

# *City of Chesapeake, Virginia*

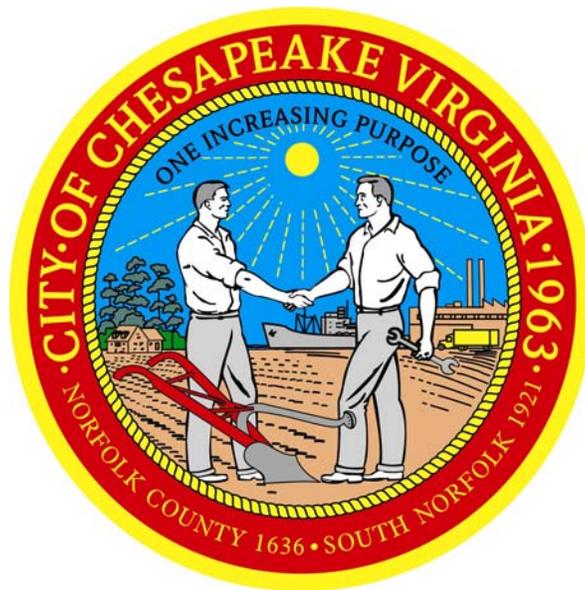


**Chesapeake**  
VIRGINIA

*Lake Drummond, Great Dismal Swamp*

***Comprehensive Annual Financial Report***  
***For Fiscal Year Ended June 30, 2014***

Comprehensive Annual  
Financial Report  
of the  
City of Chesapeake, Virginia  
for Fiscal Year Ended  
June 30, 2014



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

# City of Chesapeake, Virginia

## Mission

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

## Code of Ethics

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

## Acknowledgments...

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

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

Jacqueline Foster  
Pamela Hardesty  
Wendy Hu  
Robert Knowles  
Carrie Latham

Anna Riddlehoover  
Rhonda Sommer  
Nancy Tracy  
Rhonda Unterbrink  
Tamara Walters

Katherine Williams  
Robyn Williford  
Jennifer Wilson

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](http://www.cityofchesapeake.net)*

**CITY OF CHESAPEAKE, VIRGINIA**

Table of Contents  
June 30, 2014

---

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

---

**INTRODUCTORY SECTION:**

Letter of Transmittal .....		I
Organization Chart .....		VII
City Officials.....		VIII
GFOA Certificate of Achievement .....		X

**FINANCIAL SECTION:**

Report of Independent Auditor.....		1
Management’s Discussion and Analysis (MD&A).....		6
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position.....	A	26
Statement of Activities.....	B	27
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet .....	C	32
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	D	34
Proprietary Fund Financial Statements:		
Statement of Net Position .....	E	38
Statement of Revenues, Expenses, and Changes in Net Position .....	F	39
Statement of Cash Flows.....	G	40
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position .....	H	42
Statement of Changes in Fiduciary Net Position .....	I	43
Other Discretely Presented Component Units:		
Combining Statement of Net Position.....	J-1	46
Combining Statement of Activities .....	J-2	47
Notes to Basic Financial Statements .....	K	50
1. Summary of Significant Accounting Policies .....		50
2. Deposits and Investments .....		60
3. Accounts Receivable and Payable .....		64
4. Capital Assets.....		67
5. Deferred Inflows of Resources .....		74
6. Long-Term Obligations .....		75
7. Advances and On Behalf Of Payments.....		85
8. Interfund Balances and Transfers .....		87
9. Leases.....		88
10. Retirement Plans .....		89
11. Other Postemployment Benefits .....		100
12. Fund Balances .....		105
13. Deferred Compensation Plan .....		106
14. Commitments.....		106
15. Contingent Liabilities.....		107

**CITY OF CHESAPEAKE, VIRGINIA**

Table of Contents, Continued  
June 30, 2014

	Schedule	Page Number
<b>FINANCIAL SECTION (Continued):</b>		
Notes to Basic Financial Statements (Continued)		
16. Fund Deficits.....		111
17. Subsequent Events .....		111
18. New Pronouncements .....		112
Required Supplementary Information Other Than MD&A:		
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances – Budget and Actual – General Fund.....	L-1	114
Schedule of Funding Progress – Virginia Retirement System .....	L-2	115
Schedules of Funding Progress – Other Postemployment Benefits .....	L-3	116
Schedules of Employer Contributions – Other Postemployment Benefits.....	L-4	117
Note to Required Supplementary Information .....	L-5	118
Other Supplementary Information:		
Combining and Individual Fund Schedules:		
Governmental Funds:		
Major Governmental Funds:		
General Fund:		
Schedule of Revenues and Other Financing		
Sources – Budget and Actual .....	M-1	122
Schedule of Expenditures, Encumbrances, and		
Other Financing Uses – Budget and Actual .....	M-2	126
Debt Service Fund:		
Schedule of Revenues, Expenditures, and Changes		
in Fund Balance – Budget and Actual .....	N	131
Capital Projects Fund:		
Schedule of Expenditures and Encumbrances –		
Budget and Actual .....	O	134
Nonmajor Governmental Funds:		
Special Revenue and Permanent Funds:		
Combining Balance Sheet.....	P-1	142
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	P-2	146
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Tax Increment Financing Greenbrier Fund .....	P-3	150
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Tax Increment Financing South Norfolk Fund.....	P-4	151
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Virginia Public Assistance Fund .....	P-5	152

**CITY OF CHESAPEAKE, VIRGINIA**

Table of Contents, Continued  
June 30, 2014

	Schedule	Page Number
<b>FINANCIAL SECTION (Continued):</b>		
Non-major Governmental Funds (Continued):		
Special Revenue and Permanent Funds (Continued):		
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Integrated Behavioral Healthcare Fund .....	P-6.....	153
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Conference Center Fund .....	P-7.....	154
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Chesapeake Juvenile Services Fund .....	P-8.....	155
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Interagency Consortium Fund .....	P-9.....	156
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
E-911 Operations Fund .....	P-10.....	157
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Parks and Recreation Fund .....	P-11.....	158
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Fee Supported Activities Fund .....	P-12.....	159
Internal Service Funds:		
Statement of Net Position .....	Q-1 .....	162
Statement of Revenues, Expenses, and Changes in Net Position .....	Q-2.....	163
Statement of Cash Flows .....	Q-3.....	164
Fiduciary Fund:		
Agency Fund:		
Statement of Changes in Assets and Liabilities –		
Special Welfare Fund .....	R.....	167
Chesapeake Public Schools Component Unit:		
Balance Sheet – Governmental Funds .....	S-1.....	171
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Governmental Funds .....	S-2.....	172
Statement of Fiduciary Net Position .....	S-3.....	174
Statement of Changes in Fiduciary Net Position .....	S-3A.....	175
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances – Budget and Actual – Schools’ General Fund .....	S-4.....	176
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances – Budget and Actual – Schools’ Food Services Fund .....	S-5.....	177
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances – Budget and Actual – Schools’ Textbook Fund .....	S-6.....	178

**CITY OF CHESAPEAKE, VIRGINIA**

Table of Contents, Continued  
June 30, 2014

---

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

---

**FINANCIAL SECTION (Continued):**

Other Component Units:

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

**STATISTICAL SECTION:**

Financial Trends Information:

Net Position by Component.....	Table 1	186
Changes in Net Position .....	Table 2	188
Fund Balances, Governmental Funds .....	Table 3	195
Statement of Changes in Fund Balances, Governmental Funds .....	Table 4	196

Revenue Capacity Information:

Assessed and Estimated Actual Value of Taxable Property .....	Table 5	198
Direct and Overlapping Property Tax Rates .....	Table 6	199
Principal Property Taxpayers.....	Table 7	200
Property Tax Levies .....	Table 8	201
Property Tax Levies and Collections .....	Table 9	203

Debt Capacity Information:

Ratios of Outstanding Debt by Type.....	Table 10	204
Ratios of Outstanding General Bonded Debt.....	Table 11	206
Debt Affordability Indicators.....	Table 12	207
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures .....	Table 13	208
Ratio of Bonded Debt Expenditures to Local Revenues.....	Table 14	209
Direct and Overlapping Governmental Activities Debt.....	Table 15	210
Legal Debt Margin Information .....	Table 16	211
Revenue Bond Coverage Water and Sewer Systems and Chesapeake Transportation System.....	Table 17	212

Demographic and Economic Information:

Demographic and Economic Statistics.....	Table 18	213
Principal Employers .....	Table 19	214

Operating Information:

Municipal Employment Statistics .....	Table 20	215
Full-time Equivalent City Government Employees by Function/Program .....	Table 21	217
Operating Indicators by Function/Program.....	Table 22	218
Capital Asset Statistics by Function/Program.....	Table 23	220

**CITY OF CHESAPEAKE, VIRGINIA**

Table of Contents, Continued  
June 30, 2014

---

	Schedule	Page Number
<b>COMPLIANCE SECTION:</b>		
Schedule of Expenditures of Federal Awards .....	U-1 .....	223
Notes to Schedule of Expenditures of Federal Awards.....	U-2.....	226
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		227
Report of Independent Auditor on Compliance for each Major Federal Program and Internal Control over Compliance Required by OMB Circular A-133 .....		229
Schedule of Findings and Questioned Costs .....		231

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# INTRODUCTORY SECTION

**Chesapeake**  
VIRGINIA

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

November 25, 2014

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, 2014, is hereby submitted. The financial statements included in this report conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the Report of Independent Auditor and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **The Reporting Entity and Its Services**

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

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

In accordance with the requirements of 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 City employees after retirement in the form primarily of retiree health insurance benefits. This fiduciary-type component unit is included within the fiduciary fund financial statements.

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

### **Economic Condition and Outlook**

The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2013 increased \$87.8 million or 2.9% from \$3.068 billion in 2012 to \$3.156 billion. Building material and garden dealers accounted for \$31.8 million of this increase. This is the fourth consecutive calendar year of sales tax revenue growth for the City.

Unemployment for the City and State is at its lowest point in four years and remains below the national rate. For the fiscal year ended June 30, 2014, the average unemployment rates were 5.3% for Chesapeake (a decline from the prior year's average unemployment rate of 5.8%), 5.8% for the region and 5.3% for the State, compared to 6.8% for the United States.

For the fiscal year ended June 30, 2014, there were 656 foreclosures in the City, down 7.0% from 705 in the fiscal year ended June 30, 2013 and down 17.4% from 794 in the previous fiscal year. This is the third consecutive year of foreclosure declines.

The Chesapeake Economic Development Department's 2014 Annual Report noted the following accomplishments:

- Investment in Chesapeake rose 11 percent from \$204.0 million in 2012 to \$226.0 million in 2013 and generated 1,166 new jobs. Of the \$226.0 million, \$116.5 million was a result of new investment and \$109.5 million reflected reinvestment by existing businesses in Chesapeake.
- Chesapeake continues to be named one of America's "best run" cities by *24/7 Wall St.*, an online provider of financial news and opinions, after a review of the local economies, fiscal discipline and standards of living within America's largest cities (by population). Examiners cited the City's low unemployment and a high rate of health insurance coverage, among other relevant attributes.

In March 2014, Standard & Poor's Ratings Services (S&P) upgraded Chesapeake's General Obligation bonds from AA+ to AAA, the highest bond rating available. S&P referred to the City's strong reserves, strong cash position to cover debt service, and financial management and practices for support of the upgrade. The City also holds an AAA rating from Fitch Ratings and has an Aa1 rating from Moody's Investors Service.

### **Major Initiatives**

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

During fiscal year 2014, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, expenditures, encumbrances and other financing uses of \$506,600,763 were \$13,746,167 or 2.6% below the revised budget. Total revenues and other financing sources of \$510,371,998 exceeded budget by \$1,378,458 or 0.3%.
- The City's Operating and Capital budgets adopted by City Council preserved core services and included no tax increases.
- Construction on the Dominion Boulevard Bridge and Roadway Improvement Project continued, preparing for the first bridge span to open to traffic in early 2015. Full project completion is scheduled for 2017. The project will widen Dominion Boulevard from two lanes to four lanes and will replace the Steel Bridge with a 95-foot-high, fixed span bridge.

Design work was completed this year for the Dominion Boulevard South Roadway Improvements Project which will be the final piece to complete a four lane roadway south of the current project, from the North Carolina state line up to the interstate highways.

- The City continued its partnership with the U.S. Navy to acquire property interests under multi-year encroachment protection agreements for the Naval Auxiliary Landing Field Fentress and Naval Support Activity Northwest Annex. Under these agreements, the Navy agrees to reimburse the City half of the purchase price of the property in exchange for conservation easements. These purchases bolster the City's support of each installation's mission and furthers its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake.
- City Council adopted the Moving Forward Chesapeake 2035 Comprehensive Plan on February 25, 2014, replacing the 2026 Comprehensive Plan. The multi-year Plan update process coordinated by City staff included significant stakeholder input from citizens, business-oriented groups and others, in a variety of settings. The 2035 Comprehensive Plan is organized around the themes of responsible growth, infrastructure, and quality of life. A major emphasis for the 2035 Plan was to make it more user-friendly and accessible, as well as to promote economic vitality for Chesapeake.
- Planning staff assisted in the review and coordination of an application by Dollar Tree Corporation to rezone a portion of its headquarters property in Greenbrier to create an urban-style, mixed-use development. The roughly 70 acre planned unit development, approved by City Council in September 2013 could ultimately include 1,413 residential units, 500,000 square feet of retail space, and 250,000 square feet of civic/hotel space.
- In February 2014, City Council approved a five-year agreement with VenuWorks of Chesapeake, LLC, to manage the operations of the Chesapeake Conference Center with the goals of enhancing its convention, meeting, entertainment and cultural profile, and supporting new economic vitality to the Center, the surrounding properties, and the City.

***For the Future:***

- Construction on the Woodlake Drive Extension Project began in September 2014. The project will construct about a half mile of roadway extending from the end of Woodlake Drive to Battlefield Boulevard at the Debaun Avenue intersection. The extension will provide another major connection between Greenbrier Parkway and Battlefield Boulevard. Construction is scheduled to be complete in April 2015.

- Construction on the Triple Decker Bridge Rehabilitation Project has begun. The project will repair and replace several parts of the existing structure in order to extend its service life. The Triple Decker Bridge is located at Bainbridge Boulevard and South Military Highway.
- Chesapeake's future as a desirable community in which to live and work continues to show promise and opportunity. Its central location, availability of land, and good transportation network will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 119,244 in 2013 per the Virginia Employment Commission, an increase of 24% over the period. Median household income has risen from \$50,743 to \$70,244 over the same period, per the U.S. Census Bureau.
- The City continues its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population, and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic, and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995, to an average annual growth rate of roughly 1.0% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2040 will be approximately 314,600 compared to 231,542 in 2014. Additionally, total households are projected to be 114,300, while total employment will be 167,000. This yields a jobs to housing ratio of 1.46:1, which is considered to be a sustainable balance.
- The City has identified the Dominion Boulevard Corridor (U.S. Route 17 South) as a key strategic area for Chesapeake. In light of emerging development demand, associated with the Dominion Boulevard Bridge and Roadway Improvement Project that will be completed in 2017, the City enlisted a consultant in February 2014 to prepare a physical development plan, as well as a strategy to maximize the economic potential of the study area. It has been recognized for several years that this corridor has tremendous future growth potential, particularly as a regional commercial destination and employment center. This is due partly to the mixed-use land classifications established under the 2026 Land Use Plan in 2005, but also because of the approved Dominion Boulevard widening and fixed span bridge project currently under construction. The opening of Grassfield High School, creation of the Dominion Commerce Park and Dominion Commons Shopping Center, new residential developments, and expansion of Tidewater Community College's Chesapeake Campus in recent years is setting the stage for this area to emulate the success of Greenbrier, one of the largest commercial hubs in the region. It is vital that a strategic vision and plan be developed to help guide growth in a coordinated and quality fashion and to promote a market-based economic development strategy for the area.
- The City plans to incorporate economic impact analysis as part of the development review process and in the review of major projects and land use scenarios beginning in fiscal 2015. These economic impact reports will be used in conjunction with the City's existing fiscal impact model.
- The City will continue its mission of protecting and preserving Chesapeake's unique environmental assets for future generations through the Open Space and Agriculture Preservation (OSAP) Program, as well as its partnership with the U.S. Navy under the Readiness and Environmental Protection Initiative (REPI).
- In 2014 the City established the NALF Fentress Encroachment Protection Acquisition Program. This program is to prevent incompatible land uses from encroachment within the Fentress Airfield Overlay District and is being funded by both the Commonwealth of Virginia and the City of Chesapeake. Under the NALF Fentress Encroachment Protection Acquisition Program, the City will be acquiring properties fee-simple or through a conservation easement over the properties.

- The City continues to foster initiatives designed to improve access to government services and programs. For example, the City has launched the development of an electronic development permitting software system (EDP), which will allow many business transactions to occur online and will allow stakeholders to track their projects without physically visiting City Hall.

## **Financial Information**

### ***Financial Information and Significant Financial Policies***

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

***Minimum Fund Balance Policy.*** The City charter requires that a minimum of 6% of the total General Fund revenue be restricted for emergency use and cash flow needs throughout the fiscal year. In addition, the City Council has committed an additional 5% of the total General Fund revenue to be used for emergency operating purposes. The City Council has also committed \$20 million for an emergency event response and recovery reserve, such as storm related events. Beginning July 1, 2014, the 5% of the total General Fund Revenue and the \$20 million for emergencies has been replaced by a City Council resolution to maintain an Unassigned Fund Balance in the General Fund equal to ten (10) percent of the General Fund revenues and Tax Revenues Committed to Special Revenue Funds, including tax increment financing funds. As a matter of practice City Council plans to budget for a 12% year-end unassigned fund balance to ensure compliance, and began doing so with the adoption of the 2015 Annual Operating Budget. In the event that the Unassigned Fund Balance shall fall below ten (10) percent due to unexpected operating emergencies or emergency event response, the City shall have three years to replenish it. This policy is in addition to the 6% of General Fund revenue restricted for cash flow emergencies that will remain in force.

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

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

## Other Information

**Single Audit.** As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were performed to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. The testing of major federal award programs for the fiscal year ended June 30, 2014 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA also presented the Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2013.

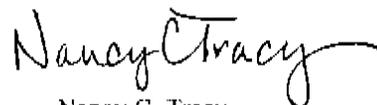
A Certificate of Achievement is valid for a period of one year only. The City believes that the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

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



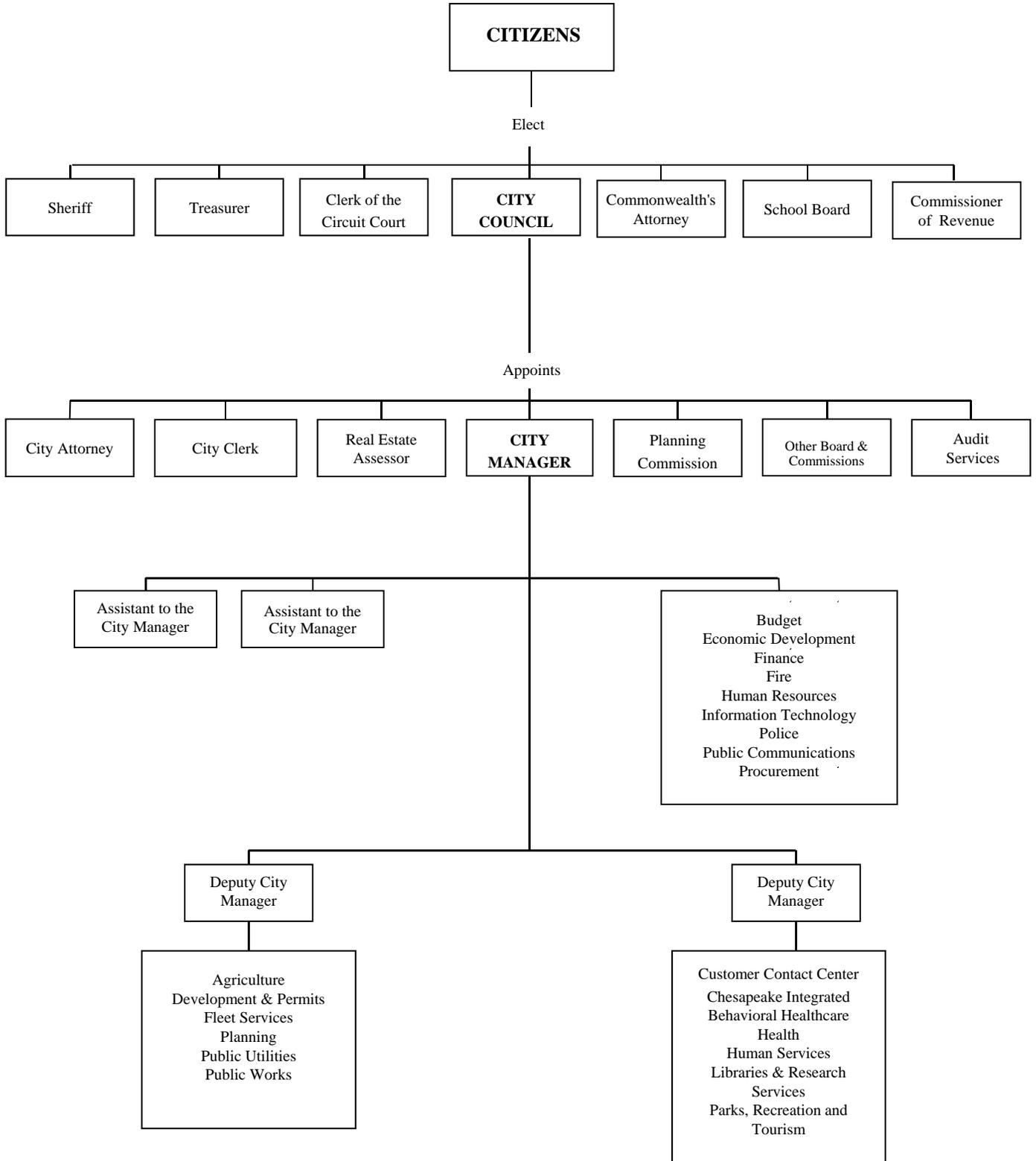
James E. Baker  
City Manager

Very truly yours,



Nancy C. Tracy  
Director of Finance

## CITY WIDE ORGANIZATIONAL CHART



# CITY OF CHESAPEAKE, VIRGINIA

City Officials  
June 30, 2014

---

## City Council

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

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

## 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  
James O’Sullivan ..... Sheriff  
James E. Baker ..... City Manager  
Jan L. Proctor ..... City Attorney  
Jay Poole ..... City Auditor  
Dolores A. Moore ..... City Clerk  
William L. Rice ..... Real Estate Assessor  
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  
Randall D. Smith ..... Chief Judge, Circuit Court  
John W. Brown, Marjorie A. Taylor Arrington  
and V. Thomas Forehand, Jr. .... Judges, Circuit Court  
David L. Williams ..... Chief Judge, General District Court  
Philip J. Infantino, Timothy S. Wright and  
Michael R. Katchmark ..... Judges, General District Court  
Deborah A. Ellington ..... Clerk of the General District Court  
Larry D. Willis ..... Chief Judge, Juvenile and Domestic Relations Court  
Rufus A. Banks and Eileen A. Olds ..... Judges, Juvenile and Domestic Relations Court  
JoAnn C. Bartley ..... Clerk of the Juvenile and Domestic Relations Court  
Watson Lawrence ..... Director of Agriculture  
Steven L. Jenkins ..... Budget Director  
Joseph J. Scislowicz ..... Executive Director, Chesapeake Integrated Behavioral Healthcare  
Maury B. Brickhouse ..... Director of Court Services  
Jay B. Tate ..... Director of Development and Permits  
Steven C. Wright ..... Director of Economic Development  
Nancy C. Tracy ..... Director of Finance  
Edmund E. Elliott, Jr. .... Fire Chief  
Dr. Nancy M. Welch ..... Health Director  
Donna L. Mears ..... Director of Human Resources  
Susan “Michelle” Cowling ..... Director of Human Services  
Peter R. Wallace ..... Chief Information Officer  
Victoria Strickland-Cordial ..... Acting Director of Libraries and Research Services

# CITY OF CHESAPEAKE, VIRGINIA

City Officials  
June 30, 2014

---

Michael D. Barber ..... Director of Parks, Recreation and Tourism  
Jaleh M. Shea..... Director of Planning  
Colonel Kelvin L. Wright .....Chief of Police  
Mark S. Cox ..... Director of Public Communications  
David Jurgens. .... Director of Public Utilities  
Eric J. Martin ..... Director of Public Works  
Michael L. Thomas ..... Procurement Administrator of Purchasing

## School Board

Christie New Craig. .... Chairman  
Thomas L. Mercer, Sr..... Vice Chairman

Samuel L. Boone, Jr.  
C. Jeff Bunn  
Bonita B. Harris  
Harry A. Murphy  
Victoria L. Proffitt  
Ann R. Wiggins  
Michael J. Woods

## Other School Board Officials

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

## Supplemental Listing

Michael C. Lucarelli ..... 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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Chesapeake  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# FINANCIAL SECTION

**Chesapeake**  
VIRGINIA

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

## Report of Independent Auditor

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., which represents 31.47%, 30.79%, and 11.55%, respectively, of the assets, net position, and revenues of the aggregate other 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. are 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. The financial statements of Elizabeth River Properties of Chesapeake, Inc., were not audited in accordance with *Government Auditing Standards*. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information and statistical section as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia  
November 25, 2014

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

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

**Chesapeake**  
VIRGINIA

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

The discussion and analysis of the financial performance of the City of Chesapeake (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2014. 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 2014

- Effective July 1, 2013, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The adoption of these statements has no impact on the City's Financial Statements.
- The total net position of the City on a government-wide basis excluding component units, at the close of fiscal year 2014 was \$1.538 billion. Of this amount, \$194.5 million is unrestricted.
- The City's total net position increased by \$56.5 million from the prior year. The governmental net position increased by \$32.2 million and business-type net position increased by \$24.3 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$326.2 million, an increase of \$4.2 million from the prior year. Approximately 77.3% or \$252.0 million of this amount is unrestricted (committed, assigned or unassigned).
- The General Fund, on a current financial resources basis, reported a net change in fund balance of \$9.2 million. The original budget projected a budget deficit of \$8.2 million. The final amended budget included net increases over the original budget of \$0.9 million in revenues and \$0.7 million in expenses along with a net increase in other financing uses of \$3.3 million and resulted in a revised budget deficit projection of \$11.3 million. Through continued efforts by City management to control costs, particularly human resource costs, the actual expenditures of \$248.0 million were \$18.8 million or 7.0% under amended budget.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$52.2 million, or 12.1% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- The total fund balance of the General Fund of \$152.9 million increased \$9.2 million from the prior year. Fund balance composition at year end was 0.8% nonspendable, 20.9% restricted, 43.0% committed, 1.1% assigned, and 34.2% unassigned.
- The City's total bonded debt decreased by \$31.7 million from fiscal year 2013 (approximately 5.0%).

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The first two statements presented are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short-term* as well as what amounts remain for future spending.
  - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water and sewer) system. Also presented are internal services funds which are, for the most part, supported through charges to other funds to allocate the cost of services provided.
  - The *fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. The City's fiduciary funds consist of Agency Fund (Special Welfare) and an OPEB Trust Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations.
- The remaining statements are *other discretely presented component units' financial statements* that provide financial information about the Chesapeake Public Schools and the City's other discretely presented component units, which are aggregated on the *government-wide financial statements*.

