Grants and contributions not restricted to specific programs					31,520,409					
Unrestricted investment earnings					3,882,868		1,269			
Miscellaneous					3,465,033					
Transfers					3,133,630		(3,133,630)			
Total general revenues and transfers					461,537,461		(3,132,361)			
Change in net assets					9,051,908		5,289,135			
Net assets - beginning					949,210,795		368,667,258			
Net assets - ending					\$ 958,262,703		373,956,393			
							1,332,219,096			
									34,732,642	24,263,839

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, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 94,162,951	38,506,384	-	63,838,397	196,507,732
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,673,320	-	-	-	2,673,320
State categorical aid	1,664,748	-	-	-	1,664,748
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	79,452	-	1,046,248	1,242,282	2,367,982
Federal government	91,789	-	3,458,748	1,481,092	5,031,629
Federal government - American Reinvestment and Recovery Act	-	-	103,055	281,422	384,477
Receivables (note 3):					
Property taxes	26,842,343	-	-	-	26,842,343
Accounts receivable	5,183,150	-	203,946	2,986,765	8,373,861
Utility taxes	1,132,316	-	-	-	1,132,316
Interest	347,878	140,428	681	496	489,483
Fines	150,456	-	-	-	150,456
Ambulance fees	3,551,703	-	-	-	3,551,703
Restaurant and food tax	1,807,219	-	-	-	1,807,219
Other	3,017,846	-	-	367,489	3,385,335
Allowance for uncollectible amounts	(4,074,292)	-	-	(1,698,110)	(5,772,402)
Inventory	839,664	-	-	13,982	853,646
Due from other funds (note 8)	153,077	187,557	-	-	340,634
Restricted assets (note 2):					
Cash with state set-aside (note 6)	1,331,909	-	-	-	1,331,909
Capital construction:					
Cash and temporary investments	-	-	65,295,497	-	65,295,497
Cash and temporary investments with trustee	-	-	6,782,062	-	6,782,062
Investment	-	-	-	575,986	575,986
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	162,920	222,180	-	-	385,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 167,708,450	39,056,549	76,890,237	69,089,801	352,745,037
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 1,327,201	13,736	-	3,455,634	4,796,571
Deposits (note 3)	1,808,399	-	-	84,241	1,892,640
Accrued expenditures (note 3)	6,269,978	-	-	179,282	6,449,260
Deferred revenues (note 5)	28,289,673	-	-	909,219	29,198,892
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	4,439,263	-	4,439,263
Due to other funds (note 8)	-	-	187,557	153,077	340,634
Total liabilities	37,695,251	13,736	4,626,820	4,781,453	47,117,260
Fund Balances					
Reserved (note 12):					
Expendable	25,528,781	760,276	45,294,756	2,556,627	74,140,440
Unexpendable	-	-	-	12,795	12,795
Unreserved:					
Designated for debt service	-	38,282,537	-	-	38,282,537
Designated for cash flow emergencies (note 1)	32,100,281	-	-	-	32,100,281
Designated for operating emergencies (note 1)	26,783,568	-	-	-	26,783,568
Designated - General Fund (note 12)	3,900,779	-	-	-	3,900,779
Designated - Special Revenue Funds	-	-	-	3,110,982	3,110,982
Undesignated	41,699,790	-	26,968,661	-	68,668,451
Undesignated - Special Revenue Funds	-	-	-	58,456,906	58,456,906
Undesignated - Permanent Funds	-	-	-	171,038	171,038
Total fund balances	130,013,199	39,042,813	72,263,417	64,308,348	305,627,777
Total liabilities and fund balances	\$ 167,708,450	39,056,549	76,890,237	69,089,801	352,745,037

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2010

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	\$	305,627,777	
<p>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 \$35,546,478 associated with the internal service funds as indicated below.</p>			
Capital assets			1,069,466,314
<p>Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets.</p>			
			1,243,457
<p>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.</p>			
			28,008,945
<p>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 \$1,229,016 as noted on Schedule E.</p>			
Capital assets		35,546,478	
Long-term debt		(34,042,335)	
Other assets and liabilities		<u>30,098,269</u>	31,602,412
<p>Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds.</p>			
			(5,445,200)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total long-term obligations for governmental activities as reported in footnote 6 to the financial statements also include long-term obligations of \$34,042,335 associated with the internal service funds as indicated above.</p>			
Long-term debt related to assets		(423,905,995)	
Long-term debt not related to assets		<u>(48,335,007)</u>	(472,241,002)
Net assets of governmental activities			\$ 958,262,703

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 294,750,983	-	-	10,196,168	304,947,151
Other local taxes	109,159,695	-	-	3,163,850	112,323,545
Licenses, permits, and fees	7,575,603	-	-	-	7,575,603
Fines and forfeitures	2,028,178	-	-	-	2,028,178
Investment income	1,300,585	624,640	1,177,908	488,276	3,591,409
Revenues from use of property	163,373	115,765	-	524,877	804,015
Charges for services	8,796,740	-	-	9,356,524	18,153,264
Miscellaneous local revenues	548,158	-	-	2,625,185	3,173,343
Recovered costs	428,493	-	204,046	1,639,656	2,272,195
Program income	-	-	-	206,739	206,739
Revenues from local developers	314,012	-	517,767	-	831,779
Intergovernmental revenues:					
Commonwealth of Virginia	72,869,487	221,933	899,205	21,214,948	95,205,573
Federal government	233,289	-	5,814,760	13,437,258	19,485,307
Federal government - American Reinvestment and Recovery Act	7,185,763	-	103,055	1,723,392	9,012,210
Chesapeake Public Schools	303,556	657,299	-	-	960,855
Total revenues	505,657,915	1,619,637	8,716,741	64,576,873	580,571,166
EXPENDITURES					
Current:					
General government	104,753,919	-	-	12,721,700	117,475,619
Public safety	81,567,154	-	-	5,789,105	87,356,259
Public works	32,103,454	-	-	22,063,449	54,166,903
Parks	-	-	-	8,364,559	8,364,559
Public welfare	-	-	-	42,255,922	42,255,922
Public welfare - Payments to Elizabeth River Properties of Cheseapeake, Inc.	-	-	-	53,368	53,368
Education - Payments to Public Schools	191,564,441	13,253,099	900,000	-	205,717,540
Capital outlay	259,158	-	40,928,081	1,059,196	42,246,435
Debt service	2,229,200	51,633,467	-	680,670	54,543,337
Total expenditures	412,477,326	64,886,566	41,828,081	92,987,969	612,179,942
Excess (deficiency) of revenues over (under) expenditures	93,180,589	(63,266,929)	(33,111,340)	(28,411,096)	(31,608,776)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	2,978,208	52,001,479	4,955,235	53,283,306	113,218,228
Proceeds from capital lease (note 6)	-	-	4,490,443	-	4,490,443
General obligation RZED bonds issued (note 6)	-	51,100	2,503,900	-	2,555,000
Transfers to other funds (note 8)	(100,139,375)	-	(4,451,689)	(5,271,022)	(109,862,086)
VPSA bonds proceeds (note 6)	-	12,280,000	-	-	12,280,000
Premium on VPSA bonds (note 6)	-	978,896	-	-	978,896
Total other financing sources (uses)	(97,161,167)	65,311,475	7,497,889	48,012,284	23,660,481
Net change in fund balance	(3,980,578)	2,044,546	(25,613,451)	19,601,188	(7,948,295)
Fund balance - beginning	133,993,777	36,998,267	97,876,868	44,707,160	313,576,072
Fund balance - ending	\$ 130,013,199	39,042,813	72,263,417	64,308,348	305,627,777

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2010

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities**

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

Net change in fund balances - total governmental funds \$ (7,948,295)

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	(39,918,584)	
Capital outlay expenditures	42,001,704	
Donated assets	7,530,738	
Noncapitalizable assets related to closed projects	(8,307,017)	
Asset transfers	218,024	
Loss on disposal	(57,468)	
		1,467,397

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. 2,266,094

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)	(19,877,065)	
Principal repayments	38,945,828	
		19,068,763

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	(432,100)	
Compensated absences	891,352	
Net pension obligation	1,146	
Net other post employment benefit obligation	(5,759,014)	
		(5,298,616)

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. (503,435)

Change in net assets of governmental activities **\$ 9,051,908**

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

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Chesapeake
VIRGINIA

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

Chesapeake 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 – To account for the operations of the Jordan Bridge which was donated to the City by the South Norfolk Bridge Commission. The fund closed as of June 30, 2010.

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund			
ASSETS							
Current assets:							
Cash and temporary investments (note 2)	\$ 22,483,453	768,593	4,226,965	-	-	27,479,011	28,584,796
Receivables (note 3):							
Accounts	13,913,916	230,358	9,388,898	-	-	23,533,172	251,322
Interest	178,540	-	15,608	-	-	194,148	48,350
Allowance for uncollectible amounts	(1,590,634)	-	(168,376)	-	-	(1,759,010)	-
Intergovernmental Revenues due from Commonwealth of Virginia	4,654	-	-	-	-	4,654	-
Intergovernmental Revenues due from Federal Government - American Reinvestment and Recovery Act	126,938	-	-	-	-	126,938	-
Inventory of materials and supplies	942,384	-	5,870	-	-	948,254	287,447
Prepaid expenses	-	-	-	-	-	-	878,779
Total current assets	36,059,251	998,951	13,468,965	-	-	50,527,167	30,050,694
Noncurrent assets:							
Restricted assets:							
Cash and temporary investments with trustee	-	1,349,120	-	-	-	1,349,120	-
Cash restricted for debt service	2,710,920	-	-	-	-	2,710,920	-
Cash restricted for debt service with trustee	3,310,319	3,723,031	-	-	-	7,033,350	-
Capital construction:							
Cash and temporary investments	34,504,152	721	15,570,088	-	-	50,074,961	-
Cash and temporary investments with trustee	22,300,802	1,555,050	-	-	-	23,855,852	-
Cash restricted for improvement and redemption	1,000,000	-	-	-	-	1,000,000	-
Total restricted assets	63,826,193	6,627,922	15,570,088	-	-	86,024,203	-
Accounts receivable (note 3)	319,414	-	-	-	-	319,414	-
Capital assets (note 4 and note 9):							
Land	9,798,153	11,105,618	325,775	-	-	21,229,546	-
Intangibles	2,174,179	-	812,588	-	-	2,986,767	-
Construction in progress	16,564,835	-	3,589,829	-	-	20,154,664	76,711
Buildings	73,598	5,389,295	160,302	-	-	5,623,195	157,949
Improvements other than buildings	3,019,753	-	98,547	-	-	3,118,300	398,303
Equipment and vehicles	3,179,385	5,312,979	129,031	-	-	8,621,395	80,841,238
Infrastructure	529,477,106	82,355,685	16,429,450	-	-	628,262,241	34,734
Less accumulated depreciation	(157,391,707)	(41,124,792)	(2,568,867)	-	-	(201,085,366)	(45,962,457)
Total capital assets, net of accumulated depreciation	406,895,302	63,038,785	18,976,655	-	-	488,910,742	35,546,478
Other assets	1,123,679	137,024	-	-	-	1,260,703	-
Total noncurrent assets	472,164,588	69,803,731	34,546,743	-	-	576,515,062	35,546,478
Total assets	\$ 508,223,839	70,802,682	48,015,708	-	-	627,042,229	65,597,172
LIABILITIES AND NET ASSETS							
Liabilities							
Current liabilities:							
Accounts payable (note 3)	\$ 2,994,265	130,227	272,572	-	-	3,397,064	361,066
Accrued expenses and other liabilities (note 3)	475,026	931,376	25,337	-	-	1,431,739	820,375
Deposits (note 3)	780,713	-	-	-	-	780,713	-
Deferred revenues (note 5)	10,574	-	7,354,815	-	-	7,365,389	-
Construction projects payable (note 3)	760,485	-	436,974	-	-	1,197,459	-
Current portion of long-term debt (note 6)	4,602,135	1,194,520	-	-	-	5,796,655	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	-	-	1,624,860
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	383,486	50,059	89,857	-	-	523,402	217,899
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	-	6,478,445
Total current liabilities	10,006,684	2,306,182	8,179,555	-	-	20,492,421	9,502,645
Noncurrent liabilities:							
Deferred revenues (note 5)	274,915	-	-	-	-	274,915	-
General obligation bonds (note 6)	109,155,583	-	-	-	-	109,155,583	-
Revenue bonds (note 6)	36,467,359	19,761,352	-	-	-	56,228,711	-
Due to Commonwealth of Virginia (note 6)	-	65,078,257	-	-	-	65,078,257	-
Obligations under capital leases (note 6)	-	-	-	-	-	-	1,088,834
Accrued vacation, sick pay, and overtime leave (note 6)	459,338	59,963	107,632	-	-	626,933	261,004
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	-	24,371,293
Total noncurrent liabilities	146,357,195	84,899,572	107,632	-	-	231,364,399	25,721,131
Total liabilities	156,363,879	87,205,754	8,287,187	-	-	251,856,820	35,223,776
Net Assets							
Invested in capital assets, net of related debt	278,638,991	(22,995,342)	18,976,655	-	-	274,620,304	32,832,784
Restricted for:							
Capital projects	-	1,421,019	-	-	-	1,421,019	-
Debt service	5,588,531	2,811,769	-	-	-	8,400,300	-
Other purposes - Expendable:							
Public Utilities Fund	67,632,438	-	-	-	-	67,632,438	-
Chesapeake Expressway Fund	-	2,359,482	-	-	-	2,359,482	-
Stormwater Management Fund	-	-	20,751,866	-	-	20,751,866	-
Unrestricted	-	-	-	-	-	-	(2,459,388)
Total net assets (deficit)	351,859,960	(16,403,072)	39,728,521	-	-	375,185,409	30,373,396
Total liabilities and net assets	\$ 508,223,839	70,802,682	48,015,708	-	-	627,042,229	65,597,172
						\$ 375,185,409	
						(1,229,016)	
						<u>\$ 373,956,393</u>	

Net assets of enterprise funds, Schedule E \$ 375,185,409
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (1,229,016)
Net assets of business-type activities, Schedule A \$ 373,956,393

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, 2010

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund		
OPERATING REVENUES						
Charges for services:						
Sale of water	\$ 32,513,683	-	-	-	32,513,683	-
Billings to departments	-	-	-	-	-	31,368,713
Billings to outside agencies & component units	-	-	-	-	-	2,236,654
Sewer service charges	17,434,725	-	-	-	17,434,725	-
Stormwater management fees	-	-	14,183,757	-	14,183,757	-
Tolls and tickets	-	7,086,364	-	-	7,086,364	-
Rental fees	1,149,540	-	-	-	1,149,540	-
Connection fees	2,182,937	-	-	-	2,182,937	-
Miscellaneous	591,061	11,117	9,996	-	612,174	-
Recovered costs	1,857,340	-	689	-	1,858,029	443,082
Other	-	-	-	-	-	-
Total operating revenues	55,729,286	7,097,481	14,194,442	-	77,021,209	34,048,449
OPERATING EXPENSES						
Cost of materials billed	-	-	-	-	-	4,120,591
Purchases for resale	16,614,104	-	-	-	16,614,104	1,213,731
Water production	7,214,852	-	-	-	7,214,852	-
Sewer maintenance and operation	4,710,103	-	-	-	4,710,103	-
Water maintenance and operation	2,758,321	-	-	-	2,758,321	-
Customer service	1,261,903	-	-	-	1,261,903	-
General and administrative	3,224,895	285,699	1,022,304	-	4,532,898	895,684
Technical services	1,225,536	-	-	-	1,225,536	-
Other salaries and wages	-	1,153,897	2,211,738	-	3,365,635	5,701,367
Other fringe benefits	-	441,228	945,624	-	1,386,852	1,790,960
Self-insurance losses	-	-	-	-	-	5,405,265
Indemnity and medical claims	-	-	-	-	-	3,265,602
Other repairs and supplies	-	329,821	621,056	-	950,877	2,193,115
Equipment rental	-	4,980	16,379	-	21,359	440,557
Other contractual services	-	2,340,554	3,060,007	-	5,400,561	662,230
Depreciation and amortization	10,808,571	4,617,430	518,166	-	15,944,167	7,080,610
Insurance premiums	-	-	-	-	-	1,268,973
Meter reading services	261,955	-	-	-	261,955	-
Other	300	11,233	-	-	11,533	-
Total operating expenses	48,080,540	9,184,842	8,395,274	-	65,660,656	34,038,685
Operating income (loss)	7,648,746	(2,087,361)	5,799,168	-	11,360,553	9,764
NONOPERATING REVENUES (EXPENSES)						
Investment income	782,363	(16,779)	252,770	1,269	1,019,623	290,190
Interest expense	(5,039,993)	(1,998,848)	-	-	(7,038,841)	(160,916)
Gain on sale of equipment	3,765	-	-	-	3,765	85,926
Loss on sale of equipment	(48,472)	-	(449,390)	(181,365)	(679,227)	(753,463)
Total nonoperating revenues (expenses)	(4,302,337)	(2,015,627)	(196,620)	(180,096)	(6,694,680)	(538,263)
Income (loss) before transfers and contributions	3,346,409	(4,102,988)	5,602,548	(180,096)	4,665,873	(528,499)
Transfers in (note 8)	-	-	-	-	-	426,103
Transfers out (note 8)	-	(476,412)	(15,002)	(2,642,216)	(3,133,630)	(866,639)
Federal operating grants - American Reinvestment and Recovery Act	126,938	-	-	-	126,938	-
State capital grant	178,519	-	-	-	178,519	-
Capital contributions	3,419,156	-	-	-	3,419,156	6,739,519
Increase (decrease) in net assets	7,071,022	(4,579,400)	5,587,546	(2,822,312)	5,256,856	5,770,484
Total net assets (deficit) - beginning	344,788,938	(11,823,672)	34,140,975	2,822,312	369,928,553	24,602,912
Total net assets (deficit) - ending	\$ 351,859,960	(16,403,072)	39,728,521	-	375,185,409	30,373,396

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

\$ 5,256,856
32,279
\$ 5,289,135

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

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2010

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 55,992,292	7,202,253	13,795,156	-	76,989,701	33,950,978
Payments to suppliers	(25,720,359)	(2,867,003)	(4,570,043)	(68)	(33,157,473)	(20,536,287)
Payments to employees	(11,290,514)	(1,614,013)	(3,128,009)	-	(16,032,536)	(7,766,462)
Net cash provided by (used in) operating activities	18,981,419	2,721,237	6,097,104	(68)	27,799,692	5,648,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	-	426,103
Transfers out	-	(476,412)	(15,002)	(2,424,194)	(2,915,608)	(866,639)
Net cash provided by (used in) noncapital financing activities	-	(476,412)	(15,002)	(2,424,194)	(2,915,608)	(440,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Commonwealth of Virginia	249,257	-	-	-	249,257	-
Proceeds from revenue bonds	36,385,000	-	-	-	36,385,000	-
Proceeds from sale of capital assets	3,765	-	-	-	3,765	85,926
Payment of bond issuance costs	(540,257)	-	-	-	(540,257)	-
Premium on issuance of revenue bonds	119,980	-	-	-	119,980	-
Acquisition of capital assets	(7,683,180)	(20,125)	(2,557,548)	-	(10,260,853)	(2,865,541)
Increase (decrease) in construction projects payable	(78,720)	-	290,366	-	211,646	-
Interest paid	(5,414,013)	(1,998,848)	-	-	(7,412,861)	(160,916)
Repayments of obligations under capital leases	-	-	-	-	-	(2,257,574)
Repayments of notes payable	(115,000)	-	-	-	(115,000)	-
Repayments of long-term debt	(4,595,563)	(1,923,505)	-	-	(6,519,068)	-
Net cash provided by (used in) capital and related financing activities	18,331,269	(3,942,478)	(2,267,182)	-	12,121,609	(5,198,105)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	838,657	59,662	262,837	16,639	1,177,795	338,976
Net cash provided by investing activities	838,657	59,662	262,837	16,639	1,177,795	338,976
Net increase (decrease) in cash and temporary investments	38,151,345	(1,637,991)	4,077,757	(2,407,623)	38,183,488	348,564
Cash and temporary investments beginning of year	48,158,301	9,034,506	15,719,296	2,407,623	75,319,726	28,236,232
Cash and temporary investments end of year	\$ 86,309,646	7,396,515	19,797,053	-	113,503,214	28,584,796
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 7,648,746	(2,087,361)	5,799,168	-	11,360,553	9,764
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	10,808,571	4,617,430	518,166	-	15,944,167	7,080,610
Change in assets and liabilities increasing (decreasing) cash and temporary investments:						
Receivables	322,181	104,772	(932,458)	-	(505,505)	(97,471)
Inventory of materials and supplies	(72,953)	-	(5,870)	-	(78,823)	19,083
Prepaid expenses and other assets	-	-	-	-	-	(3,676)
Accounts payable	448,987	105,284	155,573	(68)	709,776	(1,561,385)
Deferred revenues	(48,601)	-	533,172	-	484,571	-
Deposits	(10,574)	-	-	-	(10,574)	-
Accrued expenses and other liabilities	(15,277)	(25,987)	178	-	(41,086)	(232,262)
Liability for self insurance losses	-	-	-	-	-	475,439
Accrued vacation, sick pay, and overtime leave	(99,661)	7,099	29,175	-	(63,387)	(41,873)
Total adjustments	11,332,673	4,808,598	297,936	(68)	16,439,139	5,638,465
Net cash provided by (used in) operating activities	\$ 18,981,419	2,721,237	6,097,104	(68)	27,799,692	5,648,229
Supplemental information on significant noncash transactions:						
Public Utilities Fund:						
Contributions of capital assets	\$ 3,419,156					

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

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund

Trust Fund – Includes Other Postemployment Benefits Fund



CITY OF CHESAPEAKE, VIRGINIA

Schedule H-1

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	<u>Agency</u> <u>Special</u> <u>Welfare</u>	<u>Other</u> <u>Postemployment</u> <u>Benefits Trust</u>
ASSETS		
Cash and temporary investments (note 2)	\$ 11,700	-
Cash and temporary investments with trustee (note 2)	-	6,353,640
Investments with trustee, at fair value (note 2)		
Mutual funds	-	5,853,574
Total assets	11,700	12,207,214
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	-	19,361
Due to children under foster care	11,700	-
Total liabilities	11,700	19,361
Net Assets		
Net assets held in trust for other postemployment benefits	-	12,187,853
Total liabilities and net assets	\$ 11,700	12,207,214

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, 2010

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	\$ 7,839,357
Contributions from plan members (note 11)	1,564,267
Investment income:	
Interest and dividend income	39,000
Net depreciation in fair value of investments	(110,432)
Net investment income (loss)	(71,432)
Total additions	9,332,192
DEDUCTIONS	
Administrative expenses	22,044
Benefits and refunds paid on behalf of plan members and beneficiaries	3,910,076
Total deductions	3,932,120
Change in net assets	5,400,072
Net assets held in trust for other postemployment benefits - beginning of year	6,787,781
Net assets held in trust for other postemployment benefits - end of year	\$ 12,187,853

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

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Chesapeake
VIRGINIA

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, 2010

	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)	\$ 5,238,981	860,674	310	489,745	1,133,559					7,723,269
Receivables, net of allowance for uncollectible amounts	-	3,491,586	-	22,663	18,890					3,533,139
Inventories	287,089	7,227,088	-	-	-					7,514,177
Capital assets:										
Land	204,340	-	-	1,017,025	382,707					1,604,072
Buildings	2,696,737	-	-	-	916,051					3,612,788
Improvements other than buildings	14,897	-	-	17,252,949	7,347					17,275,193
Equipment and vehicles	1,708,988	-	-	173,487	-					1,882,475
Less accumulated depreciation	(1,349,495)	-	-	(9,575,504)	(131,587)					(11,056,586)
Other assets	-	136,091	-	32,256	-					168,347
Noncurrent assets:										
Receivables, net of allowance for uncollectible amounts	-	16,245,000	-	-	-					16,245,000
Total assets	8,801,537	27,960,439	310	9,412,621	2,326,967					48,501,874
LIABILITIES AND NET ASSETS										
Liabilities										
Accounts payable and accrued expenses	78,984	111,500	-	71,578	-					262,062
Deferred revenues	-	-	-	6,280	-					6,280
Due to primary government	-	1,319,095	944,407	385,100	-					2,648,602
Current portion of long-term debt	-	3,442,115	-	120,000	-					3,562,115
Long term liabilities	-	16,343,976	-	1,415,000	-					17,758,976
Total liabilities	78,984	21,216,686	944,407	1,997,958	-					24,238,035
Net Assets										
Invested in capital assets, net of related debt	3,275,467	-	-	6,947,857	1,174,518					11,397,842
Restricted	-	-	-	347,535	925,772					1,273,307
Unrestricted	5,447,086	6,743,753	(944,097)	119,271	226,677					11,592,690
Total net assets (deficit)	8,722,553	6,743,753	(944,097)	7,414,663	2,326,967					24,263,839
Total liabilities and net assets	\$ 8,801,537	27,960,439	310	9,412,621	2,326,967					48,501,874

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule J

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					Total
	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	
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 4,717,522	-	4,046,690	(670,832)	-	-	-	-	(670,832)
Business-type Activities									
Economic Development Authority	2,232,533	-	2,121,748	-	(110,785)	-	-	-	(110,785)
Chesapeake Port Authority	8,619	-	7,121	-	-	(1,498)	-	-	(1,498)
Chesapeake Airport Authority	1,656,760	431,858	796,698	-	-	-	(428,204)	-	(428,204)
Elizabeth River Properties of Chesapeake, Inc	110,503	88,050	37,572	-	-	-	-	15,119	15,119
Total component units	\$ 8,725,937	519,908	7,009,829	(670,832)	(110,785)	(1,498)	(428,204)	15,119	(1,196,200)
Change in net assets									
Net assets (deficit) - beginning				\$ (670,832)	(110,785)	(1,498)	(428,204)	15,119	(1,196,200)
Net assets (deficit) - ending				\$ 9,393,385	6,854,538	(942,599)	7,842,867	2,311,848	25,460,039
				\$ 8,722,553	6,743,753	(944,097)	7,414,663	2,326,967	24,263,839

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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 676 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 of \$.01 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. The Commission does not issue separate audited financial statements.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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 serviced 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, 2010 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, 2010.

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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements

June 30, 2010

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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. The Proffers Fund was created in 2010 to account for cash proffers provided to the City from developers for specific purposes.

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. 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. During 2010, all remaining Jordan Bridge assets were transferred to Public Works or disposed of and the fund was closed. The remaining fund balance was transferred to the General fund to reimburse the General fund for debt service payments made on the Jordan Bridge's behalf and to the Capital Projects fund for future capital projects.

Internal Service Funds account for central computer and information technology services, central fleet management services for City-owned

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Continued

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

Fiduciary funds:

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements

June 30, 2010

(1) Continued

the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Temporary Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Continued

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

Provisions for uncollectible water, sewer, stormwater, community services client fees, emergency medical bills, solid waste 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, 2009, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2010 was \$1.04 per \$100 of assessed value with an additional \$.01 per \$100 of assessed value for mosquito control services.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Continued

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, 2010 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2010 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

Inventories and Prepays

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

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

Capital Assets

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Continued

improvements are capitalized as projects are constructed. \$357,582 of interest expense was capitalized during fiscal year ended June 30, 2010 in the Public Utilities Fund.

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

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

Vacation, Sick Pay, 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(1) Continued

method. Bonds payable are reported net of the applicable bond premium or discount and refunding costs. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. 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 \$61,966,212 of expendable restricted net assets for other purposes, of which \$36,947,059 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*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(2) Continued

Virginia, or covered by federal depository insurance. The carrying value of pooled deposits, as of June 30, 2010 is \$334,514,501 including petty cash of \$44,660 and cash in the special welfare fiduciary fund of \$11,700. Cash of \$1,331,909 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. Money Market Mutual funds have a fair market value equivalent to \$1.00 per share. Statutes limit the localities to a maximum percentage of total investments of 50% for repurchase agreements, 40% for banker’s 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.

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, 2010.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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, 2010, the City was holding certificates of deposits in TowneBank of \$114,000,000 which represented 28.30%; United Central Bank of \$66,000,000 which represented 16.38%; SunTrust of \$25,000,000 which represented 6.21%; and Monarch Bank for \$21,181,000 which represented 5.26% 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; banker's 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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.