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

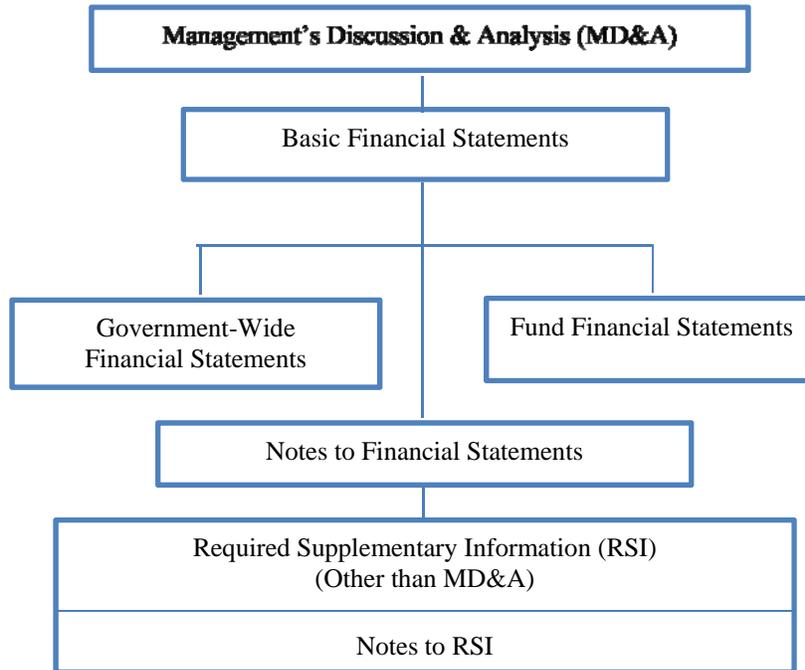
The following graphic shows how the required parts of this *Management's Discussion and Analysis* and the City's *basic financial statements* are arranged and relate to one another.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

### Required Components of the City of Chesapeake Financial Statements



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

#### Government-Wide Statements

The government-wide statements, the Statement of Net Position and the Statement of Activities, report information about the City of Chesapeake as a whole using accounting methods similar to those used by private-sector companies. These statements include *all* of the government's assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two government-wide statements report the City's net position and how they have changed. Net position, the residual of assets, deferred outflow of resources, liabilities and deferred inflow of resources, is one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure may need to be considered to assess the overall health of the City.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

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

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

### Fund Financial Statements

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position totaled \$1.538 billion at the close of fiscal year 2014, an increase of \$56.5 million from the net position at June 30, 2013. By far the largest portion of the City's net position (70.8%) is net investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

#### Statement of Net Position

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

**June 30, 2014 and 2013**  
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 419.5	412.0	180.3	268.0	599.8	680.0
Capital assets	1,050.0	1,074.5	726.3	621.0	1,776.3	1,695.5
Deferred outflows of resources	2.6	4.5	2.9	3.3	5.5	7.8
<b>Total assets and deferred outflows</b>	<b>1,472.1</b>	<b>1,491.0</b>	<b>909.5</b>	<b>892.3</b>	<b>2,381.6</b>	<b>2,383.3</b>
<b>Liabilities</b>						
Current and other liabilities	22.8	22.4	22.9	29.5	45.7	51.9
Long-term liabilities	430.1	481.6	359.7	360.4	789.8	842.0
Deferred inflows of resources	0.4	0.4	7.7	7.5	8.1	7.9
Total liabilities and deferred inflows	453.3	504.4	390.3	397.4	843.6	901.8
<b>Net position</b>						
Net investment in capital assets	725.7	715.3	363.1	339.0	1,088.8	1,054.3
Restricted	80.5	76.3	174.2	157.1	254.7	233.4
Unrestricted	212.6	195.0	(18.1)	(1.2)	194.5	193.8
Total net position	1,018.8	986.6	519.2	494.9	1,538.0	1,481.5
<b>Total liabilities and net position</b>	<b>\$ 1,472.1</b>	<b>1,491.0</b>	<b>909.5</b>	<b>892.3</b>	<b>2,381.6</b>	<b>2,383.3</b>

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

Approximately 16.6% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$194.5 million or 12.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, for the primary government as a whole. In addition, all categories of net position for its separate governmental and business-type activities are positive balances except for the unrestricted deficit for business-type activities of \$18.1 million. Total unrestricted net position increased by \$0.7 million or 0.4% over the prior year. Total restricted net position increased \$21.3 million or 9.1%, largely due to unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas and restricted business-type activities. Lastly, net investment in capital assets increased \$34.5 million or 3.3%. The City's total net position increased by \$56.5 million or 3.8% during the fiscal year.

### **Governmental Activities**

The net position of the City's governmental activities increased by \$32.2 million, as shown on the Statement of Activities, accounting for 57.0% of the total growth in net position of the City. The increase is mainly attributable to increases in revenues and reductions in expenses.

Revenues for the City's governmental activities were \$585.3 million, representing an increase of \$9.6 million over fiscal year 2013. The net increase was a combination of increases of \$12.1 million in taxes and \$1.3 million in investment earnings offset by decreases in program revenues of \$3.7 million and other general revenues of \$0.1 million. Total donated land and infrastructure assets, including roads, of \$1.4 million were reported in the public works function.

General revenues increased \$13.3 million over the prior year. Real and personal property taxes, the largest source of the City revenues, showed an increase of \$10.2 million or 3.5% mainly due to increased collections in current real property taxes. Other taxes increased \$1.9 million or 1.6%. Transfers to governmental activities were \$5.3 million less than last fiscal year. During fiscal year 2013, the City recorded a \$4.8 million contribution to fund the Hanbury Road Interchange. No similar contribution was made in fiscal year 2014.

Expenses decreased by \$15.2 million or 2.7%. Major decreases are in the functional areas of education - \$19.0 million, parks and recreation - \$7.2 million, and public works - \$1.9 million which offset increases in public safety - \$9.9 million, general government - \$3.4 million, and public welfare - \$1.0 million.

### **Business-type Activities**

The net position of the City's business-type activities increased from \$494.9 million to \$519.2 million. These resources cannot be used to make up for any net deficit in governmental activities. The City generally can only use this net position to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Transportation System. Increases in capital assets were mainly attributable to a significant increase in construction in progress related to the Chesapeake Transportation System and a \$2.4 million of deeded and donated assets from developers. Total revenues decreased \$18.3 million or 15.4% for business-type activities primarily due to decreases in capital grants and contribution.

**CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2014

**Statement of Activities**

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

**Year Ended June 30, 2014 and 2013**  
(in millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Activities</b>	
	<b>FY2014</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2013</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 29.4	29.1	92.3	85.3	121.7	114.4
Operating grants and contributions	94.9	95.1	1.1	1.5	96.0	96.6
Capital grants and contributions	4.1	7.9	7.4	32.3	11.5	40.2
General revenues						
Property taxes	298.9	288.7	-	-	298.9	288.7
Other taxes	121.9	120.0	-	-	121.9	120.0
Grants and contributions not restricted to specific programs	31.7	31.7	-	-	31.7	31.7
Unrestricted investment earnings	1.5	0.2	-	-	1.5	0.2
Other	2.9	3.0	-	-	2.9	3.0
<b>Total revenues</b>	<b>585.3</b>	<b>575.7</b>	<b>100.8</b>	<b>119.1</b>	<b>686.1</b>	<b>694.8</b>
<b>Expenses</b>						
General government	152.7	149.3	-	-	152.7	149.3
Public safety	93.4	83.5	-	-	93.4	83.5
Public works	38.7	40.6	-	-	38.7	40.6
Parks and recreation	2.5	9.7	-	-	2.5	9.7
Public welfare	42.0	41.0	-	-	42.0	41.0
Education	190.0	209.0	-	-	190.0	209.0
Public utilities	-	-	57.3	54.6	57.3	54.6
Chesapeake Transportation System	-	-	10.4	12.0	10.4	12.0
Stormwater management	-	-	8.8	9.3	8.8	9.3
Interest on long-term debt	15.0	15.8	-	-	15.0	15.8
Depreciation and Amortization unallocated	18.8	19.4	-	-	18.8	19.4
<b>Total expenses</b>	<b>553.1</b>	<b>568.4</b>	<b>76.5</b>	<b>75.9</b>	<b>629.6</b>	<b>644.2</b>
Excess (deficiency) before transfers	32.2	7.4	24.3	43.2	56.5	50.6
Transfers	-	5.3	-	(5.3)	-	-
Increase (decrease) in net position	32.2	12.7	24.3	37.9	56.5	50.6
Net Position - beginning	986.6	973.9	494.9	457.0	1,481.5	1,430.9
Net Position - ending	\$ 1,018.8	986.6	519.2	494.9	1,538.0	1,481.5

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

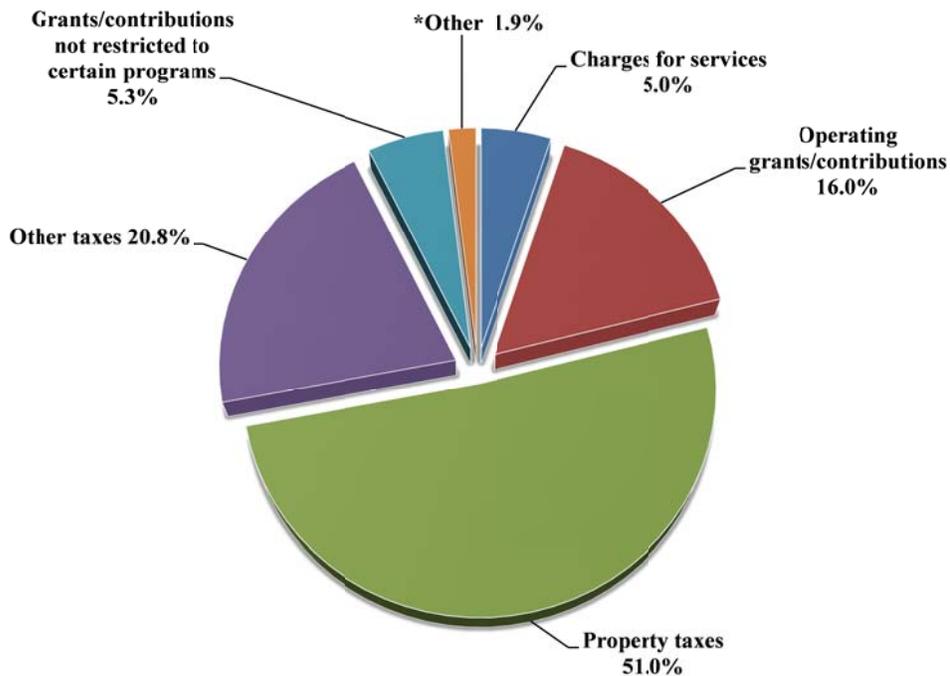
---

### Governmental Activities

The City's total revenues from governmental activities were \$585.3 million for the fiscal year ended June 30, 2014. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$298.9 million and accounted for 51.0% of total revenues. Property taxes increased \$10.2 million or 3.5% from the prior year, primarily due to an increase in current real property taxes collections. Also a factor are the increases in assessed values from the prior year for real property of 0.8% and personal property of 4.5%. Both the personal property tax and the real estate tax rates remained unchanged from fiscal year 2013.

Revenues from other taxes, \$121.9 million, make up 20.8% of the City's revenues and increased 1.6% from the prior fiscal year, driven by consumer spending activity reflected in increased taxes on sales, utility purchases, business license, restaurant meals and admissions. Approximately 71.8% of the City's revenue from governmental activities comes from some type of tax, and 5.0% comes from fees charged for services.

### Revenues by Source – Governmental Activities – Year Ended June 30, 2014



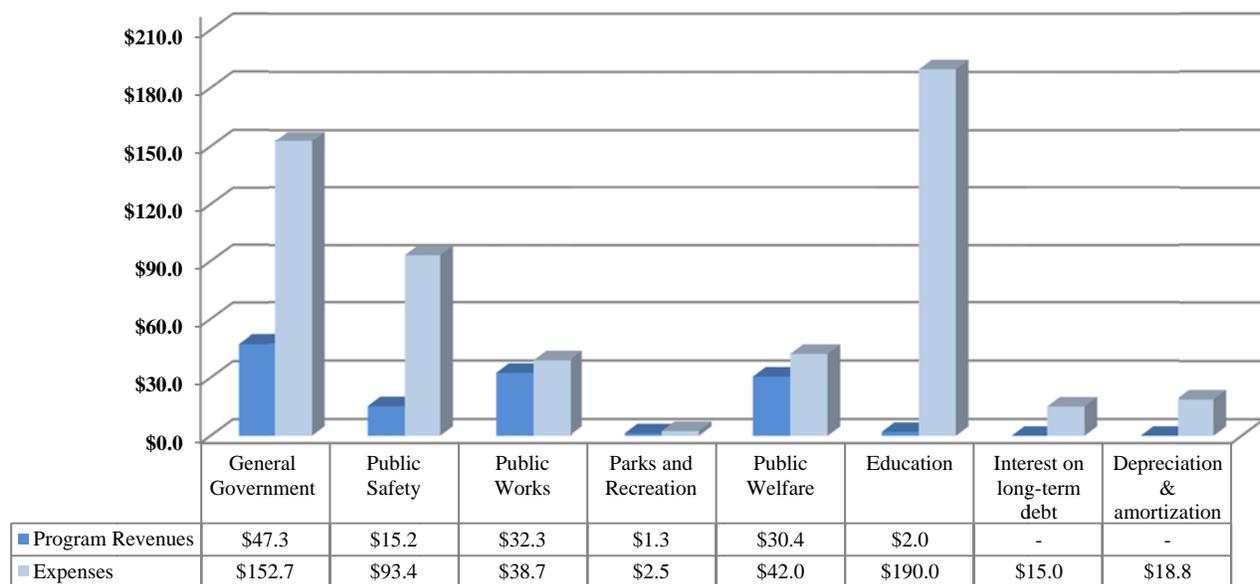
\*Other includes capital grants/contributions and unrestricted investment earnings

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

The City's expenses for governmental activities cover a wide range of services, with 16.9% or \$93.4 million related to public safety, 7.6% or \$42.0 million for public welfare, and 7.0% or \$38.7 million for public works. Education continues to be the City's largest program. Education expenses totaled \$190.0 (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2014. Overall expenses for governmental activities decreased \$15.2 million from fiscal year 2013 primarily due to expense savings of \$19.0 million in education, \$7.2 million in parks and recreation, and \$1.9 million in public works which more than offset increases of \$3.4 million in general government, \$9.9 million in public safety, and \$1.0 million in public welfare.

### Expenses and Program Revenues – Governmental Activities Year Ended June 30, 2014 (in millions)



### Business-Type Activities

Net position for the City's business-type activities reached \$519.2 million, an increase of \$24.3 million, which accounted for 43.0% of the total growth in the City's net position. For fiscal year 2014, total revenues of business-type activities decreased \$18.3 million mainly due to reductions in capital grants and contributions. Charges for services of \$92.3 million, including water and sewer utility fees, stormwater fees, and toll revenues, increased \$7.0 million or 8.2% and made up 91.6% of total revenues for business-type activities. Total expenses for fiscal year 2014 were \$76.5 million, an increase of \$0.6 million over fiscal year 2013.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2014, the governmental funds reported combined ending fund balances of \$326.2 million, an increase of \$4.2 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2014:

- \$22.3 million spent in the Capital Projects Fund to fund capital items, including Mainframe Migration Project Phase I, Commerce Park, Dismal Swamp Canal Trail, and Elizabeth River Landing Park
- \$182.3 million contributed from the City's General Fund to finance the Public School operations
- \$8.4 million of tax revenues generated by incremental increases in property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts
- \$13.2 million of general obligation public improvement refunding bonds issued

The City contributed \$13.6 million to the OPEB Trust Fund, including \$3.0 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* and GASB Statement No. 45 *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Approximately \$252.0 million of the combined total fund balances constitutes unrestricted fund balance, which is comprised of funds committed or assigned at the discretion of City Council as well as unassigned funds. The \$119.7 million of these unrestricted funds in the General Fund represent 27.8% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2014 were as follows:

- \$26.1 million committed for operating emergencies
- \$20.0 million committed for emergency event response and recovery
- \$14.6 million committed for capital projects
- \$5.0 million committed for School capital projects
- \$25.3 million committed for various programs and projects
- \$66.8 million assigned for future capital projects
- \$28.8 million assigned for debt service
- \$13.2 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2014, the unassigned fund balance, includes \$52.2 million in the General Fund, the City's chief operating fund. Restricted funds total \$72.4 million at year end and include \$31.3 million for General Fund cash flow emergencies (six percent of revenue as required by City Charter).

Total fund balance of the General Fund increased by \$9.2 million during fiscal year 2014, primarily due to \$3.9 million or 1.4% increase in property taxes revenues and \$1.9 million or 1.7% increase in other local taxes. Investment income, license, permits and fees also contributed to the increase. Total expenditures increased by 3.9% from the prior fiscal year. Part of the increase resulted from the salary increase of 1.6% effective January 1, 2014 and a 2.0% salary increase to VRS Plan 1 employees effective July 1, 2013. Notable increases are \$13.5 million in

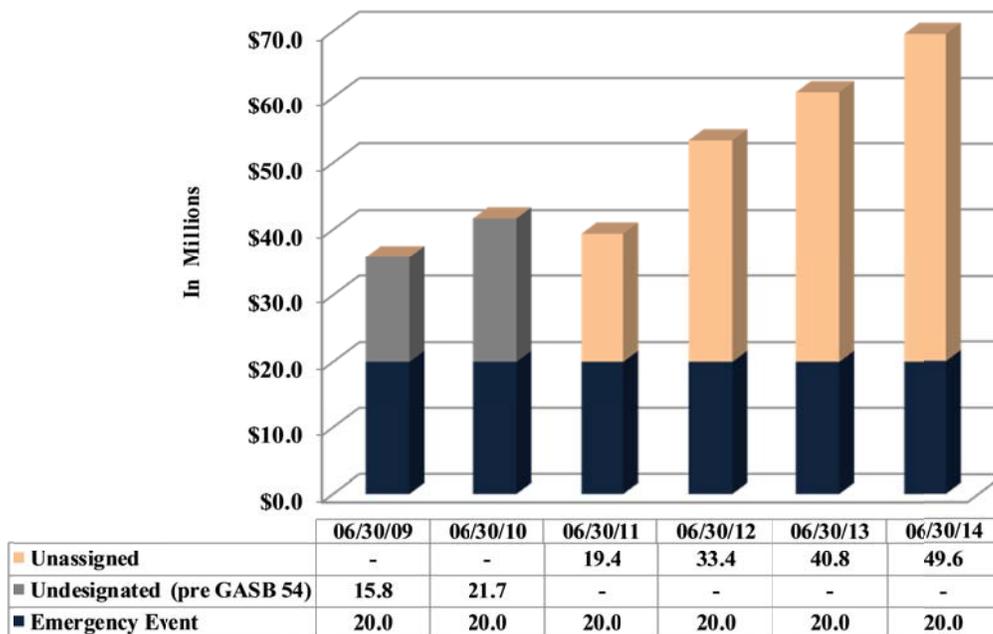
## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

Education - payments to the Chesapeake Public Schools, \$3.4 million in General Government due to commencement of jail operations, and increases in OPEB contributions, and \$0.9 million in Public Safety. Public Works had a \$2.7 million decrease.

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, 2014 fund balance restriction for cash flow emergencies totaled \$31.3 million. In fiscal year 1999, City Council established an additional commitment of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2014, the fund balance committed for operating emergencies is \$26.1 million. In addition to the restriction for cash flow emergencies and commitment for operating emergencies, \$42.0 million has been set aside as of June 30, 2014 with various restrictions, commitments and assignments of which the most significant amounts are set aside as lockbox funds for school and City capital projects - used for debt service and pay-as-you-go financing.

### Unassigned General Fund Balance



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$52.2 million at June 30, 2014. GASB 54 requires the \$20.0 million emergency event and response fund designation to be recorded as part of the committed fund balance. Prior to 2011, the emergency event and response fund designation was classified as a portion of undesignated fund balance. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

### Summary of Changes in General Fund Unassigned Fund Balance Year ended June 30, 2014 (in millions)

---

Unassigned fund balance at June 30, 2013		\$ 40.8
Revenues	\$ 506.4	
Expenditures:		
Current	430.3	
Other financing uses, net	66.9	
Net Change in fund balance	9.2	
Increase in reservations (Restricted, Committed and Assigned)	2.2	
Increase in unassigned fund balance		11.4
Unassigned fund balance at June 30, 2014		\$ 52.2

---

The Debt Service Fund ended the year with \$29.2 million in total fund balance, a decrease of \$4.0 million from 2013. The decrease is mainly due to a \$5.9 million planned use of fund balance, which was offset by the one-time debt service savings of \$1.4 million resulting from the Virginia Public School Authority refunding certain City bonds. The assigned fund balance of \$28.8 million is for the payment of debt service as directed by City Council.

Total fund balance of the Capital Project Fund decreased by \$8.2 million as result of \$22.3 million of capital outlay offset by \$3.9 million of revenues (primarily intergovernmental) and \$10.2 million net transfers from other funds. During fiscal year 2014, \$2.9 million was received from Federal and State agencies in support of capital projects.

### Proprietary Funds

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

For the fiscal year 2014, Public Utilities reported an increase in net position of \$11.9 million to \$402.5 million at June 30, 2014 from \$390.6 million at June 30, 2013. Total operating revenues of \$66.6 million were \$6.6 million more than the prior year primarily due to a 4.9% rate increase effective July 1, 2013 as well as enhanced billing and collection procedures. Total operating expenses for fiscal year 2014 were \$53.4 million, an increase of \$3.8 million. The evaluation of the Lake Gaston Water Treatment Plant membranes and repairs of pumps at water treatment plants contributed to the increased expenses.

Chesapeake Transportation System reported operating revenues for fiscal year 2014 of \$10.5 million versus \$10.3 million for 2013. The slight increase is due primarily to increases in overall traffic transactions. Operating expenses for the year amounted to \$9.4 million, with \$4.1 million from depreciation and amortization expense. Net position increased by \$4.8 million.

Stormwater Management had \$37.4 million in restricted net position at June 30, 2014, an increase of \$5.2 million from 2013. Operating revenues were \$15.2 million. Operating expenses totaled \$8.7 million, a 3.1% decrease from the previous fiscal year. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$2.0 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

**CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
 Year Ended June 30, 2014

**GENERAL FUND BUDGETARY HIGHLIGHTS**

**General Fund**  
**Year Ended June 30, 2014**  
 (in millions)

	<b>Original Budget*</b>	<b>Amended Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 399.0	399.0	399.5
Intergovernmental	84.3	85.2	83.7
Other	22.9	22.9	23.1
<b>Total</b>	<b>506.2</b>	<b>507.1</b>	<b>506.3</b>
<b>Expenditures and transfers:</b>			
Expenditures *	266.1	266.8	248.0
Transfers (net)	248.3	251.6	249.1
<b>Total</b>	<b>514.4</b>	<b>518.4</b>	<b>497.1</b>
<b>Change in fund balance</b>	<b>\$ (8.2)</b>	<b>(11.3)</b>	<b>9.2</b>

\* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of \$5.1 million for encumbrances reappropriated from June 30, 2013.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of \$0.9 million, a \$0.7 million increase in appropriations and a net increase of \$3.3 million in transfers resulting in a \$3.1 million reduction to the change in fund balance. Major changes included the following:

- Appropriation of \$1.0 million from the General Fund unassigned fund balance for transfer to the Chesapeake Public School OPEB Trust Fund
- Appropriation of \$0.9 million in State maintenance funds to fund Public Works annual resurfacing contract, bridge maintenance and repairs, and traffic engineering signal maintenance
- Appropriation of \$0.6 million from the General Fund assigned fund balance to fund the Deep Creek AIW Bridge Right of Way Preservation project
- Appropriation of \$0.2 million from the General Fund unassigned fund balance to fund the continuance of the EZPass transponder sales program by the City Treasurer
- A transfer of \$0.5 million from the Parks and Recreation Special Revenue Fund assigned fund balance to fund renovation and maintenance projects for the City's recreation centers and parks

Actual total revenues were below the amended budget by \$0.8 million, primarily due to other local taxes. Budgeted revenues for other local taxes were anticipating a 9.0% increase over last fiscal year, a total of \$9.6 million while actual collections increased by only 1.7%. Significant shortfalls were in restaurant food taxes (\$0.9 million), business licenses (\$0.8 million), local sales and use taxes (\$0.7 million), and communications sales taxes (\$0.6 million). General property taxes exceeded the budget by \$4.4 million mainly due to collections on current real and personal properties taxes. Intergovernmental revenues were \$1.5 million less than amended budgeted revenues mainly due to reductions in categorical aid from the Commonwealth.

Expenditures were below the amended budget by \$18.8 million, prior to encumbrances. The general government category returned \$4.8 million or 4.4% of its budget, partially due to cost savings and vacancies resulting from employee retirement and turnover. Notable savings include Public Libraries - \$0.7 million, Sheriff - \$0.6 million, other non-departmental support - \$0.5 million, Development and Permits Administration - \$0.3 million. Public Safety departments were \$2.4 million or 2.8% below amended budget and Public Works departments were \$11.0

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

million or 17.5% below the amended budget mainly in SPSA tipping fees and street maintenance. Although the amended budget called for a reduction of \$11.3 million in fund balance, the actual revenues and expenditures resulted in a net increase in fund balance of \$9.2 million, a positive budget variance of \$20.5 million.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to approximately \$1.776 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 4.8% or \$81.0 million - a decrease of 2.3% for governmental activities and an increase of 17.0% for business-type activities in part due to \$106.9 million increase in construction in progress for the Chesapeake Transportation System.

**Capital Assets (net of accumulated depreciation)**  
**June 30, 2014 and 2013**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 51.2	49.8	22.3	22.3	73.5	72.1
Intangibles	273.2	271.7	3.6	3.5	276.8	275.2
Construction in progress	66.3	86.5	279.4	173.0	345.7	259.5
Buildings	372.3	376.5	3.8	4.1	376.1	380.6
Improvements other than buildings	18.2	12.7	2.6	2.5	20.8	15.2
Software, equipment and vehicles	57.1	53.0	4.7	2.9	61.8	55.9
Infrastructure	211.7	224.3	409.9	412.7	621.6	637.0
Total	\$ 1,050.0	1,074.5	726.4	621.0	1,776.3	1,695.5

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

- Completed capital projects totaling \$43.5 million for governmental activities.
- Completed capital projects totaling \$20.7 million for business-type activities.
- Construction in progress totaled \$66.3 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$279.4 million for business-type activities, which includes Public Utility, Stormwater and Chesapeake Transportation System projects.

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

The City's fiscal year 2015 capital budget provides approximately \$68.6 million for various capital projects. Some of the major categories include \$16.1 million for transportation projects, \$14.2 million in school related projects, \$13.7 million for public safety projects, \$6.7 million for economic development, and \$5.2 million for community facilities projects, and \$4.9 million for stormwater projects. Projects budgeted to commence in fiscal year 2015 include:

- Replacement and construction of Deep Creek AIW Bridge to eliminate the bottleneck along Rt. 17, George Washington Highway corridor

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2014

- Renovation of aging School facility and replacement of old School buses and outdated technology
- Fentress Encroachment Protection – to purchase development rights of land around the Naval Auxiliary Landing Field Fentress (NALF) to reduce encroachment and protect both NALF and Oceana Naval Air Station
- Residential Street repaving projects
- Expansion to the Public Health Center to provide needed spaces to support the Center operation
- Relocation of Deep Creek Fire Station #8 to Moses Grandy Trail and construction of a new fire station
- Public utilities renovations and improvements for sewer management and operations

### Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans and an installment purchase agreement) of \$607.4 million. Of this amount, \$406.4 million comprises debt backed by the full faith and credit of the City and \$198.4 million is debt secured by revenues of the water and sewer system and Chesapeake Transportation System toll revenues.

#### June 30, 2014 and 2013 (in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds*	\$ 316.7	357.3	89.7	93.3	406.4	450.6
Revenue bonds*	-	-	198.4	185.6	198.4	185.6
Literary loans	1.3	1.6	-	-	1.3	1.6
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 319.3	360.2	288.1	278.9	607.4	639.1

\*does not include bond premiums and discounts.

Chesapeake's total bonded debt decreased by \$31.7 million during the fiscal year. In April 2014, the City issued approximately \$13.2 million of general obligation public improvement refunding bonds to current refund a Lease Revenue Bond Series of 2003, issued by CSB of Chesapeake, Inc. and a portion of the City's General Obligation Public Improvement Refunding Bonds, Series 2004A. This refunding resulted in an economic gain of \$0.9 million and a net savings about \$1.0 million in future debt service payments. The City also issued \$1.6 million of general obligation public improvement water and sewer refunding bonds to refund a portion of the Series 2003C General Obligation Water and Sewer Refunding Bonds.

During fiscal year 2014, the City issued \$23.3 million of general obligation taxable water and sewer refunding bonds to advance refund outstanding 2004B and 2005B General Obligation Water and Sewer Refunding Bonds. This refunding resulted in an economic gain of \$1.5 million and a net savings of \$1.6 million in future debt service payments.

In November 2012, the City issued \$150.7 million of Chesapeake Transportation System Senior Toll Road Revenue Bonds. The issuance included \$42.8 million of Convertible Capital Appreciation bonds (CABS). Interest on the CABS is compounded semi-annually and added to the value of the bonds until the Conversion Date of July 15, 2023 at which time the interest will be payable semi-annually. Principal payments begin in July 2028.

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2014

---

In connection with the City's April 2014 issuance of general obligation bonds, Standard & Poor's Ratings Services upgraded the City's rating from AA+ to AAA, the highest bond rating available. This is the City's second AAA rating. Fitch Ratings has rated the City's bonds AAA since 2010. The City has an Aa1 rating from Moody's Investors Service.

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 \$2.3 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The average unemployment rate for fiscal year 2014 for the City of Chesapeake is 5.3%, a decline from the 2013 rate of 5.8%. This compares to the average unemployment rates of 5.8% for the region, 5.3% for Virginia and 6.8% nationally for the same time period.
- The Hampton Roads Planning District Commission projects the total Chesapeake's population for 2040 will be approximately 314,600.
- The City's real estate tax base increased 2.2% from the prior year compared to a decline of 2.4% in fiscal year 2013. Personal Property tax experienced a 3.9% increase. There was slight improvement in other taxes.
- Taxable retail sales for calendar 2013 increased by \$88 million or 2.9%.
- As a result of the issuance of Virginia Public School Authority's 2014 refunding bonds, the City will be receiving approximately \$1.9 million in savings that will be allocated over the remaining amortization period for the City's bonds, which have a final maturity date of 2026. The savings will commence in fiscal year 2015.
- In September 2014, the General Assembly adopted Governor Terry McAuliffe's budget reduction strategy, which includes \$30 million in across-board cuts in state aid to cities and counties to eliminate the revenue shortfall for fiscal year 2015.
- Due to uncertain national, state and local economic conditions, the City will continue to focus on core service delivery for the next three to five years. To help address the identified School and City capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing Chesapeake's budget for fiscal year 2016. Additionally, the City budget process includes detailed three-year resource requirements in order to improve projections, further support strategic planning, and to maintain the City's fiscal stability and strong financial position.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Basic Financial Statements



*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Government-Wide Financial Statements

**Chesapeake**  
VIRGINIA

Statement of Net Position  
June 30, 2014

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>					
Cash and temporary investments (note 2)	\$ 233,623,100	73,182,290	306,805,390	47,777,502	9,184,696
Receivables, net of allowance for uncollectible amounts (note 3)	84,459,459	25,469,629	109,929,088	29,650,609	280,392
Due from component units, net of allowance for uncollectible amounts (note 7)	277,100	-	277,100	-	-
Internal balances (note 8)	12,017,762	(12,017,762)	-	-	-
Inventories	1,526,807	1,727,450	3,254,257	2,021,793	13,868,988
Prepaid expenses	3,376,265	51,591	3,427,856	2,957	4,842
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	22,708,623	22,708,623	-	-
Cash restricted for debt service	-	3,421,650	3,421,650	-	-
Cash restricted for debt service with trustee	-	17,770,815	17,770,815	-	-
Cash with State Set-Aside (note 2)	700,071	-	700,071	-	-
Capital construction:					
Cash and temporary investments	82,503,206	39,515,396	122,018,602	23,396,037	-
Cash and temporary investments with trustee	266,175	7,495,782	7,761,957	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	777,998	-	777,998	-	-
Capital Assets (notes 4, 6, and 9):					
Land	51,182,363	22,255,578	73,437,941	17,277,065	2,147,566
Intangibles	273,151,656	3,573,068	276,724,724	-	-
Construction in progress	66,255,077	279,410,669	345,665,746	11,546,161	-
Buildings	612,024,155	5,578,827	617,602,982	190,747,155	3,872,140
Improvements other than buildings	41,758,586	3,576,250	45,334,836	5,604,230	19,329,459
Software, equipment and vehicles	143,581,773	13,398,053	156,979,826	75,889,254	2,051,996
Infrastructure	1,101,654,497	664,041,901	1,765,696,398	-	-
Accumulated depreciation	(1,239,644,826)	(265,531,413)	(1,505,176,239)	(71,622,849)	(15,030,899)
Total assets	1,469,491,224	906,628,397	2,376,119,621	332,289,914	35,709,180
<b>Deferred Outflows of Resources</b>					
Unamortized deferred loss on refundings	2,564,494	2,917,902	5,482,396	-	-
<b>Total assets and deferred outflow of resources</b>	<b>\$ 1,472,055,718</b>	<b>909,546,299</b>	<b>2,381,602,017</b>	<b>332,289,914</b>	<b>35,709,180</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>Liabilities</b>					
Accounts payable, deposits and accrued expenses (note 3)	\$ 22,819,922	13,156,360	35,976,282	46,394,695	274,437
Unearned revenues	7,054	1,617,754	1,624,808	-	35,878
Due to primary government (note 7)	-	-	-	-	2,540,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	57,479,973	8,154,416	65,634,389	3,590,506	85,000
Due in more than one year	372,571,231	359,742,646	732,313,877	330,926,254	995,000
Total liabilities	452,878,180	382,671,176	835,549,356	380,911,455	3,930,917
<b>Deferred Inflows of Resources (note 5)</b>	<b>400,220</b>	<b>7,650,597</b>	<b>8,050,817</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	725,639,898	363,131,229	1,088,771,127	220,600,714	11,013,162
Restricted for:					
Capital projects	7,730,629	4,192,551	11,923,180	22,562,553	-
Debt service	1,104,771	36,168,752	37,273,523	-	-
Other purposes:					
Expendable:					
General Fund	31,310,247	-	31,310,247	-	-
Special Projects	40,115,453	-	40,115,453	-	-
Educational Purposes	177,920	-	177,920	27,288,626	-
Public Works	13	-	13	-	-
Public Utilities Operations	-	89,020,538	89,020,538	-	-
Chesapeake Transportation System Operations	-	7,488,910	7,488,910	-	-
Stormwater Management Operations	-	37,373,114	37,373,114	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	413,416
Chesapeake Airport Authority	-	-	-	-	207,411
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	212,685,592	(18,150,568)	194,535,024	(319,073,434)	20,144,274
Total net position	1,018,777,318	519,224,526	1,538,001,844	(48,621,541)	31,778,263
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 1,472,055,718</b>	<b>909,546,299</b>	<b>2,381,602,017</b>	<b>332,289,914</b>	<b>35,709,180</b>

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

CITY OF CHESAPEAKE, VIRGINIA  
Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Discretely Presented Component Units				
						Business-type Activities	Total	Public Schools	Others			
<b>PRIMARY GOVERNMENT</b>												
Governmental activities:												
General government	\$ 152,704,171	17,991,011	28,950,143	400,593	(105,362,424)	-	(105,362,424)	-	-	-	-	-
Public safety	93,375,929	4,930,678	4,930,988	1,672,714	(78,192,989)	-	(78,192,989)	-	-	-	-	-
Public works	38,746,709	579,655	29,988,137	1,697,236	(6,481,681)	-	(6,481,681)	-	-	-	-	-
Parks and recreation	2,516,007	1,199,110	88,867	-	(1,228,030)	-	(1,228,030)	-	-	-	-	-
Public welfare	42,027,655	4,730,175	25,625,520	-	(11,671,960)	-	(11,671,960)	-	-	-	-	-
Education	189,942,276	146,378	1,870,664	-	(187,925,234)	-	(187,925,234)	-	-	-	-	-
Interest on long term debt	15,001,553	-	-	-	(15,001,553)	-	(15,001,553)	-	-	-	-	-
Depreciation and amortization - net unallocated portion (note 4)	18,824,944	-	-	-	(18,824,944)	-	(18,824,944)	-	-	-	-	-
Total governmental activities	553,139,244	29,430,629	94,884,033	4,135,767	(424,688,815)	-	(424,688,815)	-	-	-	-	-
Business-type activities:												
Public Utilities	57,339,899	66,585,995	832,811	2,402,019	-	12,480,926	12,480,926	-	-	-	-	-
Chesapeake Transportation System	10,430,045	10,475,725	139,246	4,612,095	-	4,797,021	4,797,021	-	-	-	-	-
Stormwater Management	8,755,098	15,185,909	160,331	398,281	-	6,987,423	6,987,423	-	-	-	-	-
Total business-type activities	76,525,042	92,245,629	1,132,388	7,412,395	-	24,265,370	24,265,370	-	-	-	-	-
<b>Total primary government</b>	<b>\$ 629,664,286</b>	<b>121,676,258</b>	<b>96,016,421</b>	<b>11,548,162</b>	<b>(424,688,815)</b>	<b>24,265,370</b>	<b>(400,423,445)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPONENT UNITS</b>												
Public Schools	\$ 444,265,205	14,692,607	87,748,034	1,311,294	-	-	-	(340,513,270)	-	-	22,816	-
Chesapeake Mosquito Control Commission	4,018,404	-	4,041,220	-	-	-	-	-	-	-	6,004,439	-
Economic Development Authority	789,713	-	6,794,152	-	-	-	-	-	-	-	(109)	-
Chesapeake Port Authority	53,350	42,135	11,106	-	-	-	-	-	-	-	(81,846)	-
Chesapeake Airport Authority	1,359,188	429,444	847,898	-	-	-	-	-	-	-	(34,944)	-
Elizabeth River Properties of Chesapeake, Inc	179,427	110,753	33,730	-	-	-	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 450,665,287</b>	<b>15,274,939</b>	<b>99,476,140</b>	<b>1,311,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(340,513,270)</b>	<b>-</b>	<b>-</b>	<b>5,910,356</b>	<b>-</b>
<b>General revenues:</b>												
Taxes:												
Property taxes, levied for general purposes			\$ 298,879,122									
Local sales and use taxes			35,389,855									
Consumer utility taxes			10,450,356									
Communication sales tax			11,930,262									
Business license taxes			25,068,518									
Local utility consumption tax			934,404									
Bank stock taxes			1,289,564									
Taxes on recordation and wills			2,564,557									
Tobacco taxes			4,539,697									
Hotel and motel room taxes			5,227,720									
Restaurant food taxes			23,023,820									
Admission taxes			965,078									
Short-term rental taxes			442,551									
Pari-mutuel wagering pool tax			67,615									
Payment from City			-									
Grants and contributions not restricted to specific programs			31,725,721									
Unrestricted investment earnings			1,538,560									
Miscellaneous			2,871,351									
<b>Transfers</b>			(38,733)									
Total general revenues and transfers			456,870,018									
Change in net position			32,181,203									
Net position - beginning			986,596,115									
<b>Net position - ending</b>			<b>\$ 1,018,777,318</b>									

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

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Fund Financial Statements



*This page intentionally left blank*

**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, 2014

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments (note 2)	\$ 119,998,889	28,991,375	-	50,814,525	199,804,789
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	3,110,879	-	-	-	3,110,879
State categorical aid	921,364	-	-	-	921,364
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	86,542	-	121,456	1,858,339	2,066,337
Federal government	-	-	630,117	3,313,043	3,943,160
Federal government - American Reinvestment and Recovery Act	-	-	598,133	-	598,133
Receivables (note 3):					
Property taxes	31,827,721	-	-	-	31,827,721
Accounts receivable	5,669,221	-	203,946	3,884,051	9,757,218
Utility taxes	2,918,187	-	-	-	2,918,187
Interest	211,395	51,289	-	673	263,357
Fines	165,438	-	-	438,889	604,327
Ambulance fees	2,849,568	-	-	-	2,849,568
Restaurant and food tax	2,044,411	-	-	-	2,044,411
Other	976,927	-	-	365,043	1,341,970
Allowance for uncollectible amounts	(4,063,102)	-	(203,946)	(2,258,700)	(6,525,748)
Inventory	1,072,739	-	-	21,372	1,094,111
Due from other funds (note 8)	1,545	-	5,593,865	-	5,595,410
Prepaid expenditures and other assets	-	-	-	398,785	398,785
Restricted assets (note 2):					
Cash with state set-aside (note 6)	700,071	-	-	-	700,071
Capital construction:					
Cash and temporary investments	-	-	82,503,206	-	82,503,206
Cash and temporary investments with trustee	-	-	266,175	-	266,175
Investments	-	-	-	777,998	777,998
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	116,382	160,718	-	-	277,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
<b>Total assets</b>	<b>\$ 197,198,178</b>	<b>29,203,382</b>	<b>89,712,952</b>	<b>59,614,018</b>	<b>375,728,530</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable (note 3)	\$ 5,789,297	5,212	-	1,684,272	7,478,781
Deposits (note 3)	1,994,554	-	-	-	1,994,554
Accrued expenditures (note 3)	2,999,723	-	-	71,389	3,071,112
Unearned revenue	7,054	-	-	-	7,054
Other liabilities (note 3)	537,453	-	-	377,267	914,720
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	3,038,756	-	3,038,756
Due to Commonwealth of Virginia	1,051	-	-	-	1,051
Total liabilities	11,329,132	5,212	3,038,756	2,132,928	16,506,028
<b>Deferred Inflows of Resources (note 5)</b>	<b>33,000,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,000,685</b>
Total deferred inflows of resources	33,000,685	-	-	-	33,000,685
<b>Fund Balances (note 12)</b>					
Nonspendable	1,189,121	160,718	-	432,952	1,782,791
Restricted for cash flow emergencies	31,310,247	-	-	-	31,310,247
Restricted other	700,071	244,059	266,175	39,873,216	41,083,521
Committed for operating emergencies	26,091,873	-	-	-	26,091,873
Committed for emergency event response and recovery	20,000,000	-	-	-	20,000,000
Committed other	19,669,549	-	19,564,723	5,682,007	44,916,279
Assigned	1,677,416	28,793,393	66,843,298	11,492,915	108,807,022
Unassigned	52,230,084	-	-	-	52,230,084
Total fund balances	152,868,361	29,198,170	86,674,196	57,481,090	326,221,817
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 197,198,178</b>	<b>29,203,382</b>	<b>89,712,952</b>	<b>59,614,018</b>	<b>375,728,530</b>

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

(Continued)

Balance Sheet  
 Governmental Funds  
 June 30, 2014

---

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

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

Ending fund balance - governmental funds \$ 326,221,817

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capital assets used in governmental activities as reported in note 4 to the financial statements also include assets of \$44,350,775 associated with the internal service funds as indicated below.

Capital assets 1,005,612,506

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. 33,000,685

Internal service funds (ISF) are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$751,771 as noted on Schedule E.

	Capital assets	44,350,775	
	Long-term debt	(28,485,089)	
	Other assets and liabilities	36,656,254	52,521,940

An interfund loan that does not contribute to current financial resources is not reported in governmental activities 5,670,581

Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds. (4,848,371)

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 \$28,485,089 associated with the internal service funds as indicated above.

	General obligation bonds	(330,377,432)	
	Net pension obligation	(1,644,088)	
	Net OPEB obligation	(30,883,168)	
	Arbitrage rebate and yield restriction	(244,059)	
	Compensated absences (net of ISF)	(17,736,621)	
	Literary loans	(1,272,785)	
	Installment Purchase Agreement	(1,342,284)	
	Capital leases	(756,950)	
	Supplemental Payments Agreement	(14,390,000)	
	Edinburgh Purchase Agreement	(2,918,727)	
	Unamortized deferred gain on refundings	(400,220)	
	Unamortized deferred loss on refundings	2,564,494	(399,401,840)

---

**Net position of governmental activities** **\$ 1,018,777,318**

---

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 286,009,300	-	-	9,003,334	295,012,634
Other local taxes	113,502,080	-	-	8,391,919	121,893,999
Licenses, permits, and fees	8,526,755	-	-	-	8,526,755
Fines and forfeitures	2,689,990	-	-	-	2,689,990
Investment income	916,204	128,572	243,240	129,266	1,417,282
Revenues from use of property	456,736	54,889	-	434,425	946,050
Charges for services	10,013,093	-	-	8,034,462	18,047,555
Miscellaneous local revenues	220,335	1,409,981	208	2,912,166	4,542,690
Recovered costs	324,411	-	-	1,528,802	1,853,213
Program income	-	-	-	649,715	649,715
Revenues from local developers	-	-	809,803	-	809,803
Intergovernmental revenues:					
Commonwealth of Virginia	83,600,322	190,239	279,843	21,916,969	105,987,373
Federal government	106,910	-	1,652,198	13,852,053	15,611,161
Federal government - American Reinvestment and Recovery Act	-	890,313	963,578	-	1,853,891
Chesapeake Public Schools	56,531	89,846	-	-	146,377
<b>Total revenues</b>	<b>506,422,667</b>	<b>2,763,840</b>	<b>3,948,870</b>	<b>66,853,111</b>	<b>579,988,488</b>
<b>EXPENDITURES</b>					
Current:					
General government	105,122,776	-	-	11,431,947	116,554,723
Public safety	81,427,118	-	-	7,930,027	89,357,145
Public works	50,864,754	-	-	2,482	50,867,236
Parks and recreation	6,570,230	-	-	2,135,553	8,705,783
Public welfare	-	-	-	41,755,349	41,755,349
Education - Payments to Public Schools	182,260,318	-	-	-	182,260,318
Capital outlay	1,828,076	-	22,276,071	3,459,683	27,563,830
Debt service	2,226,250	69,572,906	-	322,369	72,121,525
<b>Total expenditures</b>	<b>430,299,522</b>	<b>69,572,906</b>	<b>22,276,071</b>	<b>67,037,410</b>	<b>589,185,909</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>76,123,145</b>	<b>(66,809,066)</b>	<b>(18,327,201)</b>	<b>(184,299)</b>	<b>(9,197,421)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds (note 8)	3,877,195	49,152,149	12,159,910	17,284,779	82,474,033
General obligation refunding bonds issued (note 6)	-	13,175,000	-	-	13,175,000
Transfers to other funds (note 8)	(70,793,483)	-	(2,003,550)	(9,924,032)	(82,721,065)
Premiums on general obligation bonds issued (note 6)	-	438,313	-	-	438,313
<b>Total other financing sources (uses)</b>	<b>(66,916,288)</b>	<b>62,765,462</b>	<b>10,156,360</b>	<b>7,360,747</b>	<b>13,366,281</b>
<b>Net change in fund balance</b>	<b>9,206,857</b>	<b>(4,043,604)</b>	<b>(8,170,841)</b>	<b>7,176,448</b>	<b>4,168,860</b>
<b>Fund balance - beginning</b>	<b>143,661,504</b>	<b>33,241,774</b>	<b>94,845,037</b>	<b>50,304,642</b>	<b>322,052,957</b>
<b>Fund balance - ending</b>	<b>\$ 152,868,361</b>	<b>29,198,170</b>	<b>86,674,196</b>	<b>57,481,090</b>	<b>326,221,817</b>

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

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2014

**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		\$ 4,168,860
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The Statement of Activities also includes expenses which relate to current-year closed projects that included assets that are no longer capitalizable at the time of project closure. In addition, donated assets and gains and losses on disposal of assets are not reported in governmental funds, but are reported as revenues (expenses) in the Statement of Activities. This represents the net effect of the donated assets plus the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:</p>		
	(40,263,128)	
Depreciation expense	27,565,329	
Capital outlay expenditures	1,382,929	
Donated assets	(9,263,976)	
Noncapitalizable expenses related to closed projects	(278,875)	
Asset transfers	(1,366,075)	
Loss on disposal	<u>(22,223,796)</u>	
		(22,223,796)
<p>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 changed by this amount this year.</p>		
		3,866,487
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, refunding costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:</p>		
	(13,613,313)	
Debt issued (and related costs)	60,454,911	
Principal repayments	<u>46,841,598</u>	
		46,841,598
<p>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:</p>		
	(62,684)	
Accrued interest	506,946	
Compensated absences	(24,483)	
Net pension obligation	3,209,312	
Net other post employment benefit obligation	<u>3,629,091</u>	
		3,629,091
<p>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.</p>		
		(4,348,745)
<p>Interfund loan activity that does not contribute to current financial resources and, therefore, is not reported in the funds.</p>		
		247,708
<b>Change in net position of governmental activities</b>		<b>\$ 32,181,203</b>

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

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Proprietary Fund Financial Statements

## **Major Enterprise Funds:**

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

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

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

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



Statement of Net Position  
 Proprietary Funds  
 June 30, 2014

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>					
<b>Assets</b>					
Current assets:					
Cash and temporary investments (note 2)	\$ 62,955,548	1,829,993	8,396,749	73,182,290	33,818,313
Receivables (note 3):					
Accounts	16,171,725	125,187	10,463,250	26,760,162	107,735
Interest	16,320	-	14,835	31,155	40,836
Allowance for uncollectible amounts	(1,893,397)	(38,705)	(173,947)	(2,106,049)	-
Intergovernmental revenues due from:					
Commonwealth of Virginia	-	141,185	-	141,185	-
Federal government	-	643,176	-	643,176	-
Inventory of materials and supplies	1,727,450	-	-	1,727,450	432,696
Prepaid expenses	51,591	-	-	51,591	2,977,480
<b>Total current assets</b>	<b>79,029,237</b>	<b>2,700,836</b>	<b>18,700,887</b>	<b>100,430,960</b>	<b>37,377,060</b>
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	22,697,975	10,648	22,708,623	-
Cash restricted for debt service	3,421,650	-	-	3,421,650	-
Cash restricted for debt service with trustee	4,713,004	13,057,811	-	17,770,815	-
Capital construction:					
Cash and temporary investments	12,519,985	-	26,995,411	39,515,396	-
Cash and temporary investments with trustee	3,550,885	3,944,897	-	7,495,782	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
<b>Total restricted assets</b>	<b>25,205,524</b>	<b>39,700,683</b>	<b>27,006,059</b>	<b>91,912,266</b>	<b>-</b>
Capital assets (note 4 and note 9):					
Land	10,727,890	11,105,618	422,070	22,255,578	-
Intangibles	2,329,609	-	1,243,459	3,573,068	-
Construction in progress	55,080,083	217,166,828	7,163,758	279,410,669	1,054,331
Buildings	73,598	5,389,295	115,934	5,578,827	687,097
Improvements other than buildings	3,518,780	-	57,470	3,576,250	13,082,477
Equipment and vehicles	6,347,053	6,866,248	184,752	13,398,053	104,221,744
Infrastructure	556,903,928	82,855,938	24,282,035	664,041,901	77,584
Less accumulated depreciation	(201,999,416)	(58,322,145)	(5,209,852)	(265,531,413)	(74,772,458)
<b>Total capital assets, net of accumulated depreciation</b>	<b>432,981,525</b>	<b>265,061,782</b>	<b>28,259,626</b>	<b>726,302,933</b>	<b>44,350,775</b>
<b>Total noncurrent assets</b>	<b>458,187,049</b>	<b>304,762,465</b>	<b>55,265,685</b>	<b>818,215,199</b>	<b>44,350,775</b>
<b>Total assets</b>	<b>537,216,286</b>	<b>307,463,301</b>	<b>73,966,572</b>	<b>918,646,159</b>	<b>81,727,835</b>
<b>Deferred Outflows of Resources</b>					
Unamortized deferred loss on refunding	2,771,371	146,531	-	2,917,902	-
<b>Total deferred outflows of resources</b>	<b>2,771,371</b>	<b>146,531</b>	<b>-</b>	<b>2,917,902</b>	<b>-</b>
<b>Total assets and deferred outflow of resources</b>	<b>\$ 539,987,657</b>	<b>307,609,832</b>	<b>73,966,572</b>	<b>921,564,061</b>	<b>81,727,835</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>Liabilities</b>					
Current liabilities:					
Accounts payable (note 3)	\$ 2,039,149	32,327	312,247	2,383,723	1,467,007
Accrued expenses and other liabilities (note 3)	1,258,921	2,817,384	5,148	4,081,453	5,570
Deposits (note 3)	788,809	-	-	788,809	-
Unearned revenues	1,385,133	-	-	1,385,133	-
Due to other funds (note 8)	-	5,595,410	-	5,595,410	-
Construction projects payable (note 3)	57,534	5,674,447	170,394	5,902,375	-
Current portion of long-term debt (note 6)	7,484,336	288,242	-	7,772,578	-
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	283,749	24,122	73,967	381,838	213,292
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	6,515,894
<b>Total current liabilities</b>	<b>13,297,631</b>	<b>14,431,932</b>	<b>561,756</b>	<b>28,291,319</b>	<b>8,201,763</b>
Noncurrent liabilities:					
Unearned revenues	232,621	-	-	232,621	-
General obligation bonds (note 6)	90,125,837	-	-	90,125,837	-
Revenue bonds (note 6)	33,340,000	171,377,826	-	204,717,826	-
Due to Commonwealth of Virginia (note 6)	-	64,252,400	-	64,252,400	-
Advances from other funds (note 8)	-	5,670,581	-	5,670,581	-
Accrued vacation, sick pay, and overtime leave (note 6)	487,397	37,707	121,479	646,583	324,070
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	21,431,833
<b>Total noncurrent liabilities</b>	<b>124,185,855</b>	<b>241,338,514</b>	<b>121,479</b>	<b>365,645,848</b>	<b>21,755,903</b>
<b>Total liabilities</b>	<b>137,483,486</b>	<b>255,770,446</b>	<b>683,235</b>	<b>393,937,167</b>	<b>29,957,666</b>
<b>Deferred Inflows of Resources (note 5)</b>					
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>7,650,597</b>	<b>7,650,597</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	305,581,757	29,289,846	28,259,626	363,131,229	44,350,775
Restricted for:					
Capital projects	-	4,192,551	-	4,192,551	-
Debt service	7,901,876	28,266,876	-	36,168,752	-
Other purposes - Expendable:					
Public Utilities Fund	89,020,538	-	-	89,020,538	-
Chesapeake Transportation System Fund	-	7,488,910	-	7,488,910	-
Stormwater Management Fund	-	-	37,373,114	37,373,114	-
Unrestricted	-	(17,398,797)	-	(17,398,797)	7,419,394
<b>Total net position</b>	<b>402,504,171</b>	<b>51,839,386</b>	<b>65,632,740</b>	<b>519,976,297</b>	<b>51,770,169</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 539,987,657</b>	<b>307,609,832</b>	<b>73,966,572</b>	<b>921,564,061</b>	<b>81,727,835</b>
Net position of enterprise funds, Schedule E				\$ 519,976,297	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(751,771)	
Net position of business-type activities, Schedule A				\$ 519,224,526	

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2014

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>OPERATING REVENUES</b>					
Charges for services:					
Sale of water	\$ 35,679,059	-	-	35,679,059	-
Billings to departments	-	-	-	-	30,645,466
Billings to outside agencies & component units	-	-	-	-	2,648,655
Sewer service charges	25,199,141	-	-	25,199,141	-
Stormwater management fees	-	-	15,173,911	15,173,911	-
Tolls and tickets	-	10,450,019	-	10,450,019	-
Rental fees	921,390	-	-	921,390	-
Connection fees	3,629,775	-	-	3,629,775	-
Miscellaneous	1,155,469	12,159	9,998	1,177,626	-
Recovered costs	1,161	13,547	-	14,708	599,041
Total operating revenues	66,585,995	10,475,725	15,183,909	92,245,629	33,893,162
<b>OPERATING EXPENSES</b>					
Cost of materials billed	-	-	-	-	5,200,486
Purchases for resale	18,430,733	-	-	18,430,733	2,087,436
Water production	7,977,321	-	-	7,977,321	-
Sewer maintenance and operation	5,599,546	-	-	5,599,546	-
Water maintenance and operation	2,896,194	-	-	2,896,194	-
Customer service	1,512,280	-	-	1,512,280	-
General and administrative	3,785,915	319,911	1,346,827	5,452,653	522,668
Technical services	1,173,487	-	-	1,173,487	-
Other salaries and wages	-	958,442	2,673,400	3,631,842	4,904,148
Other fringe benefits	-	413,919	1,214,962	1,628,881	1,932,773
Self-insurance losses	-	-	-	-	5,638,523
Indemnity and medical claims	-	-	-	-	2,909,814
Other repairs and supplies	-	365,191	214,815	580,006	3,069,275
Equipment rental	-	4,511	15,289	19,800	410,738
Other contractual services	-	3,139,758	2,246,782	5,386,540	1,140,697
Depreciation and amortization	11,799,993	4,127,916	1,006,484	16,934,393	9,673,013
Insurance premiums	-	-	-	-	1,360,363
Meter reading services	276,799	-	-	276,799	-
Other	1,567	40,250	-	41,817	-
Total operating expenses	53,453,835	9,369,898	8,718,559	71,542,292	38,849,934
Operating income (loss)	13,132,160	1,105,827	6,465,350	20,703,337	(4,956,772)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	226,992	139,246	160,331	526,569	121,281
Interest expense	(3,707,219)	(1,027,557)	-	(4,734,776)	-
Gain on sale of equipment	5,791	-	-	5,791	202,635
Loss on sale of equipment	(532,148)	-	(158,415)	(690,563)	(191,376)
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	605,819	-	-	605,819	-
Other	(191,702)	(32,590)	-	(224,292)	-
Total nonoperating revenues (expenses)	(3,592,467)	(920,901)	1,916	(4,511,452)	132,540
Income (loss) before transfers and contributions	9,539,693	184,926	6,467,266	16,191,885	(4,824,232)
Transfers in (note 8)	-	-	10,000	10,000	278,112
Transfers out (note 8)	-	-	(150,070)	(150,070)	(38,646)
Capital contributions	2,396,228	4,612,095	824,792	7,833,115	2,619,569
Increase (decrease) in net position	11,935,921	4,797,021	7,151,988	23,884,930	(1,965,197)
Total net position - beginning	390,568,250	47,042,365	58,480,752	496,091,367	53,735,366
Total net position - ending	\$ 402,504,171	51,839,386	65,632,740	519,976,297	51,770,169