Foreign Currency Risk

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the OPEB fiduciary trust fund have been pooled with the cash and investments of the primary government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$2,484,288, have been excluded because risk information is not available.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(2) Continued

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	\$	334,514,502
State set-aside fund		1,331,909
Investments		203,519,723
Other component units		2,484,288
<hr/>		
Total deposits and investments reported above	\$	541,850,422
<hr/>		
Per Schedules A and H-1:		
Cash and temporary investments	\$	319,604,026
Cash and temporary investments with trustee		13,556,334
Cash restricted for debt service		2,710,920
Cash restricted for debt service with trustee		7,033,350
Cash with State Set-Aside		1,331,909
Cash restricted for Public Utilities improvement and redemption		1,000,000
Investment - zero coupon bond		575,986
Capital construction:		
Cash and temporary investments		165,399,983
Cash and temporary investments with trustee		30,637,914
<hr/>		
Total capital construction		196,037,897
<hr/>		
Total cash and temporary investments per Schedules A and H-1	\$	541,850,422

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

Schedule K, Continued

(2) Continued

Investments by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA+	AA	AA-	AIPI	Unrated	Total
Investments:									
Bank money market accounts	1	n/a	\$ 16,180,312	-	-	-	-	-	16,180,312
Commercial paper	204	A1/P1	-	-	-	13,945,890	-	-	13,945,890
U.S. Government-sponsored coupon securities	957	n/a	82,916,629	885,717	-	-	-	-	83,802,346
Corporate notes and municipal notes	156	n/a	1,461,345	1,616,387	1,770,606	100,943	-	-	4,949,281
Local Government Investment Pool	n/a	n/a	7,741,182	-	-	-	-	-	7,741,182
Mutual funds	1	n/a	-	-	-	-	-	5,853,574	5,853,574
Virginia State Non-Arbitrage Program	n/a	n/a	31,251,214	-	-	-	-	-	31,251,214
Evergreen money market mutual fund	n/a	n/a	199,553	-	-	-	-	-	199,553
Total			\$ 139,750,235	2,502,104	1,770,606	100,943	13,945,890	5,853,574	163,923,352
Restricted investments:									
Virginia State Non-Arbitrage Program	1	n/a	\$ 27,773,656	-	-	-	-	-	27,773,656
Federated U.S. money market mutual fund	1	n/a	1,976,313	-	-	-	-	-	1,976,313
U.S. Government-sponsored discount securities	2	n/a	2,162,193	-	-	-	-	-	2,162,193
STI Classic funds - money market mutual fund	1	n/a	620,654	-	-	-	-	-	620,654
PFM - money market mutual fund	n/a	n/a	4,420,340	-	-	-	-	-	4,420,340
Repurchase agreements	n/a	n/a	2,036,925	-	-	-	-	-	2,036,925
Money market deposit	1	n/a	-	-	-	-	-	606,290	606,290
Total			\$ 38,990,081	-	-	-	-	606,290	39,596,371
Total Investments and Restricted Investments			\$ 178,740,316	2,502,104	1,770,606	100,943	13,945,890	6,459,864	203,519,723

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2010 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 35,296,051	4,654
Due from Federal government	5,416,106	126,938
Due from customers	3,024,236	22,093,576
Property taxes receivable	24,859,666	-
Interest receivable	537,833	194,148
Other	11,838,251	-
Total accounts receivable	\$ 80,972,143	22,419,316

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2010 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,007,521	-	1,046,248	1,242,282
Due from Federal government	91,789	-	3,561,803	1,762,514
Property taxes receivable	24,859,666	-	-	-
Interest receivable	347,878	140,428	681	496
Other	12,751,075	-	203,946	1,656,144
Total accounts receivable	\$ 71,057,929	140,428	4,812,678	4,661,436

Property taxes receivable in the General Fund as of June 30, 2010 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 9,018,658	79,953	8,938,705
Personal property	17,817,235	1,902,724	15,914,511
Public service corporations	6,450	-	6,450
Total property taxes receivable	\$ 26,842,343	1,982,677	24,859,666

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(3) Continued

The total allowance for uncollectible amounts in the General Fund is \$4,074,292, which includes a \$1,875,300 allowance for uncollectible emergency medical service fees, a \$122,709 allowance for uncollectible vehicle license fees, and a \$93,606 allowance for uncollectible miscellaneous City invoices. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from community services and uncollectible solid waste fees.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2010 are as follows:

	Due From Customers and Others	Due From Commonwealth of Virginia	Due From Federal government	Interest Receivable
Public Utilities Fund	\$ 12,652,696	4,654	126,938	178,540
Chesapeake Expressway Fund	230,358	-	-	-
Stormwater Management Fund	9,220,522	-	-	15,608
Internal Service Funds	251,322	-	-	48,350
Total accounts receivable	\$ 22,354,898	4,654	126,938	242,498

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 began 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, 2010 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 5,157,637	3,397,064
Deposits	1,892,640	780,713
Accrued expenses, excluding interest	7,269,635	87,769
Construction projects payable	4,439,263	1,197,459
Accrued interest	5,445,200	1,343,970
Total accounts payable, deposits, and accrued expenses	\$ 24,204,375	6,806,975

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2010 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	\$ 3,135,600	6,269,978	-
Debt Service Fund	13,736	-	-
Capital Projects Fund	-	-	4,439,263
Other governmental funds	3,539,875	179,282	-
Total accounts payable, deposits, and accrued expenditures	\$ 6,689,211	6,449,260	4,439,263

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2010 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 3,774,978	42,318	760,485	432,708
Chesapeake Expressway Fund	130,227	20,114	-	911,262
Stormwater Management Fund	272,572	25,337	436,974	-
Internal Service Funds	361,066	820,375	-	-
Total accounts payable, deposits, and accrued expenses	\$ 4,538,843	908,144	1,197,459	1,343,970

In April 2010, the City announced that it was offering eligible employees an opportunity to participate in a Voluntary Retirement Incentive Program (the Program) for the 2nd consecutive year. Eligible employees were given a deadline of June 7, 2010 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. A total of 46 employees elected to participate in the Program. The City accrued \$714,631 in the Termination Benefits internal service fund for all incentive payments not yet paid at June 30, 2010 for those employees who had committed to the Program.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(4) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 34,885,027	1,073,445	-	35,958,472
Land - School	3,016,081	-	-	3,016,081
Intangibles	255,008,514	3,522,143	-	258,530,657
Construction in progress	70,662,985	41,018,526	(28,596,462)	83,085,049
Construction in progress - ISF	806,356	597,993	(1,327,638)	76,711
Total capital assets, not being depreciated	364,378,963	46,212,107	(29,924,100)	380,666,970
Capital assets, being depreciated:				
Buildings	185,923,041	412,820	-	186,335,861
Buildings - ISF	157,949	-	-	157,949
Buildings - School	404,176,912	-	-	404,176,912
Improvements other than buildings	28,896,006	3,515,749	(38,295)	32,373,460
Improvements other than buildings - ISF	398,303	-	-	398,303
Equipment and vehicles	20,798,026	3,083,971	(791,125)	23,090,872
Software, equipment and vehicles - ISF	76,783,922	10,383,556	(6,326,240)	80,841,238
Infrastructure	1,060,772,148	11,171,617	-	1,071,943,765
Infrastructure - ISF	34,734	-	-	34,734
Total capital assets being depreciated	1,777,941,041	28,567,713	(7,155,660)	1,799,353,094
Less accumulated depreciation for:				
Buildings	(60,438,039)	(4,557,295)	-	(64,995,334)
Buildings - ISF	(55,997)	(5,400)	-	(61,397)
Buildings - School	(118,643,643)	(7,866,244)	-	(126,509,887)
Improvements other than buildings	(12,769,221)	(1,922,572)	22,338	(14,669,455)
Improvements other than buildings - ISF	(281,040)	(37,784)	-	(318,824)
Equipment and vehicles	(13,716,323)	(2,487,894)	749,613	(15,454,604)
Software, equipment and vehicles - ISF	(44,068,519)	(7,036,557)	5,523,926	(45,581,150)
Infrastructure	(784,330,956)	(23,084,579)	-	(807,415,535)
Infrastructure - ISF	(217)	(869)	-	(1,086)
Total accumulated depreciation	(1,034,303,955)	(46,999,194)	6,295,877	(1,075,007,272)
Total capital assets being depreciated, net	743,637,086	(18,431,481)	(859,783)	724,345,822
Capital assets, net	\$ 1,108,016,049	27,780,626	(30,783,883)	1,105,012,792

Historically, the City has recorded all intangible assets as capital assets. In order to clarify the different types of fixed assets, in accordance with GASB 51, a separate category for certain types of intangibles has been created. Land easements and right of ways were transferred to the newly created intangible category.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(4) Continued

Governmental Activities capital assets net of accumulated depreciation at June 30, 2010 are comprised of the following:

General Government Capital Assets, net	\$ 1,069,466,314
Internal Service Fund Capital Assets, net	35,546,478
Total	\$ 1,105,012,792

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2010 as follows:

General government	\$ 7,103,053
Public safety	950,087
Public works	766,089
Public welfare	45,224
Parks	103,308
Education	7,866,244
Net unallocated portion (depreciation of general infrastructure assets)	23,084,579
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	7,080,610
Total depreciation expense, governmental activities	\$ 46,999,194

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$22,734,730 includes the unallocated portion of depreciation expense noted above of \$23,084,579 net of amortization of bond costs of issuance, deferred bond premiums and refunding costs of \$349,849.

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

Function	Project Authorization	Expended to June 30, 2010	Committed	Required Future Financing
General government	\$ 102,772,904	39,186,589	63,586,315	none
Public safety	39,423,719	10,807,836	28,615,883	none
Public works	89,548,239	32,874,610	56,673,629	none
Public welfare	303,632	243,354	60,278	none
Education	1,568,878	49,371	1,519,507	none
Total	\$ 233,617,372	83,161,760	150,455,612	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(4) Continued

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 21,378,092	27,096	(175,642)	21,229,546
Intangibles	2,332,435	654,332	-	2,986,767
Construction in progress	20,303,615	9,974,835	(10,123,786)	20,154,664
Total capital assets, not being depreciated	44,014,142	10,656,263	(10,299,428)	44,370,977
Capital assets, being depreciated:				
Buildings	5,642,819	-	(19,624)	5,623,195
Improvements other than buildings	3,004,862	113,438	-	3,118,300
Equipment and vehicles	8,486,376	1,105,539	(970,520)	8,621,395
Infrastructure	616,297,049	12,286,137	(320,945)	628,262,241
Total capital assets, being depreciated	633,431,106	13,505,114	(1,311,089)	645,625,131
Less accumulated depreciation for:				
Buildings	(1,043,596)	(152,794)	13,902	(1,182,488)
Improvements other than buildings	(582,464)	(74,833)	-	(657,297)
Equipment and vehicles	(6,597,875)	(744,736)	254,633	(7,087,978)
Infrastructure	(177,530,989)	(14,947,560)	320,946	(192,157,603)
Total accumulated depreciation	(185,754,924)	(15,919,923)	589,481	(201,085,366)
Total capital assets being depreciated, net	447,676,182	(2,414,809)	(721,608)	444,539,765
Capital assets, net	\$ 491,690,324	8,241,454	(11,021,036)	488,910,742

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

Public Utilities	\$ 10,802,018
Chesapeake Expressway	4,599,739
Stormwater Management	518,166
Total depreciation expense, business-type activities	\$ 15,919,923

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$61.9 million at June 30, 2010. There was \$357,582 of capitalized interest incurred this fiscal year related to construction in progress.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(4) Continued

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 9,798,153	-	-	9,798,153
Intangibles	2,078,479	95,700	-	2,174,179
Construction in progress	15,903,617	7,756,526	(7,095,308)	16,564,835
Total capital assets, not being depreciated	27,780,249	7,852,226	(7,095,308)	28,537,167
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	2,906,315	113,438	-	3,019,753
Equipment and vehicles	2,694,279	605,774	(120,668)	3,179,385
Infrastructure	519,493,318	9,983,788	-	529,477,106
Total capital assets, being depreciated	525,167,510	10,703,000	(120,668)	535,749,842
Less accumulated depreciation for:				
Buildings	(33,322)	(2,032)	-	(35,354)
Improvements other than buildings	(580,000)	(69,906)	-	(649,906)
Equipment and vehicles	(2,133,108)	(217,178)	72,195	(2,278,091)
Infrastructure	(143,915,454)	(10,512,902)	-	(154,428,356)
Total accumulated depreciation	(146,661,884)	(10,802,018)	72,195	(157,391,707)
Total capital assets being depreciated, net	378,505,626	(99,018)	(48,473)	378,358,135
Capital assets, net	\$ 406,285,875	7,753,208	(7,143,781)	406,895,302

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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	5,314,931	20,125	(22,077)	5,312,979
Infrastructure	82,355,685	-	-	82,355,685
Total capital assets, being depreciated	93,059,911	20,125	(22,077)	93,057,959
Less accumulated depreciation for:				
Buildings	(987,021)	(134,732)	-	(1,121,753)
Equipment and vehicles	(4,252,433)	(516,111)	22,077	(4,746,467)
Infrastructure	(31,307,676)	(3,948,896)	-	(35,256,572)
Total accumulated depreciation	(36,547,130)	(4,599,739)	22,077	(41,124,792)
Total capital assets being depreciated, net	56,512,781	(4,579,614)	-	51,933,167
Capital assets, net	\$ 67,618,399	(4,579,614)	-	63,038,785

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 298,679	27,096	-	325,775
Intangibles	253,956	558,632	-	812,588
Construction in progress	4,399,998	2,218,309	(3,028,478)	3,589,829
Total capital assets, not being depreciated	4,952,633	2,804,037	(3,028,478)	4,728,192
Capital assets, being depreciated:				
Buildings	160,302	-	-	160,302
Improvements other than buildings	98,547	-	-	98,547
Equipment and vehicles	98,781	479,640	(449,390)	129,031
Infrastructure	14,127,101	2,302,349	-	16,429,450
Total capital assets, being depreciated	14,484,731	2,781,989	(449,390)	16,817,330
Less accumulated depreciation for:				
Buildings	(9,351)	(16,030)	-	(25,381)
Improvements other than buildings	(2,464)	(4,927)	-	(7,391)
Equipment and vehicles	(51,973)	(11,447)	-	(63,420)
Infrastructure	(1,986,913)	(485,762)	-	(2,472,675)
Total accumulated depreciation	(2,050,701)	(518,166)	-	(2,568,867)
Total capital assets being depreciated, net	12,434,030	2,263,823	(449,390)	14,248,463
Capital assets, net	\$ 17,386,663	5,067,860	(3,477,868)	18,976,655

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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	66,785,718	27,003,588	(10,441,697)	83,347,609
Total capital assets, not being depreciated	83,632,188	27,003,588	(10,441,697)	100,194,079
Capital assets, being depreciated:				
Buildings	36,769,798	-	-	36,769,798
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	60,585,393	652,520	(1,537,967)	59,699,946
Textbooks	12,786,907	292,823	(3,478,170)	9,601,560
Total capital assets, being depreciated	115,746,328	945,343	(5,016,137)	111,675,534
Less accumulated depreciation for:				
Buildings	(7,760,463)	(644,464)	-	(8,404,927)
Building improvements	(2,858,080)	(169,063)	-	(3,027,143)
Furniture and equipment	(36,640,581)	(3,883,976)	1,484,247	(39,040,310)
Textbooks	(6,513,778)	(2,557,380)	3,478,170	(5,592,988)
Total accumulated depreciation	(53,772,902)	(7,254,883)	4,962,417	(56,065,368)
Total capital assets being depreciated, net	61,973,426	(6,309,540)	(53,720)	55,610,166
Capital assets, net	\$ 145,605,614	20,694,048	(10,495,417)	155,804,245

Depreciation expense of \$7,254,883 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, 2010 are comprised of the following:

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 23,484,768	-	-
Personal Property Tax Relief Act	3,209,133	-	-
Emergency medical service fees	1,315,044	-	-
Public utilities fees	-	-	285,489
Stormwater management fees	-	-	7,354,815
Other	280,728	909,219	-
Total deferred revenues	\$ 28,289,673	909,219	7,640,304

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2010 follows:

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 379,644,484	14,835,000	(33,108,360)	361,371,124	34,062,574
Lease revenue bond with general obligation pledge	4,415,000	-	(130,000)	4,285,000	140,000
	384,059,484	14,835,000	(33,238,360)	365,656,124	34,202,574
Deferred amounts:					
Plus bond premiums	17,098,638	978,896	(1,993,947)	16,083,587	2,082,760
Less refunding costs	(8,411,326)	-	1,538,537	(6,872,789)	(1,537,753)
Total bonds payable	392,746,796	15,813,896	(33,693,770)	374,866,922	34,747,581
Other long-term obligations:					
Net pension obligation	1,589,678	22,330,641	(22,331,787)	1,588,532	-
Net OPEB obligation	23,259,772	13,598,371	(7,839,357)	29,018,786	-
Arbitrage rebate and yield restriction	600,682	-	(62,586)	538,096	-
Compensated absences	18,324,504	13,552,110	(14,485,333)	17,391,281	7,913,031
Literary loans	3,528,876	-	(549,493)	2,979,383	549,493
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	5,173,336	4,490,443	(2,597,964)	7,065,815	2,493,266
Capital leases to component unit	22,875,000	-	(3,225,000)	19,650,000	3,405,000
Supplemental payments agreement	20,925,000	-	(1,190,000)	19,735,000	1,240,000
Liability for self-insurance losses	30,374,299	8,670,595	(8,195,156)	30,849,738	6,478,445
Section 108 loan payable	1,095,000	-	(340,000)	755,000	365,000
Deferred amounts:					
Plus refunding gains on supplemental payments agreement	544,375	-	(41,875)	502,500	41,875
Total long-term obligations	\$ 522,379,602	78,456,056	(94,552,321)	506,283,337	57,233,691

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2010 follows:

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 115,935,563	-	(4,595,563)	111,340,000	4,455,000
Revenue bonds	-	36,385,000	-	36,385,000	-
	115,935,563	36,385,000	(4,595,563)	147,725,000	4,455,000
Deferred amounts:					
Plus bond premiums	5,077,691	119,980	(331,078)	4,866,593	355,887
Less bond discounts	(19,743)	-	4,216	(15,527)	(1,634)
Less refunding costs	(2,640,703)	-	289,714	(2,350,989)	(207,118)
Total bonds payable	118,352,808	36,504,980	(4,632,711)	150,225,077	4,602,135
Notes payable	115,000	-	(115,000)	-	-
Compensated absences	942,485	660,574	(760,235)	842,824	383,486
	119,410,293	37,165,554	(5,507,946)	151,067,901	4,985,621
Chesapeake Expressway:					
Revenue bonds	20,835,000	-	(430,000)	20,405,000	455,000
Less bond discount	(209,609)	-	10,481	(199,128)	(10,480)
Total bonds payable	20,625,391	-	(419,519)	20,205,872	444,520
Due to Commonwealth of Virginia	67,321,762	-	(1,493,505)	65,828,257	750,000
Compensated absences	102,923	91,117	(84,018)	110,022	50,059
	88,050,076	91,117	(1,997,042)	86,144,151	1,244,579
Stormwater Management:					
Compensated absences	168,314	160,029	(130,854)	197,489	89,857
Total long-term obligations	\$ 207,628,683	37,416,700	(7,635,842)	237,409,541	6,320,057

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2010 follows:

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Due Within One Year
Compensated absences	\$ 36,256,617	2,432,448	(1,711,031)	36,978,034	1,800,000
Net pension obligation	96,901	3,099,075	(3,098,864)	97,112	-
Net OPEB obligation	104,431,843	61,603,375	(10,700,540)	155,334,678	-
Liability for self-insurance losses	4,563,573	2,769,174	(1,587,422)	5,745,325	-
Capital leases	12,437,182	-	(2,070,702)	10,366,480	2,149,342
Total long-term obligations	\$ 157,786,116	69,904,072	(19,168,559)	208,521,629	3,949,342

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 Schools are still tasked with all care, management, and control over these properties.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2010 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable
Governmental activities - General Obligation bonds			
1994A School bonds	6.48% - 6.60%	\$ 2,343,787	-
1996A School bonds	5.23%	4,165,000	4,165,000
1997A School bonds	5.48% - 5.60%	6,840,000	6,840,000
1998A School bonds	4.60% - 5.10%	3,690,000	3,690,000
1999A School bonds	5.35% - 6.10%	5,000,000	5,000,000
2000A School bonds	5.23% - 5.60%	5,430,000	5,060,000
2001A School bonds	4.85% - 5.60%	4,890,000	4,270,000
2001B School bonds	3.10% - 5.10%	1,092,337	-
2001 Public Improvement bonds	5.00% - 5.50%	2,135,000	1,865,000
2001 Public Improvement Refunding bonds	5.50%	29,325,000	18,410,000
2002A School bonds	5.10% - 5.60%	4,060,000	3,350,000
2002B School bonds	4.10% - 4.35%	1,725,000	-
2003 School Refunding bonds	4.00% - 5.25%	56,220,000	24,425,000
2003A School bonds	4.10% - 5.35%	1,805,000	1,520,000
2003A Public Improvement bonds	3.00% - 4.20%	9,185,000	7,475,000
2004A Public Improvement Refunding bonds	5.00%	34,490,000	9,515,000
2003 Lease Revenue bond with general obligation pledge	4.39%	4,285,000	4,285,000
2005A Public Improvement bonds	3.00% - 4.75%	11,305,000	7,620,000
2005A School bonds	3.10% - 5.10%	16,765,000	11,980,000
2005B School bonds	4.60% - 5.10%	8,270,000	5,910,000
2006A School bonds	4.48% - 5.10%	15,790,000	10,840,000
2006A Public Improvement bonds	4.25% - 4.50%	13,620,000	9,540,000
2006B School bonds	4.23% - 5.10%	15,895,000	10,820,000
2007A School bonds	4.10% - 5.10%	9,870,000	6,530,000
2007B School bonds	4.35% - 5.10%	8,915,000	5,925,000
2008A Public Improvement bonds	3.25% - 5.00%	9,140,000	5,650,000
2008A Public Improvement Refunding bonds	3.25% - 5.00%	17,195,000	-
2008B Tax Increment Financing bonds	3.00% - 4.63%	13,090,000	8,110,000
2009A School bonds	2.55% - 5.05%	34,285,000	21,130,000
2010A Tax Increment Financing, Recovery Zone Economic Development bonds	1.07% - 6.07%	2,555,000	1,445,000
2010A School bonds	3.05% - 5.05%	12,280,000	7,445,000
		365,656,124	212,815,000
Add unamortized bond premiums		16,083,587	n/a
Less deferred refunding costs		(6,872,789)	n/a
Total general obligation bonds, governmental activities		\$ 374,866,922	
Governmental activities - literary loans			
School literary loans, collateralized by certain school buildings	3.00%	\$ 2,979,383	-
Total Literary loans		\$ 2,979,383	-
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			
1995A Water and Sewer bonds	5.00%	23,100,000	23,100,000
2003B Water and Sewer bonds	3.00% - 5.00%	47,910,000	44,025,000
2003C Water and Sewer Refunding bonds	2.75% - 3.50%	4,665,000	2,460,000
2004B Water and Sewer Refunding bonds	5.00%	30,750,000	19,130,000
2005B Water and Sewer Refunding bonds	3.00% - 4.00%	4,915,000	2,680,000
2010A Water and Sewer Revenue bonds	2.00% - 3.00%	3,860,000	-
2010B Water and Sewer Revenue bonds	3.82% - 6.28%	32,525,000	-
		\$ 147,725,000	91,395,000
Add unamortized bond premiums		4,866,593	n/a
Less unamortized bond discount		(15,527)	n/a
Less deferred refunding costs		(2,350,989)	n/a
Total Public Utilities bonds		\$ 150,225,077	
Chesapeake Expressway - Revenue bonds:			
1999A Toll Road Revenue bonds	5.63%	\$ 20,405,000	20,405,000
Less unamortized bond discount		(199,128)	
Total Chesapeake Expressway bonds		\$ 20,205,872	

Schedule K, Continued

Noncallable	Call Premium
2,343,787	-
-	.00%-3.00%
-	.00%-3.00%
-	.00%-2.00%
-	.00%-2.00%
370,000	.00%-2.00%
620,000	.00%-2.00%
1,092,337	-
270,000	.00 %
10,915,000	.00 %
710,000	.00%-1.00%
1,725,000	-
31,795,000	.00 %
285,000	.00%-1.00%
1,710,000	.00 %
24,975,000	.00%-1.00%
-	.00%-2.00%
3,685,000	.00%
4,785,000	.00% - 1.00%
2,360,000	.00% - 1.00%
4,950,000	.00% - 1.00%
4,080,000	.00%
5,075,000	.00% - 1.00%
3,340,000	.00% - 1.00%
2,990,000	.00% - 1.00%
3,490,000	.00%
17,195,000	.00%
4,980,000	.00% - 1.00%
13,155,000	.00% - 1.00%
1,110,000	.00%
4,835,000	.00% - 1.00%
152,841,124	
n/a	n/a
n/a	n/a
2,979,383	-
2,979,383	
1,342,284	-
1,342,284	
-	.00%-2.00%
3,885,000	.00 %
2,205,000	.00 %
11,620,000	.00%-1.00%
2,235,000	.00 %
3,860,000	-
32,525,000	.00 %
56,330,000	
n/a	n/a
n/a	n/a
n/a	n/a
-	.00% - 1.00%

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2010

(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:	Governmental Activities						Business-Type Activities					
	Bonds		Literary loans		Installment Purchase Agreement		Public Utilities - Bonds		Chesapeake Expressway - Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 34,202,574	16,935,056	549,493	89,381	-	64,430	4,455,000	6,580,964	455,000	1,134,984		
2012	34,577,175	15,428,440	509,578	72,897	-	64,430	5,375,000	6,970,633	480,000	1,108,688		
2013	37,383,043	13,726,997	323,493	57,609	-	64,430	5,565,000	6,768,808	510,000	1,080,844		
2014	41,530,538	11,804,603	324,034	47,905	-	64,430	5,875,000	6,553,260	535,000	1,051,453		
2015	35,314,202	9,896,243	275,104	38,184	-	64,430	6,185,000	6,306,905	565,000	1,020,516		
2016-2020	83,481,681	32,508,395	997,681	89,791	-	322,148	31,570,000	27,443,071	3,350,000	4,572,562		
2021-2025	62,541,911	16,048,646	-	-	-	322,148	36,550,000	19,337,574	4,400,000	3,489,469		
2026-2030	35,700,000	3,583,901	-	-	-	322,147	24,545,000	11,052,308	5,795,000	2,064,234		
2031-2035	925,000	23,356	-	-	1,342,284	128,859	16,755,000	5,507,189	4,315,000	373,078		
2036-2040	-	-	-	-	-	-	8,850,000	2,062,743	-	-		
2041	-	-	-	-	-	-	2,000,000	62,830	-	-		
	\$ 365,656,124	119,955,637	2,979,383	395,767	1,342,284	1,417,452	147,725,000	98,646,285	20,405,000	15,895,828		

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

- (d) In May 2010, the City sold \$12,280,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 3.82% and a net premium of \$978,896. The bonds were issued to partially fund the construction of an addition to a high school.
- (e) In April 2010, the City sold \$3,860,000 of water and sewer system revenue bonds (tax-exempt) with a true interest cost of 1.78% and a premium of \$119,980 and \$32,525,000 of water and sewer system revenue bonds (taxable – Build America Bonds) with a true interest cost of 3.88%. The bonds were issued to finance capital improvements to the water and sewer system. Revenues of the Public Utilities Enterprise Fund will be used as set forth in the new Master Agreement of Trust to fund operations and maintenance and debt service on the revenue bonds. Build America Bonds are expected to receive federal reimbursement of 35% of interest paid over the life of the bonds under the American Recovery and Reinvestment Act.
- (f) In March 2010, the City sold a \$2,555,000 general obligation tax increment bond with a true interest cost of 3.28%. VML/VACo issued Recovery Zone Economic Development Bonds through the Finance Recovery Act Pool I. The bond was issued to fund various streetscape improvements including, but not limited to, landscaping, pavement materials, lighting, signage and relocating overhead utilities in the South Norfolk Revitalization District. The Pool issuer is authorized to receive a refundable credit with each interest payment date in an amount of 45% of the interest payable on such date. A proportionate share of the credit will be used by the City to reduce its debt service payments. In accordance with GAAP, the City appropriates the annual gross debt service and records the allocated interest reimbursement as revenue.
- (g) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

- (h) 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, 2010, \$4,285,000 was outstanding.
- (i) 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.