Change in net position of enterprise funds, Schedule F	\$ 23,884,930
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	419,173
Change in net position of business-type activities, Schedule B	<u>\$ 24,304,103</u>

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

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2014

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 66,439,819	19,668,037	14,974,915	101,082,771	33,873,143
Payments to suppliers	(31,462,502)	(3,868,799)	(3,856,627)	(39,187,928)	(21,427,773)
Payments to employees	(11,683,888)	(1,395,373)	(3,924,850)	(17,004,111)	(6,820,291)
Net cash provided by (used in) operating activities	23,293,429	14,403,865	7,193,438	44,890,732	5,625,079
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	10,000	10,000	278,112
Transfers out	-	-	(150,070)	(150,070)	(38,646)
Net cash provided by (used in) noncapital financing activities	-	-	(140,070)	(140,070)	239,466
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Federal government	605,819	-	-	605,819	-
Proceeds from GO refunding bonds	24,905,000	-	-	24,905,000	-
Proceeds from revenue bonds	-	13,579,629	-	13,579,629	-
Proceeds from sale of capital assets	5,791	-	-	5,791	11,259
Payment of refunding escrow deposit	(24,717,672)	-	-	(24,717,672)	-
Principal payment of long-term debt	(5,870,000)	247,708	-	(5,622,292)	-
Payment of refunding bonds issuance costs	(191,702)	-	-	(191,702)	-
Premium on issuance of GO refunding bonds	90,184	-	-	90,184	-
Acquisition of capital assets	(8,726,074)	(94,261,768)	(2,359,915)	(105,347,757)	(6,706,496)
Increase (decrease) in construction projects payable	(2,455,602)	(10,574,512)	(242,171)	(13,272,285)	-
Interest paid	(5,642,957)	(8,896,123)	-	(14,539,080)	-
Repayments of obligations under capital leases	-	-	-	-	-
Other debt payments	-	(32,590)	-	(32,590)	-
Due to other funds	-	(22,231,843)	-	(22,231,843)	-
Net cash provided by (used in) capital and related financing activities	(21,997,213)	(122,169,499)	(2,602,086)	(146,768,798)	(6,695,237)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	280,834	139,246	175,958	596,038	178,977
Net cash provided by investing activities	280,834	139,246	175,958	596,038	178,977
Net increase (decrease) in cash and temporary investments	1,577,050	(107,626,388)	4,627,240	(101,422,098)	(651,715)
<b>Cash and temporary investments beginning of year</b>	<b>86,584,022</b>	<b>149,157,064</b>	<b>30,775,568</b>	<b>266,516,654</b>	<b>34,470,028</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 88,161,072</b>	<b>41,530,676</b>	<b>35,402,808</b>	<b>165,094,556</b>	<b>33,818,313</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 13,132,160	1,105,827	6,465,350	20,703,337	(4,956,772)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	11,799,993	4,127,916	1,006,484	16,934,393	9,673,013
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	55,810	9,192,312	(283,200)	8,964,922	(20,019)
Prepaid expenses and other assets	(51,591)	-	-	(51,591)	(208,143)
Inventory of materials and supplies	(296,789)	-	11,689	(285,100)	(89,382)
Accounts payable	(972,600)	822	(20,225)	(992,003)	296,184
Deposits	(24,969)	-	-	(24,969)	-
Unearned revenue	(177,017)	-	-	(177,017)	-
Deferred inflows	-	-	74,206	74,206	-
Accrued expenses and other liabilities	(25,667)	(10,800)	(24,378)	(60,845)	(23,018)
Liability for self insurance losses	-	-	-	-	914,312
Accrued vacation, sick pay, and overtime leave	(145,901)	(12,212)	(36,488)	(194,601)	38,904
Total adjustments	10,161,269	13,298,038	728,088	24,187,395	10,581,851
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 23,293,429</b>	<b>14,403,865</b>	<b>7,193,438</b>	<b>44,890,732</b>	<b>5,625,079</b>
<b>Supplemental information on significant noncash transactions:</b>					
Contributions of capital assets:					
Public Utilities Fund	\$ 2,396,228				
Chesapeake Transportation Fund		\$ 4,612,095			
Stormwater Fund			\$ 824,792		
Internal Service Funds					\$ 2,619,569

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

# Fiduciary Fund Financial Statements

**Agency Fund** – Includes Special Welfare Fund

**Trust Fund** – Includes Other Postemployment Benefits Fund



Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2014

	<u>Agency Special Welfare</u>	<u>Other Postemployment Benefits Trust</u>
<b>ASSETS</b>		
Cash and temporary investments (note 2)	\$ 956	-
Investments with trustee, at fair value (note 2)		
Stocks	-	36,825,275
Taxable bonds	-	19,749,195
Money market	-	26,267
Total assets	\$ 956	56,600,737
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	11,367
Due to children under foster care	956	-
Total liabilities	956	11,367
<b>Net Position</b>		
Held in trust for other postemployment benefits	-	56,589,370
<b>Total liabilities and net position</b>	<b>\$ 956</b>	<b>56,600,737</b>

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

Statement of Changes in Fiduciary Net Position  
 Fiduciary Fund  
 Year Ended June 30, 2014

	<b>Other Postemployment Benefits Trust</b>
<b>ADDITIONS</b>	
Contributions from employer (note 11)	\$ 11,773,249
Contributions from plan members (note 11)	2,015,386
Investment income:	
Interest and dividend income	2,354,778
Net appreciation (depreciation) in fair value of investments	4,946,132
Less investment expenses	121,249
Net investment income	7,179,661
Total additions	20,968,296
<b>DEDUCTIONS</b>	
Administrative expenses	25,212
Benefits and refunds paid on behalf of plan members and beneficiaries	4,998,328
Total deductions	5,023,540
<b>Change in net position</b>	<b>15,944,756</b>
<b>Held in trust for other postemployment benefits - beginning of year</b>	<b>40,644,614</b>
<b>Held in trust for other postemployment benefits - end of year</b>	<b>\$ 56,589,370</b>

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

*This page intentionally left blank*

**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.



Combining Statement of Net Position  
Other Discretely Presented Component Units  
June 30, 2014

	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.	
<b>ASSETS</b>						
Current assets:						
Cash and temporary investments (note 2)	\$ 4,488,352	3,160,710	14,622	664,082	856,930	9,184,696
Receivables, net of allowance for uncollectible amounts	-	9,791	80	253,790	16,731	280,392
Inventories	267,992	13,600,996	-	-	-	13,868,988
Prepaid expenses	-	-	-	-	4,842	4,842
Capital assets:						
Land	530,778	-	-	1,168,081	448,707	2,147,566
Buildings	2,620,364	-	-	-	1,251,776	3,872,140
Improvements other than buildings	14,897	-	-	19,277,561	37,001	19,329,459
Equipment and vehicles	1,829,133	-	-	222,863	-	2,051,996
Less accumulated depreciation	(2,068,851)	-	-	(12,590,093)	(371,955)	(15,030,899)
<b>Total assets</b>	<b>7,682,665</b>	<b>16,771,497</b>	<b>14,702</b>	<b>8,996,284</b>	<b>2,244,032</b>	<b>35,709,180</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	125,795	77,932	6,432	62,568	1,710	274,437
Unearned revenues	-	-	-	35,878	-	35,878
Due to primary government	-	1,319,095	944,407	277,100	-	2,540,602
Current portion of long-term debt	-	-	-	85,000	-	85,000
Long term liabilities	-	-	-	995,000	-	995,000
Total liabilities	125,795	1,397,027	950,839	1,455,546	1,710	3,930,917
<b>Net Position</b>						
Net investment in capital assets	2,926,321	-	-	6,721,312	1,365,529	11,013,162
Restricted	-	-	-	207,411	413,416	620,827
Unrestricted	4,630,549	15,374,470	(936,137)	612,015	463,377	20,144,274
Total net position	7,556,870	15,374,470	(936,137)	7,540,738	2,242,322	31,778,263
<b>Total liabilities and net position</b>	<b>\$ 7,682,665</b>	<b>16,771,497</b>	<b>14,702</b>	<b>8,996,284</b>	<b>2,244,032</b>	<b>35,709,180</b>

Combining Statement of Activities  
 Other Discretely Presented Component Units  
 Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc		
<b>Governmental Type Activities</b>										
Chesapeake Mosquito Control Commission	\$ 4,018,404	-	4,041,220	22,816	-	-	-	-	-	22,816
<b>Business-type Activities</b>										
Economic Development Authority	789,713	-	6,794,152	-	6,004,439	-	-	-	-	6,004,439
Chesapeake Port Authority	53,350	42,135	11,106	-	-	(109)	-	-	-	(109)
Chesapeake Airport Authority	1,359,188	429,444	847,898	-	-	-	(81,846)	-	-	(81,846)
Elizabeth River Properties of Chesapeake, Inc	179,427	110,753	33,730	-	-	-	-	-	(34,944)	(34,944)
<b>Total component units</b>	<b>\$ 6,400,082</b>	<b>582,332</b>	<b>11,728,106</b>	<b>22,816</b>	<b>6,004,439</b>	<b>(109)</b>	<b>(81,846)</b>	<b>(34,944)</b>	<b>(34,944)</b>	<b>5,910,356</b>
<b>Change in net position</b>				\$ 22,816	6,004,439	(109)	(81,846)	(34,944)		5,910,356
<b>Net position - beginning</b>				7,534,054	9,370,031	(936,028)	7,622,584	2,277,266		25,867,907
<b>Net position - ending</b>				\$ 7,556,870	15,374,470	(936,137)	7,540,738	2,242,322		31,778,263

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Notes to Basic Financial Statements



## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(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.
- 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.

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

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

***Government-wide and Fund Financial Statements***

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

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

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

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual (i.e. both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually within 45 days after year end. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the related fund liability is incurred.

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

In the fund financial statements, real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year end are reflected as deferred inflows of resources. Sales and utility taxes, which are collected by the Commonwealth of Virginia or utility companies by year end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City. Licenses and permits, fines and forfeitures, charges for services, and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

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

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

## Fiduciary funds:

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

The *Other Postemployment Benefits (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.

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

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

***Cash and Temporary Investments***

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

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued***Receivables and Payables*

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

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

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

Provisions for uncollectible water, sewer, stormwater, Chesapeake Integrated Behavioral Healthcare 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, 2013, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2014 was \$1.04 per \$100 of assessed value with an additional \$.01 per \$100 of assessed value for mosquito control services.

*Personal Property*

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2014 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2014 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2014

(1) Continued

*Inventories and Prepaids*

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

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

*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 improvements are capitalized as the projects are constructed including applicable capitalized interest.

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

<b>Capital Assets</b>	<b>Useful Lives</b>
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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

through cash payments conditioned upon the employees' termination or retirement. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

***Deferred Outflows/Inflows of Resources***

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

***Long-term Obligations***

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond refunding costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances 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. Fund balances in the fund financial statements at year end reflect the encumbrances as commitments.

***Net Position***

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued*****Fund Balances***

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

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

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

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

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

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(1) Continued**

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

***Minimum Fund Balance Policy***

The City charter requires that a minimum of 6% of the total General Fund revenue be restricted for emergency use and cash flow needs throughout the fiscal year. In addition, the City Council has committed an additional 5% of the total General Fund revenue to be used for emergency operating purposes. The City Council has also committed \$20 million for an emergency event response and recovery reserve, such as storm related events.

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The carrying value of pooled deposits, as of June 30, 2014 is \$213,516,857 including petty cash of \$45,330 and cash in the special welfare fiduciary fund of \$956. Cash of \$700,071 is being held by the Commonwealth of Virginia.

***Investments***

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(2) Continued***Credit Risk*

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote are the specifically identified investment ratings as of June 30, 2014.

*Custodial Credit Risk – Deposits*

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

*Custodial Credit Risk – Investments*

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City 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 of Chesapeake investment policy requires that its portfolio be diversified with not more than 5% of the value of the portfolio invested in securities of any single issuer, excluding securities of the U.S. Government or agency thereof, government-sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.

At June 30, 2014, the City was holding certificates of deposit in TowneBank of \$57,000,000 which represented 14.25%; BB&T of \$24,000,000 which represents 6.00%; and Monarch Bank of \$11,188,704 which represented 2.80% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments other than U.S. Treasury securities, mutual funds, and external investment pools.

*Interest Rate Risk*

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

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

*Amounts Relating to Component Units*

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the OPEB fiduciary trust fund have been pooled with the cash and investments of the primary government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$4,696,344 have been excluded because risk information is not available.

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

Deposits and investments:	
Pooled deposits	\$ 213,516,857
State set-aside fund	700,071
Restricted Deposits	1,000,000
Investments	400,011,762
Other Component Units	4,696,344
<b>Total deposits and investments</b>	<b>\$ 619,925,034</b>
Per Schedules A and H:	
Cash and temporary investments	\$ 363,768,544
Cash and temporary investments with trustee	79,309,360
Cash restricted for debt service	3,421,650
Cash restricted for debt service with trustee	17,770,815
Cash with State Set-Aside	700,071
Cash restricted for Public Utilities improvement and redemption	1,000,000
Investment - zero coupon bond	777,998
Capital construction - cash and temporary investments	145,414,639
Capital construction - cash and temporary investments with trustee	7,761,957
<b>Total cash and temporary investments per Schedules A and H</b>	<b>\$ 619,925,034</b>

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements  
June 30, 2014

(2) Continued

Investments by type at year-end are shown below:

	Amount	Rating		
<b>Investments:</b>				
Bank Money Market Accounts	\$ 29,554,207	AAA		
U.S. Government-Sponsored Coupon Securities	-	AAA		
U.S. Government-Sponsored Coupon Securities	145,519,452	AA+		
U.S. Government-Sponsored Coupon Securities	-	Aae		
Corporate Notes	2,977,590	AAA		
Corporate Notes	740,196	AA+		
Corporate Notes	203,092	AA		
Corporate Notes	8,521,755	AA-		
Corporate Notes	-	Ae3e		
Federal Agency Step-Up	9,011,300	AA+		
Municipal Bonds - Taxable	903,915	AAA		
Municipal Bonds - Taxable	9,602,570	AA+		
Municipal Bonds - Taxable	402,692	AA-		
Municipal Bonds - Non Taxable	1,237,541	AAA		
Municipal Bonds - Non Taxable	127,234	AA+		
Municipal Bonds - Non Taxable	429,620	AA		
Municipal Bonds - Non Taxable	102,732	AA2		
U.S. Treasury Coupon Securities	3,997,800	AAA		
Local Government Investment Pool	56,518,209	AAA		
OPEB - Irrevocable Trust at Local Government Investment Pool	17,734	AAA		
Virginia State Non-Arbitrage Program	24,814,581	AAA		
Evergreen Money Market Mutual Fund	28,101	AAA		
<b>Total</b>	<b>\$ 294,710,321</b>			
<b>Restricted investments:</b>				
Money market deposit	2,009,749	Unrated		
Va State Non-Arbitrage Program (Chesapeake Transportation System, Jail, and VML)	6,520,302	AAA		
Wells Fargo Advantage Heritage - Money Mkt Institutional (VML)	13	AAA		
U.S. Government-sponsored discount securities	777,998	AAA		
PFM - SNAP (Virginia State Non-Arbitrage Program)	39,338,558	AAA		
PFM - SNAP First Americ Treas Oblig Fd - CI D - Toll Road Bonds	362,125	AAA		
<b>Total</b>	<b>\$ 49,008,745</b>			
<b>Irrevocable Trust:</b>				
OPEB - Diversified Portfolio	56,292,696	Various		
<b>Total</b>	<b>\$ 56,292,696</b>			
<b>Total Investments, Restricted Investments and Irrevocable Trust</b>	<b>\$ 400,011,762</b>			
	<b>Investments</b>	<b>Restricted Investments</b>	<b>Irrevocable Trust</b>	<b>Total</b>
<b>Investment totals by rating:</b>				
AAA	\$ 120,049,678	46,998,996	-	167,048,674
AA+	165,000,752	-	-	165,000,752
AA	632,712	-	-	632,712
AA-	8,924,447	-	-	8,924,447
AA2	102,732	-	-	102,732
Ae3e	-	-	-	-
Aae	-	-	-	-
Unrated	-	2,009,749	-	2,009,749
Various	-	-	56,292,696	56,292,696
<b>Total</b>	<b>\$ 294,710,321</b>	<b>\$ 49,008,745</b>	<b>\$ 56,292,696</b>	<b>\$ 400,011,762</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(3) Accounts Receivable and Payable**

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Position as of June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 34,688,581	141,185
Due from Federal government	4,541,293	643,176
Due from customers	3,879,550	24,654,113
Property taxes receivable	29,672,010	-
Interest receivable	304,193	31,155
Other	11,373,832	-
<b>Total accounts receivable</b>	<b>\$ 84,459,459</b>	<b>25,469,629</b>

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2014 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 32,708,786	-	121,456	1,858,339
Due from Federal government	-	-	1,228,250	3,313,043
Property taxes receivable	29,672,010	-	-	-
Interest receivable	211,395	51,289	-	673
Other	12,716,361	-	-	2,429,283
<b>Total accounts receivable</b>	<b>\$ 75,308,552</b>	<b>51,289</b>	<b>1,349,706</b>	<b>7,601,338</b>

Property taxes receivable in the General Fund as of June 30, 2014 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 8,193,162	141,749	8,051,413
Personal property	23,634,031	2,013,962	21,620,069
Public service corporations	528	-	528
<b>Total property taxes receivable</b>	<b>\$ 31,827,721</b>	<b>2,155,711</b>	<b>29,672,010</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(3) Continued**

The total allowance for uncollectible receivables in the General Fund is \$4,063,102, which includes the allowance for uncollectible taxes in the amount of \$2,155,711, \$602,423 allowance for uncollectible emergency medical service fees, \$287,799 allowance for uncollectible vehicle license fees, \$183,169 allowance for uncollectible miscellaneous City invoices and an \$834,000 allowance for the Gateway at SoNo receivable. Provisions have been made for allowances for uncollectible advances to component units for the EDA advance of \$1,319,095 and the Port Authority advance of \$944,407. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from Chesapeake Integrated Behavior Healthcare in the amount of \$1,884,086 and \$374,614 in the Fee Supported Fund for red light cameras.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2014 are as follows:

		<b>Public Utilities Fund</b>	<b>Chesapeake Transportation System</b>	<b>Stormwater Management Fund</b>	<b>Internal Service Funds</b>
Due from customers and others	\$	14,278,328	86,482	10,289,303	107,735
Interest receivable		16,320	-	14,835	40,836
Due from Commonwealth of Virginia		-	141,185	-	-
Due from Federal Government		-	643,176	-	-
<b>Total accounts receivable</b>	<b>\$</b>	<b>14,294,648</b>	<b>870,843</b>	<b>10,304,138</b>	<b>148,571</b>

Accounts payable, deposits, and accrued expenses in the Statement of Net Position as of June 30, 2014 are as follows:

		<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accounts payable	\$	8,945,788	2,383,723
Deposits		1,994,554	788,809
Accrued expenses, excluding interest		3,071,112	1,704,009
Construction projects payable		3,038,756	5,902,375
Due to Commonwealth of Virginia		1,051	-
Other liabilities		914,720	-
Accrued interest payable		4,853,941	2,377,444
<b>Total accounts payable, deposits, and accrued expenses</b>	<b>\$</b>	<b>22,819,922</b>	<b>13,156,360</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(3) Continued**

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2014 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Accounts payable and deposits	\$ 7,783,851	5,212	-	1,684,272
Accrued expenditures, excluding interest	2,999,723	-	-	71,389
Construction projects payable	-	-	3,038,756	-
Due to Commonwealth of Virginia	1,051	-	-	-
Due to Federal government	-	-	-	-
Other liabilities	537,453	-	-	377,267
Total accounts payable, deposits, and accrued expenditures	\$ 11,322,078	5,212	3,038,756	2,132,928

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2014 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Accounts payable and deposits	\$ 2,827,958	32,327	312,247	1,467,007
Accrued expenses, excluding interest	1,258,921	439,940	5,148	5,570
Construction projects payable	57,534	5,674,447	170,394	-
Accrued interest	-	2,377,444	-	-
Total accounts payable, deposits, and accrued expenses	\$ 4,144,413	8,524,158	487,789	1,472,577

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(4) Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

**Primary government  
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 46,753,963	1,412,319	-	48,166,282
Land - School	3,016,081	-	-	3,016,081
Intangibles	271,671,171	1,548,980	(68,495)	273,151,656
Construction in progress	86,223,525	22,316,606	(43,339,385)	65,200,746
Construction in progress - ISF	246,632	851,407	(43,708)	1,054,331
<b>Total capital assets, not being depreciated</b>	<b>407,911,372</b>	<b>26,129,312</b>	<b>(43,451,588)</b>	<b>390,589,096</b>
Capital assets, being depreciated:				
Buildings	203,138,684	10,070,950	(28,301)	213,181,333
Buildings - ISF	687,097	-	-	687,097
Buildings - School	398,155,725	-	-	398,155,725
Improvements other than buildings	20,586,052	8,126,581	(36,524)	28,676,109
Improvements other than buildings - ISF	13,082,477	-	-	13,082,477
Equipment and vehicles	33,223,600	10,689,255	(4,552,826)	39,360,029
Software, equipment and vehicles - ISF	98,731,373	8,806,147	(3,315,776)	104,221,744
Infrastructure	1,095,657,801	9,127,324	(3,208,212)	1,101,576,913
Infrastructure - ISF	77,584	-	-	77,584
<b>Total capital assets being depreciated</b>	<b>1,863,340,393</b>	<b>46,820,257</b>	<b>(11,141,639)</b>	<b>1,899,019,011</b>
Less accumulated depreciation for:				
Buildings	(78,897,690)	(6,504,238)	16,183	(85,385,745)
Buildings - ISF	(198,595)	(20,284)	-	(218,879)
Buildings - School	(146,404,639)	(7,681,958)	-	(154,086,597)
Improvements other than buildings	(10,969,542)	(1,529,455)	-	(12,498,997)
Improvements other than buildings - ISF	(10,042,622)	(988,906)	-	(11,031,528)
Equipment and vehicles	(21,073,688)	(4,427,108)	2,565,121	(22,935,675)
Software, equipment and vehicles - ISF	(57,877,177)	(8,742,124)	3,111,450	(63,507,851)
Infrastructure	(871,280,371)	(20,241,079)	1,556,096	(889,965,354)
Infrastructure - ISF	(9,046)	(5,154)	-	(14,200)
<b>Total accumulated depreciation</b>	<b>(1,196,753,370)</b>	<b>(50,140,306)</b>	<b>7,248,850</b>	<b>(1,239,644,826)</b>
<b>Total capital assets being depreciated, net</b>	<b>666,587,023</b>	<b>(3,320,049)</b>	<b>(3,892,789)</b>	<b>659,374,185</b>
<b>Capital assets, net</b>	<b>\$ 1,074,498,395</b>	<b>22,809,263</b>	<b>(47,344,377)</b>	<b>1,049,963,281</b>

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, 2014

**(4) Continued**

Governmental Activities capital assets net of accumulated depreciation at June 30, 2014 are comprised of the following:

General Government Capital Assets, net	\$ 1,005,612,506
Internal Service Fund Capital Assets, net	44,350,775
Total	\$ 1,049,963,281

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2014 as follows:

General government	\$ 8,487,610
Public safety	1,293,323
Public works	2,020,780
Public welfare	206,463
Parks and recreation	331,915
Education	7,681,958
Net unallocated portion (depreciation of general infrastructure assets)	20,241,079
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	9,673,013
Total depreciation expense, governmental activities	\$ 49,936,141

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$18,824,944 includes the unallocated portion of depreciation expense noted above of \$20,241,079 net of amortization of deferred bond premiums and refunding costs of \$1,416,135. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$204,165.

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

Function	Project Authorization	Expended to June 30, 2014	Committed	Required Future Financing
General government	\$ 96,626,876	32,046,186	64,580,690	none
Public safety	47,934,690	6,317,084	41,617,606	none
Public works	44,378,659	18,568,612	25,810,047	none
Parks	11,447,187	9,209,550	2,237,637	none
Education	1,458,678	113,645	1,345,033	none
Total	\$ 201,846,090	66,255,077	135,591,013	

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule K, Continued*

Notes to Basic Financial Statements  
June 30, 2014

**(4) Continued**

**Business-type activities:**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 22,255,578	-	-	22,255,578
Intangibles	3,462,891	110,327	(150)	3,573,068
Construction in progress	173,044,781	127,660,126	(21,294,238)	279,410,669
<b>Total capital assets, not being depreciated</b>	<b>198,763,250</b>	<b>127,770,453</b>	<b>(21,294,388)</b>	<b>305,239,315</b>
Capital assets, being depreciated:				
Buildings	5,733,448	5,681	(160,302)	5,578,827
Improvements other than buildings	3,453,525	221,271	(98,546)	3,576,250
Equipment and vehicles	10,533,016	3,702,399	(837,362)	13,398,053
Infrastructure	650,696,791	13,345,110	-	664,041,901
<b>Total capital assets, being depreciated</b>	<b>670,416,780</b>	<b>17,274,461</b>	<b>(1,096,210)</b>	<b>686,595,031</b>
Less accumulated depreciation for:				
Buildings	(1,641,024)	(157,816)	85,495	(1,713,345)
Improvements other than buildings	(903,284)	(90,048)	25,868	(967,464)
Equipment and vehicles	(7,624,759)	(1,211,967)	146,799	(8,689,927)
Infrastructure	(238,042,931)	(16,117,746)	-	(254,160,677)
<b>Total accumulated depreciation</b>	<b>(248,211,998)</b>	<b>(17,577,577)</b>	<b>258,162</b>	<b>(265,531,413)</b>
<b>Total capital assets being depreciated, net</b>	<b>422,204,782</b>	<b>(303,116)</b>	<b>(838,048)</b>	<b>421,063,618</b>
<b>Capital assets, net</b>	<b>\$ 620,968,032</b>	<b>127,467,337</b>	<b>(22,132,436)</b>	<b>726,302,933</b>

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

Public Utilities Fund	\$ 12,181,295
Chesapeake Transportation System	4,389,798
Stormwater Management Fund	1,006,484
<b>Total depreciation expense, business-type activities</b>	<b>\$ 17,577,577</b>

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$346.3 million at June 30, 2014. There was \$10,425,790 of capitalized interest incurred this fiscal year related to construction in progress.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements  
June 30, 2014

(4) Continued

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,727,890	-	-	10,727,890
Intangibles	2,288,709	40,900	-	2,329,609
Construction in progress	53,246,428	10,113,010	(8,279,355)	55,080,083
Total capital assets, not being depreciated	66,263,027	10,153,910	(8,279,355)	68,137,582
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	3,354,978	163,802	-	3,518,780
Equipment and vehicles	3,995,259	3,021,392	(669,598)	6,347,053
Infrastructure	548,987,771	7,916,157	-	556,903,928
Total capital assets, being depreciated	556,411,606	11,101,351	(669,598)	566,843,359
Less accumulated depreciation for:				
Buildings	(39,510)	(1,385)	-	(40,895)
Improvements other than buildings	(881,111)	(83,958)	-	(965,069)
Equipment and vehicles	(2,218,788)	(937,253)	137,450	(3,018,591)
Infrastructure	(186,816,162)	(11,158,699)	-	(197,974,861)
Total accumulated depreciation	(189,955,571)	(12,181,295)	137,450	(201,999,416)
Total capital assets being depreciated, net	366,456,035	(1,079,944)	(532,148)	364,843,943
Capital assets, net	\$ 432,719,062	9,073,966	(8,811,503)	432,981,525

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

## (4) Continued

## Chesapeake Transportation System Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	110,246,992	114,441,316	(7,521,480)	217,166,828
Total capital assets, not being depreciated	121,352,610	114,441,316	(7,521,480)	228,272,446
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	6,353,005	522,592	(9,349)	6,866,248
Infrastructure	82,855,938	-	-	82,855,938
Total capital assets, being depreciated	94,598,238	522,592	(9,349)	95,111,481
Less accumulated depreciation for:				
Buildings	(1,525,949)	(134,732)	-	(1,660,681)
Equipment and vehicles	(5,279,572)	(261,341)	9,349	(5,531,564)
Infrastructure	(47,136,175)	(3,993,725)	-	(51,129,900)
Total accumulated depreciation	(53,941,696)	(4,389,798)	9,349	(58,322,145)
Total capital assets being depreciated, net	40,656,542	(3,867,206)	-	36,789,336
Capital assets, net	\$ 162,009,152	110,574,110	(7,521,480)	265,061,782

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

## (4) Continued

**Stormwater Management Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 422,070	-	-	422,070
Intangibles	1,174,182	69,427	(150)	1,243,459
Construction in progress	9,551,361	3,105,800	(5,493,403)	7,163,758
<b>Total capital assets, not being depreciated</b>	<b>11,147,613</b>	<b>3,175,227</b>	<b>(5,493,553)</b>	<b>8,829,287</b>
Capital assets, being depreciated:				
Buildings	270,555	5,681	(160,302)	115,934
Improvements other than buildings	98,547	57,469	(98,546)	57,470
Equipment and vehicles	184,752	158,415	(158,415)	184,752
Infrastructure	18,853,082	5,428,953	-	24,282,035
<b>Total capital assets, being depreciated</b>	<b>19,406,936</b>	<b>5,650,518</b>	<b>(417,263)</b>	<b>24,640,191</b>
Less accumulated depreciation for:				
Buildings	(75,565)	(21,699)	85,495	(11,769)
Improvements other than buildings	(22,173)	(6,090)	25,868	(2,395)
Equipment and vehicles	(126,399)	(13,373)	-	(139,772)
Infrastructure	(4,090,594)	(965,322)	-	(5,055,916)
<b>Total accumulated depreciation</b>	<b>(4,314,731)</b>	<b>(1,006,484)</b>	<b>111,363</b>	<b>(5,209,852)</b>
<b>Total capital assets being depreciated, net</b>	<b>15,092,205</b>	<b>4,644,034</b>	<b>(305,900)</b>	<b>19,430,339</b>
<b>Capital assets, net</b>	<b>\$ 26,239,818</b>	<b>7,819,261</b>	<b>(5,799,453)</b>	<b>28,259,626</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

## (4) Continued

## Discretely presented component unit - Public Schools:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,277,065	-	-	17,277,065
Construction in progress	47,330,129	8,565,095	(44,349,063)	11,546,161
<b>Total capital assets, not being depreciated</b>	<b>64,607,194</b>	<b>8,565,095</b>	<b>(44,349,063)</b>	<b>28,823,226</b>
Capital assets, being depreciated:				
Buildings	146,398,092	44,349,063	-	190,747,155
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	63,843,083	2,451,195	(1,966,554)	64,327,724
Textbooks	8,486,117	3,693,939	(618,526)	11,561,530
<b>Total capital assets, being depreciated</b>	<b>224,331,522</b>	<b>50,494,197</b>	<b>(2,585,080)</b>	<b>272,240,639</b>
Less accumulated depreciation for:				
Buildings	(13,833,875)	(2,908,896)	-	(16,742,771)
Building improvements	(3,534,332)	(169,063)	-	(3,703,395)
Furniture and equipment	(46,182,442)	(3,471,590)	1,873,767	(47,780,265)
Textbooks	(2,317,720)	(1,697,224)	618,526	(3,396,418)
<b>Total accumulated depreciation</b>	<b>(65,868,369)</b>	<b>(8,246,773)</b>	<b>2,492,293</b>	<b>(71,622,849)</b>
<b>Total capital assets being depreciated, net</b>	<b>158,463,153</b>	<b>42,247,424</b>	<b>(92,787)</b>	<b>200,617,790</b>
<b>Capital assets, net</b>	<b>\$ 223,070,347</b>	<b>50,812,519</b>	<b>(44,441,850)</b>	<b>229,441,016</b>

Depreciation expense of \$8,246,773 was charged to the Public Schools' governmental functions.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(5) Deferred Inflows of Resources**

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

Deferred inflows of resources for the Statement of Net Position as of June 30, 2014 are as follows:

	Governmental Activities	Business-type Activities
Unamortized deferred gain on refundings	\$ 400,220	-
Stormwater management fees	-	7,650,597
Total deferred inflows of resources	\$ 400,220	7,650,597

Deferred inflows of resources for the primary government's fund-based financial statements as of June 30, 2014 are comprised of the following:

	Governmental Funds	Enterprise Funds
Taxes receivable	\$ 28,177,635	-
Personal Property Tax Relief Act	3,209,133	-
EMS fees receivable	1,613,917	-
Stormwater management fees	-	7,650,597
Total deferred inflows of resources	\$ 33,000,685	7,650,597

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Long-Term Obligations**

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2014 follows:

	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 353,418,332	13,175,000	(49,940,538)	316,652,794	39,164,202
Lease revenue bond with general obligation pledge	3,850,000	-	(3,850,000)	-	-
	357,268,332	13,175,000	(53,790,538)	316,652,794	39,164,202
Deferred amounts:					
Plus bond premiums	16,982,093	438,313	(3,695,768)	13,724,638	2,034,691
Total bonds payable	374,250,425	13,613,313	(57,486,306)	330,377,432	41,198,893
Other long-term obligations:					
Net pension obligation	1,619,605	28,836,708	(28,812,225)	1,644,088	-
Net OPEB obligation	34,092,479	8,563,937	(11,773,248)	30,883,168	-
Arbitrage rebate and yield restriction	245,509	-	(1,450)	244,059	-
Compensated absences	18,742,026	12,448,802	(12,916,844)	18,273,984	6,893,390
Literary loans	1,596,819	-	(324,034)	1,272,785	275,104
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	1,717,634	-	(960,684)	756,950	756,950
Capital leases to component unit	1,740,000	-	(1,740,000)	-	-
Supplemental payments agreement	15,825,000	-	(1,435,000)	14,390,000	1,505,000
Liability for self-insurance losses	27,033,415	8,548,336	(7,634,024)	27,947,727	6,515,894
Edinburgh loan payable	3,372,767	-	(454,040)	2,918,727	334,742
Total long-term obligations	\$ 481,577,963	72,011,096	(123,537,855)	430,051,204	57,479,973

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule K, Continued*

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2014 follows:

	<b>Balances at July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances at June 30, 2014</b>	<b>Due Within One Year</b>
<b>Public Utilities:</b>					
Bonds payable:					
General obligation bonds	\$ 93,325,000	24,905,000	(28,580,000)	89,650,000	5,840,000
Revenue bonds	34,900,000	-	(770,000)	34,130,000	790,000
	128,225,000	24,905,000	(29,350,000)	123,780,000	6,630,000
Deferred amounts:					
Plus bond premiums	9,114,311	90,184	(2,032,031)	7,172,464	856,626
Less bond discounts	(10,624)	-	8,333	(2,291)	(2,290)
Total bonds payable	137,328,687	24,995,184	(31,373,698)	130,950,173	7,484,336
Compensated absences	917,047	426,105	(572,006)	771,146	283,749
	138,245,734	25,421,289	(31,945,704)	131,721,319	7,768,085
<b>Chesapeake Transportation System:</b>					
Revenue Bonds Payable:					
Current Interest Bonds	107,890,000	-	-	107,890,000	-
Convertible CABs <sup>(1)</sup>	42,832,520	3,461,265	-	46,293,785	-
VTIB Bonds <sup>(2)</sup>	-	10,118,362	-	10,118,362	-
	150,722,520	13,579,627	-	164,302,147	-
Deferred Amounts:					
Plus bond premiums	7,642,670	-	(278,749)	7,363,921	288,242
Total bonds payable	158,365,190	13,579,627	(278,749)	171,666,068	288,242
Due to Commonwealth of Virginia	63,483,912	768,488	-	64,252,400	-
Compensated absences	74,041	36,307	(48,519)	61,829	24,122
	221,923,143	14,384,422	(327,268)	235,980,297	312,364
<b>Stormwater Management:</b>					
Compensated absences	231,934	97,767	(134,255)	195,446	73,967
<b>Total long-term obligations</b>	<b>\$ 360,400,811</b>	<b>39,903,478</b>	<b>(32,407,227)</b>	<b>367,897,062</b>	<b>8,154,416</b>

<sup>(1)</sup> The increase to the convertible Capital Appreciation Bonds (CABs) for 2014 is the accreted interest amount and is shown as such in the City's future debt service requirements for business-type activities.

<sup>(2)</sup> The Virginia Transportation Infrastructure bonds (VTIB) have a subordinate bond lien.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2014 follows:

	<b>Balances at June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances at June 30, 2014</b>	<b>Due Within One Year</b>
Compensated absences	\$ 40,227,825	5,377,997	(2,815,313)	42,790,509	1,825,674
Net pension obligation	99,962	1,513	-	101,475	-
Net OPEB obligation	278,016,277	7,878,097	(7,753,753)	278,140,621	-
Liability for self-insurance losses	5,347,612	239,675	(943,434)	4,643,853	-
Capital leases	8,478,094	2,113,812	(1,751,604)	8,840,302	1,764,832
<b>Total long-term obligations</b>	<b>\$ 332,169,770</b>	<b>15,611,094</b>	<b>(13,264,104)</b>	<b>334,516,760</b>	<b>3,590,506</b>

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

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements  
June 30, 2014

(6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2014 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1994A School bonds	6.60%	\$ 500,840	-	500,840	-
1996A School bonds	5.23%	1,785,000	1,785,000	-	.00% - 3.00%
1997A School bonds	5.60%	3,420,000	3,420,000	-	.00% - 3.00%
1998A School bonds	5.10%	2,050,000	2,050,000	-	.00% - 2.00%
1999A School bonds	5.975 - 6.10%	3,000,000	3,000,000	-	.00% - 2.00%
2000A School bonds	5.60%	3,825,000	3,825,000	-	.00% - 2.00%
2001A School bonds	5.10%	3,580,000	3,580,000	-	.00% - 2.00%
2001B School bonds	3.10 - 5.10%	751,954	-	751,954	-
2002A School bonds	5.10%	3,085,000	3,085,000	-	.00% - 1.00%
2003A School bonds	4.10 - 5.10%	1,415,000	1,415,000	-	.00% - 1.00%
2005A Public Improvement bonds	4.50%	1,330,000	-	1,330,000	-
2005A School bonds	4.10 - 5.10%	13,735,000	11,980,000	1,755,000	.00% - 1.00%
2005B School bonds	4.60 - 5.10%	6,775,000	5,910,000	865,000	.00% - 1.00%
2006A School bonds	4.48 - 5.10%	13,180,000	10,840,000	2,340,000	.00% - 1.00%
2006A Public Improvement bonds	4.25%	1,470,000	-	1,470,000	-
2006B School bonds	4.23 - 5.10%	13,220,000	10,820,000	2,400,000	.00% - 1.00%
2007A School bonds	4.10 - 5.10%	8,370,000	6,530,000	1,840,000	.00% - 1.00%
2007B School bonds	4.35 - 5.10%	7,570,000	5,925,000	1,645,000	.00% - 1.00%
2008A Public Improvement bonds	3.25 - 4.50%	7,740,000	5,650,000	2,090,000	-
2008A Public Improvement Refunding bonds	3.25 - 5.00%	6,975,000	-	6,975,000	.00% - 1.00%
2008B Tax Increment Financing bonds	4.00 - 4.63%	11,080,000	8,110,000	2,970,000	.00% - 1.00%
2009A School bonds	2.55 - 5.05%	29,710,000	21,130,000	8,580,000	.00% - 1.00%
2010A Tax Increment Financing, RZED	2.92 - 6.07%	2,140,000	1,445,000	695,000	-
2010A School bonds	3.05 - 5.05%	11,040,000	7,445,000	3,595,000	.00% - 1.00%
2010A-1 Public Improvement bonds	2.00 - 4.00%	6,085,000	-	6,085,000	-
2010A-2 Public Improvement bonds (Taxable)	3.41 - 5.36%	33,460,000	29,070,000	4,390,000	-
2010B-1 Tax Increment Financing bonds	2.00 - 2.50%	1,210,000	-	1,210,000	-
2010B-2 Tax Increment Financing bonds	3.41 - 5.36%	4,935,000	4,290,000	645,000	-
2010C-1 Tax Increment Financing bonds	2.00 - 4.00%	1,080,000	-	1,080,000	-
2010C-2 Tax Increment Financing bonds	3.41 - 5.36%	4,505,000	3,915,000	590,000	-
2011A Public Improvement Refunding Bonds	3.00 - 5.00%	24,120,000	-	24,120,000	-
2011A School Bonds	3.30 - 4.05%	8,650,000	5,675,000	2,975,000	.00% - 1.00%
2011B School Bonds (QSCB)	4.25%	4,480,000	-	4,480,000	-
2012A Public Improvement Refunding Bonds	2.00 - 4.00%	8,060,000	1,960,000	6,100,000	-
2012C Taxable School Refunding Bonds	.679 - .950%	12,545,000	-	12,545,000	-
2012D Public Improvement Refunding Bonds	2.00 - 5.00%	9,910,000	3,375,000	6,535,000	-
2013A School Bonds	3.05 - 5.05%	18,315,000	11,235,000	7,080,000	.00% - 1.00%
2013B School Bonds	3.05 - 5.05%	8,375,000	-	8,375,000	-
2014A Public Improvement Refunding Bonds	2.00 - 3.38%	13,175,000	1,565,000	11,610,000	-
		316,652,794	179,030,000	137,622,794	
Add unamortized bond premiums		13,724,638	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 330,377,432	179,030,000	137,622,794	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 1,272,785	-	1,272,785	-
Total Literary loans		\$ 1,272,785	-	1,272,785	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	\$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		\$ 1,342,284	-	1,342,284	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements  
June 30, 2014

(6) Continued

Outstanding bonds for business-type activities at June 30, 2014 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2004B Water and Sewer Refunding bonds	5.00%	\$ 2,645,000	-	2,645,000	.00% - 1.00%
2005B Water and Sewer Refunding bonds	3.62%	475,000	-	475,000	-
2010D Water and Sewer Refunding bonds	4.00 - 5.00%	20,625,000	20,625,000	-	-
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	24,040,000	12,915,000	11,125,000	-
2012B Water and Sewer Refunding bonds	3.50 - 5.00%	16,960,000	16,960,000	-	-
2014A Water and Sewer Refunding bonds	2.00 - 5.00%	1,620,000	-	1,620,000	-
2014B Water and Sewer Refunding bonds	0.20-2.704%	23,285,000	23,285,000	-	-
Total Public Utilities - general obligation bonds		89,650,000	73,785,000	15,865,000	
Public Utilities - Revenue bonds					
2010A Water and Sewer Revenue bonds	2.75 - 3.00%	1,605,000	-	1,605,000	-
2010B Water and Sewer Revenue bonds	3.82 - 6.28%	32,525,000	29,040,000	3,485,000	-
Total Public Utilities - revenue bonds		34,130,000	29,040,000	5,090,000	
Add unamortized bond premiums		7,172,464	n/a	n/a	n/a
Less unamortized bond discount		(2,291)	n/a	n/a	n/a
Total Public Utilities bonds		\$ 130,950,173			
Chesapeake Transportation System (CTS) - Revenue bonds:					
2012A - Refunding	3.00 - 5.00%	\$ 15,465,000	3,580,000	11,885,000	-
2012A - New Money	4.00 - 5.00%	92,425,000	92,425,000	-	-
2012B - Convertible CABS	4.75 - 4.88%	46,293,785	43,949,768	2,344,017	-
2012C - VTIB	3.33%	10,118,362	10,118,362	-	-
Total CTS Toll Road Revenue bonds		164,302,147	150,073,130	14,229,017	
Add unamortized bond premiums		7,363,921	n/a	n/a	n/a
Less unamortized bond discount		-	n/a	n/a	n/a
Total CTS - revenue bonds		\$ 171,666,068			

The following table summarizes the City's future debt service requirements for general obligation bonds, revenue bonds, literary loans and installment purchase agreement for governmental activities:

	Governmental Activities					
	Bonds		Literary Loans		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2015	\$ 39,164,202	13,207,140	275,104	38,184	-	64,430
2016	27,014,908	12,039,033	199,537	29,930	-	64,430
2017	22,621,535	10,837,075	199,537	23,944	-	64,430
2018	23,128,246	9,833,801	199,537	17,958	-	64,430
2019	19,490,049	8,915,317	199,537	11,972	-	64,430
2020-2024	91,838,854	32,592,841	199,533	5,986	-	322,148
2025-2029	72,090,000	13,448,914	-	-	-	322,148
2030-2034	21,305,000	1,591,204	-	-	1,342,284	193,289
	\$ 316,652,794	102,465,325	1,272,785	127,975	1,342,284	1,159,733

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

## (6) Continued

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

	Business-Type Activities				
	Public Utilities		Chesapeake Transportation		(1)
	Bonds		System Bonds		
Principal	Interest	Principal	Accreted Interest on Convertible CABs	Interest	
Year ending June 30:					
2015	\$ 6,630,000	5,246,650	-	-	5,187,150
2016	6,790,000	5,042,930	-	-	5,187,150
2017	6,110,000	4,905,072	-	-	5,187,150
2018	6,265,000	4,783,842	-	-	5,187,150
2019	6,460,000	4,603,449	445,000	-	5,180,475
2020-2024	33,590,000	19,453,207	16,444,724	-	27,790,674
2025-2029	26,410,000	11,850,966	11,878,588	1,414,209	39,621,085
2030-2034	19,110,000	6,298,297	14,231,753	9,100,090	35,379,677
2035-2039	8,495,000	2,604,017	19,099,684	12,139,481	28,818,763
2040-2044	3,920,000	248,807	35,378,136	5,833,700	20,366,568
2045-2049	-	-	60,493,190	-	7,659,000
2050-2054	-	-	2,869,807	-	189,498
	\$ 123,780,000	65,037,237	160,840,882	28,487,480	185,754,341
Accreted interest inception to date			3,461,265		
			164,302,147		

(1) The future debt service requirements for The Chesapeake Transportation bonds include a minimum payment schedule determined at time of issuance for the VTIB bonds.

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

- (a) In April 2014, the City issued \$13,175,000 of general obligation public improvement refunding bonds with a true interest cost of 2.13% and a net premium of \$438,313, to current refund a Lease Revenue Bond Series of 2003, issued by CSB of Chesapeake, Inc. and a portion of the City's General Obligation Public Improvement Refunding Bonds, Series 2004A. A portion of the refunding bond proceeds in the amount of \$3,663,237 along with a \$162,861 City debt service contribution were used to redeem the CSB Bond. The remaining net proceeds of \$9,848,025 were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded Series 2004A bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the Statement of Net Position. On June, 30 2014, none of the defeased bonds remain outstanding. The reacquisition price was \$65,219 less than the carrying amount of the old debt. This refunding resulted in an economic gain of \$882,869 and a net savings of \$967,649 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
2003 CSB Lease Revenue Bond	2014-2030	\$ 3,775,000	04/22/2014
2004A GO Public Improvement Refunding Bonds	2015-2016	\$ 9,515,000	05/01/2014

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

- (b) In April 2014, the City issued \$1,620,000 of general obligation public improvement water and sewer refunding bonds with a true interest cost of .46% and a net premium of \$90,184, to refund a portion of the Series 2003C General Obligation Water and Sewer Refunding Bonds. The proceeds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the Statement of Net Position. On June 30, 2014, none of the defeased bonds remained outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$168,571. This refunding resulted in an economic gain of \$66,873 and a net savings of \$66,463 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
2003C GO Water & Sewer Refunding Bonds	2015-2016	\$ 1,670,000	01/01/2014

- (c) In April 2014, the City issued \$23,285,000 of general obligation taxable water and sewer refunding bonds with a true interest cost of 1.99%. The bonds were issued to advance refund outstanding 2004B and 2005B Water and Sewer Refunding bonds with interest rates ranging from 3.00% to 5.00%. The net proceeds of \$23,101,467 were deposited in an irrevocable trust with an escrow agent to pay the principal of and interest on the 2004B and 2005B partially refunded bonds on April 22, 2014. The refunded bonds are considered to be defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Position and from the Statement of Net Position of the Public Utilities Funds. On June 30, 2014, \$21,810,000 of the defeased bonds remained outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$1,078,743. This refunding resulted in an economic gain of \$1,539,032 and a net savings of \$1,642,914 in future debt service payments. The City has pledged the net revenues of the City's Water and Sewer System on a junior lien basis towards the payment of principal and interest on the bonds.

The amount refunded and the call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
2004B GO Water & Sewer Bonds	2015-2020	\$ 19,130,000	12/01/2014
2005B GO Water & Sewer Bonds	2016-2020	\$ 2,680,000	05/01/2015

- (d) In November 2012, the City issued \$150,722,520 of Chesapeake Transportation System Senior Toll Road Revenue Bonds. The bonds were issued in part to finance a portion of the construction costs of the Dominion Boulevard project improvements. Additionally, a portion of the bonds refunded the 1999 Chesapeake Expressway Toll Road Revenue bonds for the purpose of being incorporated into the Chesapeake Transportation System Plan of Finance and Indenture of Trust. The issuance included \$42,832,520 of Convertible Capital Appreciation bonds (CABS) that will have accreted interest of \$28,487,480 comprised of \$8,378,891 on the 2032 maturity at 4.750% and \$20,108,589 on the 2040 maturity at 4.875%, for a total value at conversion and maturity of \$71,320,000. Interest on the CABS is compounded semi-annually and added to the value of the bonds until the Conversion Date of July 15, 2023 at which time the interest will be payable semi-annually. The accreted interest on the CABS through June 30, 2014 is \$3,461,265.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

In November 2012, a Bond Purchase and Loan Agreement was made between the Virginia Transportation Infrastructure Bank (VTIB), acting through its Manager, Virginia Resources Authority, and the City of Chesapeake. VTIB agreed to lend the City of Chesapeake an amount not to exceed \$151,893,495 as evidenced by the purchase of the Chesapeake Transportation System Subordinate Toll Road Revenue Bond, Series 2012C. The VTIB Bond is subordinate to the 2012A and 2012B senior bonds and repayment will begin on the July 15 that occurs on or after the second anniversary of the substantial completion date of the Dominion Boulevard Project. Interest of 3.33% will accrue for the date of each advance with respect to the portion of the principal amount that was advanced. A minimum principal and interest schedule was established at the time of issuance but a new schedule will be prepared at the time of substantial completion based on the actual aggregate amount of advances and dates of each advance. The outstanding principal as of June 30, 2014 is \$10,118,362.

In November 2012, an amended and restated "City-State Agreement" between the City of Chesapeake and the Commonwealth of Virginia, Department of Transportation (VDOT) was executed. No repayments with respect to the 1999 Toll Facilities Revolving Account (TFRA) Payments, the Urban Allocation Payments, or the City Contribution shall be made until the VTIB loan has been paid in full. The 1999 TFRA payment and the City Contribution shall accrue interest at a rate of 3% per year, compounded semi-annually on each interest payment date. The Urban Allocation payments to be replenished as provided in the 2012 Indenture shall not accrue interest. State contributions to be repaid as of June 30, 2014 are \$64,252,400, which is comprised of \$26,194,053 to TFRA and \$38,058,347 to Urban Allocation.

- (e) In April 2012, the City issued \$9,910,000 of general obligation public improvement refunding bonds with a true interest cost of 2.34% to advance refund the Series 2006A GO Public Improvement Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2014, \$9,540,000 of the defeased bonds remain outstanding.
- (f) In April 2012, the City issued \$8,135,000 of general obligation public improvement refunding bonds with a true interest cost of 2.30% to advance refund the Series 2005A GO Public Improvement Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2014, \$7,620,000 of the defeased bonds remain outstanding.
- (g) In August 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City's receipt of these taxes. The agreement provides for principal payments to be made January and July of each calendar year. These payments are expected to take place over a five year period but this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2014, \$2,918,727 was outstanding.

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

- (h) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.
- (i) In July 1997, the Commonwealth Transportation Board (CTB) issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the CTB to make annual payments equal to the debt service payments on the bonds. In May 2006, the CTB partially refunded the 1997 bonds in the amount of \$23,830,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City's portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City's share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City's full faith and credit. The City made a \$1,435,000 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, 2014.

Fiscal year ending June 30:	Principal	Interest
2015	\$ 1,505,000	719,500
2016	1,585,000	644,250
2017	1,665,000	565,000
2018	1,745,000	481,750
2019	1,835,000	394,500
2020-2022	6,055,000	615,500
Total payments	\$ 14,390,000	3,420,500

- (j) 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, 2014 was the settlement date, and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Transportation System Fund, or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment. The fund balance in the Debt Service Fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the Statement of Net Position.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(6) Continued**

- (k) 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 for both Governmental Funds and Proprietary Funds. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension obligation and net OPEB obligation are generally liquidated by the General Fund, and the liability for Self-Insurance losses is liquidated by the Self-Insurance Fund.
- (l) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 10% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 31, 2013 was \$44,450,000. 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 \$345,550,097 as of June 30, 2014.
- (m) Computation of Legal Debt Margin (per Constitution of Virginia)

Assessed valuation - real estate	\$	23,391,965,862
Legal debt limit - 10% of assessed valuation	\$	2,339,196,586
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	603,888,745
Less:		
Self-supporting debt not chargeable to debt limit		238,670,882
Amounts available for debt service		28,793,393
		336,424,470
Legal debt margin available	\$	2,002,772,116
Percent of:		
Legal debt margin outstanding		14.4%
Legal debt margin available		85.6%
		100.0%
Summary of assessed valuation:		
Public service real estate	\$	1,015,446,001
Other city real estate		22,376,519,861
	\$	23,391,965,862

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(6) Continued**

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of overall net debt per capita and a threshold of 3.5% of overall net debt to assessed value of taxable real property. For fiscal year 2014 management believes the City is in compliance with these policies.

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

With respect to the City's filing of updated operating data and audited financial statements for Fiscal Year 2010 (the "FY 2010 Data"), the City complied in all material respects by filing timely with EMMA the FY 2010 Data applicable to all of the City's outstanding bonds then subject to a continuing disclosure undertaking; however, the FY 2010 Data was not linked on EMMA to the CUSIP numbers assigned to the City's Water and Sewer System Revenue Bonds, Series 2010A (Tax-Exempt) and Series 2010B (Taxable-Build America Bonds). The City has now linked the FY 2010 Data to such bonds.

Additionally, certain of the City's outstanding bonds were insured by bond insurance policies issued by Financial Guaranty Corporation ("FGIC") or MBIA Insurance Corporation ("MBIA"). In 2008 and 2009, the long-term ratings of both FGIC and MBIA were downgraded numerous times without notice being given to the City. The City made event notice filings with regards to those downgrades of which it was aware. At the point at which the City's long-term rating for the respective bonds was higher than that of the relevant bond insurer, no additional event notices were considered necessary.

- (o) In November 2011, the Airport Authority sold its \$1,220,000 revenue refunding bonds to the Virginia Resources Authority as administrator of the Virginia Airports Revolving Fund. The purpose of the 2011 bonds was to refund the outstanding 1999 bonds to achieve debt service savings as well as restructuring the debt repayment by extending full maturity by five years. As part of this transaction, the City Council approved a new support agreement for the 2011 bonds which pledges the City's moral obligation with respect to the debt service reserve in substitution for the 1999 Agreement. At June 30, 2014, \$1,080,000 of the bonds remain outstanding, all of which are 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 non-spendable classification of fund balance has been made in the General Fund for \$116,382 and in the Debt Service Fund for \$160,718 for the balance outstanding at June 30, 2014 of \$277,100.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(7) Continued**

The General Fund also budgeted and made payments of \$272,287 on behalf of the Airport Authority during fiscal year 2014. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

***Component Unit – Chesapeake Port Authority***

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$11,106 on behalf of the Port Authority during fiscal year 2014. The City is not anticipating the collection of these payments from the Port Authority.

***Component Unit – Economic Development Authority of the City of Chesapeake***

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2014, \$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 \$545,219 on behalf of the Authority during fiscal year 2014. The City is not anticipating the collection of these payments from the EDA. In connection with the addition of a new Cinemark 12 screen, state of the art, stadium seating theater in the Western Branch section of the City, the EDA committed to acquire the old theater in the event it did not sell within a reasonable time of the opening of the new theater. The City acquired the property in August 2013. As of June 30, 2014 the property remains available for resale.

Advances from the primary government to its component units as reported on the Statement of Net Position as of June 30, 2014 is summarized as follows:

Advances to Airport Authority	\$ 277,100
Advance to Port Authority	944,407
Advance to EDA	1,319,095
Total advances to component units	2,540,602
Less allowance for uncollectible amounts	(2,263,502)
Net advances to component units	\$ 277,100

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(8) Interfund Balances and Transfers**

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

Individual fund interfund receivable and payable balances for the primary government at June 30, 2014 are as follows:

Due To Other Funds	Due From Other Funds	
	Enterprise Funds	Total
Capital Project Fund	\$ 5,593,865	5,593,865
General Fund	1,545	1,545
Total interfund balances	\$ 5,595,410	5,595,410

The interfund balance due to the General Fund from enterprise funds of \$1,545 is the result of payment by the General Fund for financial advisory services. The interfund balance due to the Capital Projects Fund of \$5,593,865 from enterprise funds is a result of funding of Dominion Boulevard improvements. The total interfund balance of \$5,595,410 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.