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, 2010 amounted to \$65,828,257. Revenues generated from the project were used to make a \$1,493,505 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.

- (j) 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

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 \$1,190,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

The following table summarizes the City’s debt service requirements for the SPA as of June 30, 2010.

Fiscal year ending June 30:	Principal	Interest
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	1,505,000	719,500
2016-2020	8,750,000	2,388,250
2021-2022	4,135,000	312,750
Total payments	\$ 19,735,000	6,982,750

- (k) 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, 2010, \$11,655,000 was outstanding.
- (l) 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

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, 2010, the amount owed by the City under this capital lease obligation was \$7,995,000.

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, March 2005 and August 2008, portions of the debt related to the City jail project were refunded. 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 \$13,380,673 have been received by the City as of June 30, 2010. The current year reimbursement was \$833,289.

- (m) 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 were made over seven years. The final payment was made during 2010.
- (n) 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, 2010 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.

- (o) 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

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.

- (p) 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 0.74% effective June 30, 2010.

The following is a schedule of projected future loan payments:

Fiscal year ending June 30:	Principal	Interest
2011	\$ 365,000	4,683
2012	390,000	722
Total payments	\$ 755,000	5,405

- (q) 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, 2009 was \$39,065,000. 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 \$223,855,097 as of June 30, 2010.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(6) Continued

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

Assessed valuation - real estate	\$	25,479,133,480
<hr/>		
Legal debt limit - 10% of assessed valuation	\$	2,547,913,348
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	538,107,791
Less:		
Self-supporting debt not chargeable to debt limit	110,640,000	
Amounts available for debt service	38,288,539	
<hr/>		
		389,179,252
<hr/>		
Legal debt margin available	\$	2,158,734,096
<hr/>		
Percent of:		
Legal debt margin outstanding		15.3%
Legal debt margin available		84.7%
<hr/>		
		100.0%
<hr/>		
Summary of assessed valuation:		
Public service real estate	\$	1,032,844,263
Other city real estate		24,446,289,217
<hr/>		
	\$	25,479,133,480
<hr/>		

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of debt per capita and a threshold of 3.5% of debt to assessed value of taxable real property. For fiscal year 2010 management believes the City is in compliance with these policies.

- (s) Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures.
- (t) Certain discretely presented component units have significant outstanding long-term debt as follows:

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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, 2010, \$11,655,000 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, 2010, \$7,995,000 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, 2010, \$1,535,000 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 \$162,920 and in the Debt Service Fund for \$222,180 for the balance outstanding at June 30, 2010 of \$385,100.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(7) Continued

The General Fund also budgeted and made payments of \$335,027 on behalf of the Airport Authority during fiscal year 2010. 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 \$7,121 on behalf of the Port Authority during fiscal year 2010. 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, 2010, \$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 \$930,344 on behalf of the Authority during fiscal year 2010. 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, 2010 is summarized as follows:

Advances to Airport Authority	\$	385,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,648,602
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units		\$ 385,100

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(8) Continued

Individual fund interfund receivable and payable balances for the primary government at June 30, 2010 are as follows:

Due To Other Funds	Due From Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	153,077
Debt Service Fund	187,557	-
Total interfund balances	\$ 187,557	153,077

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 \$153,077 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 \$1,000,000.

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2010, City Council approved transfers totaling \$2,118,183 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included \$800,000 for high priority renewal and replacement of facilities, \$350,000 for the Dominion Boulevard financing study, and \$200,000 for enterprise wide technology improvements.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2010

(8) Continued

Interfund transfers for the year ended June 30, 2010 are as follows:

Transfers To Other Funds	Transfers From Other Funds										Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Chesapeake Expressway Fund	Stormwater Management Fund	Nonmajor Enterprise Fund	Internal Service Funds	Internal Service Funds	Nonmajor Enterprise Fund	Internal Service Funds	
General Fund	\$ -	3	840,162	-	-	2,024,192	113,851	-	-	-	2,978,208
Debt Service Fund	47,791,256	2,151,686	2,058,537	-	-	-	-	-	-	-	52,001,479
Capital Projects Fund	2,118,183	-	1,925,492	476,412	15,002	400,000	20,146	-	-	-	4,955,235
Nonmajor governmental funds	49,890,110	2,300,000	360,554	-	-	-	732,642	-	-	-	53,283,306
Internal Service Funds	339,826	-	86,277	-	-	-	-	-	-	-	426,103
Total	\$ 100,139,375	4,451,689	5,271,022	476,412	15,002	2,424,192	866,639	-	-	-	113,644,331
Transfer of general capital assets: From Jordan Bridge Fund											218,024
Total transfers out											113,862,355

In the fund financial statements, total transfers in of \$113,644,331 are less than total transfers out of \$113,862,355 because of the treatment of transfers of capital assets from the enterprise funds. During the year, existing capital assets related to the Jordan Bridge Fund, with a book value of \$218,024, 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, 2010

(9) Leases

The City and the 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, 2010, the City's capital assets from governmental activities include \$54,665,000 of buildings leased from component units, \$4,490,443 of leased construction in progress and leased equipment of \$9,173,088. Current year amortization expense for leased assets is \$3,478,976 and is included in depreciation expense. Accumulated amortization expense for these assets is \$21,517,800.

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, 2010 are as follows:

	Capital	Operating
Fiscal years:		
2011	\$ 7,193,847	820,368
2012	6,455,329	746,017
2013	5,513,745	738,306
2014	4,893,776	720,414
2015	2,813,104	211,886
2016 - 2017	4,069,513	-
Total future minimum lease payments	30,939,314	\$ 3,236,991
Less amounts representing interest	4,223,499	
Present value of minimum capital lease payments	\$ 26,715,815	

Total governmental operating lease payments for the year ended June 30, 2010 were \$1,188,249.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(9) Continued

At June 30, 2010, the Schools capital assets include \$15,195,099 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,394,910. Accumulated amortization expense for these assets is \$4,236,040. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2010 are as follows:

Fiscal years:		
2011	\$	2,557,533
2012		1,792,152
2013		1,792,152
2014		1,390,358
2015		1,390,358
2016-2018		3,020,523
<hr/>		
Total future minimum lease payments		11,943,076
Less amounts representing interest		1,576,596
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Present value of minimum capital lease payments	\$	10,366,480
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(10) Retirement Plans

Plan Description

The City and the 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*

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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 received by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or it may be downloaded from their web site at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf>.

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 through fiscal year 2010. During the 2010 session of the Virginia General Assembly, new legislation was passed that allowed localities to vote to implement new provisions to VRS for employees hired on or after July 1, 2010, that meet certain criteria. This new plan option, titled VRS Plan 2, stipulated that a locality may elect to require employees hired on or after July 1, 2010, to pay their own member contribution of 5% of their salary on a pre-tax basis to partially fund their retirement rather than the localities paying the member share on the employee's behalf. The City Council voted on June 22, 2010, to adopt this provision for new eligible employees hired on or after July 1, 2010. The City will continue to pay the 5% member contribution for all employees hired prior to July 1, 2010, and will pay the locality share for all employees. All the Schools' employees will continue to have their 5% member contribution paid by the employer. In addition, the City and the 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 employees' contribution rate for the fiscal year ended June 30, 2010 was 15.97% of annual covered payroll.

The Schools employees' contribution rate for professional employees for July 2009 through March 2010 was 13.81 % of covered payroll and the payment of the contribution rate was zero for April through June 2010.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(10) Continued

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
2010	\$ 24,340,176	24,340,176	100%
2009	30,721,581	30,721,581	100%
2008	32,881,785	32,881,785	100%

Annual Pension Cost

For the year ended June 30, 2010, the City's and the Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 22,331,787	3,098,864
Interest on net pension obligation	119,226	7,268
Adjustment to annual required contribution	(120,372)	(7,057)
Annual pension cost	22,330,641	3,099,075
Less contributions made	22,331,787	3,098,864
Increase (decrease) in net pension obligation	(1,146)	211
Net pension obligation at June 30, 2009	1,589,678	96,901
Net pension obligation at June 30, 2010	\$ 1,588,532	97,112

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 the 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's and the Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis over 20 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(10) Continued

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, 2010	\$ 22,330,641	100.0%	\$ 1,588,532	\$ 3,099,075	100.0%	\$ 97,112
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

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the funded status of the plan was as follows:

	City	Schools
Actuarial accrued liability (AAL)	\$ 640,334,257	75,675,711
Less actuarial value of plan assets	528,016,411	59,853,949
Unfunded actuarial accrued liability (UAAL)	\$ 112,317,846	15,821,762
Funded ratio (actuarial value of plan assets/AAL)	82.46%	79.09%
Covered payroll	\$ 145,156,607	20,917,830
UAAL as a percentage of covered payroll	77.38%	75.64%

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 access to 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, 2010, consisted of 2,903 active service participants and 535 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(11) Continued

eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

Significant Accounting Policies

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2010, the City contributed \$7,839,357 to the plan, including \$2,345,809 for current premiums (60% of total premiums) and an additional \$5,493,548 to prefund benefits. Plan members receiving benefits contributed \$1,564,267, or 40% of the total premiums, through their required monthly contributions. Member contributions are 1.02% 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(11) Continued

For the year ended June 30, 2010, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 13,948,705
Interest on net OPEB obligation	1,162,989
Adjustment to annual required contribution	(1,513,323)
<hr/>	
Annual OPEB cost	13,598,371
Less employer contributions made	7,839,357
<hr/>	
Increase in net OPEB obligation	5,759,014
Net OPEB obligation at June 30, 2009	23,259,772
<hr/>	
Net OPEB obligation at June 30, 2010	\$ 29,018,786

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years 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, 2010	\$ 13,598,371	\$ 7,839,357	57.6%	\$ 29,018,786
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

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for fiscal year ending June 30, 2010, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 138,582,909
Less actuarial value of plan assets	12,767,941
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 125,814,968
Funded ratio (actuarial value of plan assets/AAL)	9.21%
<hr/>	
Covered payroll	\$ 153,543,619
UAAL as a percentage of covered payroll	81.94%

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(11) Continued

trend. Amounts determined regarding the funded status of the plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2010 (dated July 1, 2010), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 9.3% initially, reduced by 0.2 – 0.4% each year to an ultimate rate of 4.5% after seventeen years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

Discretely presented component unit - Public Schools:

Plan Description

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2009, consisted of 5,532 active service participants and 1,321 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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(11) Continued

irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

Significant Accounting Policies

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

Funding Policy

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the School Board. For fiscal year 2010, the Schools contributed \$10,700,540 to the plan, including \$5,660,540 for current premiums (62% of total premiums) and an additional \$5,040,000 to pre-fund benefits. Plan members receiving benefits contributed \$3,536,762, or 38% 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(11) Continued

For the year ended June 30, 2010, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 63,233,129
Interest on net OPEB obligation	4,177,274
Adjustment to annual required contribution	(5,807,028)
<hr/>	
Annual OPEB cost	61,603,375
Less employer contributions made	10,700,540
<hr/>	
Increase in net OPEB obligation	50,902,835
Net OPEB obligation at June 30, 2009	104,431,843
<hr/>	
Net OPEB obligation at June 30, 2010	\$ 155,334,678
<hr/>	

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 61,603,375	\$ 10,700,540	17.4%	\$ 155,334,678
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

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2009, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 511,308,762
Less actuarial value of plan assets	421,925
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 510,886,837
Funded ratio (actuarial value of plan assets/AAL)	0.08%
<hr/>	
Covered payroll	\$ 243,345,531
UAAL as a percentage of covered payroll	209.94%

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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 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, 2009 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 9.5% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after ten 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, 2010

(12) Fund Balances

Primary Government

The reserved fund balances in the fund financial statements at June 30, 2010 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED:					
Expendable:					
Advances to component units	\$ 162,920	222,180	-	-	385,100
Oak Grove Connector	1,331,909	-	-	-	1,331,909
Radio system	2,235,540	-	-	-	2,235,540
City future capital projects	4,742,261	-	-	-	4,742,261
Schools future capital projects	11,967,186	-	-	-	11,967,186
Treasurer's EGOV	55,356	-	-	-	55,356
Treasurer's late license fee	627,499	-	-	-	627,499
Road/Transportation	2,597,497	-	-	-	2,597,497
Open space projects	-	-	1,533,596	-	1,533,596
City Courts construction	-	-	2,036,925	-	2,036,925
City Jail construction	-	-	2,240,019	-	2,240,019
Poindexter St. construction	-	-	2,505,118	-	2,505,118
Drainage projects	-	-	4,500,111	-	4,500,111
Other	348,338	-	436,343	-	784,681
Arbitrage rebate and yield restriction	-	538,096	-	-	538,096
Encumbrances	1,460,275	-	32,042,644	2,556,627	36,059,546
Nonexpendable:					
Nonexpendable fund corpus	-	-	-	12,795	12,795
Total	\$ 25,528,781	760,276	45,294,756	2,569,422	74,153,235

The designated fund balances in the fund financial statements at June 30, 2010 were as follows:

	General
UNRESERVED:	
Designated:	
Economic Development Investment Program	\$ 1,318,689
Schools cash reversion	101,326
Technology Fees	161,960
Open space agriculture preservation	171,022
Sheriff mowing	2,132
Other	2,145,650
Total	\$ 3,900,779

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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, 2010.

(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, 2010, 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 11, 2010 the total estimated cost of which amounted to \$408,748,935 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(14) Continued

A summary of the sources of funds per the adopted capital budget follows:

Funds Previously Appropriated	\$	83,172,740
General Fund		5,952,000
General Fund - Designated for Capital Projects		1,500,000
General Fund - Designated for Transportation		2,300,000
General Fund - Designated for Schools		1,629,200
Greenbrier TIF Cash		5,271,267
VDOT Reimbursement		25,197,088
Public Utilities - Renewal and Replacement Fund		23,817,637
Stormwater Management Fees		29,000,000
Proffers		1,695,000
Redirects from Other Projects		1,600,000
Borrowing Authority - Unissued		57,173,000
Public Utilities - Unissued Borrowing		60,105,182
Borrowing Authority - Greenbrier TIF		51,354,521
Borrowing Authority - SoNo TIF		22,400,000
VSPA Borrowing		36,581,300
	\$	408,748,935

The City is currently conducting a traffic and revenue study for a toll road system that would include (1) the Chesapeake Expressway (currently operated as a toll-revenue supported enterprise fund of the City) and (2) an improved Dominion Boulevard (currently being designed). As proposed, the improved Dominion Boulevard would convert an existing 3.3 mile two-lane arterial highway with a draw bridge crossing at the Southern Branch of the Elizabeth River to a four-lane tolled freeway with a fixed bridge at a height that would not impede boat traffic on the river. The current estimated project cost is \$350 million and is not currently reflected in the City's approved 2011-2015 Capital Improvement Program described above. Any decision whether to construct the project and how to finance the project will be dependent upon the results of the traffic and revenue study, the availability and cost of various funding sources and other factors.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(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) \$1,500,000 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. During fiscal year 2010, one settlement using commercial insurance exceeded our insurance coverage limits by \$50,000, all other settlements remained within the limits of our commercial insurance policy. For workers' compensation claims, the excess of the limit up to \$25,000,000 is covered by commercial insurance policies. The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 2/3 salary for 500 weeks and lifetime medical care. The insurance coverage is substantially the same as in prior fiscal years.

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

The claims liability of \$30,849,738 reported in the Self-Insurance Fund at June 30, 2010 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(15) Continued

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2010 and 2009 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2009-2010	\$ 30,374,299	8,670,595	8,195,156	30,849,738
2008-2009	\$ 26,810,497	10,465,038	6,901,236	30,374,299

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a \$600,000 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 future years on claims as of June 30, 2010 are recognized as a long-term liability. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2010 is \$10,994,551.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2010 and 2009 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2009-2010	\$ 9,506,631	57,500,411	56,012,491	10,994,551
2008-2009	\$ 3,814,311	40,156,582	34,464,262	9,506,631

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(15) Continued

Litigation

The City has been put on notice of several potential claims by surrounding residents of the Battlefield Golf Club, a golf course constructed by a private entity using fly ash from Dominion Power's energy facility in Chesapeake. Fly ash is associated with contaminants such as arsenic, lead and mercury. An engineering firm hired by the City found elevated levels of lead and other contaminants at the site. A full environmental assessment 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.

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 defendant in this matter is Dominion Power.

Southeastern Public Service Authority

Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. On April 29, 2010, the City executed a new guaranty agreement with SPSA, along with all of its other member communities. Under the new agreement, the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the Counties of Isle of Wight and Southampton agree to guarantee the remainder of SPSA's debt not to exceed \$50,000,000 in the aggregate. The City's applicable percentage is 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA. The change in the City's guaranty agreement resulted in part from the sale of SPSA's Waste-to-Energy facilities to Wheelabrator Technologies, Inc. on April 29, 2010, allowing the principal amount of SPSA's outstanding indebtedness to be reduced to \$75 million from \$218 million.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(15) Continued

Federal Award Programs

The City and the Schools participate in a number of federal award programs. Although they have been audited in accordance with the provisions of 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, management believes such disallowances, if any, will not be significant.

Pollution Remediation

Previously, the City had recorded an obligation 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. On April 10, 2010, the City entered into a Memorandum of Agreement with the U. S. Environmental Protection Agency, Region III to resolve the alleged liability at the site with the performance of in-kind services by creating a living shoreline along Shuffletown Creek, a tributary to the Southern Branch of the Elizabeth River. These in-kind services, estimated at a cost of approximately \$382,518, will be accomplished with funds already established in an existing capital project and therefore, the Self Insurance Fund has been relieved of the potential liability.

(16) Fund Deficits

The Self-Insurance Fund, an Internal Service Fund, had a net asset deficit of \$16,476,149 at June 30, 2010. 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 \$16,403,072 at June 30, 2010. The deficit is primarily due to depreciation expense which 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 future toll revenue is collected.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(16) Continued

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of \$10,255 at June 30, 2010. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of \$944,097 at June 30, 2010. 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 Events

Long-term Debt Issuance

On August 24, 2010, the City sold \$6,085,000 of general obligation public improvement bonds, \$2,045,000 general obligation tax increment financing bonds for the Greenbrier district, \$1,815,000 general obligation tax increment financing bonds for the South Norfolk district and \$20,625,000 general obligation water and sewer refunding bonds. All of these bonds are tax-exempt. Maturities on the refunding bonds range from December 1, 2021 to December 1, 2025. Maturities on all of the other tax-exempt bonds range from December 1, 2011 to December 1, 2017.

In addition, on August 24, 2010, the City sold the following taxable Build America Bonds: \$33,460,000 of general obligation public improvement bonds, \$4,935,000 general obligation tax increment financing bonds for the Greenbrier district and \$4,505,000 general obligation tax increment financing bonds for the South Norfolk district. Maturities on these bonds range from December 1, 2018 to December 1, 2030.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2010

(17) Continued

Tax Refund

On August 17, 2010 a Motion for Refund was filed by Perdue Farms, Inc., Perdue Agribusiness, Inc., and Perdue Grain & Oilseed, L.L.C, (Perdue) with the Chesapeake Circuit Court to request a refund of local personal property taxes in the amount of \$615,837 for tax years 2002-2006. This Motion is based on the argument that Perdue is entitled to the refund under state law pending trial on the merits. If Perdue prevails on the merits of case, Perdue will be entitled to keep all or some portion of the refund. If the City prevails on the merits of the case, the refunded amount will be returned to the City. The issues to be ultimately determined by the Circuit Court include 1) whether Perdue as a “manufacturer” is exempt from business license tax under Virginia law, and 2) whether Perdue’s personal property, other than machinery and tools used in manufacturing, is not subject to local taxation. On November 4, 2010, the Circuit Court directed that the requested refund of taxes be made to Perdue prior to December 31, 2010, while awaiting the trial on the merits of the case. Prior to the date of November 4, 2010, the expectation of the refund had not been deemed probable.

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 - unaudited
 Year Ended June 30, 2010

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	\$ 293,477,386	288,677,386	294,750,983	6,073,597
Other local taxes	108,936,805	108,936,805	109,159,695	222,890
Licenses, permits, and fees	7,500,920	7,500,920	7,575,603	74,683
Intergovernmental revenues:				
Commonwealth of Virginia	82,480,951	80,311,133	72,869,487	(7,441,646)
Federal government	96,486	96,486	233,289	136,803
Federal government - American Reinvestment and Recovery Act	-	516,622	7,185,763	6,669,141
Recovered costs	130,755	192,593	428,493	235,900
Investment income	1,500,000	1,500,000	1,300,585	(199,415)
Revenues from use of property	163,815	163,815	163,373	(442)
Charges for services	8,377,687	8,336,718	8,796,740	460,022
Fines and forfeitures	2,944,000	1,764,000	2,028,178	264,178
Miscellaneous local revenues	428,368	428,368	862,170	433,802
Total revenues	506,037,173	498,424,846	505,354,359	6,929,513
EXPENDITURES				
Current:				
General government	111,447,034	112,802,729	104,969,571	7,833,158
Public safety	84,238,261	84,949,431	81,573,654	3,375,777
Public works	34,351,734	34,152,054	32,140,460	2,011,594
Debt Service	2,229,825	2,229,825	2,229,200	625
Total expenditures	232,266,854	234,134,039	220,912,885	13,221,154
Excess of revenues over expenditures	273,770,319	264,290,807	284,441,474	20,150,667
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	1,528,162	441,207	2,978,208	2,537,001
Transfer from component units	-	-	303,556	303,556
Transfer from component unit - cash reversion	-	-	101,326	101,326
Transfers to other funds	(97,980,968)	(100,923,738)	(100,139,375)	784,363
Transfer to component units	(191,065,767)	(191,665,767)	(191,665,767)	-
Total other financing sources (uses)	(287,518,573)	(292,148,298)	(288,422,052)	3,726,246
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,748,254)	(27,857,491)	(3,980,578)	23,876,913
Fund balances - beginning	133,993,777	133,993,777	133,993,777	-
Fund balances - ending	\$ 120,245,523	106,136,286	130,013,199	23,876,913

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, 2010

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, 2009	\$ 528,016,411	640,334,257	112,317,846	82.46%	\$ 145,156,607	77.38%
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%

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, 2009	\$ 59,853,949	75,675,711	15,821,762	79.09%	\$ 20,917,830	75.64%
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%

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-3

Schedules of Funding Progress - Other Postemployment Benefits (unaudited)
Year Ended June 30, 2010

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, 2010	June 30, 2010	\$ 12,767,941	138,582,909	125,814,968	9.21%	\$ 153,543,619	81.94%
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	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, 2010	\$ 421,925	511,308,762	510,886,837	0.08%	\$ 243,345,531	209.94%
July 1, 2008	June 30, 2009	-	552,551,956	552,551,956	0.00%	234,879,180	235.25%
July 1, 2007	June 30, 2008	-	341,903,028	341,903,028	0.00%	211,208,943	161.88%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-4

Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)
 Year Ended June 30, 2010

City				
Fiscal year ended June 30:		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2010	\$	13,948,705	7,839,357	56.20%
2009		16,382,822	6,483,590	39.58%
2008		17,772,418	4,200,481	23.63%

Schools				
Fiscal year ended June 30:		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2010	\$	63,233,129	10,700,540	16.92%
2009		69,969,792	5,787,049	8.27%
2008		44,939,118	4,051,938	9.02%

Unaudited - see accompanying auditors' report

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2010

(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.

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

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

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

The City Council may authorize supplemental appropriations during the fiscal year based on the availability of financial resources. The City Manager is

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2010

(1) Continued

authorized by City Council to make transfers between funds. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

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

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

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

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

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 Solid Waste Disposal and Recycling Fund, the Parks and Recreation 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, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 237,285,296	238,423,355	1,138,059
Current taxes on public service corporations	9,788,160	10,769,523	981,363
Current taxes on personal property	27,718,470	30,413,601	2,695,131
Delinquent taxes on real property	4,245,460	4,511,896	266,436
Delinquent taxes on personal property	7,200,000	8,202,242	1,002,242
Penalties, interest, and advertising	2,440,000	2,430,366	(9,634)
T total general property taxes	288,677,386	294,750,983	6,073,597
Other local taxes			
Local sales and use taxes	31,725,500	31,888,444	162,944
Consumer utility taxes	10,233,000	10,115,683	(117,317)
Communications sales tax	12,700,000	12,451,943	(248,057)
Business license taxes	22,770,000	22,022,114	(747,886)
Local utility consumption tax	882,305	874,573	(7,732)
Bank stock taxes	500,000	1,343,472	843,472
Taxes on recordation and wills	2,900,000	2,556,662	(343,338)
Tobacco taxes	4,600,000	4,681,393	81,393
Hotel and motel room taxes	3,370,000	3,628,870	258,870
Restaurant food taxes	18,300,000	18,544,684	244,684
Admission taxes	500,000	679,612	179,612
Short-term rental taxes	300,000	263,012	(36,988)
Pari-mutuel wagering pool tax	156,000	109,233	(46,767)
T total other local taxes	108,936,805	109,159,695	222,890
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	40	59	19
Building structure and equipment permits	793,020	810,559	17,539
Precious metals and gems permits	2,000	4,200	2,200
Highway and driveway permits	8,000	12,360	4,360
Transfer fees	4,790	5,586	796
Zoning inspection fees	44,350	32,054	(12,296)
Building inspection fees	24,960	50,930	25,970
Electrical inspection fees	206,000	237,834	31,834
Elevator inspection fees	8,000	22,080	14,080
Plumbing inspection fees	100,000	154,436	54,436
Mechanical permits	200,000	277,522	77,522
Subdivision review fees	200,000	203,784	3,784
Solicitors permits	1,800	2,320	520
Taxi operators licenses	480	520	40
Motor vehicle license	5,706,800	5,532,225	(174,575)
Inspection fees - gas appliances	44,800	54,230	9,430
Animal license and fees	141,000	161,570	20,570
Rodent free certification fee	2,000	2,800	800
Hunting and fishing license	-	254	254
Rental inspection fees	12,880	10,280	(2,600)
Total licenses, permits, and fees	7,500,920	7,575,603	74,683
Fines and forfeitures	1,764,000	2,028,178	264,178
Investment income	1,500,000	1,300,585	(199,415)

(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, 2010

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 144,915	146,898	1,983
Rental of recreational properties and facilities	6,000	5,500	(500)
Library rental revenue	12,900	10,975	(1,925)
Total revenues from use of property	163,815	163,373	(442)
Charges for services:			
Special court costs	68,250	61,991	(6,259)
Law library fees	102,050	114,913	12,863
Accident report fees	43,400	40,134	(3,266)
Municipal court fees	40,310	48,878	8,568
Civil penalties	14,880	6,740	(8,140)
Non-support fees	40,000	57,056	17,056
Commonwealth's Attorney fees	9,280	7,935	(1,345)
Police escort fees	3,740	31,817	28,077
Sale of service - police	221,240	184,734	(36,506)
Fire report fees	-	340	340
Sheriff fees	22,860	3,266	(19,594)
Inmate medical fees	20,290	18,016	(2,274)
Sale of service - jail	671,030	1,028,670	357,640
Sale of service - jail inmates	274,110	144,040	(130,070)
Inmate phone system - jail	408,000	436,593	28,593
Sale of service - sheriff	878,631	1,256,045	377,414
Sale of service - public works	300,000	312,474	12,474
Engineering and administrative fees	104,600	68,141	(36,459)
Vending machine commissions	2,320	614	(1,706)
Library fines and fees	375,200	386,464	11,264
Lot processing fees	30,000	32,110	2,110
Sale of service - planning	997	1,217	220
Sale of service - public information	1,000	876	(124)
Sale of publications	500	61	(439)
Returned check fees	29,450	21,987	(7,463)
Custodian service	134,650	122,561	(12,089)
Wage assignment fees	7,570	7,511	(59)
Sale of service - assessor	5,500	5,755	255
Emergency medical service fees	3,313,280	3,114,980	(198,300)
Administration collected fees	739,900	833,405	93,505
Wetland Board Civil fees	50,000	11,900	(38,100)
Passport application fee	10,000	23,810	13,810
Sale of service - Commissioner of Revenue	50,100	32,641	(17,459)
Subdivision inspection fees	200,000	170,256	(29,744)
Fire plan review fees	35,970	42,915	6,945
Zoning fees	12,500	20,507	8,007
Building plan fees	55,250	58,076	2,826
Inspections technology fee	45,520	63,980	18,460
E-Government subscription fee	13,000	23,331	10,331
Cable franchise fees	1,340	-	(1,340)
Total charges for services	8,336,718	8,796,740	460,022