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

According to Section 4.2 (b) of the new 2012 Indenture, there shall be no repayment of the City contribution until the Virginia Transportation Infrastructure Bank (VTIB) loan has been repaid in full. The City Contribution accrues interest at a rate of 3% per year, compounded semi-annually on each interest payment date. As of June 30, 2014, the amount currently outstanding on this loan is \$5,748,551 which includes principal of \$5,670,581 and accrued interest of \$77,970.

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2014, City Council approved transfers totaling \$8,762,476 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years' resources. Major projects included \$2,000,000 for Mainframe Migration Project, \$1,350,000 for Compressed Natural Gas Fueling Station, \$841,000 for Commerce Park, \$800,000 for High Priority Renewal and Replacements, and \$670,000 for Public Safety Headquarters EOC/EDC Phase 1.

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(8) Continued**

Interfund transfers for the year ended June 30, 2014 are as follows:

Transfers To Other Funds	Transfers From Other Funds					Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Stormwater Management Fund	
General Fund	\$ -	1,760,684	2,096,161	20,350	-	3,877,195
Debt Service Fund	45,000,141	242,866	3,909,142	-	-	49,152,149
Capital Projects Fund	8,762,476	-	3,395,000	-	2,434	12,159,910
Nonmajor governmental funds	16,791,679	-	474,804	18,296	-	17,284,779
Chesapeake Transportation System	-	-	-	-	-	-
Stormwater Fund	10,000	-	-	-	-	10,000
Internal Service Funds	229,187	-	48,925	-	-	278,112
<b>Total</b>	<b>\$ 70,793,483</b>	<b>2,003,550</b>	<b>9,924,032</b>	<b>38,646</b>	<b>2,434</b>	<b>82,762,145</b>

Reflected in the proprietary fund financial statements is an additional transfer of \$147,636 related to fixed assets and does not represent an actual transfer of funds.

**(9) Leases**

The City and the Schools, a component unit, lease certain property under non-cancelable capital leases and certain facilities under non-cancelable operating leases with scheduled rent increases. At June 30, 2014, the City's capital assets from governmental activities include \$30,205,000 of buildings leased from component units and \$4,490,443 of leased buildings. Current year amortization expense for leased assets is \$1,550,797 and is included in depreciation expense. Accumulated amortization expense for these assets is \$11,908,439.

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, 2014 are as follows:

	Capital	Operating
Fiscal years:		
2015	\$ 778,566 *	500,107
2016	-	439,116
2017	-	283,937
2018	-	150,459
2019	-	147,484
Total future minimum lease payments	778,566	\$ 1,521,103
Less amounts representing interest	21,616	
Present value of minimum capital lease payments	\$ 756,950	

\* The future lease payments were reduced in November 2014 as the result of a subsequent event (note 17).

The total governmental operating lease payments for the year ended June 30, 2014 were \$1,228,523.

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(9) Continued**

At June 30, 2014, the Schools capital assets include \$18,101,604 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,976,190. Accumulated amortization expense for these assets is \$10,148,125. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2014 are as follows:

	<b>Capital</b>
Fiscal years:	
2015	\$ 2,052,384
2016	2,052,384
2017	1,576,291
2018	1,377,926
2019	662,026
2020-2023	2,074,549
Total future minimum lease payments	9,795,560
Less amounts representing interest	955,258
Present value of minimum capital lease payments	\$ 8,840,302

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

The City and Schools contribute to the Virginia Retirement System (VRS), an agent and cost-sharing, multiple-employer pension plan administered by the Virginia Retirement System (System).

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out below:

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

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

***Eligible Members***

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

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(10) Continued*****Hybrid Opt-In Election***

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

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

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

***Retirement Contributions***

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

***Creditable Service***

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

***Vesting***

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

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

***Calculating the Benefit***

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

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

***Average Final Compensation***

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

(10) Continued

***Service Retirement Multiplier***

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

***Normal Retirement Age***

Age 65

***Earliest Unreduced Retirement Eligibility***

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

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

***Earliest Reduced Retirement Eligibility***

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

***Cost-of-Living Adjustment (COLA) in Retirement***

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

***Eligibility***

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(10) Continued*****Exceptions to COLA Effective Dates:***

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

***Disability Coverage***

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

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

***Purchase of Prior Service***

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

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

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

***Eligible Members***

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

***Hybrid Opt-In Election***

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

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

(10) Continued

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

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

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

***Retirement Contributions***

Same as VRS Plan 1.

***Creditable Service***

Same as VRS Plan 1.

***Vesting***

Same as VRS Plan 1.

***Calculating the Benefit***

See definition under VRS Plan 1.

***Average Final Compensation***

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

***Service Retirement Multiplier***

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

***Normal Retirement Age***

Normal Social Security retirement age.

***Earliest Unreduced Retirement Eligibility***

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

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

***Earliest Reduced Retirement Eligibility***

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

(10) Continued

***Cost-of-Living Adjustment (COLA) in Retirement***

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

***Eligibility:***

Same as VRS Plan 1.

***Exceptions to COLA Effective Dates:***

Same as VRS Plan 1.

***Disability Coverage***

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

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

***Purchase of Prior Service***

Same as VRS Plan 1.

**VRS HYBRID RETIREMENT PLAN**

***About VRS Hybrid Retirement Plan***

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(10) Continued*****Eligible Members***

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

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

\*Non-Eligible Members

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

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

***Retirement Contributions***

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

***Creditable Service*****Defined Benefit Component:**

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

**Defined Contributions Component:**

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

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

## (10) Continued

*Vesting***Defined Benefit Component:**

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

**Defined Contributions Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

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

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

Distribution is not required by law until age 70½.

*Calculating the Benefit***Defined Benefit Component:**

See definition under VRS Plan 1.

**Defined Contribution Component:**

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

*Average Final Compensation*

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

*Service Retirement Multiplier*

The retirement multiplier is 1.0%.

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

*Normal Retirement Age***Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

(10) Continued

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

***Cost-of-Living Adjustment (COLA) in Retirement***

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

Not applicable.

***Eligibility:***

Same as VRS Plan 1 and VRS Plan 2.

***Exceptions to COLA Effective Dates:***

Same as VRS Plan 1 and VRS Plan 2.

***Disability Coverage***

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

***Purchase of Prior Service***

**Defined Benefit Component:**

Same as VRS Plan 1.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2014

(10) Continued

**Defined Contribution Component:**

Not applicable.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Funding Policy***

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and Schools are required to contribute the remaining amounts necessary to fund their respective participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City and School (nonprofessional employees) contributions rates for the fiscal year ended June 30, 2014 were 15.50% and 11.66% respectively, of the annual covered payroll.

The following table presents the Schools required contributions for professional employees and amounts actually contributed for the current year and each of the two preceding years.

	<b>Annual Required Contributions</b>	<b>Actual Amount Contributed</b>
2014	\$ 25,246,794	25,246,794
2013	28,707,084	28,707,084
2012	18,835,577	18,835,577

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

## (10) Continued

**Annual Pension Cost**

For the fiscal year ended June 30, 2014, the City and Schools (nonprofessional employees) annual pension costs, contributions and net pension obligation were as follows:

		City	Schools
Annual required contribution	\$	28,812,225	2,399,639
Interest on net pension obligation		113,372	6,997
Adjustment to annual required contribution		(88,889)	(5,484)
Annual pension cost		28,836,708	2,401,152
Contributions made		28,812,225	2,399,639
Increase in net pension obligation		24,483	1,513
Net pension obligation at June 30, 2013		1,619,605	99,962
Net pension obligation at June 30, 2014	\$	1,644,088	101,475

**Three Year Trend Information**

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, 2014	\$ 28,836,708	100.0%	\$ 1,644,088	\$ 2,401,152	100.0%	\$ 101,475
June 30, 2013	28,059,568	100.0%	1,619,605	2,759,272	100.0%	99,962
June 30, 2012	24,081,251	100.0%	1,595,453	2,949,881	100.0%	98,572

The FY 2014 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the City and Schools assets are equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and Schools unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

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

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the City and Schools (nonprofessional employees) plans was as follows:

	<b>City</b>	<b>Schools</b>
Actuarial accrued liability (AAL)	\$ 773,801,021	87,595,888
Less actuarial value of plan assets	569,115,465	64,305,904
Unfunded actuarial accrued liability (UAAL)	\$ 204,685,556	23,289,984
Funded ratio (actuarial value of plan assets/AAL)	73.55%	73.41%
Covered payroll	\$ 137,634,841	20,766,822
UAAL as a percentage of covered payroll	148.72%	112.15%

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) 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, 2014, consisted of 2,786 active service participants and 517 retirees and beneficiaries currently receiving benefits.

There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

***Significant Accounting Policies***

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

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(11) Continued*****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 2014, the City contributed \$13,640,311 to the plan, including \$2,983,182 for current premiums (60% of total premiums), an additional \$8,790,307 to prefund benefits and \$1,866,822 of actuarially estimated implicit subsidy. Plan members receiving benefits contributed \$2,015,386, or 40% of the total premiums, through their required monthly contributions. Member contributions are 1.43% 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 using level dollar amortization. The amortization period is closed and equals 30 years as of June 30, 2012.

For the year ended June 30, 2014, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	10,615,000
Interest on net OPEB obligation		2,557,000
Adjustment to annual required contribution		(2,741,000)
<hr/>		
Annual OPEB cost		10,431,000
Less employer contributions made		13,640,311
<hr/>		
Increase (decrease) in net OPEB obligation		(3,209,311)
Net OPEB obligation at July 1, 2013		34,092,479
<hr/>		
Net OPEB obligation at June 30, 2014	\$	30,883,168
<hr/>		

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Employer Contributions	Annual OPEB Cost Contributed	OPEB Obligation
<hr/>				
June 30, 2014	\$ 10,431,000	\$ 13,640,311	130.8%	\$ 30,883,168
June 30, 2013	11,595,000	12,029,095	103.7%	34,092,479
June 30, 2012	12,301,000	10,441,279	84.9%	34,526,574

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

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

As of July 1, 2014, the most recent actuarial valuation date for fiscal year ending June 30, 2014, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	125,608,000
Less actuarial value of plan assets		53,253,294
<hr/>		
Unfunded actuarial accrued liability (UAAL)	\$	72,354,706
<hr/>		
Funded ratio (actuarial value of plan assets/AAL)		42.40%
<hr/>		
Covered payroll	\$	140,598,239
UAAL as a percentage of covered payroll		51.46%

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

***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, 2014 (dated September 17, 2014), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (discount rate) including an inflation component of 2.5% and an annual healthcare cost trend rate of 7.0% - 8.0% initially, reduced by 0.1% - 0.5% each year to an ultimate rate of 5.8% after thirteen years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount. The amortization period is closed and equals 30 years as of June 30, 2012.

**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, 2013, consisted of 5,132 active service participants and 1,436 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

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(11) Continued**

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

***Significant Accounting Policies***

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

***Funding Policy***

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2014, the Schools contributed \$7,753,753 to the plan, including \$6,753,753 to pay for current premiums (68% of total premiums) and an additional \$1,000,000 transfer from the City to prefund benefits. Plan members receiving benefits contributed \$3,154,443, or 32% 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.

For the year ended June 30, 2014, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 12,216,794
Interest on net OPEB obligation	11,120,651
Adjustment to annual required contribution	(15,459,348)
Annual OPEB cost	7,878,097
Less employer contributions made	(7,753,753)
Increase in net OPEB obligation	124,344
Net OPEB obligation at July 1, 2013	278,016,277
Net OPEB obligation at June 30, 2014	\$ 278,140,621

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(11) Continued**

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<b>Three-Year Trend Information</b>				
<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2014	\$ 7,878,097	\$ 7,753,753	98.4%	\$ 278,140,621
June 30, 2013	33,678,756	7,222,623	21.4%	278,016,277
June 30, 2012	53,753,073	6,624,530	12.3%	251,560,144

***Funded Status and Funding Progress***

Based on the most recent actuarial valuation dated July 1, 2013, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 143,710,654
Less actuarial value of plan assets	9,427,243
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 134,283,411
Funded ratio (actuarial value of plan assets/AAL)	6.6%
<hr/>	
Covered payroll	\$ 237,598,942
UAAL as a percentage of covered payroll	56.52%

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate). In FY 2014, CPS changed its OPEB policy to incorporate flat dollar employer contributions and those amounts will not be increased in the future. Therefore, no annual healthcare cost trend rates were used in the June 1, 2013 actuarial valuation. The Schools' unfunded actuarial liabilities (UAAL) are being amortized as a level dollar amount on a closed basis within a period of 30 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements  
June 30, 2014

(12) Fund Balances

Primary Government

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ 1,072,739	-	-	21,372	1,094,111
Prepaid expenditures and other assets	-	-	-	398,785	398,785
Advances to component units and other	116,382	160,718	-	-	277,100
Education permanent funds principal	-	-	-	12,795	12,795
<b>Total nonspendable</b>	<b>1,189,121</b>	<b>160,718</b>	<b>-</b>	<b>432,952</b>	<b>1,782,791</b>
<b>Restricted:</b>					
Cash flow emergencies	31,310,247	-	-	-	31,310,247
Tax increment financing - Greenbrier	-	-	-	16,879,140	16,879,140
Tax increment financing - South Norfolk	-	-	-	6,598,944	6,598,944
Poindexter St. construction	-	-	13	-	13
City Jail construction	-	-	266,162	-	266,162
Oak Grove connector	700,071	-	-	-	700,071
Public Safety	-	-	-	5,366,956	5,366,956
Public Welfare	-	-	-	4,216,498	4,216,498
Education	-	-	-	6,811,678	6,811,678
Arbitrage rebate and yield restriction	-	244,059	-	-	244,059
<b>Total restricted</b>	<b>32,010,318</b>	<b>244,059</b>	<b>266,175</b>	<b>39,873,216</b>	<b>72,393,768</b>
<b>Committed:</b>					
Operating emergencies	26,091,873	-	-	-	26,091,873
Emergency event response & recovery	20,000,000	-	-	-	20,000,000
City future capital projects	885,781	-	-	-	885,781
Economic development investment program	179,842	-	-	-	179,842
Solid waste and disposal	1,638,341	-	-	-	1,638,341
General Government	11,180,902	-	11,834,095	3,123,919	26,138,916
Public Safety	737,557	-	-	208,797	946,354
Public Works	4,961	-	5,493,694	-	5,498,655
Parks	-	-	2,236,934	24,777	2,261,711
Public Welfare	-	-	-	2,324,514	2,324,514
Schools future capital projects	5,042,165	-	-	-	5,042,165
<b>Total committed</b>	<b>65,761,422</b>	<b>-</b>	<b>19,564,723</b>	<b>5,682,007</b>	<b>91,008,152</b>
<b>Assigned:</b>					
General capital improvement	-	-	64,909,027	-	64,909,027
Debt service payments	-	28,793,393	-	-	28,793,393
General Government	336,744	-	-	3,308,329	3,645,073
Public Works	833,536	-	1,921,121	-	2,754,657
Public Safety	35,000	-	-	3,089,317	3,124,317
Public Welfare	-	-	-	4,631,512	4,631,512
Parks	400,000	-	13,150	463,757	876,907
Education	72,136	-	-	-	72,136
<b>Total assigned</b>	<b>1,677,416</b>	<b>28,793,393</b>	<b>66,843,298</b>	<b>11,492,915</b>	<b>108,807,022</b>
<b>Unassigned:</b>					
	52,230,084	-	-	-	52,230,084
<b>Total fund balance</b>	<b>\$ 152,868,361</b>	<b>29,198,170</b>	<b>86,674,196</b>	<b>57,481,090</b>	<b>326,221,817</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(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, 2014.

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

The City Council adopted a five-year capital improvements program on May 13, 2014, the total estimated cost of which amounted to \$420,671,385 to be funded from anticipated state and federal funds, debt financing, local fees, and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date.

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

Funds previously appropriated	\$ 75,164,385
Public utilities - borrowing authority revenue supported	52,232,770
Stormwater management fees	25,118,565
Borrowing authority - unissued	41,642,019
Borrowing authority - Greenbrier TIF	16,000,000
Borrowing authority - VPSA	59,500,000
General fund - committed for schools	25,435,981
Borrowing authority - SoNo TIF	5,049,300
General fund - operating transfer	10,206,645
State Revenue Sharing	36,000,000
General fund - committed for City capital projects	9,929,289
Federal and State Grants	29,500,000
Chesapeake transportation system - renewal & replacement	690,000
Equipment lease	1,349,208
Fund Balance - Capital Projects Fund	6,947,000
Fund Balance - General Fund	14,170,000
Fund Balance - Special Revenue Funds and Information Technology Fund	3,908,100
Fund Balance - Utility Fund	7,828,123
<b>Total five year capital budget</b>	<b>\$ 420,671,385</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(14) Continued**

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year-end. Outstanding encumbrances as of June 30, 2014 for the City and the Schools are as follows:

City		Schools	
Governmental Funds		Governmental Funds	
General Fund	\$ 5,435,622	General Fund	\$ 2,172,155
Capital Projects	11,834,095	Capital Projects	3,696,541
Other Governmental Funds	755,087	Other Governmental Funds	4,341
Total	\$ 18,024,804	Total	\$ 5,873,037

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

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

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

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

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

The claims liability of \$27,947,727 reported in the Self-Insurance Fund at June 30, 2014 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

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

**(15) Continued**

of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2014 and 2013 were as follows:

<b>Fiscal Year Ended</b>	<b>Beginning Balance</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Ending Balance</b>
6/30/2014	\$ 27,033,415	8,548,336	7,634,024	27,947,727
6/30/2013	25,681,364	8,538,981	7,186,930	27,033,415

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a \$750,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation, medical and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. Amounts due in future years on claims as of June 30, 2014 are recognized as a long-term liability in the statement of net position. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2014 is \$10,766,242.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2014 and 2013 were as follows:

<b>Fiscal Year Ended</b>	<b>Beginning Balance</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Ending Balance</b>
6/30/2014	\$ 10,781,689	62,625,751	62,641,198	10,766,242
6/30/2013	11,545,166	60,507,911	61,271,388	10,781,689

The liability at June 30, 2014 is comprised of \$4,643,853 in long-term liabilities and \$6,122,389 in accounts payable and accrued expenses related to medical and dental claims.

***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, these cities and counties agree to guarantee the remainder of SPSA's debt not to exceed \$50,000,000 in the aggregate. The City's applicable percentage is 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA. The change in the City's guaranty agreement resulted in part from the sale of SPSA's Waste-to-Energy facilities to Wheelabrator Technologies, Inc. on April 29, 2010, allowing the principal amount of SPSA's outstanding

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(15) Continued**

indebtedness to be reduced to \$75 million from \$218 million. At June 30, 2014, SPSA's outstanding indebtedness totaled \$30.2 million.

***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.

***Litigation***

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

***Culpepper Landing, LC v. City of Chesapeake (Case No. CL13-70) and Greystone Land Co., LLC v. City of Chesapeake (Case No. CL13-1517).***

Land developers filed suits on January 10, 2013 and June 18, 2013, respectively, in response to the City Council's denials of the plaintiffs' requests for reduction of cash proffers in prior re-zonings of real property. The plaintiffs are seeking: a declaratory judgment that the City Council's denials of their requests for reduction of the proffer amounts were arbitrary and capricious, unfair, non-uniform, contrary to law and unsupported by the requisite findings and records; an order requiring the City Council to rehear their applications and directing the City Council to grant the plaintiffs a reduction in the cash proffers in accord with the City's new Proffer Policy (2012); an order requiring the City to reimburse the plaintiffs for amounts paid to the City after January 1, 2013 (Culpepper), and May 21, 2013 (Greystone), respectively, as proffers in excess of those set forth in the new Proffer Policy; an award of costs, fees and reasonable attorneys' fees pursuant to 42 U.S.C. 1983; and such other relief as the Court deems appropriate. As of March 4, 2014, funds potentially subject to reimbursement to Culpepper are \$537,000 and to Greystone are \$186,000 (which funds, as of March 4, 2014, have not been appropriated or encumbered by the City), with corresponding projected losses of future revenue to the City of approximately \$4,618,224 (Culpepper Landing) and \$2,334,123 (Greystone). The matter involving Greystone Land Co. was non-suited on September 15, 2014. No trial date has been set for the matter involving Culpepper Landing, LC.

*(Continued)*

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(15) Continued***Clear Sky Car Wash, LLC et al. vs City of Chesapeake, et al.*

This action was filed in the United States District Court for the Eastern District of Virginia in April of 2012. The plaintiffs include the owner and operating company of a car wash business located on Great Bridge Boulevard. The property was acquired by the City by eminent domain for the sum of \$2,150,000.00. The property is integral to the Dominion Boulevard Improvement Project that is currently underway. In addition to the City, the defendants include the Virginia Department of Transportation, the Federal Highway Administration, and one employee of the City. The lawsuit alleged improprieties in the acquisition process, breach of contract and violation of due process, equal protection and other federal laws. Plaintiffs sought damages of no less than \$9 Million. The Federal District Court dismissed the lawsuit, and the dismissal was upheld by the Fourth Circuit Court of Appeals.

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

There are two actions filed involving the above referenced landowner. The first action is the total taking of a parcel of land (Parcel 99) for which defeasible title was acquired by the City by condemnation proceedings initiated by the deposit of funds in the amount of \$85,141 on May 27, 2011. The value of this total acquisition is disputed, but the landowner's attorney has not yet disclosed its position as to the value of the property. Based on other condemnation matters associated with the Dominion Boulevard Improvements Project, the estimated demand is likely to be approximately \$395,000. Trial has not yet been scheduled. The City is unable to predict the outcome of this matter.

The second action is the partial taking of a parcel of land (Parcel 105) for which defeasible title was acquired by the City by condemnation proceedings initiated by the deposit of funds in the amount of \$108,790 on August 20, 2012. The value of this partial acquisition and any damages to the residual property retained by the landowner is disputed, but the landowner's attorney has not yet disclosed its position as to the value of the property. Based on other condemnation matters associated with the Dominion Boulevard Improvements Project, the estimated demand is likely to be approximately \$112,000. Trial has not yet been scheduled. The City is unable to predict the outcome of this matter.

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

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

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

**(16) Fund Deficits**

The Self-Insurance Fund, an Internal Service Fund, had a net position deficit of \$3,017,666 at June 30, 2014. This deficit will be funded by future internal billings to other funds of the City.

The Chesapeake Port Authority, a component unit, had a net position deficit of \$936,137 at June 30, 2014. This deficit consists of an advance of \$944,407 to the Port Authority from the City's General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

The Chesapeake Public Schools, a component unit, had a net position deficit of \$48,621,541 at June 30, 2014. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation. At June 30, 2014, the School's net OPEB obligation was \$278,140,621.

**(17) Subsequent Events*****Capital Lease***

Due to a settlement agreement executed in November 2014, the City's liabilities in connection with a capital lease have been reduced by \$383,863 for fiscal year 2015. As a result of the settlement, future debt service requirements for capital leases will be reduced by \$387,500, of which \$3,637 represents interest.

***Joint Ventures***

On October 1, 2014, the City of Chesapeake was inducted as a member of the Hampton Roads Regional Jail Authority (HRRJA). HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk, Portsmouth and Chesapeake and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. As a condition of its admission as a member, the City of Chesapeake agreed to make a payment of \$3.0 million to the Authority in addition to its required payment per inmate per diem. Chesapeake guaranteed payment for 50 inmates per day starting July 1, 2014 and increasing by 25 inmates per quarter until they reach the guaranteed payment of 250 inmates per day. The terms of this agreement do not convey an equity interest in the facility nor is there a requirement for this to convey in the future.

***City of Chesapeake Warehouse Fire***

On November 19, 2014, there was a two alarm fire reported at the Public Works storeroom/warehouse located at 925 Executive Blvd. There were no injuries to any City employees or citizens as no one was in the building at the time of the fire. Chesapeake Fire Department crews, along with those from several other localities, were on the scene to fight the fire and contain any potential hazardous material exposures. There were no hazardous material exposures at this time, however, the 11,184 square foot building is a total loss. There is currently an investigation in progress to determine the cause of the fire. The storeroom/warehouse is used to store and maintain various small equipment for Public Works Streets and Highways crews, store various safety supplies and Risk Management workers' compensation records. A current inventory list is being generated for insurance purposes.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2014

---

(17) Continued

*Plant Closure*

The closure of a public service corporation plant located in the Deep Creek area of the City is anticipated to occur in calendar year 2015. Revenues are not expected to be materially impacted by this closure until fiscal year 2016. It is estimated that this closure will reduce the City's revenue from public service corporation taxes between \$2 million to \$4.7 million annually. This projected decrease of tax revenues is being programmed into the City's future operating budgets.

(18) New Accounting Pronouncement

The GASB has issued the following pronouncement prior to June 30, 2014 which has an effective date that may impact future presentations.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 2*, was issued in June 2012. GASB Statement No. 68 will be effective for the City beginning with year ending June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued in November 2013. GASB Statement No. 71 will be effective for the City beginning with year ending June 30, 2015.

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

(Continued)

# Required Supplementary Information

**Chesapeake**  
VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual - General Fund - unaudited  
 Year Ended June 30, 2014

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
<b>REVENUES</b>				
General property taxes	\$ 281,642,284	281,642,284	286,009,300	4,367,016
Other local taxes	117,370,621	117,370,621	113,502,080	(3,868,541)
Licenses, permits, and fees	8,697,408	8,697,408	8,526,755	(170,653)
Intergovernmental revenues:				
Commonwealth of Virginia	84,273,424	85,147,684	83,600,322	(1,547,362)
Federal government	50,824	50,824	106,910	56,086
Recovered costs	302	25,302	324,411	299,109
Investment income	716,783	716,783	916,204	199,421
Revenues from use of property	497,639	497,639	456,736	(40,903)
Charges for services	10,056,971	10,056,971	10,013,093	(43,878)
Fines and forfeitures	2,815,367	2,815,367	2,689,990	(125,377)
Miscellaneous local revenues	107,020	107,020	220,335	113,315
Total revenues	506,228,643	507,127,903	506,366,136	(761,767)
<b>EXPENDITURES</b>				
Current:				
General government	110,379,310	110,138,025	105,307,300	4,830,725
Public safety	83,948,848	84,025,634	81,634,835	2,390,799
Public works	62,380,354	62,677,588	51,709,504	10,968,084
Parks and recreation	7,231,402	7,781,290	7,161,315	619,975
Debt Service	2,228,750	2,228,750	2,226,250	2,500
Total expenditures	266,168,664	266,851,287	248,039,204	18,812,083
Excess of revenues over expenditures	240,059,979	240,276,616	258,326,932	18,050,316
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	1,349,137	1,865,637	3,877,195	2,011,558
Transfer from component units	-	-	56,531	56,531
Transfer from component unit - cash reversion	-	-	72,136	72,136
Transfers to other funds	(68,717,652)	(71,163,189)	(70,793,483)	369,706
Transfer to component units	(180,917,342)	(182,332,454)	(182,332,454)	-
Total other financing sources (uses)	(248,285,857)	(251,630,006)	(249,120,075)	2,509,931
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,225,878)	(11,353,390)	9,206,857	20,560,247
Fund balances - beginning	143,661,504	143,661,504	143,661,504	-
Fund balances - ending	\$ 135,435,626	132,308,114	152,868,361	20,560,247

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

Schedules of Funding Progress - Virginia Retirement System (unaudited)  
 Year Ended June 30, 2014

**City Employees**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 569,115,465	773,801,021	204,685,556	73.55%	\$ 137,634,841	148.72%
June 30, 2012	547,671,681	765,534,719	217,863,038	71.54%	138,197,450	157.65%
June 30, 2011	545,391,980	732,129,917	186,737,937	74.49%	137,807,097	135.51%

**Schools' Non-Professional Employees**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 64,305,904	87,595,888	23,289,984	73.41%	\$ 20,766,822	112.15%
June 30, 2012	62,016,430	88,437,402	26,420,972	70.12%	20,446,608	129.22%
June 30, 2011	62,210,606	85,712,381	23,501,775	72.58%	20,528,970	114.48%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-3

Schedules of Funding Progress - Other Postemployment Benefits (unaudited)  
 Year Ended June 30, 2014

City	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2014	June 30, 2014	\$ 53,253,294	125,608,000	72,354,706	42.40%	\$ 140,598,239	51.46%
	July 1, 2013	June 30, 2013	40,266,226	126,666,000	86,399,774	31.79%	149,594,019	57.76%
	July 1, 2012	June 30, 2012	29,545,621	126,462,000	96,916,379	23.36%	153,697,499	63.06%

Schools	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2013	June 30, 2014	\$ 9,427,243	143,710,654	134,283,411	6.56%	\$ 237,598,942	56.52%
	July 1, 2012	June 30, 2013	8,547,297	362,045,590	353,498,293	2.36%	231,925,031	152.42%
	July 1, 2011	June 30, 2012	8,657,970	550,012,749	541,354,779	1.57%	228,512,576	236.90%

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

Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)  
Year Ended June 30, 2014

<b>City</b>				
		<b>Annual Required Contribution</b>	<b>Actual Amount Contributed in Dollars</b>	<b>Actual Amount Contributed in Percent</b>
<b>Fiscal year ended June 30:</b>				
2014	\$	10,615,000	13,640,552	128.50%
2013		11,752,000	12,029,095	102.36%
2012		12,474,000	10,441,279	83.70%

<b>Schools</b>				
		<b>Annual Required Contribution</b>	<b>Actual Amount Contributed in Dollars</b>	<b>Actual Amount Contributed in Percent</b>
<b>Fiscal year ended June 30:</b>				
2014	\$	12,216,794	7,753,753	63.47%
2013		37,604,581	7,222,623	19.21%
2012		56,943,414	6,624,530	11.63%

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information  
June 30, 2014

---

**(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. Additionally, City Council approves transfers of funds between departments and programs. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

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

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

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

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

Other Supplementary Information -  
Combining and Individual Fund  
Schedules

**Chesapeake**  
VIRGINIA

*This page intentionally left blank*

**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 Parks, Recreation and Tourism 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, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
<b>General property taxes</b>			
Current taxes on real property	\$ 218,211,970	220,593,656	2,381,686
Current taxes on public service corporations	10,466,000	10,564,227	98,227
Current taxes on personal property	35,600,000	37,790,442	2,190,442
Delinquent taxes on real property	4,500,000	3,370,387	(1,129,613)
Delinquent taxes on personal property	10,183,339	11,085,226	901,887
Penalties, interest, and advertising	2,680,975	2,605,362	(75,613)
<b>Total general property taxes</b>	<b>281,642,284</b>	<b>286,009,300</b>	<b>4,367,016</b>
<b>Other local taxes</b>			
Local sales and use taxes	36,085,068	35,389,858	(695,210)
Consumer utility taxes	10,500,000	10,450,356	(49,644)
Communications sales tax	7,557,098	6,982,263	(574,835)
Business license taxes	25,923,713	25,068,518	(855,195)
Local utility consumption tax	827,195	934,404	107,209
Bank stock taxes	1,228,741	1,289,564	60,823
Taxes on recordation and wills	2,872,698	2,564,557	(308,141)
Tobacco taxes	4,690,129	4,539,697	(150,432)
Hotel and motel room taxes	4,364,795	3,874,000	(490,795)
Restaurant food taxes	21,851,949	20,933,619	(918,330)
Admission taxes	947,872	965,078	17,206
Short-term rental taxes	430,188	442,551	12,363
Pari-mutuel waging pool tax	91,175	67,615	(23,560)
<b>Total other local taxes</b>	<b>117,370,621</b>	<b>113,502,080</b>	<b>(3,868,541)</b>
<b>Revenues from local sources</b>			
Licenses, permits, and fees:			
Bicycle licenses	50	18	(32)
Building structure and equipment permits	1,045,838	981,741	(64,097)
Precious metals and gems permits	5,280	5,200	(80)
Highway and driveway permits	12,549	18,350	5,801
Transfer fees	5,698	6,140	442
Zoning inspection fees	66,754	44,767	(21,987)
Building inspection fees	13,250	36,604	23,354
Electrical inspection fees	272,500	268,800	(3,700)
Elevator inspection fees	21,760	23,595	1,835
Plumbing inspection fees	186,769	188,746	1,977
Mechanical permits	344,102	347,347	3,245
Subdivision review fees	166,325	222,714	56,389
Solicitors permits	3,467	4,055	588
Taxi operators licenses	1,000	1,845	845
Motor vehicle license	6,296,777	6,121,894	(174,883)
Inspection fees - gas appliances	54,466	56,910	2,444
Animal license and fees	185,127	178,963	(6,164)
Rodent free certification fee	4,406	5,950	1,544
Hunting and fishing license	40	(64)	(104)
Rental inspection fees	11,250	13,180	1,930
<b>Total licenses, permits, and fees</b>	<b>8,697,408</b>	<b>8,526,755</b>	<b>(170,653)</b>
Fines and forfeitures	2,815,367	2,689,990	(125,377)
Investment income	716,783	916,204	199,421

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Revenues from use of property:			
Rental of general property	\$ 200,628	197,442	(3,186)
Rental of recreational properties and facilities	248,457	209,957	(38,500)
Library rental revenue	12,500	13,148	648
Rental of showmobile	36,054	36,189	135
<b>Total revenues from use of property</b>	<b>497,639</b>	<b>456,736</b>	<b>(40,903)</b>
Charges for services:			
Special court costs	71,127	74,855	3,728
Law library fees	104,188	90,196	(13,992)
Accident report fees	31,744	48,597	16,853
Municipal court fees	61,770	55,071	(6,699)
Civil penalties	13,750	45,322	31,572
Non-support fees	80,000	99,310	19,310
Commonwealth's Attorney fees	10,000	26,079	16,079
Police escort fees	52,836	24,379	(28,457)
Sale of service - police	181,089	155,614	(25,475)
Fire report fees	400	950	550
Sheriff fees	22,861	22,861	-
Inmate medical fees	17,890	12,471	(5,419)
Sale of service - jail	706,615	417,378	(289,237)
Sale of service - jail inmates	62,100	70,244	8,144
Inmate phone system - jail	483,614	453,039	(30,575)
Sale of service - sheriff	1,269,906	1,209,658	(60,248)
Sale of service - public works	411,755	377,397	(34,358)
Engineering and administrative fees	175,000	63,270	(111,730)
Recreation fees	128,473	123,706	(4,767)
Library fines and fees	333,270	265,832	(67,438)
Lot processing fees	15,300	63,885	48,585
Sale of service - planning	3,295	3,183	(112)
Sale of service - public information	-	244	244
Sale of publications	-	4	4
Returned check fees	17,000	14,534	(2,466)
Custodian service	123,000	99,826	(23,174)
Wage assignment fees	13,620	6,058	(7,562)
Sale of service - assessor	5,920	5,898	(22)
Emergency medical service fees	4,164,358	4,580,505	416,147
Administration collected fees	884,024	801,969	(82,055)
Wetland board civil fees	64,000	39,715	(24,285)
Passport application fee	58,900	76,094	17,194
Sale of service - Commissioner of the Revenue	50,100	62,025	11,925
Subdivision inspection fees	222,696	261,006	38,310
Fire plan review fees	40,185	35,030	(5,155)
Zoning fees	23,909	22,546	(1,363)
Building plan fees	58,344	52,014	(6,330)
Inspections technology fee	65,382	69,260	3,878
E-Government subscription fee	28,550	30,761	2,211
Waste and recycling service	-	152,307	152,307
<b>Total charges for services</b>	<b>10,056,971</b>	<b>10,013,093</b>	<b>(43,878)</b>

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Miscellaneous local revenues:			
Sale of ARC - public works	\$ 12,900	14,448	1,548
Sale of junk and salvage	5,450	5,294	(156)
Escheated funds	-	30,426	30,426
Other revenue	88,670	170,167	81,497
<b>Total miscellaneous local revenues</b>	<b>107,020</b>	<b>220,335</b>	<b>113,315</b>
Recovered costs:			
Insurance claims and collections	-	1,000	1,000
Other recoveries and rebates	25,302	317,109	291,807
Recoveries - Jury	-	6,302	6,302
<b>Total recovered costs</b>	<b>25,302</b>	<b>324,411</b>	<b>299,109</b>
<b>Total revenues from local sources</b>	<b>421,929,395</b>	<b>422,658,904</b>	<b>729,509</b>
<b>Revenues from the Commonwealth</b>			
Noncategorical aid:			
Motor vehicle carrier taxes	160,000	182,530	22,530
Mobile home titling taxes	40,000	33,639	(6,361)
Indirect costs	423,888	335,047	(88,841)
Daily rental taxes - auto	871,000	859,013	(11,987)
Deed taxes	600,000	643,196	43,196
Personal Property Tax Relief	28,590,001	28,590,001	-
<b>Total noncategorical aid</b>	<b>30,684,889</b>	<b>30,643,426</b>	<b>(41,463)</b>
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,761,267	1,746,575	(14,692)
Sheriff	8,597,812	8,445,701	(152,111)
Commissioner of the Revenue	349,907	350,446	539
Treasurer	373,006	370,190	(2,816)
Registrar/Electoral Board	76,829	74,402	(2,427)
Circuit court clerk	1,323,690	1,166,669	(157,021)
Agriculture	75,348	76,101	753
Jail project reimbursement - State	614,536	-	(614,536)
<b>Total shared expenses</b>	<b>13,172,395</b>	<b>12,230,084</b>	<b>(942,311)</b>

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from the Commonwealth, continued:</b>			
Other categorical aid:			
Local jail	\$ 2,415,065	1,860,400	(554,665)
Police	6,299,897	6,299,896	(1)
Street and highway maintenance	31,145,442	31,145,442	-
Library	179,996	179,996	-
Health	-	(17,371)	(17,371)
Excess fees	250,000	171,929	(78,071)
Other state grants	-	4,225	4,225
Transportation improvement set-aside	1,000,000	1,082,295	82,295
<b>Total other categorical aid</b>	<b>41,290,400</b>	<b>40,726,812</b>	<b>(563,588)</b>
<b>Total categorical aid</b>	<b>54,462,795</b>	<b>52,956,896</b>	<b>(1,505,899)</b>
<b>Total revenues from the Commonwealth</b>	<b>85,147,684</b>	<b>83,600,322</b>	<b>(1,547,362)</b>
<b>Revenues from the Federal Government</b>			
Noncategorical aid - Refuge Revenue Sharing Act	30,974	-	(30,974)
Categorical aid:			
Other federal grants	19,850	8,316	(11,534)
Drug Enforcement Agency	-	8,929	8,929
Emergency reimbursement - federal	-	89,665	89,665
<b>Total revenues from the Federal Government</b>	<b>50,824</b>	<b>106,910</b>	<b>56,086</b>
<b>Total revenues</b>	<b>507,127,903</b>	<b>506,366,136</b>	<b>(761,767)</b>
<b>OTHER FINANCING SOURCES</b>			
Payments from component units:			
Chesapeake Public Schools	-	56,531	56,531
Chesapeake Public Schools - cash reversion	-	72,136	72,136
Transfers from other funds	1,865,637	3,877,195	2,011,558
<b>Total other financing sources</b>	<b>1,865,637</b>	<b>4,005,862</b>	<b>2,140,225</b>
<b>Total revenues and other financing sources</b>	<b>\$ 508,993,540</b>	<b>510,371,998</b>	<b>1,378,458</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule M-2*

General Fund  
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -  
 Budget and Actual  
 Year Ended June 30, 2014

	Appropriations	Expenditures		Total	Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
<b>EXPENDITURES</b>							
<b>General government:</b>							
Legislative Department - City Council	\$ 844,335	834,894	-	834,894	9,441	-	9,441
Executive Department:							
City manager	1,524,096	1,470,920	-	1,470,920	53,176	1,496	51,680
Public communications	1,019,730	966,276	-	966,276	53,454	-	53,454
Contingencies	14,276	-	-	-	14,276	-	14,276
Department of Law - City Attorney	1,749,958	1,566,676	-	1,566,676	183,282	6,119	177,163
Department of Finance:							
Commissioner of revenue	3,139,595	3,024,685	-	3,024,685	114,910	12,626	102,284
Real estate assessor	2,226,843	2,106,301	5,222	2,111,523	115,320	28,908	86,412
Board of equalization	4,333	3,406	-	3,406	927	-	927
City treasurer	4,352,640	4,069,535	-	4,069,535	283,105	9,360	273,745
Director of finance	2,191,108	1,998,003	-	1,998,003	193,105	28,598	164,507
Economic development	2,007,435	1,838,513	-	1,838,513	168,922	53,849	115,073
Budget director	662,545	626,777	-	626,777	35,768	7,025	28,743
City auditor	529,854	527,031	-	527,031	2,823	-	2,823
Independent auditors	172,757	147,086	-	147,086	25,671	-	25,671
Financial advisory services	109,955	22,074	-	22,074	87,881	14,783	73,098
Department of Human Resources:							
Human resources	1,959,068	1,865,482	21,999	1,887,481	71,587	-	71,587
HIPAA	263,385	221,933	9,733	231,666	31,719	-	31,719
Judicial Department:							
Circuit court	623,392	584,634	-	584,634	38,758	880	37,878
Magistrates office	69,178	63,883	-	63,883	5,295	-	5,295
General district court	271,660	272,074	-	272,074	(414)	-	(414)
Juvenile and domestic relations court	104,107	105,800	-	105,800	(1,693)	1,415	(3,108)
Court services unit	265,889	225,967	-	225,967	39,922	-	39,922
Commonwealth's attorney	3,746,550	3,548,156	-	3,548,156	198,394	4,288	194,106
Circuit court clerk	2,425,368	2,094,132	-	2,094,132	331,236	554	330,682
Sheriff	37,732,999	37,011,559	108,291	37,119,850	613,149	25,937	587,212
Purchasing	839,070	708,361	-	708,361	130,709	-	130,709
Department of Public Health:							
Adult clinics	575,000	575,000	-	575,000	-	-	-
General clinics	1,603,031	1,596,881	-	1,596,881	6,150	-	6,150
OSHA services	652,136	582,440	8,503	590,943	61,193	23,387	37,806

(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, 2014

	Appropriations	Expenditures		Total	Balance	Unencumbered Balance
		Operating	Capital Outlay			
<b>General government, continued:</b>						
Department of Public Library:						
Public library	\$ 7,788,875	7,004,303	25,042	7,029,345	759,530	667,763
Public library state aid	181,842	181,788	-	181,788	54	2
Law library	113,424	98,654	-	98,654	14,770	14,770
Boards and Commissions:						
Planning department	2,002,851	1,828,734	-	1,828,734	174,117	174,117
Planning commission	54,077	40,515	-	40,515	13,562	13,562
Electoral board	825,218	788,522	-	788,522	36,696	36,587
Electoral workers	129,013	128,942	-	128,942	71	71
Department of Agriculture	371,623	345,838	-	345,838	25,785	25,785
Bureau of Community Programs	1,088,872	937,805	-	937,805	151,067	151,067
Customer Contact Center	598,942	582,067	-	582,067	16,875	16,875
Department of Development and Permits:						
Code compliance and zoning administration	3,335,751	3,243,472	-	3,243,472	92,279	92,279
Development and permits administration	2,462,698	2,168,134	5,734	2,173,868	288,830	288,830
Nondepartmental:						
Support of civic and community organizations	345,462	308,477	-	308,477	36,985	36,985
Regional cooperation and support	6,524,606	6,300,836	-	6,300,836	223,770	223,770
Other postemployment benefits	10,488,500	10,493,114	-	10,493,114	(4,614)	(4,614)
Other nondepartmental support	1,873,691	1,740,809	-	1,740,809	132,882	132,882
Chesapeake regional airport	272,287	272,287	-	272,287	-	-
Debt service	2,228,750	2,226,250	-	2,226,250	2,500	2,500
<b>Total general government</b>	<b>112,366,775</b>	<b>107,349,026</b>	<b>184,524</b>	<b>107,533,550</b>	<b>4,833,225</b>	<b>4,522,072</b>
<b>Public Safety:</b>						
Police department	40,250,181	39,797,523	207,717	40,005,240	244,941	142,719
Animal control	1,604,266	1,499,887	-	1,499,887	104,379	100,691
Public safety training	1,006,797	924,375	-	924,375	82,422	10,073
Fire department	39,301,667	37,405,358	-	37,405,358	1,896,309	1,876,511
Fire prevention bureau	1,350,345	1,323,561	-	1,323,561	26,784	25,321
Fire training	181,176	181,274	-	181,274	(98)	(98)
Emergency management operations	331,202	295,140	-	295,140	36,062	36,062
<b>Total public safety</b>	<b>84,025,634</b>	<b>81,427,118</b>	<b>207,717</b>	<b>81,634,835</b>	<b>2,390,799</b>	<b>2,191,279</b>
<b>Public works:</b>						
Engineering and administration	9,068,055	8,401,469	37,279	8,438,748	629,307	613,207
Traffic engineering	1,740,036	1,426,475	-	1,426,475	313,561	313,561
Street maintenance	5,837,772	4,641,360	589,903	5,231,263	606,509	301,171
Bridges and structures	2,560,992	2,124,032	24,840	2,148,872	412,120	174,083
Bureau of drainage	1,803,470	1,762,645	-	1,762,645	40,825	40,825

(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, 2014

	Appropriations	Expenditures		Total	Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
<b>Public works, continued:</b>							
Contractual services	\$ 8,746,723	3,423,807	192,728	3,616,535	5,130,188	4,147,679	982,509
Buildings maintenance	5,543,710	5,247,043	-	5,247,043	296,667	-	296,667
Facilities Management - building	1,294,121	924,003	-	924,003	370,118	-	370,118
Public works operations	643,417	550,881	-	550,881	92,536	-	92,536
Solid waste collection	8,579,651	8,058,413	-	8,058,413	521,238	70,973	450,265
SPSA	16,859,641	14,304,626	-	14,304,626	2,555,015	121,851	2,433,164
<b>Total public works</b>	<b>62,677,588</b>	<b>50,864,754</b>	<b>844,750</b>	<b>51,709,504</b>	<b>10,968,084</b>	<b>4,899,978</b>	<b>6,068,106</b>
<b>Parks:</b>							
Administration	3,039,544	2,854,596	-	2,854,596	184,948	2,081	182,867
Community centers	1,830,949	1,682,053	14,000	1,696,053	134,896	-	134,896
Parks and grounds maintenance	2,416,505	1,605,567	577,085	2,182,652	233,853	21,567	212,286
Parks, grounds, and building maintenance - warehouse and work order	132,110	116,754	-	116,754	15,356	-	15,356
Portlock Galleries	4,850	4,850	-	4,850	-	-	-
Special programs	245,591	229,453	-	229,453	16,138	1,323	14,815
Fine arts programs	111,741	76,957	-	76,957	34,784	-	34,784
<b>Total parks</b>	<b>7,781,290</b>	<b>6,570,230</b>	<b>591,085</b>	<b>7,161,315</b>	<b>619,975</b>	<b>24,971</b>	<b>595,004</b>
<b>Total expenditures and encumbrances</b>	<b>266,851,287</b>	<b>246,211,128</b>	<b>1,828,076</b>	<b>248,039,204</b>	<b>18,812,083</b>	<b>5,435,622</b>	<b>13,376,461</b>
<b>OTHER FINANCING USES</b>							
Transfers to component unit:							
Public Schools	\$ 182,332,454	182,332,454	-	182,332,454	-	-	-
Transfers to other funds:							
Debt Service Fund							
Capital Projects Fund	45,000,141	45,000,141	-	45,000,141	-	-	-
Virginia Public Assistance Fund	8,951,920	8,762,476	-	8,762,476	189,444	-	189,444
Community Services Fund	5,987,943	5,987,943	-	5,987,943	-	-	-
Interagency Consortium Fund	6,019,030	6,019,030	-	6,019,030	-	-	-
Grants Fund	1,744,745	1,744,745	-	1,744,745	-	-	-
Chesapeake Juvenile Services Fund	189,000	8,738	-	8,738	180,262	-	180,262
City Garage Fund	1,869,660	1,869,660	-	1,869,660	-	-	-
Parks and Recreation Fund	229,187	229,187	-	229,187	-	-	-
Stormwater Fund	1,161,563	1,161,563	-	1,161,563	-	-	-
Total transfers to other funds	10,000	10,000	-	10,000	-	-	-
<b>Total other financing uses</b>	<b>71,163,189</b>	<b>70,793,483</b>	<b>-</b>	<b>70,793,483</b>	<b>369,706</b>	<b>-</b>	<b>369,706</b>
<b>Total expenditures, encumbrances, and other financing uses</b>	<b>\$ 520,346,930</b>	<b>499,337,065</b>	<b>1,828,076</b>	<b>501,165,141</b>	<b>19,181,789</b>	<b>5,435,622</b>	<b>13,746,167</b>

# Debt Service Fund

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



*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

Debt Service Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment income	\$ 216,317	128,572	(87,745)
Revenues from use of property	54,889	54,889	-
Miscellaneous local revenues	-	1,409,981	1,409,981
Intergovernmental revenues:			
Commonwealth of Virginia	190,239	190,239	-
Federal government - American Reinvestment and Recovery Act	941,240	890,313	(50,927)
Total revenues	1,402,685	2,673,994	1,271,309
<b>EXPENDITURES</b>			
Interest on general obligation bonds	14,273,164	14,035,289	237,875
Interest on literary loans	47,905	47,905	-
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	1,038,089	1,038,089	-
Other debt expenditures	192,346	126,361	65,985
Redemption of general obligation bonds	40,425,538	53,936,798	(13,511,260)
Redemption of literary loans	324,034	324,034	-
Total expenditures	56,365,506	69,572,906	(13,207,400)
<b>Deficiency of revenues under expenditures</b>	(54,962,821)	(66,898,912)	(11,936,091)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds:			
General Fund	45,000,141	45,000,141	-
Conference Center Fund	1,000,000	1,000,000	-
Capital Projects Fund	-	242,866	242,866
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,467,411	1,460,559	(6,852)
Tax Increment Financing - South Norfolk Fund	608,148	608,148	-
Proffers Fund	776,005	776,005	-
Total transfers from other funds	48,916,135	49,152,149	236,014
Payments from component unit - Public Schools Capital Projects Fund	-	89,846	89,846
Premiums on general obligation bonds issued	-	438,313	438,313
Proceeds from general obligation refunding bonds issued	137,346	13,175,000	13,037,654
Total other financing sources (uses)	49,053,481	62,855,308	13,801,827
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	(5,909,340)	(4,043,604)	1,865,736
<b>Fund balance - beginning</b>	33,241,774	33,241,774	-
<b>Fund balance - ending</b>	\$ 27,332,434	29,198,170	1,865,736

*This page intentionally left blank*

**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

Schedule O

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year				
General construction projects:							
General Government:							
1011210100	American with Disability Act III	8,661	-	-	8,661	-	8,661
1011500100	Public Works/Public Utilities Operation Relocation Ph I	9,700,000	2,419,996	43,531	2,463,527	48,744	7,187,729
1011600100	Mosquito Control Facility Relocation	3,828,000	61,220	86,517	147,737	612,263	3,068,000
1011700100	Airport Authority Renovations	307,000	-	55,300	55,300	-	251,700
1011800100	Compressed Natural Gas (CNG) Fueling Station # 2	1,350,000	-	-	-	-	1,350,000
1021200100	Facilities High Priority Renewal & Replacement	3,289,147	3,234,600	53,640	3,288,240	-	907
1021200100	Facilities High Priority Renewal & Replacement	267,860	204,486.84	63,373	267,860	-	-
1021500100	High Priority Renewal and Replacements III	1,800,000	209,004	789,031	998,036	-	-
1021600100	Solid Waste Facility Relocation	2,170,000	-	-	-	-	801,964
1021700100	Dominion Boulevard Corridor	345,600	-	135,186	135,186	-	2,170,000
1030810100	American with Disability Act II	13,366	2,900	-	2,900	-	210,414
1041500100	Municipal Parking Lots and Sidewalks II	400,000	-	213,788	213,788	-	10,466
1041600100	Western Branch Property Acquisition	1,900,000	1,900,000	-	1,900,000	-	186,212
1041700100	South Norfolk - Strategic Acquisition of Real Property	3,351,974	-	14,327	14,327	7,302	3,330,346
1051000100	Parole & Probation	3,100,000	-	-	-	-	3,100,000
1051600100	Disaster Recovery Backup Radio System	32	-	-	32	-	32
1051600100	Disaster Recovery Backup Radio System	101,268	101,059	209	101,268	-	-
1051700100	Council Chambers and Work Session Room	115,790	115,354	115,354	115,354	-	436
1061600100	Enterprise Kronos Upgrade	158,425	128,574	-	128,574	-	29,851
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	600,000	-	325,816	325,816	226,138	48,046
1071600100	FCC Narrowbanding Compliance	289,100	226,971	61,429	288,400	125	575
1071700100	Enterprise Wide Technology Improvement - Phase III	250,000	-	1,600	1,600	18,121	230,280
1081600100	Project 25 Radio System	9,601,674	56,440	9,935	66,375	48,239	9,487,060
1081700100	Human Services Case Management System	750,000	-	256,236	256,236	128,336	365,427
1090900100	South Norfolk Strategic Development	31,325	-	-	-	21,682	9,643
1090900100	South Norfolk Strategic Development	1,968,675	1,962,751	5,925	1,968,675	-	-
1091100100	Greenbrier - Wayfinding Signage	236,411	66,976	-	66,976	-	169,435
1091400100	Human Services - HVAC/Emergency Exit	8,320	-	-	-	-	8,320
1091400100	Human Services - HVAC/Emergency Exit	1,471,680	1,471,022	658	1,471,680	-	-
1101200100	South Norfolk Community Development	100,000	32,812	-	32,812	-	67,188
1101410100	Telephone System Upgrade	73,126	(39,346)	59,606	20,260	-	52,866
1111700100	Maximo Upgrade and Integration to Peoplesoft	305,600	-	-	-	-	305,600
1121100100	Enterprise Wide Technology Improvement	23	-	-	-	-	23
1121100100	Enterprise Wide Technology Improvement	61,017	54,713	6,304	61,017	-	-
1121400100	e-Government Initiative Phase II Web 2.0	8,200	-	-	-	-	8,200
1121400100	e-Government Initiative Phase II Web 2.0	73,800	16,400	57,400	73,800	-	-
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	866,374	-	92,210	92,210	627,111	147,053
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	133,626	-	133,626	133,626	-	-
1131200100	Greenbrier Center District - Greenbrier TIF	4,992,451	1,490,964	31,699	1,522,664	455,533	3,014,255
1131210100	Battlefield/Volvo Improvements	681,402	571,649	-	571,649	-	109,753
1131700100	WCTV Field and Remote Equipment Replacements	204,170	-	203,875	203,875	-	295