(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, 2010

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Sale of ARC - public works	\$ 54,000	14,495	(39,505)
Public Works claims reimbursement	25,000	360,897	335,897
Sale of junk and salvage	-	5,390	5,390
Revenues from local developers	-	314,012	314,012
Other revenue	349,368	167,376	(181,992)
Total miscellaneous local revenues	428,368	862,170	433,802
Recovered costs:			
Insurance claims and collections	71,838	189,007	117,169
Other recoveries and rebates	120,255	238,371	118,116
Recoveries - Jury	500	1,115	615
Total recovered costs	192,593	428,493	235,900
Total revenues from local sources	417,500,605	425,065,820	7,565,215
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	112,789	153,838	41,049
Mobile home titling taxes	30,000	37,356	7,356
Indirect costs	272,100	336,840	64,740
Police	6,606,738	6,606,738	-
Daily rental taxes - auto	709,000	652,820	(56,180)
Deed taxes	550,000	616,860	66,860
Personal Property Tax Relief	28,590,001	28,590,001	-
Local aid to the Commonwealth Contra Revenue	(1,221,535)	(1,221,535)	-
Total noncategorical aid	35,649,093	35,772,918	123,825
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,705,158	1,633,442	(71,716)
Sheriff	8,171,168	1,248,459	(6,922,709)
Commissioner of the Revenue	371,297	353,182	(18,115)
Treasurer	414,076	386,359	(27,717)
Registrar/Electoral Board	86,350	86,893	543
Circuit court clerk	1,071,903	1,116,786	44,883
Agriculture	73,308	36,205	(37,103)
Jail project reimbursement - State	611,355	611,355	-
Total shared expenses	12,504,615	5,472,681	(7,031,934)

(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, 2010

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 3,104,177	2,419,264	(684,913)
Street and highway maintenance	27,516,566	27,540,748	24,182
Library	200,823	200,823	-
Health	32,436	18,392	(14,044)
Excess fees	320,000	294,584	(25,416)
Other state grants	-	13,011	13,011
Transportation improvement set-aside	983,423	1,132,694	149,271
Reimbursement for emergency expense	-	4,372	4,372
Total other categorical aid	32,157,425	31,623,888	(533,537)
Total categorical aid	44,662,040	37,096,569	(7,565,471)
T total revenues from the Commonwealth	80,311,133	72,869,487	(7,441,646)
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	50,000	37,813	(12,187)
Categorical aid:			
Other federal grants	7,986	26,987	19,001
Drug Enforcement Agency	-	8,301	8,301
Emergency reimbursement - federal	38,500	160,188	121,688
American Reinvestment and Recovery Act	516,622	7,185,763	6,669,141
T total revenues from the Federal Government	613,108	7,419,052	6,805,944
T total revenues	498,424,846	505,354,359	6,929,513
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	303,556	303,556
Chesapeake Public Schools - cash reversion	-	101,326	101,326
Transfers from other funds	441,207	2,978,208	2,537,001
T total other financing sources	441,207	3,383,090	2,941,883
T total revenues and other financing sources	\$ 498,866,053	508,737,449	9,871,396

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2010

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital		Unexpended Balance	
			Outlay	Total		
EXPENDITURES						
General government:						
Legislative Department - City Council	\$ 905,679	805,553	-	-	805,553	99,701
Executive Department:						
City manager	1,722,019	1,561,745	-	-	1,561,745	98,547
Public communications	1,308,740	1,281,670	-	-	1,281,670	24,876
Contingencies	352,546	-	-	-	-	352,546
Environmental emergencies	75,454	-	-	-	-	75,454
Emergency event - 2009 northeast	301,117	276,612	-	-	276,612	24,505
Department of Law - City Attorney	1,694,943	1,685,885	-	-	1,685,885	9,058
Department of Finance:						
Commissioner of revenue	3,200,569	2,941,059	-	-	2,941,059	226,631
Real estate assessor	2,302,457	2,074,878	-	-	2,074,878	227,579
Board of equalization	4,246	2,418	-	-	2,418	1,828
City treasurer	4,185,000	3,719,865	51,818	-	3,771,683	409,195
Director of finance	2,313,816	2,093,342	-	-	2,093,342	170,757
Economic development	1,924,750	1,669,827	-	-	1,669,827	136,781
Portlock galleries	-	-	-	-	-	-
Budget director	846,663	657,361	-	-	657,361	184,231
City auditor	503,397	494,859	-	-	494,859	8,538
Independent auditors	168,410	122,939	-	-	122,939	45,471
Financial advisory services	217,500	3,858	-	-	3,858	150,000
Department of Human Resources:						
Human resources	2,941,348	1,718,270	-	-	1,718,270	1,223,078
HIPAA	288,205	261,080	14,715	-	275,795	11,341
Judicial Department:						
Circuit court	645,953	560,130	-	-	560,130	85,823
Magistrates office	61,494	57,694	-	-	57,694	2,944
General district court	2,334,003	2,261,790	-	-	2,261,790	72,213
Juvenile and domestic relations court	125,512	104,139	-	-	104,139	21,373
Court services unit	357,058	329,299	-	-	329,299	27,759
Commonwealth's attorney	3,498,514	3,312,677	-	-	3,312,677	185,837
Circuit court clerk	1,979,175	1,916,411	-	-	1,916,411	62,764
Sheriff	35,957,269	34,638,046	96,962	-	34,735,008	815,281
Law library	130,291	129,205	-	-	129,205	1,086
Chesapeake volunteer services	-	-	-	-	-	-
Department of General Services:						
Purchasing	1,143,636	1,069,435	-	-	1,069,435	74,201
Buildings maintenance	5,856,464	5,550,256	-	-	5,550,256	297,005
Facilities Management - building	1,547,330	1,506,131	-	-	1,506,131	36,180
Department of Public Health:						
Adult clinics	578,432	569,875	3,000	-	572,875	1,469
General clinics	1,746,831	1,669,568	-	-	1,669,568	77,263
OSHA services	621,844	546,549	17,856	-	564,405	55,982

(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, 2010

	Expenditures				Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total			
General government, continued:							
Department of Public Library:							
Public library	\$ 7,601,753	7,382,561	7,301	7,389,862	211,891	107,189	104,702
Records management	60,414	59,908	-	59,908	506	-	506
Public library state aid	200,823	176,823	24,000	200,823	-	-	-
Boards and Commissions:							
Planning department	2,024,202	1,810,411	-	1,810,411	213,791	6,153	207,638
Planning commission	43,037	34,332	-	34,332	8,705	-	8,705
Electoral board	928,165	880,848	-	880,848	47,317	-	47,317
Electoral workers	127,670	94,512	-	94,512	33,158	-	33,158
Department of Agriculture	410,674	359,652	-	359,652	51,022	-	51,022
Department of Neighborhood Services:							
Office of youth services	789,447	679,209	-	679,209	110,238	-	110,238
Housing office	241,002	195,163	-	195,163	45,839	13	45,826
Nondepartmental:							
Support of civic and community organizations	375,809	352,218	-	352,218	23,591	-	23,591
Regional cooperation and support	6,111,487	6,096,708	-	6,096,708	14,779	-	14,779
Other postemployment benefits	8,245,537	7,839,357	-	7,839,357	406,180	-	406,180
Other nondepartmental support	3,467,017	2,864,764	-	2,864,764	602,253	-	602,253
Chesapeake regional airport	335,027	335,027	-	335,027	-	-	-
Debt service	2,229,825	2,229,200	-	2,229,200	625	-	625
Total general government	115,032,554	106,983,119	215,652	107,198,771	7,833,783	887,083	6,946,700
Public Safety:							
Police department	37,177,242	36,341,870	6,500	36,348,370	828,872	120,864	708,008
Animal control	1,202,941	1,185,224	-	1,185,224	17,717	-	17,717
Public safety training	524,322	426,037	-	426,037	98,285	37,351	60,934
Fire department	36,105,968	34,496,520	-	34,496,520	1,609,448	29,518	1,579,930
Fire prevention bureau	1,199,584	1,156,748	-	1,156,748	42,836	21,798	21,038
Fire training	178,499	171,316	-	171,316	7,183	-	7,183
Fire - environmental compliance	97,302	95,109	-	95,109	2,193	-	2,193
Emergency medical services	952,728	860,079	-	860,079	92,649	-	92,649
Neighborhood services	3,589,240	3,249,339	-	3,249,339	339,901	285	339,616
Neighborhood center	713,402	631,846	-	631,846	81,556	30	81,526
Neighborhood coordination	240,422	217,018	-	217,018	23,404	7,097	16,307
Office of zoning administration	2,741,657	2,514,151	-	2,514,151	227,506	-	227,506
Emergency management operations	226,124	221,897	-	221,897	4,227	-	4,227
Total public safety	84,949,431	81,567,154	6,500	81,573,654	3,375,777	216,943	3,158,834
Public works:							
Engineering and administration	8,451,829	7,889,074	-	7,889,074	562,755	4,764	557,991
Traffic engineering	2,039,681	1,888,041	-	1,888,041	151,640	1,707	149,933
Street maintenance	4,326,940	3,965,201	37,006	4,002,207	324,733	12,248	312,485
Bridges and structures	1,959,649	1,823,252	-	1,823,252	136,397	59,826	76,571
Bureau of drainage	1,782,881	1,721,345	-	1,721,345	61,536	2,354	59,182
Contractual services	2,231,401	2,086,942	-	2,086,942	144,459	88,576	55,883
Public works operations	3,811,576	3,561,555	-	3,561,555	250,021	166,984	83,037
Street cleaning	611,947	571,089	-	571,089	40,858	72	40,786
Solid waste collection	8,936,150	8,596,955	-	8,596,955	339,195	19,718	319,477
Total public works	34,152,054	32,103,454	37,006	32,140,460	2,011,594	356,249	1,655,345
Total expenditures and encumbrances	234,134,039	220,653,727	259,158	220,912,885	13,221,154	1,460,275	11,760,879

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2010

	Expenditures				Unexpended Balance	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total		
OTHER FINANCING USES						
Transfers to component unit:						
Public Schools	\$ 191,665,767	191,665,767	-	191,665,767	-	-
Transfers to other funds:						
Debt Service Fund	48,575,619	47,791,256	-	47,791,256	784,363	784,363
Capital Projects Fund	2,118,183	2,118,183	-	2,118,183	-	-
Virginia Public Assistance Fund	5,814,918	5,814,918	-	5,814,918	-	-
Community Services Fund	5,748,244	5,748,244	-	5,748,244	-	-
Interagency Consortium Fund	2,052,642	2,052,642	-	2,052,642	-	-
Community Corrections Fund	3,483	3,483	-	3,483	-	-
Fee Supported Activities Fund	40,896	40,896	-	40,896	-	-
Grants Fund	366,202	366,202	-	366,202	-	-
E-911 Operations Fund	5,741,247	5,741,247	-	5,741,247	-	-
Chesapeake Juvenile Services Fund	1,913,611	1,913,611	-	1,913,611	-	-
Open Space Agriculture Preservation Fund	834,396	834,396	-	834,396	-	-
Housing Fund	35,988	35,988	-	35,988	-	-
City Garage Fund	89,826	89,826	-	89,826	-	-
Self Insurance Fund	250,000	250,000	-	250,000	-	-
Parks and Recreation Fund	7,533,363	7,533,363	-	7,533,363	-	-
Solid Waste Disposal & Recycling Fund	19,805,120	19,805,120	-	19,805,120	-	-
Total transfers to other funds	100,923,738	100,139,375	-	100,139,375	784,363	784,363
Total other financing uses	292,589,505	291,805,142	-	291,805,142	784,363	784,363
Total expenditures, encumbrances, and other financing uses	\$ 526,723,544	512,458,869	259,158	512,718,027	14,005,517	12,545,242

Debt Service Fund

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

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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, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 500,000	624,640	124,640
Revenues from use of property	115,765	115,765	-
Intergovernmental revenues:			
Commonwealth of Virginia	216,439	221,933	5,494
Total revenues	832,204	962,338	130,134
EXPENDITURES			
Interest on general obligation bonds	17,459,035	17,431,531	27,504
Interest on literary loans	105,866	105,866	-
Arbitrage	-	-	-
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	1,038,089	259,522	778,567
Other debt expenditures	275,734	114,265	161,469
Redemption of general obligation bonds	32,643,363	33,108,360	(464,997)
Redemption of literary loans	549,493	549,493	-
Total expenditures	52,136,010	51,633,467	502,543
Deficiency of revenues under expenditures	(51,303,806)	(50,671,129)	632,677
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	48,575,619	47,791,256	(784,363)
Conference Center Fund	1,000,000	1,000,000	-
E-911 Operations Fund	-	-	-
Capital Projects Fund	1,038,089	2,151,686	1,113,597
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,000,661	967,782	(32,879)
Tax Increment Financing - South Norfolk Fund	38,900	26,325	(12,575)
Total transfers from other funds	51,717,699	52,001,479	283,780
Payments from component unit - Public Schools Capital Projects Fund	-	657,299	657,299
Premium on VPSA bonds	-	978,896	978,896
VPSA bonds proceeds	-	12,280,000	12,280,000
Premiums on general obligation bonds issued	-	-	-
Proceeds from general obligation bonds issued	-	-	-
Proceeds from general obligation RZED bonds issued	51,100	51,100	-
Proceeds from general obligation refunding bonds issued	-	-	-
Payment to refund bond escrow agent	-	-	-
Payment to component unit - Public Schools Capital Projects Fund	-	(13,253,099)	(13,253,099)
Total other financing sources (uses)	51,768,799	52,715,675	946,876
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	464,993	2,044,546	1,579,553
Fund balance - beginning	36,998,267	36,998,267	-
Fund balance - ending	\$ 37,463,260	39,042,813	1,579,553

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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, 2010

Project	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
	Prior Years	Current Year	Total			
General Government:						
1011200100 American with Disability Act III	15,000	-	15,000	8,661	-	8,661
1021200100 Facilities High Priority Renewal & Replacement	737,851	639,210	1,377,061	622,939	409,814	213,125
1030800100 American with Disability Act II	228,706	-	228,706	13,366	-	13,366
1051000100 Parole & Probation	-	-	-	3,100,000	-	3,100,000
1060700100 Jail Construction/Repair/Remediation	908,776	2,301	911,077	-	-	-
1070410100 Integrated Financial Management System	75,883	-	75,883	75,883	-	75,883
1070500100 Congestion Mitigation Air Quality Program	170,354	-	170,354	162,723	-	162,723
1070900100 TCC Land Acquisition	6,121,093	-	6,121,093	292,663	-	292,663
1081100100 Greenbrier - Community Center	5,828,430	-	5,828,430	695,073	239,252	455,821
1090900100 South Norfolk Strategic Development	143,689	161,238	304,927	239,252	-	65,675
1091100100 Greenbrier - Wayfinding Signage	1,917,144	(439,241)	1,477,903	522,097	56,762	465,335
1091400100 Human Services - HVAC/Emergency Exit	11,950	-	11,950	224,461	25,319	199,142
1101100100 Greenbrier Sidewalk/Crosswalk Improvement	-	52,600	52,600	1,067,400	90,504	976,896
1101200100 South Norfolk Community Development	138,905	876,577	1,015,482	226,631	150,408	76,223
1101400100 Telephone System Upgrade	440,240	-	440,240	50,000	-	50,000
1110900100 Battlefield Boulevard Plan Land Acquisition	195,155	374,421	569,576	65,819	55,477	10,342
1111100100 Greenbrier Site Survey	248,048	-	248,048	1,000	-	1,000
1111400100 CSR Upgrade	165,000	122,640	287,640	42,360	-	42,360
1120900100 South Norfolk Plan Land Acquisition	1,850,000	-	1,850,000	161,182	-	161,182
1121100100 Enterprise Wide Technology Improvement	407,815	241,252	649,067	40,889	23,847	17,042
1121400100 e-Government Initiative Phase II Web 2.0	317,420	-	317,420	317,420	-	317,420
1128810100 Drainage City-Wide II	139,546	5,086	144,632	9,087	-	9,087
1131400100 Greenbrier Center District - Greenbrier TIF	1,119,894	735,305	1,855,199	6,213,229	229,927	5,983,302
1131400100 Voicemail System Upgrade	182,429	140,926	323,355	41,503	17,418	24,085
1140600100 Facilities High Priority Renewal & Replacement	7,101,094	113,098	7,214,192	-	-	-
1140700100 South Norfolk Community Improvement	264,098	3,546	267,644	73,769	-	73,769
1140900100 Open Space & Agriculture	75,000	-	75,000	67,942	-	67,942
1141000100 Greenbrier TIF - Conference Center District	1,131,952	4,200	1,136,152	1,124,212	92,695	1,031,517
1149600100 Arts Education Center	110,000	-	110,000	23,648	-	23,648
1150900100 Fire Station 3 - Indian River	156,348	24,914	181,262	74,612	-	74,612
1151000100 Community Quality of Life Incentive	2,754,870	70,000	2,824,870	1,449,503	134,631	1,314,872
1151200100 North Corporate District - Greenbrier TIF	350,000	25,722	375,722	279,599	-	279,599
1151400100 Tidewater Community College Expansion	528,090	16,061	544,151	494,210	2,409	491,801
1159810100 American with Disability Act	4,196,835	4,196,835	8,393,670	127	-	127
1161100200 Police Precinct / Parks & Recreation Building	1,110,005	980,008	2,090,013	129,997	51,319	78,678
1161200100 Commerce District - Greenbrier TIF	316,854	-	316,854	316,854	-	316,854

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

Project	Expenditures					Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Unexpended Balance	Encumbrances				
General construction projects, continued:									
General Government, continued:									
1171200100 Greenbrier TIF - South Retail District	\$ 18,036	-	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	15,268	5,306	-	20,574	172,020	42,307	129,713	-
1181300100 Greenbrier TIF - Woodlake Drive Expansion	782,985	-	391,492	-	391,492	391,493	-	391,493	-
1191200100 South Norfolk TIF - Poindexter Street Scope	5,500,000	26,007	299,454	-	325,461	5,174,539	86,386	5,088,153	-
1201000100 Greenbrier Center Pedestrian Safety	1,120,474	-	-	-	-	1,120,474	-	1,120,474	-
1201200100 South Norfolk TIF - Library Expansion	550,000	7,495	103,506	-	111,001	438,999	423,616	15,383	-
1221000100 EMS Field Data Collection and Billing System	395,000	208,641	10,163	-	218,804	176,196	-	176,196	-
1221200100 South Norfolk TIF - Johnson Park Improvement	50,000	-	-	-	-	50,000	-	50,000	-
1230900100 Animal Control Bureau Shelter	3,218,448	1,803,395	786,169	-	2,589,564	628,884	478,192	150,692	-
1241000100 Public Safety Facility Design	265,000	148,212	-	-	148,212	116,788	62,950	53,838	-
1280500100 Environment Assessment Remedial Program	1,363,037	1,259,236	-	-	1,259,236	103,801	-	103,801	-
1280610100 Cash Processing System/Treasurer II	121,850	73,733	48,117	-	121,850	-	-	-	*
1281100100 Asset Management / Work Order System	1,398,171	1,126,463	248,377	-	1,374,840	23,331	18,874	4,457	-
1300600100 Chesapeake Airport Improvement	388,755	388,755	-	-	388,755	-	-	-	-
1300900100 Conference Center Equipment Replacement	812,344	696,094	32,297	-	728,391	83,953	-	83,953	-
1311100100 Various Technology Projects	516,696	309,359	15,600	-	324,959	191,737	33,566	158,171	-
1351100100 Jail Capacity Study	-	-	-	-	-	-	-	-	-
1371100100 South Norfolk Development Plan Waterfront	310,000	296,608	13,392	-	310,000	-	-	-	*
1390600100 Facility Space Needs	113,000	18,033	-	-	18,033	94,967	-	94,967	-
1391300100 Public Safety Building Windows	700,000	-	-	-	-	700,000	-	700,000	-
1411300100 Risk Management Software I	208,745	274,280	(274,280)	-	-	208,745	205,849	2,896	-
1411310100 Risk Management Software II	322,311	-	322,311	-	322,311	-	-	-	*
1441300100 Fast Payback Energy Conservation	720,000	16,705	-	-	16,705	703,295	-	703,295	-
1451300100 Circuit Court Clerk Security and Document Preservation	270,000	1,097	151,252	-	152,349	117,651	-	117,651	-
1461300100 Buildout for Judges' Chambers	250,500	9,596	42,123	-	51,718	198,782	136,831	61,951	-
1551200100 Public Communication Equipment Replacement	165,775	99,979	65,796	-	165,775	-	-	-	*
1571200100 Greenbrier TIF - Mall Bike Trail	69,426	-	-	-	-	69,426	-	69,426	-
1581200100 Greenbrier TIF - Commerce Bike Trail	120,338	-	-	-	-	120,338	-	120,338	-
1611200100 Municipal Center Parking Lots / Sidewalks	600,000	144,865	235,971	-	380,836	219,165	68,915	150,250	-
1621200100 Commerce Park	1,475,000	-	-	-	-	1,475,000	-	1,475,000	-
1631200100 Infrastructure Improvement	7,158,583	149,218	67,986	-	217,204	6,941,379	48,291	6,893,088	-
1911200100 Personal Property System Rewrite	700,000	24,925	43,325	-	68,250	631,750	1,750	630,000	-
1921200100 Human Resource/Payroll System	6,259,538	1,118	3,071,398	-	3,072,516	3,187,022	1,571,520	1,615,502	-
1921200100 Human Resource/Payroll System - Laserfiche	43,070	43,070	-	-	43,070	-	-	-	*
1921200100 Human Resource/Payroll System - Bi-Weekly	72,300	72,300	-	-	72,300	-	-	-	*

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

Project	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1921200100 Human Resource/Payroll System - KRONOS	\$ 4,715	4,715	-	4,715	-	-	* - *
1931200100 Public Communication - Council Chambers	50,000	35,375	14,368	49,743	257	-	257 *
1931210100 EFS Bundle and Module Improvement	128,039	24,759	-	147,835	103,280	-	103,280
1931220100 Various Technology Projects	177,580	112,940	34,894	147,835	29,746	27,945	1,801 *
1951200100 City Hall Campus Security	141,500	23,598	-	23,598	117,902	-	117,902
1951200100 City Hall Campus Security II	90,000	90,000	-	90,000	-	-	- *
1981200100 Community Revitalization	860,000	800,000	-	800,000	60,000	-	60,000
Total General Government	86,471,002	30,499,111	14,093,752	44,592,863	41,878,139	4,829,134	37,049,005
Department of Public Safety:							
1040900200 Grade Crossing Safety & Intersection	150,000	1,192	29	1,221	148,779	-	148,779
1061100200 Land Acquisition - Fire Station # 10 / Police Precinct # 6	605,610	-	-	-	605,610	-	605,610
1131100200 Self Contained Breathing Apparatus	1,294,390	1,236,541	47,215	1,283,756	10,634	-	10,634
1141400200 Jail HVAC/Energy Retrofit	2,000,000	-	15,306	15,306	1,984,694	-	1,984,694
1220900200 Public Safety Building Addition Study	100,000	68,710	-	68,710	31,290	21,290	10,000
1230900200 Animal Control Bureau Shelter	840,999	579,798	233,417	813,216	27,783	3,037	24,746
1241000200 Public Safety Facility Design	938,139	18,679	-	18,679	919,460	39,223	880,237
1371400200 Animal Service Facility	14,249,000	-	441,191	441,191	13,807,809	8,863,006	4,944,803
1380800200 800 Mhz Tower Demolition	3,138	-	-	-	3,138	-	3,138
1381400200 Public Safety Site Remediation / Tum Lane Construction	1,750,000	-	717,611	717,611	1,032,389	111,863	920,526
1391400200 Public Safety Headquarters EOC/EDC Phase I	1,000,000	21,312	(21,312)	-	1,000,000	-	1,000,000
1401100200 Automated Summons System	410,000	-	-	-	410,000	-	410,000
1421300200 Fire Pumper Apparatus Replacement	5,800,000	-	5,722,160	5,722,160	77,840	-	77,840 *
1591200200 Jail Phase II - Design	9,500,443	2,346,359	4,995,410	7,341,769	2,158,674	945,926	1,212,748
1601200200 Juvenile Court Security Improvement	432,000	356,880	16,969	373,849	58,151	-	58,151 *
1971200200 Public Safety Training Academy	300,000	45,929	50,009	95,938	204,062	5,273	198,789
1991200200 Sheriff Work Release Equipment	50,000	4,091	6,348	10,439	39,561	-	39,561
Total Department of Public Safety	39,423,719	4,679,492	12,224,353	16,903,845	22,519,874	9,989,618	12,530,256
Department of Public Works:							
1020710300 Gilmerton Bridge Repairs II	1,141,117	762,828	257,729	1,020,557	120,559	-	120,559
1020810300 Compostella Road Culvert and Ditch Upgrade	200,000	-	-	-	200,000	-	200,000
1031000300 Poindexter Street Outfall Improvements	300,000	185,510	634	186,144	113,856	-	113,856
1031200300 Grade Crossing Safety Program II	50,000	-	-	-	50,000	-	50,000
1040600300 Gilmerton Bridge Replacement	3,176,000	67,606	1,279	68,886	3,107,114	-	3,107,114
1040900300 Grade Crossing Safety Program	100,000	-	-	-	100,000	-	100,000
1041200300 Repairs and Maintenance Roads / Bridges	40,000	-	-	-	40,000	-	40,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

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:							
1050900300 Smart Traffic Center Phase 4	\$ 4,867,181	446,386	1,543,065	1,989,451	2,877,730	2,657,117	220,613
1051100300 George Washington Highway Right of Way Acquisition	915,000	315,494	249,905	565,399	349,601	13,098	336,503
1060900300 Smart Traffic Center Phase 3	1,000,000	48,849	1,626	50,475	949,525	949,524	1
1071200300 Citywide Signal Timings	192,800	192,800	-	192,800	-	-	*
1080410300 Undesignated Public Works Projects II	2,775	1,231	-	1,231	1,544	-	1,544
1110500300 Various Traffic Signals	1,196,723	1,196,530	-	1,196,530	193	-	193
1141100300 Long Bridge Replacement	3,557,327	526,140	2,015,074	2,541,214	1,016,113	830,606	185,507
1150500300 Master Road Plan Study	205,000	157,061	-	157,061	47,939	-	47,939
1170900300 Military Highway Study and Street Lights	580,000	188,695	-	188,695	391,305	-	391,305
1181300300 Greenbrier Northbound/Woodlake Left Turn Lane	57,049	57,049	-	57,049	-	-	*
1200500300 Gum Road Multi-Use Path	625,000	229,394	2,132	231,526	393,474	-	393,474
1210500300 Poindexter St. Improvements	1,878,206	1,365,322	468,933	1,834,255	43,951	4,398	39,553
1210600300 Fuel Tank Leak Prevention and Detection	200,000	181,459	18,284	199,743	257	-	257
1210800300 Traffic Signals and Intersection Improvements	1,356,556	494,353	246,953	741,305	615,251	-	615,251
1211000300 Great Dismal Swamp Trail Phase I	1,967,200	451,674	23,889	475,562	1,491,638	6,288	1,485,350
1230600300 Route 104 Steel Bridge	17,760,000	6,537,731	4,049,310	10,587,041	7,172,959	3,321,582	3,851,377
1240800300 Battlefield Emergency Preemption	37,876	37,876	-	37,876	-	-	*
1241100300 Battlefield Boulevard / Cedar Road	625,000	2,384	600	2,984	622,016	-	622,016
1260800300 Milldam Creek Stream Assessment	4,002	-	4,002	4,002	-	-	*
1270710300 Master Drainage Improvement II	1,956,980	989,925	97,959	1,087,884	869,096	366,715	502,381
1271300300 Lake Drummond Bridge Replacement	200,000	3,500	-	3,500	196,500	15,660	180,840
1290900300 Deep Creek Watershed	273,000	273,000	-	273,000	-	-	*
1291100300 Dewald Road Drainage Improvements	288,714	287,588	1,126	288,714	-	-	*
1301000400 Military Highway Traffic Signal Improvements	9,454	9,454	-	9,454	-	-	*
1301100300 St. Brides Bridge Replacement	293,639	20,769	272,870	293,639	-	-	*
1321000300 Wellton-Forehand Bridge Repair	4,619,058	4,603,028	-	4,603,028	16,030	-	16,030
1330900300 Greentree / Oakgrove Road	20,293	15,710	250	15,960	4,333	-	4,333
1331100300 Various Intersection Improvements	1,602,000	186,842	38,931	225,773	1,376,227	28,855	1,376,227
1341100300 Various Drainage Improvements	845,000	184,728	84,711	269,439	575,561	-	546,706
1341110300 Various Drainage Improvements - Crestharbor	500,000	52,077	389,980	442,057	57,943	-	57,943
1341120300 Various Drainage Improvements - Loxley	450,000	525	117,315	117,840	332,160	332,160	-
1341130300 Various Drainage Improvements - Willow	700,000	-	288,156	288,156	411,844	136,118	275,726
1341140300 Various Drainage Improvements - West Munden	600,000	-	110,253	110,253	489,747	148,025	341,722
1350900300 Route 17 Financing Study	1,751,491	350,602	425,135	775,737	975,754	-	975,754
1351000300 Portsmouth Boulevard Phase 4	7,012,000	446,286	5,605	451,891	6,560,109	613,558	5,946,551
1361000300 Hanbury-Battlefield Intersection & Ramp	1,700,000	179,194	72,470	251,664	1,448,336	47,035	1,401,301
1361300300 Dominion Boulevard Shoulder Expansion	2,013,636	1,996,736	-	1,996,736	16,900	-	16,900

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

Project	Expenditures				Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year					
General construction projects, continued:								
Department of Public Works continued:								
1370800300	Chesapeake Virginia Beach Fentress Land Study	\$ 25,000	25,000	-	25,000	-	-	-
1380600300	Repairs and Maintenance Roads/Bridges	1,006,779	581,302	345,605	926,907	79,872	-	79,872
1401400300	Community Rating System	34,000	-	10,944	10,944	23,056	23,056	-
14114003ES	Various Roadway Resurfacing - ARRA	3,298,137	-	16,314	16,314	3,281,823	306,455	2,975,368
14214003ES	Citywide Bridge Deck Seal Rehabilitation - ARRA	1,438,109	-	-	1,438,109	1,438,109	-	1,438,109
14314003ES	Citywide Traffic Signal LED Upgrade - ARRA	589,976	-	850	850	589,126	-	589,126
14414003ES	Dismal Swamp Canal Trail - ARRA	1,300,000	-	85,891	85,891	1,214,109	25,109	1,189,000
1471300300	Greenbrier Parkway Northbound Lane	469,465	1,464	315,484	316,948	152,517	-	152,517
1479910300	Jordan Bridge II	123,800	101,800	1,694	103,494	20,306	-	20,306
1529900300	Bikeway Lane	799	799	-	799	-	-	-
1599900300	Street Lights	1,057,129	1,041,790	5,424	1,047,215	9,914	-	9,914
1641200300	Hudgins Bridge Replacement	500,000	4,593	5,405	9,998	490,002	19,147	470,855
1651200300	Beaver Dam Bridge Replacement	500,000	7,499	9,304	16,803	483,197	12,342	470,855
1661200300	Tilden / Battlefield Intersection Improvement	600,000	294,277	296,814	591,091	8,909	-	8,909
1671200300	Traffic Signal / Intersection Improvement	1,000,000	282,837	186,929	469,766	530,234	12,775	517,459
1831200300	Volvo / Independence Parkway Tinter	2,969,000	160,447	155,992	316,439	2,652,561	298,700	2,353,861
1851200300	Waters Road Ditch and Shoulder Improvement	1,542,000	330,342	180,699	511,040	1,030,960	212,083	818,877
1861200300	Centerville/ Blue Ridge / Fentress	1,900,000	259,684	70,114	329,798	1,570,202	167,068	1,403,134
1871200300	Pocaty Bridge Replacement	1,500,000	173,659	249,992	423,651	1,076,349	1,070,030	6,319
1881200300	Bell Mills Bridge Replacement	1,500,000	29,930	95,513	125,443	1,374,557	216,103	1,158,454
1891200300	Tilden / Wayne Avenue Connector Road	433,970	-	16,682	16,682	417,288	45,089	372,199
1901200300	West Road Connector	890,000	1,616	650,300	651,916	238,084	150,000	88,084
	Total Department of Public Works	89,548,239	26,343,378	13,488,123	39,831,501	49,716,738	12,028,696	37,688,042
Department of Libraries:								
1081401000	Library Renewal/Replacement Profiler	171,195	-	-	-	171,195	-	171,195
1941201000	Library RFID System	612,000	587,812	17,905	605,717	6,283	-	6,283 *
	Total Department of Libraries	783,195	587,812	17,905	605,717	177,478	-	177,478
Department of Parks and Recreation:								
1000000400	Open Space Parks	23,830	-	-	-	23,830	-	23,830
1041100400	Demolition of Camp 22 Buildings	204,651	181,979	-	181,979	22,672	-	22,672
1130800400	Bryant Farms Park	55,007	55,007	-	55,007	-	-	-
1150800400	Chesapeake City Park	158,351	145,215	-	145,215	13,136	4,408	8,728
1161300400	Deep Creek Park	4,836,361	223,389	132,362	355,751	4,480,610	3,916,357	564,253
1170500400	Parks Land Acquisition	2,295,740	1,962,436	-	1,962,436	333,304	-	333,304
1180800400	Mians Plantation	83,969	57,945	-	57,945	26,024	-	26,024

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

Project	Appropriations	Prior Years	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
			Current Year	Year				
General construction projects, continued:								
Department of Parks and Recreation continued:								
1221200400 Johnson Park Improvements	\$ 500,000	230,605	73,246		303,851	196,149	180,866	15,283
1260700400 Battlefield Visitor Center	1,650,750	413,205	40,320		453,525	1,197,225	142,821	1,054,404
1270800400 River's Edge Play Area	97,248	53,431	-		53,431	43,817	-	43,817
1271100400 Park Shelters & Playgrounds	556,853	316,166	97,723		413,889	142,965	14,173	128,792
1280900400 South Battlefield Park	86,659	50,558	3,041		53,599	33,060	30,086	2,974
1300800400 Oak Grove Lake Park	158,317	135,747	342		136,089	22,228	-	22,228
1320800400 Southwestern Park	21,000	228	535		763	20,237	-	20,237
1340600400 New Park Development - Open Space	425,663	287,099	4,534		291,633	134,030	4,609	129,421
1390900400 Bells Mill	22,000	13,223	2,000		15,223	6,777	-	6,777
1410900400 Camelot Park	7,239	-	-		-	7,239	7,239	-
1451400400 Northwest River Renovations	242,000	-	-		-	242,000	-	242,000
1461400400 Centerville Park Upgrade	280,000	-	-		-	280,000	-	280,000
1481300400 Harbor North Park	50,000	-	44,805		44,805	5,195	-	5,195
1821200400 Cornland Park	62,139	22,139	-		22,139	40,000	-	40,000
1841200400 Park Improvements	901,550	405,691	250,517		656,208	245,342	14,617	230,725
1961200400 Camelot Community Center	1,581,250	130,940	383,420		514,360	1,066,890	873,803	193,087
Total Department of Parks and Recreation	14,300,579	4,685,005	1,032,844		5,717,849	8,582,730	5,188,979	3,393,751
Total General construction projects	230,526,733	66,794,798	40,856,977		107,651,775	122,874,959	32,036,427	90,838,532
School capital projects:								
9050326650 Grassfield High School	1,568,878	-	49,371		49,371	1,519,507	6,217	1,513,290
Total school capital projects	1,568,878	-	49,371		49,371	1,519,507	6,217	1,513,290
Community development projects								
3813000509 Campostella	303,632	221,713	21,641		243,354	60,278	-	60,278
Total community development projects	303,632	221,713	21,641		243,354	60,278	-	60,278
Lease revenue bonds								
6945020196 Trustee - Courthouse	n/a	-	92		92	(92)	-	(92)
Total lease revenue bonds	n/a	-	92		92	(92)	-	(92)
Supplemental agreements (trustee)								
6945030197 Trustee Oak Grove Connector	n/a	2,211,316	-		2,211,316	(2,211,316)	-	(2,211,316)
Total Supplemental agreements (trustee)	n/a	2,211,316	-		2,211,316	(2,211,316)	-	(2,211,316)
Total expenditures and encumbrances	232,399,243	69,227,827	40,928,081		110,155,908	122,243,335	32,042,644	90,200,691
Less completed projects	27,649,805				27,461,305			
Construction in progress	\$ 204,749,438				82,694,603			

* Completed Projects
 n/a - not applicable

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Chesapeake
VIRGINIA

Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

Solid Waste Disposal & Recycling Fund – To account for revenues and expenditures to collect and dispose of solid waste and recyclable materials.

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

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

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

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

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

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

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

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

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

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

Permanent Funds:

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



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
ASSETS				
Cash and temporary investments	\$ 10,204,472	10,466,475	5,430,889	7,244,244
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	510,006	67,310
Federal government	-	-	820,964	-
Federal government - American Reinvestment and Recovery Act	-	-	108,943	-
Receivables:				
Accounts receivable	-	-	-	2,079,582
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	-	-	-	(1,689,529)
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	10,204,472	10,466,475	6,870,802	7,701,607
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	12,783	2,463	304,099	307,748
Deposits	-	-	-	-
Accrued expenditures	-	-	31,399	23,694
Deferred revenues	-	-	-	383,298
Due to other funds	-	-	-	-
Total liabilities	12,783	2,463	335,498	714,740
Fund Balances				
Reserved:				
Expendable	50,016	27,164	7,583	405,777
Unexpendable	-	-	-	-
Unreserved:				
Designated	-	-	-	500,000
Undesignated	10,141,673	10,436,848	6,527,721	6,081,090
Total fund balances	10,191,689	10,464,012	6,535,304	6,986,867
Total liabilities and fund balances	\$ 10,204,472	10,466,475	6,870,802	7,701,607

Schedule P-1

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	Solid Waste Disposal & Recycling	E-911 Operations	Subtotal
2,385,986	1,349,395	3,731,054	3,974,488	5,484,646	50,271,649
-	-	500,265	-	-	1,077,581
-	-	-	-	-	820,964
-	-	-	-	-	108,943
20,346	60,990	3,832	521,114	232,372	2,918,236
-	-	-	-	-	-
173,578	156,940	-	-	-	330,518
-	-	-	(8,581)	-	(1,698,110)
-	-	-	-	-	-
-	-	-	-	-	-
2,579,910	1,567,325	4,235,151	4,487,021	5,717,018	53,829,781
35,064	8,535	475,417	1,701,844	16,119	2,864,072
84,241	-	-	-	-	84,241
22,071	27,506	-	-	572	105,242
-	-	-	382,802	-	766,100
-	-	-	-	-	-
141,376	36,041	475,417	2,084,646	16,691	3,819,655
171,305	837	-	324,176	512,340	1,499,198
-	-	-	-	-	-
-	-	-	-	2,328,476	2,828,476
2,267,229	1,530,447	3,759,734	2,078,199	2,859,511	45,682,452
2,438,534	1,531,284	3,759,734	2,402,375	5,700,327	50,010,126
2,579,910	1,567,325	4,235,151	4,487,021	5,717,018	53,829,781

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds			
	Parks and Recreation	Community Corrections	Fee Supported Activities	Grants
ASSETS				
Cash and temporary investments	\$ 1,138,897	102,706	1,242,695	6,480,267
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	-	164,701
Federal government	-	-	-	360,553
Federal government - American Reinvestment and Recovery Act	-	-	-	172,479
Receivables:				
Accounts receivable	318	22,383	45,828	-
Interest receivable	-	-	-	-
Other	-	-	-	3,109
Allowance for uncollectible amounts	-	-	-	-
Inventory of materials and supplies	13,982	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	1,153,197	125,089	1,288,523	7,181,109
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	51,700	3,811	398	359,954
Deposits	-	-	-	-
Accrued expenditures	59,549	-	1,817	11,421
Deferred revenues	143,119	-	-	-
Due to other funds	-	-	-	-
Total liabilities	254,368	3,811	2,215	371,375
Fund Balances				
Reserved:				
Expendable	173,984	-	3,800	864,845
Unexpendable	-	-	-	-
Unreserved:				
Designated	-	-	62,506	-
Undesignated	724,845	121,278	1,220,002	5,944,889
Total fund balances	898,829	121,278	1,286,308	6,809,734
Total liabilities and fund balances	\$ 1,153,197	125,089	1,288,523	7,181,109

Schedule P-1, Continued

Special Revenue Funds					Permanent Funds		Total Nonmajor Governmental Funds
Community Development	Open Space Agriculture Preservation	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
-	1,374,085	2,238,935	96,699	709,127	170,236	13,101	63,838,397
-	-	-	-	-	-	-	1,242,282
299,575	-	-	-	-	-	-	1,481,092
-	-	-	-	-	-	-	281,422
-	-	-	-	-	-	-	2,986,765
-	-	-	-	-	348	148	496
20,000	-	13,862	-	-	-	-	367,489
-	-	-	-	-	-	-	(1,698,110)
-	-	-	-	-	-	-	13,982
-	575,986	-	-	-	-	-	575,986
319,575	1,950,071	2,252,797	96,699	709,127	170,584	13,249	69,089,801
175,500	199	-	-	-	-	-	3,455,634
-	-	-	-	-	-	-	84,241
1,253	-	-	-	-	-	-	179,282
-	-	-	-	-	-	-	909,219
153,077	-	-	-	-	-	-	153,077
329,830	199	-	-	-	-	-	4,781,453
14,800	-	-	-	-	-	-	2,556,627
-	-	-	-	-	11,295	1,500	12,795
-	-	-	-	220,000	-	-	3,110,982
(25,055)	1,949,872	2,252,797	96,699	489,127	159,289	11,749	58,627,944
(10,255)	1,949,872	2,252,797	96,699	709,127	170,584	13,249	64,308,348
319,575	1,950,071	2,252,797	96,699	709,127	170,584	13,249	69,089,801

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
REVENUES				
Taxes on real property	\$ 5,475,641	4,720,527	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	5,724,067	7,112,667
Federal government	-	-	8,980,369	1,209,081
Federal government - American Reinvestment and Recovery Act	-	-	600,279	-
Recovered costs	-	-	32,864	14,793
Investment income	75,557	77,496	40,208	53,638
Charges for services	-	-	6,205	3,749,664
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	-	805
Program income	-	-	-	-
Total revenues	5,551,198	4,798,023	15,383,992	12,140,648
EXPENDITURES				
Current:				
General government	162,600	39,484	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks	-	-	-	-
Public welfare	-	-	20,113,015	16,130,283
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	53,368
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	162,600	39,484	20,113,015	16,183,651
Excess (deficiency) of revenues over (under) expenditures	5,388,598	4,758,539	(4,729,023)	(4,043,003)
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	-	-	5,814,918	5,748,244
Transfers to other funds	(1,225,726)	(249,596)	(1,293,370)	(429,498)
Total other financing sources (uses)	(1,225,726)	(249,596)	4,521,548	5,318,746
Net change in fund balance	4,162,872	4,508,943	(207,475)	1,275,743
Fund balance - beginning	6,028,817	5,955,069	6,742,779	5,711,124
Fund balance - ending	\$ 10,191,689	10,464,012	6,535,304	6,986,867

Schedule P-2

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	Solid Waste Disposal & Recycling	E-911 Operations	Subtotal
-	-	-	-	-	10,196,168
1,861,635	-	-	-	-	1,861,635
518,410	-	-	-	-	518,410
783,805	-	-	-	-	783,805
229,518	-	-	-	-	229,518
-	2,095,520	2,354,702	-	1,394,180	18,681,136
-	-	-	-	-	10,189,450
-	-	-	-	-	600,279
15,786	1,460,216	18,532	-	30	1,542,221
15,997	9,991	27,626	29,299	40,610	370,422
448,472	10,890	1,424	2,258,771	-	6,475,426
1,372,683	-	-	-	-	1,372,683
40	-	-	8,041	-	8,886
-	-	-	-	-	-
5,246,346	3,576,617	2,402,284	2,296,111	1,434,820	52,830,039
4,019,957	5,655,078	-	-	-	9,877,119
-	-	-	-	4,481,216	4,481,216
-	-	-	21,969,557	-	21,969,557
-	-	-	-	-	-
-	-	3,954,297	-	-	40,197,595
-	-	-	-	-	53,368
34,100	-	-	-	168,010	202,110
-	-	-	-	-	-
4,054,057	5,655,078	3,954,297	21,969,557	4,649,226	76,780,965
1,192,289	(2,078,461)	(1,552,013)	(19,673,446)	(3,214,406)	(23,950,926)
-	1,913,611	2,052,642	22,105,120	5,741,247	43,375,782
(1,029,978)	(9,991)	(27,626)	(29,299)	(124,686)	(4,419,770)
(1,029,978)	1,903,620	2,025,016	22,075,821	5,616,561	38,956,012
162,311	(174,841)	473,003	2,402,375	2,402,155	15,005,086
2,276,223	1,706,125	3,286,731	-	3,298,172	35,005,040
2,438,534	1,531,284	3,759,734	2,402,375	5,700,327	50,010,126

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

	Special Revenue Funds			
	Parks and Recreation	Community Corrections	Fee Supported Activities	Grants
REVENUES				
Taxes on real property	\$ -	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	295,359	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	477,317	-	2,056,495
Federal government	-	-	-	1,458,100
Federal government - American Reinvestment and Recovery Act	-	-	-	1,123,113
Recovered costs	10,359	-	13,030	74,046
Investment income	8,398	760	9,201	5,363
Charges for services	1,044,135	54,375	317,782	77,464
Sale of food and beverages	14,659	-	-	-
Miscellaneous local revenues	-	-	-	363,502
Program income	-	-	-	-
Total revenues	1,372,910	532,452	340,013	5,158,083
EXPENDITURES				
Current:				
General government	-	487,145	-	2,357,436
Public safety	-	-	167,880	1,140,009
Public works	-	-	-	93,892
Parks	8,275,798	-	-	88,761
Public welfare	-	-	-	481,024
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Capital outlay	-	-	-	282,266
Debt service	-	-	-	-
Total expenditures	8,275,798	487,145	167,880	4,443,388
Excess (deficiency) of revenues over (under) expenditures	(6,902,888)	45,307	172,133	714,695
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	7,533,363	3,483	40,896	1,137,006
Transfers to other funds	(635,659)	(760)	(9,201)	(109,387)
Total other financing sources (uses)	6,897,704	2,723	31,695	1,027,619
Net change in fund balance	(5,184)	48,030	203,828	1,742,314
Fund balance - beginning	904,013	73,248	1,082,480	5,067,420
Fund balance - ending	\$ 898,829	121,278	1,286,308	6,809,734

Schedule P-2, Continued

Special Revenue Funds					Permanent Funds		Total Nonmajor Governmental Funds
Community Development	Open Space Agriculture Preservation	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
-	-	-	-	-	-	-	10,196,168
-	-	-	-	-	-	-	1,861,635
-	-	-	-	-	-	-	518,410
-	-	-	-	-	-	-	783,805
-	-	-	-	-	-	-	524,877
-	-	-	-	-	-	-	21,214,948
1,750,458	39,250	-	-	-	-	-	13,437,258
-	-	-	-	-	-	-	1,723,392
-	-	-	-	-	-	-	1,639,656
-	82,830	-	711	6,652	3,636	303	488,276
-	-	-	-	-	-	-	7,969,182
-	-	-	-	-	-	-	1,387,342
-	-	2,252,797	-	-	-	-	2,625,185
206,739	-	-	-	-	-	-	206,739
1,957,197	122,080	2,252,797	711	6,652	3,636	303	64,576,873
-	-	-	-	-	-	-	12,721,700
-	-	-	-	-	-	-	5,789,105
-	-	-	-	-	-	-	22,063,449
-	-	-	-	-	-	-	8,364,559
1,577,278	-	-	-	25	-	-	42,255,922
-	-	-	-	-	-	-	53,368
-	574,820	-	-	-	-	-	1,059,196
358,278	-	-	-	322,392	-	-	680,670
1,935,556	574,820	-	-	322,417	-	-	92,987,969
21,641	(452,740)	2,252,797	711	(315,765)	3,636	303	(28,411,096)
-	834,396	-	35,988	322,392	-	-	53,283,306
(21,641)	(74,604)	-	-	-	-	-	(5,271,022)
(21,641)	759,792	-	35,988	322,392	-	-	48,012,284
-	307,052	2,252,797	36,699	6,627	3,636	303	19,601,188
(10,255)	1,642,820	-	60,000	702,500	166,948	12,946	44,707,160
(10,255)	1,949,872	2,252,797	96,699	709,127	170,584	13,249	64,308,348

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Tax Increment Financing Greenbrier Fund
 Schedule of Revenues, Expenditures and Other
 Financing Uses - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes on real property	\$ 5,513,616	5,475,641	(37,975)
Investment income	-	75,557	75,557
Total revenues	5,513,616	5,551,198	37,582
EXPENDITURES			
General government	901,595	162,600	738,995
Total expenditures	901,595	162,600	738,995
Excess of revenues over expenditures	4,612,021	5,388,598	776,577
OTHER FINANCING USES			
Transfer to other funds	(1,183,048)	(1,225,726)	(42,678)
Total other financing uses	(1,183,048)	(1,225,726)	(42,678)
Net change in fund balance	3,428,973	4,162,872	733,899
Fund balance - beginning	6,028,817	6,028,817	-
Fund balance - ending	\$ 9,457,790	10,191,689	733,899

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Tax Increment Financing South Norfolk Fund
 Schedule of Revenues, Expenditures and Other
 Financing Uses - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes on real property	\$ 4,689,614	4,720,527	30,913
Investment income	-	77,496	77,496
Total revenues	4,689,614	4,798,023	108,409
EXPENDITURES			
General government	225,662	39,484	186,178
Total expenditures	225,662	39,484	186,178
Excess of revenues over expenditures	4,463,952	4,758,539	294,587
OTHER FINANCING USES			
Transfer to other funds	(172,100)	(249,596)	(77,496)
Total other financing uses	(172,100)	(249,596)	(77,496)
Net change in fund balance	4,291,852	4,508,943	217,091
Fund balance - beginning	5,955,069	5,955,069	-
Fund balance - ending	\$ 10,246,921	10,464,012	217,091

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 6,178,116	5,724,067	(454,049)
Federal government	8,879,169	8,980,369	101,200
Federal government - American Reinvestment and Recovery Act	477,035	600,279	123,244
Total intergovernmental revenue	15,534,320	15,304,715	(229,605)
Recovered costs	12,000	32,864	20,864
Investment income	-	40,208	40,208
Charges for services	6,500	6,205	(295)
Total revenues	15,552,820	15,383,992	(168,828)
EXPENDITURES			
Public welfare:			
Bureau of Public Assistance	7,499,899	7,203,999	295,900
Administration	3,997,792	3,416,978	580,814
Employment Service Program/VIEW	4,938,858	4,709,682	229,176
Food Stamp Administration	5,028,885	4,695,918	332,967
Other special programs	91,762	86,438	5,324
Total expenditures	21,557,196	20,113,015	1,444,181
Excess (deficiency) of revenues over (under) expenditures	(6,004,376)	(4,729,023)	1,275,353
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	5,814,918	5,814,918	-
Transfer to other funds	(1,253,162)	(1,293,370)	(40,208)
Total other financing sources (uses)	4,561,756	4,521,548	(40,208)
Net change in fund balance	(1,442,620)	(207,475)	1,235,145
Fund balance - beginning	6,742,779	6,742,779	-
Fund balance - ending	\$ 5,300,159	6,535,304	1,235,145

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 883,339	861,011	(22,328)
Mental health grants	6,007,490	5,750,076	(257,414)
Mental retardation grants	730,740	501,580	(229,160)
Total from the Commonwealth of Virginia	7,621,569	7,112,667	(508,902)
From the Federal government:			
Substance abuse and mental health and retardation grant	1,213,791	1,209,081	(4,710)
Charges for services:			
Mental health fees	2,142,590	2,190,243	47,653
Mental retardation fees	1,367,682	1,389,200	21,518
Substance abuse fees	175,300	170,038	(5,262)
Other charges for services	-	183	183
Total charges for services	3,685,572	3,749,664	64,092
Recovered costs	-	14,793	14,793
Investment income	-	53,638	53,638
Miscellaneous revenue	-	805	805
Total revenues	12,520,932	12,140,648	(380,284)
EXPENDITURES			
Public welfare	17,876,553	16,130,283	1,746,270
Total expenditures	17,876,553	16,130,283	1,746,270
Deficiency of revenues under expenditures	(5,355,621)	(3,989,635)	1,365,986
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	5,748,244	5,748,244	-
Transfer to Elizabeth River Properties of Chesapeake, Inc.	(53,368)	(53,368)	-
Transfer to other funds	(376,920)	(429,498)	(52,578)
Total other financing sources (uses)	5,317,956	5,265,378	(52,578)
Net change in fund balance	(37,665)	1,275,743	1,313,408
Fund balance - beginning	5,711,124	5,711,124	-
Fund balance - ending	\$ 5,673,459	6,986,867	1,313,408

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund
 Schedule of Revenues, Expenditures and Other
 Financing Uses - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,830,000	1,861,635	31,635
Lodging sales tax	476,669	518,410	41,741
Lodging flat tax	664,313	783,805	119,492
Revenues from use of property	300,000	229,518	(70,482)
Recovered costs	5,000	15,786	10,786
Investment income	-	15,997	15,997
Charges for services	575,550	448,472	(127,078)
Sale of food and beverages	1,740,000	1,372,683	(367,317)
Miscellaneous revenue	1,000	40	(960)
Total revenues	5,592,532	5,246,346	(346,186)
EXPENDITURES			
General government	4,655,513	4,019,957	635,556
Capital outlay	34,100	34,100	-
Total expenditures	4,689,613	4,054,057	635,556
Excess (deficiency) of revenues over (under) expenditures	902,919	1,192,289	289,370
OTHER FINANCING USES			
Transfer to other funds	(1,013,981)	(1,029,978)	(15,997)
Total other financing uses	(1,013,981)	(1,029,978)	(15,997)
Net change in fund balance	(111,062)	162,311	273,373
Fund balance - beginning	2,276,223	2,276,223	-
Fund balance - ending	\$ 2,165,161	2,438,534	273,373

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Chesapeake Juvenile Services Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,084,600	2,095,520	10,920
Recovered costs	1,911,840	1,460,216	(451,624)
Investment income	-	9,991	9,991
Charges for services	12,000	10,890	(1,110)
Total revenues	4,008,440	3,576,617	(431,823)
EXPENDITURES			
General government	6,172,801	5,655,078	517,723
Total expenditures	6,172,801	5,655,078	517,723
Excess (deficiency) of revenues over (under) expenditures	(2,164,361)	(2,078,461)	85,900
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,913,611	1,913,611	-
Transfer to the General Fund	-	(9,991)	(9,991)
Total other financing sources (uses)	1,913,611	1,903,620	(9,991)
Net change in fund balance	(250,750)	(174,841)	75,909
Fund balance - beginning	1,706,125	1,706,125	-
Fund balance - ending	\$ 1,455,375	1,531,284	75,909

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Interagency Consortium Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,976,108	2,354,702	378,594
Recovered costs	-	18,532	18,532
Investment income	-	27,626	27,626
Charges for services	-	1,424	1,424
Total revenues	1,976,108	2,402,284	426,176
EXPENDITURES			
Public welfare:			
Contract services	3,899,405	3,706,877	192,528
Administrative expenses	265,560	247,420	18,140
Total expenditures	4,164,965	3,954,297	210,668
Excess (deficiency) of revenues over (under) expenditures	(2,188,857)	(1,552,013)	636,844
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	2,052,642	2,052,642	-
Transfer to the General Fund	-	(27,626)	(27,626)
Total other financing sources (uses)	2,052,642	2,025,016	(27,626)
Net change in fund balance	(136,215)	473,003	609,218
Fund balance - beginning	3,286,731	3,286,731	-
Fund balance - ending	\$ 3,150,516	3,759,734	609,218

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Solid Waste Disposal and Recycling Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ -	29,299	29,299
Charges for services	2,300,000	2,258,771	(41,229)
Miscellaneous revenue	-	8,041	8,041
Total revenues	2,300,000	2,296,111	(3,889)
EXPENDITURES			
Public Works	25,378,573	21,969,557	3,409,016
Total expenditures	25,378,573	21,969,557	3,409,016
Deficiency of revenues under expenditures	(23,078,573)	(19,673,446)	3,405,127
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	19,805,120	19,805,120	-
Transfer from other funds	2,300,000	2,300,000	-
Transfer to the General Fund	-	(29,299)	(29,299)
Total other financing sources (uses)	22,105,120	22,075,821	(29,299)
Net change in fund balance	(973,453)	2,402,375	3,375,828
Fund balance - beginning	-	-	-
Fund balance - ending	\$ (973,453)	2,402,375	3,375,828

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

E-911 Operations Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	\$ 1,400,000	1,394,180	(5,820)
Recovered costs	-	30	30
Investment income	-	40,610	40,610
Total revenues	1,400,000	1,434,820	34,820
EXPENDITURES			
Public safety	4,894,658	4,481,216	413,442
Capital outlay	2,253,282	168,010	2,085,272
Total expenditures	7,147,940	4,649,226	2,498,714
Excess (deficiency) of revenues over (under) expenditures	(5,747,940)	(3,214,406)	2,533,534
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	5,741,247	5,741,247	-
Transfer to other funds	(84,076)	(124,686)	(40,610)
Total other financing sources (uses)	5,657,171	5,616,561	(40,610)
Net change in fund balance	(90,769)	2,402,155	2,492,924
Fund balance - beginning	3,298,172	3,298,172	-
Fund balance - ending	\$ 3,207,403	5,700,327	2,492,924

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Parks and Recreation Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Revenues from use of property	\$ 269,876	295,359	25,483
Recovered costs	-	10,359	10,359
Investment income	-	8,398	8,398
Charges for services	1,175,166	1,044,135	(131,031)
Sale of food and beverages	13,256	14,659	1,403
Total revenues	1,458,298	1,372,910	(85,388)
EXPENDITURES			
Parks	9,011,499	8,275,798	735,701
Total expenditures	9,011,499	8,275,798	735,701
Deficiency of revenues under expenditures	(7,553,201)	(6,902,888)	650,313
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	7,533,363	7,533,363	-
Transfer to other funds	(627,261)	(635,659)	(8,398)
Total other financing sources (uses)	6,906,102	6,897,704	(8,398)
Net change in fund balance	(647,099)	(5,184)	641,915
Fund balance - beginning	904,013	904,013	-
Fund balance - ending	\$ 256,914	898,829	641,915

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Community Corrections Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 477,317	477,317	-
Charges for services	33,000	54,375	21,375
Investment income	-	760	760
Total revenues	510,317	532,452	22,135
EXPENDITURES			
General government:			
Diversion services	218,276	201,231	17,045
Pre-trial services	295,524	285,914	9,610
Total expenditures	513,800	487,145	26,655
Excess (deficiency) of revenues over (under) expenditures	(3,483)	45,307	48,790
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	-	3,483	3,483
Transfer to the General Fund	-	(760)	(760)
Total other financing sources (uses)	-	2,723	2,723
Net change in fund balance	(3,483)	48,030	51,513
Fund balance - beginning	73,248	73,248	-
Fund balance - ending	\$ 69,765	121,278	51,513

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

Fee Supported Activities Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Recovered costs	\$ -	13,030	13,030
Investment income	-	9,201	9,201
Charges for services	81,608	317,782	236,174
Total revenues	81,608	340,013	258,405
EXPENDITURES			
Public safety	194,556	167,880	26,676
Total expenditures	194,556	167,880	26,676
Excess (deficiency) of revenues over (under) expenditures	(112,948)	172,133	285,081
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	40,896	40,896	-
Transfer to the General Fund	-	(9,201)	(9,201)
Total other financing sources (uses)	40,896	31,695	(9,201)
Net change in fund balance	(72,052)	203,828	275,880
Fund balance - beginning	1,082,480	1,082,480	-
Fund balance - ending	\$ 1,010,428	1,286,308	275,880

Grants Fund, Community Development Fund, Open Space Agriculture Preservation Fund, Proffers Fund, and Housing Trust Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Actual	Variance Positive (Negative)
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,074,593	2,056,495	(18,098)
Federal government	3,828,198	1,458,100	(2,370,098)
Federal government - American Reinvestment and Recovery Act	3,604,979	1,123,113	(2,481,866)
Recovered costs	-	74,046	74,046
Investment income	5,986	5,363	(623)
Charges for services	42,142	77,464	35,322
Miscellaneous revenue	889,610	363,502	(526,108)
Total revenues	10,445,508	5,158,083	(5,287,425)
Other financing sources			
Transfer from the General Fund	366,202	366,202	-
Transfer from other funds	770,804	770,804	-
Total other financing sources	1,137,006	1,137,006	-
Total revenues and other financing sources	\$ 11,582,514	6,295,089	(5,287,425)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,228,967	1,089,015	(139,952)
Home Rehabilitation program	694,454	661,443	(33,011)
Program income	16,500	206,739	190,239
Total revenues	\$ 1,939,921	1,957,197	17,276
Open Space Agriculture Preservation Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 93,766	-	(93,766)
Federal government	-	39,250	39,250
Investment income	-	82,830	82,830
Total revenues	93,766	122,080	28,314
Other financing source - transfer from the General Fund	834,396	834,396	-
Total revenues and other financing source	\$ 928,162	956,476	28,314
Proffers Fund			
Revenues			
Miscellaneous revenue	\$ -	2,252,797	2,252,797
Total revenues	\$ -	2,252,797	2,252,797
Housing Trust Fund			
Revenues			
Investment income	\$ -	711	711
Total revenues	-	711	711
Other financing source - transfer from the General Fund	-	35,988	35,988
Total revenues and other financing source	\$ -	36,699	36,699

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

Grants Fund
 Schedule of Expenditures- Budget and Actual
 Year Ended June 30, 2010

	Revised Budget	Expenditures			Unexpended Balance
		Prior Year	Current Year	Total	
EXPENDITURES					
General government	\$ 20,074,440	8,755,387	2,372,000	11,127,387	8,947,053
Public safety	29,130,951	20,887,060	1,407,711	22,294,771	6,836,180
Parks	1,577,965	1,114,845	88,761	1,203,606	374,359
Public welfare	6,995,699	5,411,134	481,024	5,892,158	1,103,541
Public works	949,639	853,833	93,892	947,725	1,914
Total expenditures	58,728,694	37,022,259	4,443,388	41,465,647	17,263,047
Less closed grants	22,444,274	20,900,708	-	20,900,708	1,543,566
Total expenditures - active grants	\$ 36,284,420	16,121,551	4,443,388	20,564,939	15,719,481

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-17

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

	Appropriations	Expenditures - Public Welfare			Unexpended Balance
		Prior Years	Current Year	Total	
HUD- Twenty-Three:					
HOME program grant	\$ 493,311	486,981	-	486,981	6,330
Total HUD-Twenty-Three	493,311	486,981	-	486,981	6,330
HUD- Twenty-Four:					
CDBG program grants	328,408	106,665	-	106,665	221,743
HOME program grant	588,611	588,614	-	588,614	(3)
Total HUD-Twenty-Four	917,019	695,279	-	695,279	221,740
HUD- Twenty-Five:					
CDBG program grants	381,956	374,828	-	374,828	7,128
Section 108 debt service	3,123	3,123	-	3,123	-
HOME program grant	1,424,913	1,424,800	-	1,424,800	113
Total HUD-Twenty-Five	1,809,992	1,802,751	-	1,802,751	7,241
HUD- Twenty-Six:					
CDBG program grants	354,843	346,268	-	346,268	8,575
Section 108 debt service	347,090	347,090	-	347,090	-
HOME program grant	1,163,492	1,159,368	824	1,160,192	3,300
Total HUD-Twenty-Six	1,865,425	1,852,726	824	1,853,550	11,875
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	1,284,093	-	1,284,093	-
Total HUD-Twenty-Seven	1,930,338	1,930,338	-	1,930,338	-
HUD- Twenty-Eight:					
CDBG program grants	281,895	282,396	-	282,396	(501)
Section 108 debt service	352,321	352,321	-	352,321	-
HOME program grant	1,126,937	1,051,545	9,197	1,060,742	66,195
Total HUD-Twenty-Eight	1,761,153	1,686,262	9,197	1,695,459	65,694
HUD- Twenty-Nine:					
CDBG program grants	1,490,322	1,483,710	-	1,483,710	6,612
Section 108 debt service	400,000	400,000	-	400,000	-
HOME program grant	697,329	666,747	18,491	685,238	12,091
Total HUD-Twenty-Nine	2,587,651	2,550,457	18,491	2,568,948	18,703
HUD- Thirty:					
CDBG program grants	868,192	771,236	-	771,236	96,956
Section 108 debt service	467,679	469,264	-	469,264	(1,585)
HOME program grant	811,302	510,748	94,587	605,335	205,967
Total HUD-Thirty	2,147,173	1,751,248	94,587	1,845,835	301,338
HUD- Thirty-One:					
CDBG program grants	711,954	682,124	-	682,124	29,830
Section 108 debt service	380,000	379,999	-	379,999	1
HOME program grant	820,080	321,294	45,118	366,412	453,668
Total HUD-Thirty-One	1,912,034	1,383,417	45,118	1,428,535	483,499
HUD- Thirty-Two:					
CDBG Grants	793,443	685,068	16,360	701,428	92,015
Section 108 debt service	380,000	380,001	-	380,001	(1)
HOME program grant	675,250	420,158	7,130	427,288	247,962
Total HUD-Thirty-Two	1,848,693	1,485,227	23,490	1,508,717	339,976
HUD- Thirty-Three:					
CDBG Grants	880,749	744,327	96,934	841,261	39,488
Section 108 debt service	399,427	399,427	-	399,427	-
HOME program grant	962,811	657,984	40,339	698,323	264,488
Total HUD-Thirty-Three	2,242,987	1,801,738	137,273	1,939,011	303,976
HUD- Thirty-Four:					
CDBG Grants	801,754	651,223	43,723	694,946	106,808
Section 108 debt service	395,761	248,265	147,496	395,761	-
HOME program grant	635,749	73,181	305,686	378,867	256,882
Total HUD-Thirty-Four	1,833,264	972,669	496,905	1,469,574	363,690
HUD- Thirty-Five:					
CDBG Grants	828,015	-	564,899	564,899	263,116
Section 108 debt service	376,500	-	210,782	210,782	165,718
HOME program grant	698,954	-	333,990	333,990	364,964
Total HUD-Thirty-Five	1,903,469	-	1,109,671	1,109,671	793,798
Total expenditures and encumbrances	\$ 23,252,509	18,399,093	1,935,556	20,334,649	2,917,860

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-18

Open Space Agriculture Preservation Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2010

		Expenditures			Unexpended Balance	
		Revised Budget	Prior Years	Current Year		Total
EXPENDITURES - General government	\$	3,210,676	376,083	574,820	950,903	2,259,773
Total expenditures and encumbrances	\$	3,210,676	376,083	574,820	950,903	2,259,773

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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. During 2010, all remaining Jordan Bridge assets were transferred to Public Works or disposed of. The remaining fund balance was transferred to the General fund to reimburse the General fund for debt service payments made on the Jordan Bridge's behalf and to the Capital Projects fund for future capital projects. The fund closed as of June 30, 2010.



CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Statement of Net Assets
 Nonmajor Enterprise Fund
 June 30, 2010

	Jordan Bridge
ASSETS	
Current assets:	
Cash and temporary investments	\$ -
Receivables:	
Interest	-
Total current assets	-
Noncurrent assets:	
Capital assets:	
Land	-
Buildings	-
Equipment and vehicles	-
Infrastructure	-
Less accumulated depreciation	-
Total capital assets, net of accumulated depreciation	-
Total noncurrent assets	-
Total assets	\$ -
LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	-
Total liabilities	-
Net Assets	
Invested in capital assets, net of related debt	-
Unrestricted	-
Total net assets	-
Total liabilities and net assets	\$ -

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Nonmajor Enterprise Fund
 Year Ended June 30, 2010

	Jordan Bridge
REVENUES	
Charges for services:	
Tolls and tickets	\$ -
Other	-
Total operating revenues	-
OPERATING EXPENSES	
General and administrative	-
Other salaries and wages	-
Other fringe benefits	-
Other repairs and supplies	-
Equipment rental	-
Other contractual services	-
Depreciation and amortization	-
Total operating expenses	-
Operating loss	-
NONOPERATING REVENUES (EXPENSES)	
Investment income	1,269
Loss on disposal of land and equipment	(181,365)
Total nonoperating revenues (expenses)	(180,096)
Loss before transfers	(180,096)
Transfers out	(2,642,216)
Decrease in net assets	(2,822,312)
Total net assets - beginning	2,822,312
Total net assets - ending	\$ -

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Statement of Cash Flows
 Nonmajor Enterprise Fund
 Year Ended June 30, 2010

**Jordan
 Bridge**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers	\$ (68)
Net cash used in operating activities	(68)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers out	(2,424,194)
Net cash used in noncapital financing activities	(2,424,194)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	16,639
Net cash provided by investing activities	16,639
Net decrease in cash and temporary investments	(2,407,623)
Cash and temporary investments beginning of year	2,407,623
Cash and temporary investments end of year	\$ -

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ -
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Change in assets and liabilities decreasing cash and temporary investments:	
Accounts payable	(68)
Total adjustments	(68)

Net cash used in operating activities	\$ (68)
--	----------------

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, 2010

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
ASSETS					
Current assets:					
Cash and temporary investments	\$ 4,059,370	8,721,874	13,208,453	2,595,099	28,584,796
Receivables:					
Accounts	62,058	189,264	-	-	251,322
Interest	-	-	48,350	-	48,350
Inventory of materials and supplies	-	287,447	-	-	287,447
Prepaid expenses	-	-	878,779	-	878,779
Total current assets	4,121,428	9,198,585	14,135,582	2,595,099	30,050,694
Noncurrent assets:					
Capital assets:					
Construction in progress	18,809	57,902	-	-	76,711
Buildings	-	137,019	20,930	-	157,949
Improvements other than buildings	228,124	170,179	-	-	398,303
Software, equipment and vehicles	9,822,302	70,707,946	310,990	-	80,841,238
Infrastructure	-	34,734	-	-	34,734
Less accumulated depreciation	(6,706,277)	(39,190,614)	(65,566)	-	(45,962,457)
Total capital assets, net of accumulated depreciation	3,362,958	31,917,166	266,354	-	35,546,478
Total noncurrent assets	3,362,958	31,917,166	266,354	-	35,546,478
Total assets	\$ 7,484,386	41,115,751	14,401,936	2,595,099	65,597,172
LIABILITIES AND NET ASSETS					
Liabilities					
Current liabilities:					
Accounts payable	\$ 91,329	260,292	9,445	-	361,066
Accrued expenses and other liabilities	940	43,880	5,962	769,593	820,375
Current portion of obligations under capital leases	104,546	1,520,314	-	-	1,624,860
Current portion of accrued vacation, sick pay, and overtime leave	154,588	57,424	5,887	-	217,899
Current portion of liability for self-insurance losses	-	-	6,478,445	-	6,478,445
Total current liabilities	351,403	1,881,910	6,499,739	769,593	9,502,645
Noncurrent liabilities:					
Obligations under capital leases	66,617	1,022,217	-	-	1,088,834
Accrued vacation, sick pay, and overtime leave	185,167	68,784	7,053	-	261,004
Liability for self-insurance losses	-	-	24,371,293	-	24,371,293
Total noncurrent liabilities	251,784	1,091,001	24,378,346	-	25,721,131
Total liabilities	603,187	2,972,911	30,878,085	769,593	35,223,776
Net Assets (deficit)					
Invested in capital assets, net of related debt	3,191,795	29,374,635	266,354	-	32,832,784
Unrestricted	3,689,404	8,768,205	(16,742,503)	1,825,506	(2,459,388)
Total net assets (deficit)	6,881,199	38,142,840	(16,476,149)	1,825,506	30,373,396
Total liabilities and net assets	\$ 7,484,386	41,115,751	14,401,936	2,595,099	65,597,172

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, 2010

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
REVENUES					
Billings to departments	\$ 8,816,134	13,316,966	6,932,507	2,303,106	31,368,713
Billings to outside agencies & component units	1,192,624	1,044,030	-	-	2,236,654
Recovered costs	5,755	40,677	396,650	-	443,082
Total operating revenues	10,014,513	14,401,673	7,329,157	2,303,106	34,048,449
OPERATING EXPENSES					
Cost of materials billed	-	4,120,591	-	-	4,120,591
Purchases for resale	-	1,213,731	-	-	1,213,731
General and administrative	425,180	449,665	20,839	-	895,684
Other salaries and wages	3,042,120	1,556,754	171,102	931,391	5,701,367
Other fringe benefits	1,029,529	592,865	63,788	104,778	1,790,960
Self-insurance losses	-	-	5,405,265	-	5,405,265
Indemnity and medical claims	-	-	3,265,602	-	3,265,602
Other repairs and supplies	1,575,821	606,382	10,912	-	2,193,115
Equipment rental	411,589	26,877	2,091	-	440,557
Other contractual services	559,089	50,543	52,598	-	662,230
Depreciation and amortization	1,711,449	5,359,773	9,388	-	7,080,610
Insurance premiums	-	-	1,268,973	-	1,268,973
Other	-	-	-	-	-
Total operating expenses	8,754,777	13,977,181	10,270,558	1,036,169	34,038,685
Operating income (loss)	1,259,736	424,492	(2,941,401)	1,266,937	9,764
NONOPERATING REVENUES (EXPENSES)					
Investment income	30,057	64,579	176,339	19,215	290,190
Interest expense	(15,552)	(145,364)	-	-	(160,916)
Gain on sale of equipment	2,392	83,534	-	-	85,926
Loss on sale of equipment	(6,029)	(747,434)	-	-	(753,463)
Total nonoperating revenues (expenses)	10,868	(744,685)	176,339	19,215	(538,263)
Income (loss) before transfers and contributions	1,270,604	(320,193)	(2,765,062)	1,286,152	(528,499)
Transfers in	-	176,103	250,000	-	426,103
Transfers out	(30,057)	(797,221)	(20,146)	(19,215)	(866,639)
Capital contributions	253,491	6,220,038	265,990	-	6,739,519
Increase (decrease) in net assets (deficit)	1,494,038	5,278,727	(2,269,218)	1,266,937	5,770,484
Total net assets (deficit) - beginning	5,387,161	32,864,113	(14,206,931)	558,569	24,602,912
Total net assets (deficit) - ending	\$ 6,881,199	38,142,840	(16,476,149)	1,825,506	30,373,396

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2010

	Information Technology	City Garage	Self- Insurance	Termination Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,952,574	14,366,141	7,329,157	2,303,106	33,950,978
Payments to suppliers	(4,497,738)	(6,485,443)	(9,553,106)	-	(20,536,287)
Payments to employees	(4,093,998)	(2,158,800)	(238,741)	(1,274,923)	(7,766,462)
Net cash provided by (used in) operating activities	1,360,838	5,721,898	(2,462,690)	1,028,183	5,648,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	176,103	250,000	-	426,103
Transfers out	(30,057)	(797,221)	(20,146)	(19,215)	(866,639)
Net cash provided by (used in) noncapital financing activities	(30,057)	(621,118)	229,854	(19,215)	(440,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(606,064)	(2,259,477)	-	-	(2,865,541)
Interest paid	(15,552)	(145,364)	-	-	(160,916)
Repayment of obligations under capital leases	(327,036)	(1,930,538)	-	-	(2,257,574)
Proceeds from sale of capital assets	2,392	83,534	-	-	85,926
Net cash used in capital and related financing activities	(946,260)	(4,251,845)	-	-	(5,198,105)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	30,057	64,579	225,125	19,215	338,976
Net cash provided by investing activities	30,057	64,579	225,125	19,215	338,976
Net increase (decrease) in cash and temporary investments	414,578	913,514	(2,007,711)	1,028,183	348,564
Cash and temporary investments beginning of year	3,644,792	7,808,360	15,216,164	1,566,916	28,236,232
Cash and temporary investments end of year	\$ 4,059,370	8,721,874	13,208,453	2,595,099	28,584,796
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,259,736	424,492	(2,941,401)	1,266,937	9,764
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,711,449	5,359,773	9,388	-	7,080,610
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	(61,939)	(35,532)	-	-	(97,471)
Inventory of materials and supplies	-	19,083	-	-	19,083
Prepaid expenses	-	-	(3,676)	-	(3,676)
Accounts payable	(1,526,059)	(36,737)	1,411	-	(1,561,385)
Accrued expenses and other liabilities	(8,330)	8,860	5,962	(238,754)	(232,262)
Liability for self-insurance losses	-	-	475,439	-	475,439
Accrued vacation, sick pay, and overtime leave	(14,019)	(18,041)	(9,813)	-	(41,873)
Total adjustments	101,102	5,297,406	478,711	(238,754)	5,638,465
Net cash provided by (used in) operating activities	\$ 1,360,838	5,721,898	(2,462,690)	1,028,183	5,648,229

Fiduciary Fund Financial Statements

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



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule S

Statement of Changes in Assets and
Special Welfare Fund
Year Ended June 30, 2010

	Balances at July 1, 2009	Additions	Deductions	Balances at June 30, 2010
ASSETS				
Cash and temporary investments	\$ 11,516	43,480	43,296	11,700
Total current assets	\$ 11,516	43,480	43,296	11,700
LIABILITIES				
Due to children under foster care	\$ 11,516	43,480	43,296	11,700
Total liabilities	\$ 11,516	43,480	43,296	11,700

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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, 2010

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 5,238,981	310
Inventory of materials and supplies	287,089	-
Total current assets	5,526,070	310
Total assets	\$ 5,526,070	310
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 78,984	-
Total current liabilities	78,984	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	78,984	944,407
Fund Balance		
Reserved:		
Encumbrances	57,006	-
Inventory	287,089	-
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unreserved	3,009,263	-
Net Assets		
Unrestricted	-	(944,097)
Total fund balance and net assets (deficit)	5,447,086	(944,097)
Total liabilities, fund balance, and net assets	\$ 5,526,070	310
Reconciliation to Net Assets:		
Total fund balance	\$ 5,447,086	
Capital assets - net of depreciation	3,275,467	
Net Assets	\$ 8,722,553	

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-2

Statement of Revenue, Expenditures, and Changes in Fund Balance
 Chesapeake Mosquito Control Commission
 Year Ended June 30, 2010

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 3,921,025
Investment income	60,539
Other	65,126
Total revenues	4,046,690
EXPENDITURES	
Other salaries and wages	2,201,074
Other fringe benefits	810,915
Other repairs and supplies	798,431
Insurance premiums	278,994
Capital outlay	163,073
Other	374,103
Total expenditures	4,626,590
Deficiency of revenues under expenditures	(579,900)
Fund balance - beginning	6,026,986
Fund balance - ending	\$ 5,447,086

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	\$ (579,900)
Depreciation expense	(246,242)
Loss on disposal	(7,763)
Capital outlay expenditures	163,073
Change in Net Assets	\$ (670,832)

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, 2010

	Chesapeake Port Authority	
OPERATING EXPENSES		
General and administrative	\$	8,619
Total operating expenditures		8,619
Operating loss		(8,619)
NONOPERATING REVENUES		
Investment income		-
Appropriations from the City		7,121
Total nonoperating revenues		7,121
Increase (decrease) in net assets (deficit)		(1,498)
Net assets (deficit) - beginning		(942,599)
Net assets (deficit) - ending	\$	(944,097)

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

Statement of Cash Flows
Other Component Units
Year Ended June 30, 2010

	Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES	
Payments to suppliers	\$ (8,619)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	7,121
Net decrease in cash and temporary investments	(1,498)
Cash and temporary investments beginning of year	1,808
Cash and temporary investments end of year	\$ 310
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ 8,619
Net cash used in operating activities	\$ 8,619

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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 Nine Fiscal Years - Unaudited ¹

	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
Nonexpendable	1,479,914	1,180,559	1,169,678	1,986,705
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	2010
649,736,620	666,474,648	684,361,590	701,163,988	711,456,653
6,604,716	8,818,429	8,353,966	6,797,052	6,733,774
7,585,894	9,498,240	6,836,388	7,032,992	5,977,598
32,080,786	39,740,870	44,031,261	48,053,608	61,966,212
12,795	12,795	12,795	12,795	12,795
175,198,047	193,675,640	199,553,990	186,150,360	172,115,671
871,218,858	918,220,622	943,149,990	949,210,795	958,262,703
254,349,571	263,256,688	275,037,856	287,074,512	274,620,304
3,260,963	3,053,741	2,919,414	3,110,328	1,421,019
5,532,370	4,987,244	4,995,386	6,095,925	8,400,300
46,287,418	55,711,887	66,957,564	71,224,863	90,743,786
1,619,932	2,492,078	1,956,411	1,161,632	(1,229,016)
311,050,254	329,501,638	351,866,631	368,667,260	373,956,393
904,086,191	929,731,336	959,399,446	988,238,500	986,076,957
9,865,679	11,872,170	11,273,380	9,907,380	8,154,793
13,118,264	14,485,484	11,831,774	13,128,917	14,377,898
78,368,204	95,452,179	110,988,825	119,278,471	152,709,998
12,795	12,795	12,795	12,795	12,795
176,817,979	196,167,718	201,510,401	187,311,992	170,886,655
1,182,269,112	1,247,721,682	1,295,016,621	1,317,878,055	1,332,219,096
84,249,220	97,490,222	124,861,846	144,813,085	145,437,765
5,669,625	32,955,766	23,851,420	36,422,441	44,293,952
-	-	2,010,154	1,994,027	-
(13,520,512)	(8,265,134)	(52,681,911)	(91,627,322)	(154,999,075)
76,398,333	122,180,854	98,041,509	91,602,231	34,732,642

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets

Last Nine Fiscal Years - Unaudited ¹

	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 ²	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	2010
12,691,638	11,164,814	11,622,631	11,413,581	15,214,785	14,634,265
5,140,050	5,975,514	6,128,427	6,025,679	5,749,819	6,066,443
1,379,049	1,331,973	1,285,196	1,460,197	1,661,573	2,533,979
174,071	74,469	74,480	79,588	1,040,947	1,058,795
2,121,147	2,635,982	2,715,215	3,466,956	3,240,175	3,758,146
77,669,726	90,120,716	91,298,815	99,583,775	94,712,370	93,882,445
35,617,170	27,830,644	13,814,033	11,219,370	21,872,574	10,319,478
134,792,851	139,134,112	126,938,797	133,249,146	143,492,243	132,253,551
39,725,069	42,572,239	47,743,685	52,591,554	56,097,409	55,733,051
6,911,794	7,074,711	7,375,691	7,217,160	6,910,173	7,097,481
4,600,299	4,713,008	6,645,062	10,580,469	13,036,755	14,194,442
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	1,145,292
8,134,879	10,928,051	13,419,662	15,845,647	10,661,753	3,597,675
63,039,831	69,508,050	80,487,057	91,151,636	89,104,714	81,767,941
197,832,682	208,642,162	207,425,854	224,400,782	232,596,957	214,021,492
7,287,354	7,870,493	8,398,845	8,227,885	7,426,524	7,245,368
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
278,615	361,632	371,644	391,022	394,838	431,858
-	-	-	64,151	78,675	88,050
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	7,765,276
274,763,665	295,068,885	304,816,099	322,781,991	327,653,763	221,786,768
102,155,781	101,278,295	117,954,878	135,964,547	143,489,932	143,639,154
71,944,068	77,947,397	82,617,025	93,861,996	91,889,008	87,113,239
40,171,186	40,314,100	44,270,405	52,669,486	47,649,415	48,092,037
4,040,492	6,417,776	6,747,501	7,553,891	9,066,099	7,795,681
37,546,666	38,702,645	40,178,450	43,104,880	44,005,141	42,497,064
143,874,317	157,328,449	209,181,274	212,504,699	226,520,024	213,633,155
19,215,361	19,785,611	20,504,113	20,048,717	18,948,390	19,234,044
21,051,803	21,445,311	22,485,199	22,321,802	22,760,633	22,734,730
439,999,674	463,219,584	543,938,845	588,030,018	604,328,642	584,739,104

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Nine 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: ³			
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	2010
39,964,142	41,565,116	45,326,237	49,066,651	51,901,055	53,143,253
8,822,878	9,353,137	10,069,048	9,353,126	9,945,582	11,183,690
3,578,748	3,244,651	3,504,445	6,200,482	7,140,754	8,838,137
103,767	110,101	108,625	114,018	-	-
1,111,030	1,082,663	1,149,121	1,368,308	2,074,693	181,365
629,371	665,589	666,376	681,384	-	-
54,209,936	56,021,257	60,823,852	66,783,969	71,062,084	73,346,445
494,209,610	519,240,841	604,762,698	654,813,987	675,390,726	658,085,549
348,832,222	374,191,792	413,008,600	495,669,077	500,750,043	485,321,095
3,606,347	4,137,568	4,558,222	4,595,989	4,833,609	4,717,522
2,760,873	5,105,041	5,120,015	3,529,822	2,380,983	2,232,533
2,000	12,984	14,672	15,404	12,479	8,619
1,151,836	1,202,651	1,421,866	1,295,891	1,396,948	1,656,760
-	-	-	70,361	107,633	110,503
356,353,278	384,650,036	424,123,375	505,176,544	509,481,695	494,047,032
(305,206,823)	(324,085,472)	(417,000,048)	(454,780,872)	(460,836,399)	(452,485,553)
8,829,895	13,486,793	19,663,205	24,367,667	18,042,630	8,421,496
(296,376,928)	(310,598,679)	(397,336,843)	(430,413,205)	(442,793,769)	(444,064,057)
(279,422,295)	(298,223,313)	(326,733,130)	(406,795,335)	(414,424,889)	(486,281,756)
224,842,486	260,070,410	290,780,794	306,455,101	308,040,890	307,213,245
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	n/a	n/a	n/a
31,989,281	34,355,722	35,952,042	35,091,242	32,772,077	31,888,444
21,461,924	23,853,491	24,170,737	24,381,697	23,960,628	22,022,114
20,087,144	20,203,462	21,166,147	23,556,638	10,016,340	10,115,683
38,078,922	41,289,606	41,880,370	41,183,079	47,569,929	48,297,304
31,790,594	33,769,560	32,178,481	31,527,350	31,439,703	31,520,409
3,132,655	8,312,030	13,435,389	11,268,317	7,444,350	3,881,599
990,374	3,906,011	3,101,211	4,103,726	3,516,856	3,465,033
-	-	-	-	-	-
849,137	489,971	1,336,063	2,143,668	370,150	3,133,630
373,222,517	426,250,263	464,001,234	479,710,818	465,130,923	461,537,461
185,162	112,432	124,242	140,994	64,430	1,269
(849,137)	(489,971)	(1,336,063)	(2,143,668)	(370,150)	(3,133,630)
(663,975)	(377,539)	(1,211,821)	(2,002,674)	(305,720)	(3,132,361)
372,558,542	425,872,724	462,789,413	477,708,144	464,825,203	458,405,100

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Nine 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>

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

² Change in presentation for Mosquito Control revenue beginning in 2004.

³ Change in presentation for tax revenue beginning in 2003.

Table 2, Continued

Fiscal Years					
2005	2006	2007	2008	2009	2010
136,398,571	150,652,116	202,519,335	204,566,937	218,635,536	205,717,540
145,451,853	149,142,199	166,996,775	170,014,139	183,774,094	155,771,193
73,136	1,204,100	2,410,518	4,065,837	1,764,666	1,105,263
651,726	936,605	589,023	2,747,274	3,811,315	1,363,181
-	-	-	-	-	-
282,575,286	301,935,020	372,515,651	381,394,187	407,985,611	363,957,177
68,015,694	102,164,791	47,001,186	24,929,946	4,294,524	9,051,908
8,165,920	13,109,254	18,451,384	22,364,993	17,736,910	5,289,135
76,181,614	115,274,045	65,452,570	47,294,939	22,031,434	14,341,043
3,152,991	3,711,707	45,782,521	(25,401,148)	(6,439,278)	(122,324,579)

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

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

Table 3

	Fiscal Years				
	2001	2002	2003	2004	2005
General Fund					
Reserved:					
Expendable	\$ 14,233,897	6,426,892	5,233,480	7,540,096	11,689,066
Unreserved:					
Designated for cash flow emergencies	19,847,762	20,571,440	22,079,730	24,111,563	25,590,428
Designated for operating emergencies	16,505,980	16,505,980	16,505,980	16,785,980	17,355,561
Designated - General Fund	1,453,683	3,988,991	1,520,106	834,642	1,772,905
Undesignated	19,671,195	10,470,970	17,105,425	22,218,033	44,393,697
Total general fund	71,712,517	57,964,273	62,444,721	71,490,314	100,801,657
All Other Governmental Funds ¹					
Reserved:					
Expendable	28,244,640	22,279,871	20,963,764	36,369,243	79,765,826
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	21,919,014	21,793,882	22,072,376	22,098,361	22,935,812
Designated for construction projects	17,086,910	25,741,923	38,131,214	18,756,584	-
Designated - Special Revenue Funds	47	47	225,097	6,687,149	62,553
Undesignated - Capital Projects Fund	6,246,288	5,679,332	-	-	(10,387,836)
Undesignated - Special Revenue Funds	-	-	7,529,476	9,205,815	12,823,816
Undesignated - Permanent Funds	125,548	-	-	137,962	141,235
Total all other governmental funds	73,635,242	75,507,850	88,934,722	93,267,909	105,354,201
Total Governmental Funds	\$ 145,347,759	133,472,123	151,379,443	164,758,223	206,155,858

	Fiscal Years				
	2006	2007	2008	2009	2010
General Fund					
Reserved:					
Expendable	\$ 19,163,556	43,175,202	31,281,093	33,004,234	25,528,781
Unreserved:					
Designated for cash flow emergencies	28,188,802	31,444,789	33,669,622	34,270,058	32,100,281
Designated for operating emergencies	23,490,669	26,203,990	28,058,018	28,558,382	26,783,568
Designated - General Fund	2,073,599	1,780,871	5,204,852	2,368,429	3,900,779
Undesignated	77,023,045	45,750,452	31,569,781	35,792,674	41,699,790
Total general fund	149,939,671	148,355,304	129,783,366	133,993,777	130,013,199
All Other Governmental Funds ¹					
Reserved:					
Expendable	66,586,197	43,720,331	38,004,007	20,143,495	48,617,453
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	27,015,545	35,722,093	35,555,537	36,159,745	38,282,537
Designated for construction projects	-	-	-	-	-
Designated - Special Revenue Funds	51,796	51,749	851,749	1,540,435	3,100,225
Undesignated - Capital Projects Fund	8,110,323	32,148,580	44,612,739	79,240,620	26,962,867
Undesignated - Special Revenue Funds	16,361,382	26,987,225	34,948,104	42,318,106	58,467,663
Undesignated - Permanent Funds	146,589	154,274	162,274	167,099	171,038
Total all other governmental funds	118,284,627	138,797,047	154,147,205	179,582,295	175,614,578
Total Governmental Funds	\$ 268,224,298	287,152,351	283,930,571	313,576,072	305,627,777

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				
	2001	2002	2003	2004	2005
REVENUES					
General property taxes	\$ 166,443,901	173,500,445	187,609,314	203,503,495	224,815,562
Other local taxes	84,245,486	86,212,403	94,654,205	102,890,839	111,617,271
Licenses, permits, and fees	1,749,404	1,897,261	1,969,790	2,495,770	2,900,145
Fines and forfeitures	1,753,633	2,154,515	2,416,446	2,440,972	2,929,501
Investment income	8,641,916	4,249,510	2,150,796	1,363,374	3,361,642
Revenues from use of property	734,009	363,907	340,415	428,172	402,355
Charges for services	10,560,675	10,580,604	11,361,018	12,026,360	12,586,752
Miscellaneous local revenues	1,365,849	1,082,857	342,431	394,904	701,593
Recovered costs	3,713,818	4,851,799	4,412,312	4,087,899	3,522,595
Program income	-	716,253	407,175	284,699	172,643
Revenues from local developers	651,519	899,776	636,732	1,011,455	1,737,131
Intergovernmental revenues:					
Commonwealth of Virginia	75,077,885	81,956,131	83,417,285	89,547,556	91,882,899
Federal government	12,205,666	13,735,228	15,930,534	29,013,323	17,469,444
Federal government - American Reinvestment and Recovery Act	-	-	-	-	-
Mosquito Control Commission	-	-	-	-	-
Chesapeake Public Schools	-	1,497,066	920,741	1,318,184	2,252,275
Other localities	20,000	-	-	-	-
Total revenues	\$ 367,163,761	383,697,755	406,569,194	450,807,002	476,351,808
EXPENDITURES					
Current:					
General government	\$ 73,731,655	79,542,562	79,234,484	105,434,018	96,583,251
Public safety	52,129,599	63,579,124	64,901,277	65,491,774	70,474,672
Public works	35,047,846	39,440,560	38,551,088	38,461,949	41,022,326
Parks	7,967,933	8,539,053	7,932,242	8,741,202	3,932,120
Public welfare	30,794,751	34,694,601	32,916,436	33,987,999	37,357,981
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.	-	121,225,833	127,635,002	127,774,672	137,190,122
Education - Payments to Public Schools	-	121,225,833	127,635,002	127,774,672	137,190,122
Capital outlay	19,676,289	19,350,133	13,885,628	15,599,421	34,960,257
Debt service:					
Principal	21,530,560	24,435,865	22,935,196	25,577,280	26,854,851
Interest	23,784,635	23,074,156	22,431,441	21,393,424	19,760,635
Total expenditures	264,663,268	413,881,887	410,422,794	442,461,739	468,136,215
Excess (deficiency) of revenues over (under) expenditures	\$ 102,500,493	(30,184,132)	(3,853,600)	8,345,263	8,215,593

Table 4

Fiscal Years				
2006	2007	2008	2009	2010
254,570,961	287,428,178	303,752,471	305,829,730	304,947,151
115,380,212	117,811,881	118,584,264	114,318,974	112,323,545
7,422,144	8,267,568	8,320,450	7,803,173	7,575,603
3,587,702	3,284,658	3,571,138	2,335,259	2,028,178
7,628,030	12,277,373	10,159,705	6,904,289	3,591,409
692,489	752,247	821,971	848,257	804,015
13,094,005	14,430,213	15,356,589	16,237,073	18,153,264
1,181,755	2,111,967	2,579,045	4,352,154	3,173,343
3,039,786	2,235,212	2,452,331	2,548,192	2,272,195
179,969	196,657	140,431	277,191	206,739
2,360,155	1,539,730	1,088,464	705,995	831,779
99,075,408	101,746,899	106,204,101	101,886,059	95,205,573
19,257,416	16,213,096	19,646,487	17,117,982	19,485,307
-	-	-	3,188,902	9,012,210
300,000	300,000	300,000	-	-
3,461,393	3,050,079	4,456,580	2,229,109	960,855
-	-	-	-	-
531,231,425	571,645,758	597,434,027	586,582,339	580,571,166
99,715,504	104,994,583	114,701,994	118,517,768	117,475,619
76,643,995	83,176,840	91,538,720	88,970,424	87,356,259
42,423,515	47,655,696	52,950,476	52,872,322	54,166,903
6,373,828	6,910,347	7,827,906	8,889,221	8,364,559
37,860,700	39,744,863	41,520,684	43,289,297	42,255,922
		1,040,243	50,282	53,368
150,652,116	202,519,335	204,566,937	218,635,536	205,717,540
51,450,380	44,627,098	37,665,536	32,194,102	42,246,435
29,135,993	30,420,147	33,226,719	35,766,343	37,413,352
19,369,437	21,508,440	20,321,152	19,497,740	17,129,985
513,625,468	581,557,349	605,360,367	618,683,035	612,179,942
17,605,957	(9,911,591)	(7,926,340)	(32,100,696)	(31,608,776)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Years				
	2001	2002	2003	2004	2005
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	\$ 64,673,482	63,756,863	61,746,888	65,857,985	68,380,647
Proceeds from equipment capital leases	265,708	9,104,490	-	-	-
Transfers from component units	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	6,883,019	60,771,601	102,825,000	-	13,815,000
General obligation refunding bonds issued	-	-	-	62,920,000	-
Transfers to other funds	(66,709,904)	(64,551,515)	(61,580,997)	(66,899,055)	(68,917,222)
Transfer to component units	(113,126,514)	-	-	-	-
Payment to refunded bond escrow agent	-	(54,308,889)	(89,449,965)	(70,300,043)	(913,530)
Premiums on general obligation bonds issued	-	3,535,946	8,219,994	-	394,743
Premiums on refunding bonds issued	-	-	-	7,794,630	-
VPSA bond proceeds	-	-	-	-	19,275,000
Premiums on VPSA bonds	-	-	-	-	1,147,404
Total other financing sources (uses)	(106,372,411)	18,308,496	21,760,920	5,033,517	33,182,042
Net change in fund balances	\$ (3,871,918)	(11,875,636)	17,907,320	13,378,780	41,397,635
Debt service as a percentage of noncapital expenditures¹	17.12%	12.15%	11.51%	11.06%	10.83%

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

Table 4, Continued

Fiscal Years				
2006	2007	2008	2009	2010
70,582,784	110,177,288	112,215,093	105,080,053	113,218,228
531,918	-	-	-	4,490,443
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
15,865,000	-	-	23,015,000	2,555,000
-	-	-	17,255,000	-
(70,584,457)	(110,345,316)	(117,513,581)	(105,121,391)	(109,862,086)
-	-	-	-	-
-	-	-	(17,774,815)	-
59,276	-	-	732,755	-
-	-	-	-	-
26,935,000	28,080,000	9,490,000	34,285,000	12,280,000
1,072,963	927,672	513,048	2,715,026	978,896
44,462,484	28,839,644	4,704,560	60,186,628	23,660,481
62,068,441	18,928,053	(3,221,780)	28,085,932	(7,948,295)
10.58%	9.74%	9.43%	9.47%	9.57%

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

	Fiscal Years				
	2001	2002	2003	2004	2005
Real Property Assessed Value ¹	\$ 10,544,713,562	11,262,033,169	12,119,195,740	13,248,747,216	14,713,238,641
Real Property Estimated Actual Value ¹	10,544,713,562	11,262,033,169	12,119,195,740	13,248,747,216	14,713,238,641
Personal Property Assessed Value ¹	1,301,853,895	1,327,827,157	1,374,652,783	1,426,488,475	1,583,230,288
Personal Property Estimated Actual Value ¹	1,301,853,895	1,327,827,157	1,374,652,783	1,426,488,475	1,583,230,288
Total Assessed Value	11,846,567,457	12,589,860,326	13,493,848,523	14,675,235,691	16,296,468,929
Total Direct Tax Rate ²	1.56	1.55	1.54	1.54	1.53
Estimated Actual Value	11,846,567,457	12,589,860,326	13,493,848,523	14,675,235,691	16,296,468,929
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2006	2007	2008	2009	2010
Real Property Assessed Value ¹	\$ 17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480
Real Property Estimated Actual Value ¹	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480
Personal Property Assessed Value ¹	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961
Personal Property Estimated Actual Value ¹	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961
Total Assessed Value	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441
Total Direct Tax Rate ²	1.46	1.30	1.24	1.22	1.23
Estimated Actual Value	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441
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)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Property ^{3,4}	Real Estate ^{1,2}	\$ 1.26	1.26	1.26	1.26	1.26	1.21	1.09	1.04	1.04	1.04
	Motor Vehicles	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Motor Vehicles Disabled Vets	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Motor Carriers	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
	Recreation Vehicles	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	0.01	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	1.21	1.09	1.04	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	1.55	1.54	1.54	1.53	1.46	1.30	1.24	1.22	1.23

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

² The general City real estate tax levy is currently 1.04 per \$100 assessed value. An additional \$0.01 per \$100 assessed value is imposed for mosquito control services.

³ The general City personal property tax levy is currently \$4.00 per \$100 assessed value. An additional \$0.08 per \$100 assessed value is imposed for mosquito control services.

⁴ Boats and vehicles are assessed using 100% of the loan value from a recognized pricing guide. Boats and vehicles that are not found in a recognized pricing guide are assessed as a percentage of their original cost. Airplanes, business personal property, and machinery and tools are assessed at 20% of their original cost. Farm equipment is assessed at 12% of its original cost.

⁵ 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 rates 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 2010		Fiscal Year 2001	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 698,334,895	2.74%	474,450,339	4.50%
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	104,228,300	0.41%	-	-
Liberty Property LTD	Shopping Center & Office Bldg	82,479,200	0.32%	-	-
Chesapeake Mall LLC	Shopping Mall	76,284,700	0.30%	79,345,500	0.75%
Empirian Chesapeake LLC	Apartment Complex	57,460,300	0.23%	-	-
CP Venture Two LLC	Shopping Mall	54,522,600	0.21%	54,648,054	0.52%
Wal-Mart Stores Inc	Retail and Vacant Land	53,612,400	0.21%	25,777,881	0.24%
Woodlake Co Limited Partnership	Apartment Complex	50,183,500	0.20%	31,330,900	0.30%
352 LLC	Apartment Complex	43,500,000	0.17%	-	-
JLP Chesapeake LLC	Retail and Vacant Land	42,734,400	0.17%	-	-
Crossways Associates LLC	Office Buildings & Warehouses	42,183,500	0.17%	28,482,000	0.27%
Dollar Tree Distribution Inc	Distribution Center	-	-	25,631,700	0.24%
Chesapeake Center Associates	Shopping Center	-	-	18,389,500	0.17%
Mitsubishi Kasei America Inc	Manufacturing	-	-	23,915,100	0.23%
Schroder Chesapeake Ltd. Partnership	Shopping Mall	-	-	98,650,300	0.94%
Total Top Ten Principal Taxpayers ¹		\$ 1,305,523,795	5.12%	860,621,274	8.16%
Total Assessed Valuation ²		\$ 25,479,133,480		10,544,713,562	

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				
		2001	2002	2003	2004	2005
Personal Property ¹	Real Property ¹	\$ 125,644,567	134,698,510	145,107,682	158,879,070	177,090,767
	Motor Vehicles	39,419,716	40,945,175	42,472,194	43,910,119	49,151,769
	Motor Carriers	202,508	252,341	298,298	277,821	394,098
	Recreation Vehicles	197,218	227,750	259,567	283,302	335,302
	Boats ²	300,746	315,873	332,763	337,128	374,285
	Business	7,513,072	7,756,524	7,948,489	8,243,408	8,789,092
	Motor Homes	166,544	159,110	172,051	174,286	184,361
	Machinery & Tools	3,175,035	2,371,407	2,399,467	2,608,522	2,699,724
	Farm	98,063	100,679	104,042	109,295	111,666
	Airplanes	17,334	19,458	15,919	19,651	31,450

		FISCAL YEARS				
		2006	2007	2008	2009	2010
Personal Property ¹	Real Property ¹	\$ 204,335,250	235,211,107	252,360,481	258,241,894	256,686,437
	Motor Vehicles	53,519,922	54,529,778	56,812,984	50,011,773	52,583,399
	Motor Carriers	400,580	532,659	597,997	677,954	783,122
	Recreation Vehicles	380,969	405,623	448,615	403,302	398,344
	Boats ²	-	16	-	18,733	18,376
	Business	9,216,386	9,766,342	10,339,218	10,665,984	10,907,821
	Motor Homes	181,302	173,849	167,164	163,960	161,994
	Machinery & Tools	2,835,759	3,006,118	2,481,580	2,673,382	2,467,120
	Farm	76,574	120,436	122,233	124,263	122,016
	Airplanes	35,978	37,310	38,278	40,165	52,265

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

Fiscal Years	Total Tax Levy	Current Tax Collections ^{1, 2, 3}	Percent of Levy Collected	Delinquent Tax Collections ^{1, 5}	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes ⁴	Ratio of Delinquent Taxes to Total Tax Levy
2001	\$ 186,048,152	173,088,321	93.03%	15,504,949	188,593,270	101.37%	8,559,955	4.60%
2002	196,280,930	182,439,282	92.95%	16,894,630	199,333,912	101.56%	8,384,422	4.27%
2003	209,091,303	197,419,119	94.42%	16,737,939	214,157,058	102.42%	7,949,957	3.80%
2004	225,644,477	212,646,800	94.24%	18,331,933	230,978,733	102.36%	9,127,960	4.05%
2005	250,428,244	235,274,576	93.95%	19,255,212	254,529,788	101.64%	9,574,391	3.82%
2006	281,317,257	270,230,570	96.06%	16,996,163	287,226,733	102.10%	14,349,235	5.10%
2007	313,533,474	302,736,730	96.56%	16,452,269	319,188,999	101.80%	17,610,961	5.62%
2008	333,265,028	320,625,461	96.21%	15,321,936	335,947,397	100.80%	21,971,429	6.59%
2009	333,315,537	321,158,867	96.35%	14,517,602	335,676,469	100.71%	22,860,659	6.86%
2010	335,044,180	322,313,673	96.20%	12,714,138	335,027,811	100.00%	24,859,666	7.42%

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

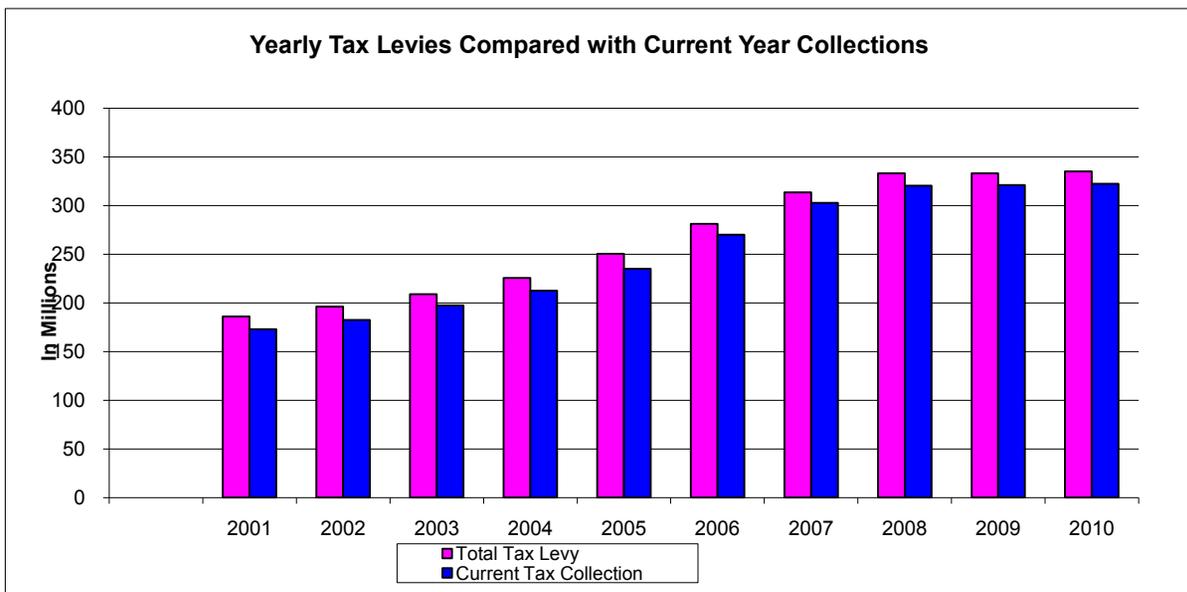
² Effective 1999, collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

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

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

⁵ Delinquent tax detail is not presently available to allocate collections to the year of the origination of the levy.

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

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

Governmental Activities				
	2001	2002	2003	2004
General Obligation Bonds	\$ 385,511,930	373,538,133	375,081,773	355,039,000
School Literary Loans	8,124,820	7,475,327	6,825,834	6,276,341
Certificates of Participation	9,305,000	7,630,000	5,870,000	4,015,000
Installment Purchase Agreement	-	-	-	-
Section 108 Loans	2,425,000	2,225,000	2,010,000	2,500,000
Supplemental Payments Agreement	29,400,000	28,580,000	27,720,000	26,820,000
Capital Leases to Component Units	44,945,000	42,780,000	40,510,000	38,125,000
Capital Leases	265,708	14,360,942	13,185,845	14,165,348
Notes Payable	522,867	2,011,526	193,065	121,849
Total Governmental Activities¹	\$ 480,500,325	478,600,928	471,396,517	447,062,538

¹ Represents net direct debt.

Business-Type Activities				
	2001	2002	2003	2004
General Obligation Bonds ²	\$ 78,382,922	76,426,363	138,200,117	133,117,323
Utility Notes Payable	3,384,085	3,449	808,075	690,000
Capital Leases	5,478,288	-	-	-
Revenue Bonds	40,651,547	40,280,000	29,395,000	29,120,000
Due to the Commonwealth of Virginia	70,606,557	71,281,187	70,447,794	69,964,516
Total Business-Type Activities	198,503,399	187,990,999	238,850,986	232,891,839
Total Primary Government	\$ 679,003,724	666,591,927	710,247,503	679,954,377

³ Percent of Personal Income

	11.81%	10.91%	10.88%	9.86%
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^{3,4} All Debt Per Capita

	3,352	3,257	3,406	3,188
--	-------	-------	-------	-------

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

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

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

n/a = not yet available.

Table 10

Governmental Activities					
2005	2006	2007	2008	2009	2010
363,966,570	381,132,435	380,587,671	359,916,595	384,059,484	365,656,124
5,726,848	5,177,355	4,627,862	4,078,369	3,528,876	2,979,383
2,060,000	-	-	-	-	-
-	-	1,342,284	1,342,284	1,342,284	1,342,284
2,255,000	1,995,000	1,715,000	1,415,000	1,095,000	755,000
25,870,000	24,205,000	23,160,000	22,065,000	20,925,000	19,735,000
34,335,000	31,750,000	28,915,000	25,960,000	22,875,000	19,650,000
12,112,890	12,170,380	12,590,549	8,903,865	5,173,336	7,065,815
48,578	-	-	-	-	-
446,374,886	456,430,170	452,938,366	423,681,113	438,998,980	417,183,606

Business-Type Activities					
2005	2006	2007	2008	2009	2010
135,351,558	130,434,187	125,473,614	120,754,717	115,935,563	111,340,000
575,000	460,000	345,000	230,000	115,000	-
-	-	-	-	-	-
21,630,000	21,630,000	21,630,000	21,245,000	20,835,000	56,790,000
71,958,461	71,078,118	68,520,358	68,163,966	67,321,762	65,828,257
229,515,019	223,602,305	215,968,972	210,393,683	204,207,325	233,958,257
675,889,905	680,032,475	668,907,338	634,074,796	643,206,305	651,141,863
9.30%	8.77%	8.26%	7.20%	n/a	n/a
3,120	3,110	3,023	2,834	2,855	2,869

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		
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
2010	365,656,124	2,979,383	368,635,507	1.35%	1,624

¹ Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.² Refer to Table 19 Demographic and Economic Statistics for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

Debt Affordability Indicators
 Last Eight 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
2010	417,183,606	25,479,133,480	1.64%	226,995	1,838

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 (2003 -2006) and City of Chesapeake Planning Board estimates (2007 - 2010).

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
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%
2010	788,313,157	51,373,945	6.52%

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
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%
2010	530,717,664	63,449,882	11.96%

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, 2010 - Unaudited

Jurisdiction	Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$ 417,183,606	100.00%	\$ 417,183,606
Overlapping:			
None	-		-
TOTAL	\$ 417,183,606		\$ 417,183,606

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
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%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%

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 ³			Coverage ⁴	
				Principal	Interest	Total		
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	
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76	

Chesapeake Expressway ⁵								
Fiscal Year	Gross Revenue	Operating Expenses ²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage ⁶	
				Principal	Interest	Total		
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	
2010	7,097,481	2,803,534	4,293,947	430,000	1,159,875	1,589,875	2.70	

¹ Gross revenues are defined as exclusive of interest and less fifty percent (50%) of connection fees for the Water and Sewer System under the 1987 bond resolution for all revenue bonds issued prior to fiscal year 2010. In fiscal year 2010, under the new Master Agreement of Trust (MAT), the definition of revenues for the Water and Sewer System includes interest, 100% of connection fees, and the Build America Bonds subsidy reimbursement. Capital grants have been excluded from the calculation.

² Operating expenses are exclusive of depreciation and amortization and renewal and replacement costs.

³ As of June 30, 2005, all revenue bonds for Public Utilities had been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. New revenue bonds were issued in April 2010.

⁴ Per the 2010 Water Sewer MAT, net revenue shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt.

⁵ The Chesapeake Expressway opened on May 31, 2001.

⁶ Net toll revenues shall be at least 1.25 times aggregate debt service on outstanding senior bonds for each such fiscal year.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Years			
	2001	2002	2003	2004
Gross Revenue ¹	\$ 31,734,005	36,036,842	35,268,165	40,734,861
Operating Expenses ²	21,334,342	23,156,628	23,536,100	23,697,902
Net Revenue Available for Debt Service	<u>10,399,663</u>	<u>12,880,214</u>	<u>11,732,065</u>	<u>17,036,959</u>
Debt Service Requirements ³				
Principal	2,728,702	2,776,559	2,911,246	4,372,794
Interest ⁴	<u>4,379,421</u>	<u>4,127,684</u>	<u>3,918,004</u>	<u>6,512,557</u>
Total	<u>\$ 7,108,123</u>	<u>6,904,243</u>	<u>6,829,250</u>	<u>10,885,351</u>
Coverage	1.46	1.87	1.72	1.57

¹ Revenues as defined by the 1987 bond resolution for bonds issued prior to fiscal year 2010. In fiscal year 2010, under the new Master Agreement of Trust, the definition of revenues for the Water and Sewer System includes interest, 100% of connection fees, and the Build America Bonds subsidy reimbursement. Capital Grants have been excluded from the calculation.

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					
2005	2006	2007	2008	2009	2010
40,832,527	43,844,559	49,912,088	54,480,530	58,182,037	56,638,587
25,652,449	27,263,177	29,780,532	32,922,887	35,730,415	37,271,969
15,180,078	16,581,382	20,131,556	21,557,643	22,451,622	19,366,618
4,685,766	4,917,371	4,960,573	4,718,897	4,819,154	4,595,563
6,099,103	6,046,225	5,907,878	5,735,465	5,593,603	5,016,047
10,784,869	10,963,596	10,868,451	10,454,362	10,412,757	9,611,610
1.41	1.51	1.85	2.06	2.16	2.01

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
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	8,810,046	39,988	39,026	3.3%	3.3%
2009	225,255	n/a	n/a	38,868	5.3%	5.6%
2010	226,995	n/a	n/a	38,864	6.8%	7.0%

n/a - Information not yet available

Sources:

- ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2001 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2010)
- ² Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2010)
- ³ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2010)
- ⁴ Chesapeake Public Schools
- ⁵ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through July 2010)

Principal Employers
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2010		Fiscal Year 2001	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,726	5.22%	4,656	4.56%
City of Chesapeake	Government	3,167	2.89%	3,048	2.98%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,400	2.19%	1,570	n/a
Sentara Home Care Services	Home care nursing	1,400	1.28%	n/a	n/a
QVC Chesapeake Inc	Phone center/order processing facility	1,276	1.16%	1,276	n/a
HSBC - Household International	Regional processing center for financial services	1,200	1.09%	850	n/a
LTD Management Co LLC	Hotel development and management	2,185	1.99%	500	n/a
Cox Communications	Hampton Roads head quarters/customer care center	800	0.73%	n/a	n/a
Hewlett Packard	Administration Service Center	800	0.73%	n/a	n/a
Sarach Systems Inc dba Reliance Staffing	Employment supply service	700	0.64%	200	n/a
Lifetouch National School Studios Inc	School photography processing plant	665	0.61%	530	n/a
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	660	0.60%	275	n/a
Maersk Distribution Services, Inc	Gateway Commerce	637	0.58%	n/a	n/a
General Dynamics Information Technology	Engineering and technical services	600	0.55%	n/a	n/a
Canon Information Technology Service Inc	Technical and consumer support	572	0.52%	350	n/a
First Data Resources	Card processing center	500	0.46%	500	n/a
		<u>23,288</u>	<u>21.22%</u>	<u>13,755</u>	<u>7.54%</u>
<u>Total Employment ²</u>		<u>109,770</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

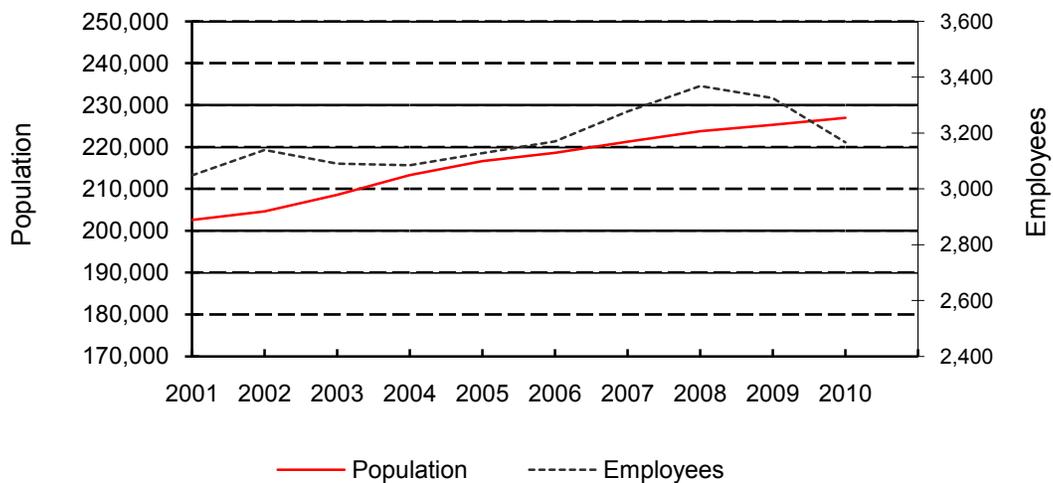
² Source is Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2010)

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees	Employees Per 1,000 Population
2001	202,540	3,048	15.0
2002	204,652	3,139	15.3
2003	208,533	3,090	14.8
2004	213,303	3,085	14.5
2005	216,644	3,128	14.4
2006	218,638	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
2010	226,995	3,167	14.0

Sources ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2001 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2010)

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Function/Program</u>										
General Government										
Management Services						40	41	43	43	38
Economic Development						71	74	74	73	60
Finance						24	25	26	25	22
Information Technology						54	55	57	54	52
Human Resources						17	20	20	21	21
Budget						7	7	7	7	6
Agriculture						8	8	8	7	5
Programs & Permits						7	4	7	6	28
Other						244	257	248	242	221
Police						507	498	546	520	510
Sheriff						346	389	396	403	393
Fire						418	452	426	432	415
Community Services						158	159	172	167	166
Bureau of Community Programs						57	59	58	58	60
Public Works						425	438	445	424	377
Parks and Recreation						77	81	84	89	81
Library						80	85	84	84	79
Public Utilities						195	184	194	198	184
General Services						66	71	70	70	66
Justice						53	63	94	86	76
Health and Human Services						316	307	309	316	307
Total	<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>	<u>3,167</u>

Source: Human Resources and prior year CAFRs

Note: Information not available by Function/Program for 2001-2005.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Function/Program					
General Government					
Building Permits Issued	6,654	6,704	6,321	6,519	6,769
Building Inspections Conducted	13,901	16,624	15,616	14,864	16,432
Electrical Permits Issued	3,700	3,960	4,093	4,483	4,996
Electrical Inspections Performed	10,278	11,751	10,688	11,520	13,462
Plumbing Permits Issued	1,751	1,823	1,913	1,925	2,420
Plumbing Inspections Performed	18,238	9,872	8,912	10,946	10,952
Mechanical/Gas Permits Issued	5,291	5,529	6,101	6,120	6,878
Mechanical/Gas Inspections Performed	12,478	12,481	14,020	14,305	17,981
Code Compliance Inspections	15,284	15,317	15,992	13,339	14,013
Police					
Calls for Police Service	147,999	155,059	156,002	151,753	135,054
Part I Law Violations	7,821	9,239	10,125	8,432	9,236
Adult Criminal Charges	13,847	15,227	14,879	14,829	12,890
Total Criminal Arrests	n/a	n/a	n/a	n/a	10,167
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	n/a	n/a	57,858
DUI Arrests	841	728	823	948	1,243
Fire					
Calls answered for Fire Protection Services	21,333	22,875	22,421	23,416	23,460
Public Works					
Refuse Collected (tons per year)	101,208	106,448	108,046	115,592	114,605
Street Resurfacing (miles)	66.73	92.67	67.69	56.57	47.58
Potholes Repaired	n/a	n/a	n/a	n/a	n/a
Water					
Service Connections	55,194	56,176	57,210	58,187	59,008
Daily Average Consumption in Gallons (in mgd)	15.10	15.00	15.00	15.00	16.00
Daily Average Water Provided by Chesapeake (in mgd) ¹	9.25	9.74	8.67	9.15	9.25
Daily Average Water Purchased from other localities (in mgd)	6.32	6.32	6.14	6.37	6.71
Wastewater					
Service Connections	54,223	54,297	55,361	56,340	57,160
Parks and Recreation					
Youth Athletics - Participants	11,091	10,845	10,036	9,414	9,003
Youth Athletics - Teams	812	799	772	715	695
Youth Athletics - Coaches	1,666	1,675	1,481	1,345	1,353
Adult Athletics - Participants	4,904	4,554	3,890	3,544	4,180
Adult Athletics - Teams	276	256	219	199	236
Special Programs Athletics - Participants	662	621	491	510	1,065
Special Programs Athletics - Programs	11	10	11	10	11
Leisure Classes - Youth Participants	2,668	2,224	1,915	2,174	2,104
Leisure Classes - Adult Participants	1,310	1,432	1,085	1,246	1,258
Leisure Classes - Community Program Participants ²	1,298	34,005	33,560	44,151	47,268
Leisure Classes - Special Event Attendance	27,850	32,850	28,250	29,200	34,900
Community Center Attendance	163,939	154,995	164,818	n/a	173,191
Community Center ID Sales	8,575	7,937	8,582	n/a	10,147
Community Center Rentals	2,116	2,192	1,848	n/a	1,607
Library					
Items Checked Out	1,615,250	1,721,960	1,623,957	1,781,996	1,890,069
Interlibrary Loans - Borrowed	826	797	871	906	910
Interlibrary Loans - Loans	3,003	2,654	2,380	2,452	2,591
Library Collection	684,188	664,330	637,065	646,189	678,422
Patron Visits	1,126,717	1,162,439	1,160,061	1,125,096	1,349,598
Website Visits	291,000	321,000	353,100	n/a	520,208
Registered Patrons	160,030	179,421	195,481	163,089	182,623
Total Programming	1,875	2,154	2,446	2,316	2,418
Total Programming - Participants	57,864	65,645	71,745	67,858	73,708
Typewriter Use	2,848	1,864	1,592	1,443	925
Public Computer Use	126,136	172,727	191,387	222,471	407,157
Bookmobile - Patrons	12,656	12,293	13,093	15,514	14,597
Bookmobile - Number of Stops	1,182	1,323	1,312	1,453	1,380
Bookmobile - Miles Driven	5,900	6,520	6,609	7,266	7,078
Schools					
Student Enrollment	37,264	38,010	38,862	39,440	40,005

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				
	2006	2007	2008	2009	2010
General Government					
Building Permits Issued	6,481	5,547	4,843	3,947	3,481
Building Inspections Conducted	14,600	11,022	9,452	7,251	7,417
Electrical Permits Issued	4,775	4,156	3,578	3,028	4,926
Electrical Inspections Performed	12,260	12,636	11,339	8,411	7,857
Plumbing Permits Issued	2,280	1,898	1,738	1,418	1,490
Plumbing Inspections Performed	9,724	8,788	7,441	4,569	5,849
Mechanical/Gas Permits Issued	6,163	5,147	4,655	4,021	4,688
Mechanical/Gas Inspections Performed	18,447	12,769	10,241	7,028	8,339
Code Compliance Inspections	20,270	20,570	25,568	19,899	21,580
Police					
Calls for Police Service	131,669	126,458	159,180	156,618	136,811
Part I Law Violations	9,183	8,005	8,270	8,640	9,338
Adult Criminal Charges	10,248	n/a	n/a	13,807	17,482
Total Criminal Arrests	9,229	9,969	10,575	10,266	10,572
Total Traffic Charges (moving/ non-moving/excludes DUI)	63,609	55,715	31,547	34,841	38,555
DUI Arrests	1,159	925	721	830	735
Fire					
Calls answered for Fire Protection Services	23,911	24,504	25,152	24,839	25,051
Public Works					
Refuse Collected (tons per year)	118,899	116,794	114,145	110,931	111,348
Street Resurfacing (miles)	44.99	54.58	35.56	36.87	41.99
Potholes Repaired	5,200	3,376	3,047	4,717	7,249
Water					
Service Connections	59,880	60,390	60,923	61,243	61,713
Daily Average Consumption in Gallons (in mgd)	16.53	16.20	16.19	16.96	16.88
Daily Average Water Provided by Chesapeake (in mgd) ¹	9.73	10.67	10.69	11.14	10.66
Daily Average Water Purchased from other localities (in mgd)	6.08	5.46	5.50	5.82	6.22
Wastewater					
Service Connections	58,046	58,579	59,126	59,437	59,909
Parks and Recreation					
Youth Athletics - Participants	8,414	7,793	7,002	6,261	5,819
Youth Athletics - Teams	648	601	537	506	481
Youth Athletics - Coaches	1,359	1,200	1,062	915	834
Adult Athletics - Participants	4,445	4,064	3,924	4,095	3,999
Adult Athletics - Teams	235	228	227	237	228
Special Programs Athletics - Participants	818	627	700	495	480
Special Programs Athletics - Programs	9	10	7	6	3
Leisure Classes - Youth Participants	2,073	1,908	1,580	2,372	1,901
Leisure Classes - Adult Participants	779	769	614	1,301	855
Leisure Classes - Community Program Participants ²	42,623	45,247	63,892	3,346	3,386
Leisure Classes - Special Event Attendance	34,250	31,750	26,915	27,775	28,095
Community Center Attendance	199,587	172,544	188,276	189,700	202,884
Community Center ID Sales	8,974	9,528	7,604	8,314	8,086
Community Center Rentals	1,769	1,392	1,157	1,328	1,340
Library					
Items Checked Out	1,956,559	1,912,077	2,010,415	2,365,984	2,526,633
Interlibrary Loans - Borrowed	1,072	974	1,269	1,189	1,151
Interlibrary Loans - Loans	2,696	2,146	2,467	2,841	2,298
Library Collection	677,933	691,482	699,943	598,224	566,744
Patron Visits	1,589,297	1,622,831	1,491,973	1,623,514	1,520,528
Website Visits	692,305	654,106	779,001	394,623	433,480
Registered Patrons	188,999	207,190	227,348	161,373	139,821
Total Programming	2,417	2,541	2,987	3,205	3,237
Total Programming - Participants	70,343	96,476	78,256	66,313	71,425
Typewriter Use	774	471	540	409	641
Public Computer Use	517,870	600,024	596,540	651,984	682,863
Bookmobile - Patrons	12,761	15,516	16,219	15,348	14,390
Bookmobile - Number of Stops	1,201	1,307	1,331	1,291	1,324
Bookmobile - Miles Driven	6,364	7,811	8,240	7,415	7,510
Schools					
Student Enrollment	40,121	39,465	39,026	38,868	38,864

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.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2001	2002	2003	2004	2005
<u>Function/Program</u>					
Police					
Stations	5	5	5	5	5
Patrol Units	303	301	214	231	208
Fire Stations	15	15	15	15	15
Public Works					
Refuse Collection					
Collection Trucks	58	58	58	58	58
Other Public Works					
Storm Sewers (miles)	n/a	n/a	n/a	n/a	n/a
Streets (miles)	2,106	2,150	2,185	2,222	2,257
Streetlights	20,839	22,423	21,446	21,266	21,745
Parks and Recreation					
Park Acreage	2,067	1,992	2,042	2,042	2,043
Parks and Play Areas	68	63	65	65	67
Athletic Fields/Tennis Courts	211	211	211	211	211
Community Centers	7	7	7	7	7
Specialized Centers	4	4	4	4	4
Water					
Water Mains (miles)	742.27	749.00	761.00	772.00	786.00
Fire Hydrants	4,221	4,268	4,358	4,432	4,522
Wastewater					
Sanitary Sewers (miles)	938.41	950.00	968.00	982.00	1,003.00
Sewage Pumping Stations	240	243	248	248	253
Schools					
Elementary Schools	28	28	28	28	28
Secondary Schools	15	16	16	16	16
Educational Centers	3	3	3	3	3

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

Table 24

Fiscal Year				
2006	2007	2008	2009	2010
5	5	5	5	5
194	214	193	194	235
15	15	15	15	15
58	60	61	60	60
1,100	1,100	1,100	1,100	1,100
2,310	2,314	2,329	2,346	2,354
22,023	22,287	22,634	23,432	23,763
2,066	2,066	2,262	2,262	2,322
64	66	67	67	70
211	200	199	203	226
7	8	8	8	8
4	4	4	4	4
795.00	804.00	818.00	824.00	821.00
4,608	4,681	4,823	4,892	4,925
1,018.66	1,033.90	1,048.40	1,053.00	1,053.48
255	259	262	262	263
28	28	28	28	28
16	16	17	17	17
3	3	3	3	2

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Chesapeake
VIRGINIA

COMPLIANCE SECTION

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2010

Schedule U-1

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	\$ 91,600
Pass-through payments:		
Virginia Department of Social Services:		
SNAP (Formerly Food Stamp Program) - American Recovery and Reinvestment Act	10.561	28,101
State Administrative Matching Grants for Food Stamp Program	10.561	1,972,278
Virginia Department of Education:		
School Breakfast Program	10.553	1,313,018
National School Lunch Program	10.555	4,433,879
Summer School Service Program For Children	10.559	276,720
Fresh Fruit and Vegetable Program	10.582	16,923
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	752,531
Food Distribution - commodities value - Detention Home	10.555	11,128
Virginia Department of Forestry:		
Department of Agriculture - Cooperative Forestry Assistance - 09UCF01	10.664	7,500
Department of Agriculture - Chesapeake Tree Planting Teams & Celebration - 09UCF08	10.664	3,000
Department of Agriculture - Cooperative Forestry Assistance - 08UCF12	10.664	3,270
Department of Agriculture - Community Service Forestry Assistance - 09UCF17	10.664	3,537
Department of Agriculture - Centreville Park Tree Planting - 10CBDTP01	10.664	2,500
		8,915,985
Department of Housing and Urban Development:		
Direct payments:		
Homeless Prevention and Rapid Rehousing Program - American Recovery and Reinvestment Act	14.257	126,569
Community Development Block Grant Program:		
Program Year 2006	14.218	16,360
Program Year 2007	14.218	100,490
Program Year 2008	14.218	45,067
Program Year 2009	14.218	581,240
Section 108 Loan Program - 2008 Program	14.248	147,496
Section 108 Loan Program - 2009 Program	14.248	211,183
CDBG Recovery Program	14.253	300,000
Shelter Plus/Mckinney-Vento Grant	14.238	7,843
HOME Investment Partnerships Program:		
Program Year 2000	14.239	824
Program Year 2002	14.239	9,197
Program Year 2003	14.239	18,491
Program Year 2004	14.239	94,587
Program Year 2005	14.239	45,118
Program Year 2006	14.239	7,130
Program Year 2007	14.239	40,339
Program Year 2008	14.239	305,686
Program Year 2009	14.239	333,990
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization and Planning Grant	14.228	20,987
Neighborhood Stabilization Program	14.228	661,070
		3,073,667
Pass-through payments:		
Virginia Department of Health		
Infant Mortality and Chronic Disease Prevention	93.945	13,021
Health and Human Services Preparedness and Response Grant	93.889	41,252
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	142,876
Block Grants for Prevention and Treatment of Substance Abuse	93.959	795,685
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	96,411
Temporary Assistance for Needy Families	93.558	1,800,673
Refugee and Entrant Assistance - State Administered Program	93.566	4,780
Low Income Home Energy Assistance	93.568	72,818
Payments to States for Child Care Assistance	93.575	816,446
Child Care & Development Fund	93.596	1,139,190
Chaffee Education and Training Vouchers Program (ETV)	93.599	8,387
Child Welfare Services-State Grants	93.645	5,513
Foster Care-Title IV-E	93.658	774,899
Foster Care-Title IV-E - American Recovery and Reinvestment Act	93.658	29,102
Adoption Assistance	93.659	533,469
Adoption Assistance - American Recovery and Reinvestment Act	93.659	58,866
Adoption Incentive Grant	93.603	2,698
Social Services Block Grant	93.667	524,058
Independent Living	93.674	17,843
State Children's Insurance Program	93.767	87,087
Child Care and Development Block Grant - American Recovery and Reinvestment Act	93.713	471,290
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,157,351
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	44,326
		8,638,041

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2010

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Labor:		
Pass-through payments:		
Opportunity Incorporated		
Youth Employment Program - American Recovery and Reinvestment Act	17.259	321,678
Department of the Interior:		
Direct payments:		
Payment in Lieu of Taxes	15.226	4,787
U.S. Fish and Wildlife Service - Department of the Interior		
Back Bay Grants - 2010	15.614	25,874
Back Bay Grants - 2011	15.614	4,285
Refuge Revenue Sharing	15.226	37,813
		72,759
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	51,664
State Criminal Alien Assistance Program	16.606	49,373
Edward Byrne Justice Assistance Program - American Recovery and Reinvestment Act		
Fiscal Year 2009 - American Recovery and Reinvestment Act	16.804	202,948
Office of Juvenile Justice and Delinquency Prevention - Gang Prevention Grant	16.541	871
Pass-through payments:		
Virginia Association of Chiefs of Police		
Projects Safe Neighborhood Program	16.710	14,339
Bureau of Justice Assistance:		
Victim Witness Program - American Recovery and Reinvestment Act	16.801	20,567
Justice Assistance Grant - American Recovery and Reinvestment Act	16.803	516,622
Juvenile Account Incentive Block Grant		
Fiscal year 2009	16.523	27,531
Fiscal year 2010	16.523	4,917
Edward Byrne Grant Program		
Fiscal Year 2009	16.738	94,240
Fiscal Year 2010	16.579	3,129
		986,201
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	22,200
		22,200
U.S. Department of Transportation:		
Pass-through payments:		
Virginia Department of Transportation:		
Federal Highway Administration - American Recovery and Reinvestment Act		
Dismal Swamp Trail	20.205	85,891
Resurfacing	20.932	16,314
Citywide LED Conversion	20.932	850
Federal Highway Administration - Planning and Construction		
Smart Traffic Center Phase 2	20.205	1,543,065
Smart Traffic Center Phase 3	20.205	1,626
Gum Road	20.205	1,683
Poindexter	20.205	420,467
Greenbrier NB/LTL @ Woodlake	20.205	57,049
Greenbrier NB/3rd Lane @ Volvo	20.205	309,552
Johnstown and Waters Road	20.205	42,788
Rt. 104 Steel Bridge	20.205	3,320,434
Portsmouth Blvd Phase 4	20.205	4,484
Hanbury/Battlefield Interchange	20.205	57,976
Dismal Swamp Trail	20.205	23,889
Great Bridge Battlefield and Visitor Center	20.205	78,261
Department of Motor Vehicles - Alcohol Traffic Safety and		
Drunk Driving Prevention Incentive Grants		
Fiscal year 2009	20.607	13,383
Fiscal year 2010	20.607	16,663
		5,994,375
Department of Defense		
Direct payments: Navy		
Open Space Easement Purchase	12.XXX	39,250
Department of Defense Impact Aid	12.558	695,400
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	3,000
Department of Defense Payments	12.XXX	65,345
		802,995

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2010

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Education:		
Direct payments:		
Impact Aid	84.041	2,992,854
Pass-through payments:		
Commonwealth of Virginia Department of Behavioral and Development		
Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	59,371
Virginia Department of Education:		
State Stabilization - State Compensation Board - American Recovery and Reinvestment Act	84.397	6,669,141
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	194,949
Title I, Part D - Program for Neglected & Delinquent Children	84.013	34,117
Title I Grants to Local Educational Agencies	84.010	5,364,436
Title V, Part A - State Grants for Innovative Programs	84.298	-
Special Education - Grants to States	84.027	5,137,652
Special Education - Preschool Grants	84.173	215,734
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,293,726
Vocational Education - Basic Grants to States	84.048	502,005
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	87,665
Title III, Part A - English Language Acquisition Grants	84.365	45,854
Title II, Part D - Enhancing Education Through Technology Program	84.318	12,721
Part C Funds	84.181	270,520
Educational Technology State Grants, American Recovery and Reinvestment Act	84.386	35,825
Title I Grants to Local Educational Agencies, American Recovery and Reinvestment Act	84.389	1,304,130
Special Education Grants to States, American Recovery and Reinvestment Act	84.391	3,922,288
Special Education - Preschool Grants, American Recovery and Reinvestment Act	84.392	75,729
State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	2,870,879
		31,089,596
Department of Homeland Security:		
Pass-through payments:		
Virginia Department of Emergency Management:		
Hazard Mitigation Grant - Repetitive Flood Claims Grant	97.092	10,683
Interoperable Communications Grant	97.078	24,239
Citizen Corp NET Guard Pilot Program Grant - 2008	97.053	6,963
Citizens Corp Grant - 2006	97.053	1,674
Citizens Corp Grant - 2009	97.073	25,786
Citizens Alerting System Project - 2009	97.073	22,000
Local Emergency Management Planning Grant - 2008	97.073	17,258
Haz-Mat Team Equipment, Exercise and Training	97.073	3,063
Emergency Patient and Resource Registry Grant	97.073	65,700
November Rains Reimbursement	97.025	19,026
City of Virginia Beach		
Urban Search and Rescue - Haiti Deployment	97.025	91,789
City of Portsmouth		
Port Security Grant Program	97.056	7,030
		295,211
Corporation for National and Community Service:		
Pass-through payments:		
Virginia Department of Education:		
Learn and Serve America - School and Community-Based Programs	94.004	24,698
		24,698
	\$	60,237,406

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

(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	\$ 7,419,052
Capital Projects Fund	5,917,815
Public Utilities Fund	126,938
Special Revenue Funds:	
Virginia Public Assistance Fund	9,580,648
Grants Fund	2,581,213
Community Development Fund	1,750,458
Community Services Fund	1,209,081
Open Space	39,250
Total primary government	28,624,455
Component unit - Public Schools:	
School Operating Fund	25,988,821
School Food Services Fund	6,040,540
Total component unit - Public Schools	32,029,361
Total federal expenditures from intergovernmental revenue	60,653,816
Other reconciling items	(416,410)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 60,237,406

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, and Our House Families are the subrecipients for the federal awards of \$513,459 for the Community Development Block Grant Program and \$661,443 for the HOME Investment Program received from the Department of Housing and Urban Development, and \$661,070 for the Neighborhood Stabilization Program from the Virginia Department of Housing and Community Development.

The Planning Council is the subrecipient of \$1,173,074 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, 2010

I. Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued on the basic financial statements	UNQUALIFIED
Internal Control over financial reporting:	
• Material weakness identified:	NO
• Significant deficiencies identified	NO
Noncompliance material to the financial statements noted?	NO

Federal Awards

Type of auditor’s report issued on compliance for major programs	UNQUALIFIED
Internal Control over major programs:	
• Material weakness identified:	NO
• Significant deficiencies identified :	NO
Any audit findings which are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	NO

Identification of major federal programs:

<u>Federal CFDA Number</u>	<u>Program Name</u>
20.205	Department of Transportation: Federal Highway Grants
10.553/10.555/10.559	Department of Agriculture: School Food Cluster
84.010	Department of Education: Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies
84.392	ARRA - Special Education Preschool Grants
84.391	ARRA - Special Education Grants to States
84.394/84.397	ARRA - State Fiscal Stabilization Fund Education State Grants
84.027/84.173	Special Education Grants to States
16.804	Bureau of Justice Assistance: ARRA - Edward Byrne Memorial Justice Assistance Program
16.803	ARRA – Juvenile Account Incentive Block Grant
93.778	Department of Health and Human Services: Medicaid

(Continued)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2010

Dollar threshold to distinguish between Types A and B Programs **\$1,807,122**

The City of Chesapeake was determined to be a low risk auditee? **YES**

II. Financial Statement Findings **NONE**

III. Federal Findings and Questioned Costs **NONE**

V. Schedule of Prior Year Findings

Year Ended June 30, 2009:

Virginia Department of Social Services

Child Welfare Trust Accounts

State Finding 09-1: Child Welfare Trust Accounts – all accounts with sustained balances should be held in an interest bearing account.

Status: Completed

VIEW Purchased Service Transactions

State Finding 09-2: VIEW Purchased Service Transactions – 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.

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, 2010, and have issued our report thereon dated December 6, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

This report is intended for the information of management, the City Council, others within the entity, 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, Bekert → Holland, L. L. P.

Virginia Beach, Virginia
December 6, 2010



**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chesapeake complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, Bekert → Holland, L. L. P.

Virginia Beach, Virginia
December 6, 2010