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1141000100	\$	99,697	33,376	33,376	66,321	-	66,321
1141700100		272,495	272,369	272,369	126	-	126
1150900100		3,740	500	500	3,240	-	3,240
1151000100		694,319	-	154,880	539,439	86,086	453,353
1151100100		88,723	-	88,723	-	-	-
1151200100		254,947	-	254,947	-	-	254,947
1151200100		273,143	-	273,143	-	-	-
1151300100		753,587	168,874	718,019	35,568	35,568	-
1161200100		2,879	-	2,879	-	-	-
1161200100		313,975	34,604	313,975	-	-	2,879
1181000100		250,000	-	250,000	-	-	-
1181200100		1,970,000	5,670	1,958,631	11,369	10,990	379
1181300100		10,915,970	493,073	2,716,042	8,199,928	82,550	8,117,378
1191200100		248,127	-	248,127	-	-	161,962
1191200100		5,351,873	(97,364)	5,351,873	-	-	-
1201000100		1,310,238	-	1,310,238	-	-	1,310,238
1201200100		61,992	-	61,992	-	28,346	33,647
1201200100		2,847,564	291,596	2,847,564	-	-	-
1211200100		4,300,000	694	694	4,299,306	-	4,299,306
1221000100		395,000	367,479	367,479	27,521	-	27,521
1230900100		7,177	1,328	1,328	5,850	-	5,850
1271500100		854	-	854	-	-	854
1271500100		482,204	-	482,204	-	-	-
1271600100		703,265	-	225,584	477,680	313,688	163,992
1280500100		1,259,236	-	1,259,236	-	-	-
1281500100		5,500,000	2,698,421	3,976,406	1,523,594	994,419	529,174
1300900100		335	-	335	-	-	335
1411300100		812,344	-	812,344	-	-	-
1441300100		208,745	200	74,575	134,169	108,857	25,312
1451300100		1,300,000	4,416	712,076	587,925	-	587,925
1491700100		1,524	-	1,524	-	-	1,524
1501700100		296,400	31,954	138,104	158,296	128,040	30,256
1501700100		12,174	-	12,174	-	-	12,174
1561700100		134,826	122,160	134,826	-	-	-
1611200100		3,284,073	699,314	699,640	2,584,433	1,038,361	1,546,072
1611200100		776,932	87,638	518,831	258,101	158,341	99,760
1621200100		23,068	-	23,068	-	-	-
1621200100		934,565	81,120	81,120	853,445	47,378	806,067
1621200100		800,000	5,425,097	5,425,097	-	-	-
1631200100		14,851	7,426	14,851	800,000	-	800,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1631210100	Elizabeth River Landing Park	910,881	887,337	1,798,218	2,401,783	2,226,453	175,330
1911200100	Personal Property System Rewrite	700,000	220,739	512,120	187,880	30,504	157,376
1921200100	Human Resource/Payroll System	929,241	153,345	298,045	631,196	28,835	602,361
1921200100	Human Resource/Payroll System	27,317	27,317	-	-	-	- *
1981200100	Community Revitalization	1,366,359	813,956	813,956	552,404	-	552,404
Total General Government		114,522,954	35,675,520	50,115,982	64,406,972	7,931,034	56,475,938
Department of Public Safety:							
1040900200	Grade Crossing Safety & Intersection	148,779	-	-	148,779	-	148,779
1040900200	Grade Crossing Safety & Intersection	1,221	1,221	1,221	-	-	- *
1041800200	Jail Expansion to Address Overcrowding	375,000	-	-	375,000	-	375,000
1061100200	Land Acquisition - Fire Station #10 / Police Precinct #6	540	-	-	540	-	540
1071100200	Fire Station #10 - Design	1,367,000	450	60,323	1,306,227	18,199	1,288,028
1101600200	Combined Fire Station #7/Police Precinct #6	610,001	-	-	610,001	-	610,001
1131100200	Self Contained Breathing Apparatus	620	-	-	620	-	620
1141400200	Jail HVAC/Energy Retrofit	4,000,000	3,996,097	3,903	4,000,000	-	- *
1161100200	Police Precinct Building - Greenbrier	29	-	-	29	-	29
1220900200	Public Safety Building Addition Study	31,290	-	-	31,290	-	31,290
1241000200	Public Safety Facility Design	897,904	18,679	18,679	879,225	-	879,225
1251500200	Restroom Renovations Firestation #4 and #13	310,000	9,289	30,877	40,167	25,761	244,073
1371400200	Animal Service Facility	1,387,833	538,521	(5,521)	533,000	101,483	753,350
1371400200	Animal Service Facility	42,761	31,026	11,735	42,761	-	- *
1381400200	Public Safety Site Remediation / Turn Lane Construction	1,750,000	883,606	303,551	883,606	-	866,394
1391400200	Public Safety Headquarters EOC/EDC Phase I	39,946,395	3,450,021	3,753,572	36,192,823	1,160,722	35,032,101
1391400200	Public Safety Headquarters EOC/EDC Phase I	294,995	294,995	294,995	-	-	- *
1571700200	Critical Public Safety Equipment	446,369	-	446,369	-	-	-
1571700200	Critical Public Safety Equipment	278,631	-	278,631	-	-	- *
1591200200	Jail Phase II - Design	597,731	178,776	374,274	44,680	17,187	27,493
1591200200	Jail Phase II - Design	8,768,712	7,730,624	7,730,624	1,038,089	-	1,038,089 *
1971200200	Public Safety Training Academy	91,757	91,757	91,757	-	-	- *
1991200200	Sheriff Work Release Equipment	50,000	12,423	245	37,331	-	37,331
Total Department of Public Safety		61,397,568	16,942,491	1,799,382	42,655,695	1,323,352	41,332,343
Department of Public Works:							
1020720300	Gilmerton Bridge Repairs II	210,412	9,925	9,925	200,487	-	200,487
1020810300	Compostella Road Culvert and Ditch Upgrade	200,000	-	-	200,000	-	200,000
1031200300	Grade Crossing Safety Program II	200,000	-	-	200,000	-	200,000
1040600300	Gilmerton Bridge Replacement	2,129,598	68,899	68,899	2,060,699	-	2,060,699 *
1040900300	Grade Crossing Safety Program	83,477	-	-	83,477	-	83,477
1040900300	Grade Crossing Safety Program	16,523	16,523	16,523	-	-	- *
1041200300	Repairs and Maintenance Roads / Bridges	112,319	108,902	108,902	3,417	-	3,417
1050900300	Smart Traffic Center Phase 2	31,333	-	-	31,333	-	31,333
1051100300	George Washington Highway Right of Way Acquisition	915,000	906,036	8,964	915,000	-	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1081800300	\$ 500,000	-	476,944	476,944	-	-	23,056
1091800300	75,000	-	44,090	44,090	200	200	30,710
1131500300	103,563	15,008	17,823	17,823	-	-	85,740
1141500300	2,022,016	395	34,865	35,260	2,225	2,225	1,984,531
1150500300	14,851	7,426	14,851	14,851	-	-	- *
1151500300	225,000	31,420	13,425	44,845	2,420	2,420	177,735
1161500300	231,618	2,586	2,086	4,672	-	-	226,946
1171300300	198,099	-	22,421	22,421	-	-	175,678
1171500300	432,907	5,173	5,950	11,122	-	-	421,785
1200510300	357,478	600	9,450	10,050	-	-	347,428
1210820300	225,983	-	-	225,983	-	-	225,983
1210820300	204,625	169,977	34,648	204,625	-	-	- *
1211000300	2,466,200	1,581,650	543,949	2,125,599	36,190	36,190	304,411
1241500300	3,306,412	3,208,050	475	3,208,525	-	-	97,887
1270710300	1,670,708	1,332,207	-	1,332,207	-	-	338,500
1270710300	293,235	293,235	-	293,235	-	-	- *
1271300300	18,268	-	-	18,268	-	-	18,268
1271300300	1,035	-	1,035	1,035	-	-	- *
1301600300	11,657	-	-	11,657	-	-	11,657
1301600300	93,343	93,343	-	93,343	-	-	- *
1311600300	6,646	-	-	6,646	-	-	6,646
1311600300	240,854	112,124	128,750	240,854	-	-	- *
1321500300	158,202	2,200	112,940	115,140	-	-	43,062
1341100300	270,809	270,809	-	270,809	-	-	-
1341100300	533,029	343,029	-	343,029	-	-	190,000 *
1341140300	1,037,548	1,000,831	7,228	1,008,058	-	-	29,490
1351000300	15,218,000	9,100,036	171,115	1,081,150	139,465	139,465	13,997,385
1361000300	691,783	-	-	691,783	-	-	691,783
1380610300	1,993	-	-	1,993	-	-	1,993
1380610300	54,412	54,412	-	54,412	-	-	- *
1401400300	16,519	-	-	16,519	-	-	16,519
1401400300	17,481	17,481	-	17,481	-	-	- *
14414003ES	1,410,000	375,831	994,464	1,370,294	29,287	29,287	10,419
1451700300	1,536,000	-	-	1,536,000	-	-	150,000
1461700300	1,120,000	-	42,781	42,781	193,609	193,609	1,299,610
1471700300	3,300,000	-	115,288	115,288	24,800	24,800	979,912
1479910300	105,751	105,751	-	105,751	1,488,802	1,488,802	1,440,742
1481700300	398,364	-	-	398,364	-	-	398,364
1511700300	582,110	869	458,120	458,989	123,120	123,120	1
1541700300	300,000	402	96,875	97,276	191,256	191,256	11,468

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1641200300	\$	670,000	547,806	634,811	35,189	29,554	5,635
1671210300		1,205,108	386,572	805,733	399,375	-	399,375
1831200300		2,689,191	55,020	1,602,292	1,086,899	37,050	1,049,849
1881200300		2,104	-	-	2,104	-	2,104
1881200300		592	592	592	-	-	-
Total Department of Public Works	48,067,155	13,098,567	4,696,527	17,795,094	30,272,061	2,297,978	27,974,083
Department of Parks and Recreation:							
1041900400		95,000	-	-	95,000	-	95,000
1041100400		22,672	-	-	22,672	-	22,672
1061800400		231,760	199,646	199,646	32,114	4,342	27,772
1061800400		43,240	43,240	43,240	-	-	-
1091600400		458,424	95,872	351,785	106,639	15,880	90,759
1091600400		8,600	8,600	8,600	-	-	-
1161300400		36,305	-	-	36,305	-	36,305
1161300400		4,774,111	-	4,774,111	-	-	-
1170500400		143,103	200	200	142,903	-	142,903
1221200400		245,397	-	-	245,397	-	245,397
1221200400		304,603	-	304,603	-	-	-
1260700400		3,253,750	150,695	2,058,401	1,195,349	93,885	1,101,464
1271110400		119,765	26,274	90,599	29,166	26,201	2,965
1271110400		29,513	-	29,513	-	-	-
1301500400		27,505	-	-	27,505	-	27,505
1301500400		191,723	-	191,723	-	-	-
1311500400		3,145	-	-	3,145	162	2,983
1311500400		507,230	66,774	507,230	-	-	-
1321600400		100,000	77,450	77,450	22,550	-	22,550
1340600400		6,440,000	76,793	6,378,173	61,827	30,245	31,583
1340600400		3,324	-	-	3,324	-	3,324
1451400400		388,461	10,982	305,441	83,020	-	83,020
1451400400		207,296	-	24,294	183,002	107,470	75,532
1451400400		34,704	34,704	34,704	-	-	-
1461400400		17,006	-	-	17,006	-	17,006
1461400400		355,994	204,763	355,994	-	-	-
1841200400		29,003	-	29,003	-	-	-
1841200400		795,319	38,764	775,910	19,408	-	19,408
1961200400		13,734	-	-	13,734	-	13,734
1961200400		1,505,617	-	1,505,617	-	-	-
Total Department of Parks and Recreation	20,386,303	17,088,928	957,309	18,046,237	2,340,066	278,185	2,061,881

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2014

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered
	Appropriations	Prior Years	Current Year	Total				
Department of Libraries:								
1081401000 Library Renewal/Replacement Proffer	\$ 577,952	335,013	73,835	408,848	169,104	-	169,104	
1101701000 Library Technology Upgrade/Replacement	224,000	-	222,841	222,841	1,159	-	1,159	
1551701000 Library Children's Room Renovations	179,248	89,987	85,715	175,702	3,546	3,546	-	
Total Department of Libraries	981,200	425,000	382,391	807,391	173,809	3,546	170,263	
Total General construction projects	245,355,180	83,230,506	22,276,071	105,506,577	139,848,603	11,834,095	128,014,508	
School capital projects:								
9050326650 Grassfield High School	1,458,678	113,645	-	113,645	1,345,033	-	1,345,033	
Total school capital projects	1,458,678	113,645	-	113,645	1,345,033	-	1,345,033	
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	246,813,858	85,555,539	22,276,071	107,831,630	138,982,228	11,834,095	127,148,133	
Less completed projects	46,442,324			43,051,109				
Construction in progress	200,371,534			64,780,521				

\* Completed Projects  
 n/a - not applicable

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Special Revenue and Permanent Funds

## Special Revenue Funds:

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

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

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

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

**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.

**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.

**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, 2014

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Integrated Behavioral Healthcare
<b>ASSETS</b>				
Cash and temporary investments	\$ 16,879,140	6,598,944	1,028,924	5,520,924
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	475,881	88,202
Federal government	-	-	878,231	-
Receivables:				
Accounts receivable	-	-	11	3,383,230
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	-	-	-	(1,884,086)
Inventory of materials and supplies	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
<b>Total assets</b>	<b>\$ 16,879,140</b>	<b>6,598,944</b>	<b>2,383,047</b>	<b>7,108,270</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	-	83,455	501,331
Accrued expenditures	-	-	445	2,596
Other liabilities	-	-	1,449	4,885
Total liabilities	-	-	85,349	508,812
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	16,879,140	6,598,944	-	4,216,498
Committed	-	-	199,292	1,251,668
Assigned	-	-	2,098,406	1,131,292
Total fund balances	16,879,140	6,598,944	2,297,698	6,599,458
<b>Total liabilities and fund balances</b>	<b>\$ 16,879,140</b>	<b>6,598,944</b>	<b>2,383,047</b>	<b>7,108,270</b>

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
3,268,236	658,094	847,298	2,171,825	646,474	37,619,859
-	4,000	649,550	-	-	1,217,633
-	-	-	-	-	878,231
15,290	318,820	2,914	45,225	-	3,765,490
-	-	-	-	-	-
358,998	-	-	-	6,045	365,043
-	-	-	-	-	(1,884,086)
-	-	-	-	21,372	21,372
398,785	-	-	-	-	398,785
-	-	-	-	-	-
4,041,309	980,914	1,499,762	2,217,050	673,891	42,382,327
179,293	14,442	509,064	77,237	23,090	1,387,912
62,677	2,555	-	-	2,268	70,541
66,661	165,600	-	-	138,627	377,222
308,631	182,597	509,064	77,237	163,985	1,835,675
398,785	-	-	-	21,372	420,157
-	-	-	-	-	27,694,582
25,564	387,136	65	157,237	24,777	2,045,739
3,308,329	411,181	990,633	1,982,576	463,757	10,386,174
3,732,678	798,317	990,698	2,139,813	509,906	40,546,652
4,041,309	980,914	1,499,762	2,217,050	673,891	42,382,327

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds			
	Fee Supported Activities	Grants	Community Development	Open Space Agriculture Preservation
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,184,653	2,537,072	73,485	1,759,329
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	640,706	-	-
Federal government	-	2,421,158	13,654	-
Receivables:				
Accounts receivable	496,995	60,455	-	-
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	(374,614)	-	-	-
Inventory of materials and supplies	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	777,998
<b>Total assets</b>	<b>\$ 1,307,034</b>	<b>5,659,391</b>	<b>87,139</b>	<b>2,537,327</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 148,407	118,069	29,884	-
Accrued expenditures	291	464	93	-
Other liabilities	35	10	-	-
Total liabilities	148,733	118,543	29,977	-
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	5,366,956	-	-
Committed	51,560	173,892	57,162	2,537,327
Assigned	1,106,741	-	-	-
Total fund balances	1,158,301	5,540,848	57,162	2,537,327
<b>Total liabilities and fund balances</b>	<b>\$ 1,307,034</b>	<b>5,659,391</b>	<b>87,139</b>	<b>2,537,327</b>

Schedule P-1, Continued

Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
6,633,758	97,868	718,459	176,343	13,699	50,814,525
-	-	-	-	-	1,858,339
-	-	-	-	-	3,313,043
-	-	-	-	-	4,322,940
-	-	-	560	113	673
-	-	-	-	-	365,043
-	-	-	-	-	(2,258,700)
-	-	-	-	-	21,372
-	-	-	-	-	398,785
-	-	-	-	-	777,998
6,633,758	97,868	718,459	176,903	13,812	59,614,018
-	-	-	-	-	1,684,272
-	-	-	-	-	71,389
-	-	-	-	-	377,267
-	-	-	-	-	2,132,928
-	-	-	11,295	1,500	432,952
6,633,758	-	-	165,608	12,312	39,873,216
-	97,868	718,459	-	-	5,682,007
-	-	-	-	-	11,492,915
6,633,758	97,868	718,459	176,903	13,812	57,481,090
6,633,758	97,868	718,459	176,903	13,812	59,614,018

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2014

	<b>Special Revenue Funds</b>			
	<b>Tax Increment Financing Greenbrier</b>	<b>Tax Increment Financing South Norfolk</b>	<b>Virginia Public Assistance</b>	<b>Integrated Behavioral Healthcare</b>
<b>REVENUES</b>				
Taxes on real property	\$ 4,818,096	3,544,682	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,250,291	7,973,093
Federal government	-	-	8,470,140	1,077,731
Recovered costs	-	-	11,336	4,317
Investment income	29,721	11,620	1,812	9,721
Charges for services	-	-	16,292	4,713,883
Sale of food and beverages	-	-	-	5,601
Miscellaneous local revenues	-	-	-	1,500
Program income	-	-	-	-
Total revenues	4,847,817	3,556,302	12,749,871	13,785,846
<b>EXPENDITURES</b>				
Current:				
General government	1,246	25,072	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	17,772,086	18,898,106
Capital outlay	-	-	56,847	43,045
Debt service	-	-	-	-
Total expenditures	1,246	25,072	17,828,933	18,941,151
<b>Excess (deficiency) of revenues over (under) expenditures</b>	4,846,571	3,531,230	(5,079,062)	(5,155,305)
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	-	-	5,987,943	6,019,030
Transfers to other funds	(1,738,031)	(4,271,152)	(35,266)	(1,080,987)
Total other financing sources (uses)	(1,738,031)	(4,271,152)	5,952,677	4,938,043
<b>Net change in fund balance</b>	3,108,540	(739,922)	873,615	(217,262)
<b>Fund balance - beginning</b>	13,770,600	7,338,866	1,424,083	6,816,720
<b>Fund balance - ending</b>	\$ 16,879,140	6,598,944	2,297,698	6,599,458

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
-	-	-	-	-	8,362,778
-	-	-	4,947,998	-	4,947,998
2,090,201	-	-	-	-	2,090,201
552,825	-	-	-	-	552,825
800,895	-	-	-	-	800,895
217,429	-	-	-	139,296	356,725
-	2,293,253	1,906,065	1,230,857	-	17,653,559
-	-	-	-	-	9,547,871
2,367	1,501,620	2,490	-	-	1,522,130
5,014	1,159	1,492	3,824	1,138	65,501
349,093	7,721	-	-	1,059,100	6,146,089
1,127,681	-	-	-	16,304	1,149,586
-	-	-	-	-	1,500
-	-	-	-	-	-
5,145,505	3,803,753	1,910,047	6,182,679	1,215,838	53,197,658
3,737,824	5,413,317	-	-	-	9,177,459
-	-	-	5,468,865	-	5,468,865
-	-	-	-	-	-
-	-	-	-	2,135,360	2,135,360
-	-	3,287,047	-	-	39,957,239
-	179,070	-	56,583	20,543	356,088
-	-	-	-	-	-
3,737,824	5,592,387	3,287,047	5,525,448	2,155,903	57,095,011
1,407,681	(1,788,634)	(1,377,000)	657,231	(940,065)	(3,897,353)
-	1,869,660	1,744,745	18,296	1,161,563	16,801,237
(1,100,014)	(1,159)	(1,492)	(3,824)	(623,106)	(8,855,031)
(1,100,014)	1,868,501	1,743,253	14,472	538,457	7,946,206
307,667	79,867	366,253	671,703	(401,608)	4,048,853
3,425,011	718,450	624,445	1,468,110	911,514	36,497,799
3,732,678	798,317	990,698	2,139,813	509,906	40,546,652

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2014

	<b>Special Revenue Funds</b>			
	<b>Fee Supported Activities</b>	<b>Grants</b>	<b>Community Development</b>	<b>Open Space Agriculture Preservation</b>
<b>REVENUES</b>				
Taxes on real property	\$ -	-	-	640,556
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	77,700
Intergovernmental revenues:				
Commonwealth of Virginia	-	4,152,458	-	110,952
Federal government	-	3,473,669	830,513	-
Recovered costs	5,833	297	-	463
Investment income	2,086	7,373	-	52,020
Charges for services	493,881	244,906	-	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	279,166	-	41,500
Program income	-	-	649,715	-
Total revenues	501,800	8,157,869	1,480,228	923,191
<b>EXPENDITURES</b>				
Current:				
General government	-	2,254,488	-	-
Public safety	439,990	2,021,172	-	-
Public works	-	2,482	-	-
Parks	-	193	-	-
Public welfare	-	458,672	1,339,413	-
Capital outlay	-	2,335,922	152,041	615,632
Debt service	-	-	-	-
Total expenditures	439,990	7,072,929	1,491,454	615,632
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>61,810</b>	<b>1,084,940</b>	<b>(11,226)</b>	<b>307,559</b>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	-	161,173	-	-
Transfers to other funds	(2,086)	(223,390)	-	(67,520)
Total other financing sources (uses)	(2,086)	(62,217)	-	(67,520)
<b>Net change in fund balance</b>	<b>59,724</b>	<b>1,022,723</b>	<b>(11,226)</b>	<b>240,039</b>
<b>Fund balance - beginning</b>	<b>1,098,577</b>	<b>4,518,125</b>	<b>68,388</b>	<b>2,297,288</b>
<b>Fund balance - ending</b>	<b>\$ 1,158,301</b>	<b>5,540,848</b>	<b>57,162</b>	<b>2,537,327</b>

Schedule P-2, Continued

Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
-	-	-	-	-	9,003,334
-	-	-	-	-	4,947,998
-	-	-	-	-	2,090,201
-	-	-	-	-	552,825
-	-	-	-	-	800,895
-	-	-	-	-	434,425
-	-	-	-	-	21,916,969
-	-	-	-	-	13,852,053
-	-	79	-	-	1,528,802
-	172	925	1,086	103	129,266
-	-	-	-	-	6,884,876
-	-	-	-	-	1,149,586
2,590,000	-	-	-	-	2,912,166
-	-	-	-	-	649,715
2,590,000	172	1,004	1,086	103	66,853,111
-	-	-	-	-	11,431,947
-	-	-	-	-	7,930,027
-	-	-	-	-	2,482
-	-	-	-	-	2,135,553
-	-	25	-	-	41,755,349
-	-	-	-	-	3,459,683
-	-	322,369	-	-	322,369
-	-	322,394	-	-	67,037,410
2,590,000	172	(321,390)	1,086	103	(184,299)
-	-	322,369	-	-	17,284,779
(776,005)	-	-	-	-	(9,924,032)
(776,005)	-	322,369	-	-	7,360,747
1,813,995	172	979	1,086	103	7,176,448
4,819,763	97,696	717,480	175,817	13,709	50,304,642
6,633,758	97,868	718,459	176,903	13,812	57,481,090

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, 2014

		<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Taxes on real property	\$	4,837,759	4,818,096	(19,663)
Investment income		-	29,721	29,721
Total revenues		4,837,759	4,847,817	10,058
<b>EXPENDITURES</b>				
General government		443,639	1,246	442,393
Total expenditures		443,639	1,246	442,393
<b>Excess of revenues over expenditures</b>		4,394,120	4,846,571	452,451
<b>OTHER FINANCING USES</b>				
Transfer to other funds		(1,755,163)	(1,738,031)	17,132
Total other financing uses		(1,755,163)	(1,738,031)	17,132
<b>Net change in fund balance</b>		2,638,957	3,108,540	469,583
<b>Fund balance - beginning</b>		13,770,600	13,770,600	-
<b>Fund balance - ending</b>	\$	16,409,557	16,879,140	469,583

**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, 2014

		<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Taxes on real property	\$	3,534,645	3,544,682	10,037
Investment income		-	11,620	11,620
Total revenues		3,534,645	3,556,302	21,657
<b>EXPENDITURES</b>				
General government		410,211	25,072	385,139
Total expenditures		410,211	25,072	385,139
<b>Excess of revenues over expenditures</b>		3,124,434	3,531,230	406,796
<b>OTHER FINANCING USES</b>				
Transfer to other funds		(4,259,533)	(4,271,152)	(11,619)
Total other financing uses		(4,259,533)	(4,271,152)	(11,619)
<b>Net change in fund balance</b>		(1,135,099)	(739,922)	395,177
<b>Fund balance - beginning</b>		7,338,866	7,338,866	-
<b>Fund balance - ending</b>	\$	6,203,767	6,598,944	395,177

## 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, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,464,082	4,250,291	(1,213,791)
Federal government	8,034,145	8,470,140	435,995
Total intergovernmental revenue	13,498,227	12,720,431	(777,796)
Recovered costs	12,800	11,336	(1,464)
Investment income	-	1,812	1,812
Charges for services	1,200	16,292	15,092
Total revenues	13,512,227	12,749,871	(762,356)
<b>EXPENDITURES</b>			
Public welfare:			
Bureau of Public Assistance	4,211,569	3,713,579	497,990
Administration	4,041,111	3,713,470	327,641
Employment Service Program/VIEW	5,467,520	5,098,068	369,452
Food Stamp Administration	5,634,061	5,172,032	462,029
Other special programs	81,402	74,937	6,465
Capital outlay	57,900	56,847	1,053
Total expenditures	19,493,563	17,828,933	1,664,630
<b>Deficiency of revenues under expenditures</b>	(5,981,336)	(5,079,062)	902,274
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	5,987,943	5,987,943	-
Transfer to other funds	(21,121)	(35,266)	(14,145)
Total other financing sources (uses)	5,966,822	5,952,677	(14,145)
<b>Net change in fund balance</b>	(14,514)	873,615	888,129
<b>Fund balance - beginning</b>	1,424,083	1,424,083	-
<b>Fund balance - ending</b>	\$ 1,409,569	2,297,698	888,129

Integrated Behavioral Healthcare Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 875,075	890,049	14,974
Mental health grants	6,411,391	6,076,360	(335,031)
Intellectual disability grants	773,414	1,006,684	233,270
Total from the Commonwealth of Virginia	8,059,880	7,973,093	(86,787)
From the Federal government:			
Substance abuse and mental health and disability grant	1,112,284	1,077,731	(34,553)
Charges for services:			
Mental health fees	2,326,504	2,272,976	(53,528)
Intellectual disability fees	3,647,142	2,309,670	(1,337,472)
Substance abuse fees	161,500	131,237	(30,263)
Other charges for services	-	5,601	5,601
Total charges for services	6,135,146	4,719,484	(1,415,662)
Recovered costs	-	4,317	4,317
Investment income	-	9,721	9,721
Miscellaneous revenue	-	1,500	1,500
Total revenues	15,307,310	13,785,846	(1,521,464)
<b>EXPENDITURES</b>			
Public welfare	21,354,869	18,898,106	2,456,763
Capital outlay	60,545	43,045	17,500
Total expenditures	21,415,414	18,941,151	2,474,263
<b>Deficiency of revenues under expenditures</b>	<b>(6,108,104)</b>	<b>(5,155,305)</b>	<b>952,799</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	6,019,030	6,019,030	-
Transfer to other funds	(1,072,369)	(1,080,987)	(8,618)
Total other financing sources (uses)	4,946,661	4,938,043	(8,618)
<b>Net change in fund balance</b>	<b>(1,161,443)</b>	<b>(217,262)</b>	<b>944,181</b>
<b>Fund balance - beginning</b>	<b>6,816,720</b>	<b>6,816,720</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 5,655,277</b>	<b>6,599,458</b>	<b>944,181</b>

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, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restaurant food tax	\$ 2,002,670	2,090,201	87,531
Lodging sales tax	583,700	552,825	(30,875)
Lodging flat tax	793,932	800,895	6,963
Revenues from use of property	213,170	217,429	4,259
Recovered costs	15,950	2,367	(13,583)
Investment income	-	5,014	5,014
Charges for services	458,015	349,093	(108,922)
Sale of food and beverages	1,371,128	1,127,681	(243,447)
Total revenues	5,438,565	5,145,505	(293,060)
<b>EXPENDITURES</b>			
General government	4,565,110	3,737,824	827,286
Total expenditures	4,565,110	3,737,824	827,286
<b>Excess (deficiency) of revenues over (under) expenditures</b>			
	873,455	1,407,681	534,226
<b>OTHER FINANCING USES</b>			
Transfer to other funds	(1,095,000)	(1,100,014)	(5,014)
Total other financing uses	(1,095,000)	(1,100,014)	(5,014)
<b>Net change in fund balance</b>	(221,545)	307,667	529,212
<b>Fund balance - beginning</b>	3,425,011	3,425,011	-
<b>Fund balance - ending</b>	\$ 3,203,466	3,732,678	529,212

**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, 2014

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,138,314	2,293,253	154,939
Recovered costs	1,456,350	1,501,620	45,270
Investment income	-	1,159	1,159
Charges for services	10,653	7,721	(2,932)
Total revenues	3,605,317	3,803,753	198,436
<b>EXPENDITURES</b>			
General government	5,511,342	5,413,317	98,025
Capital outlay	179,070	179,070	-
Total expenditures	5,690,412	5,592,387	98,025
<b>Deficiency of revenues under expenditures</b>	<b>(2,085,095)</b>	<b>(1,788,634)</b>	<b>296,461</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,869,660	1,869,660	-
Transfer to the General Fund	-	(1,159)	(1,159)
Total other financing sources (uses)	1,869,660	1,868,501	(1,159)
<b>Net change in fund balance</b>	<b>(215,435)</b>	<b>79,867</b>	<b>295,302</b>
<b>Fund balance - beginning</b>	<b>718,450</b>	<b>718,450</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 503,015</b>	<b>798,317</b>	<b>295,302</b>

**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, 2014

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,111,834	1,906,065	(205,769)
Recovered costs	-	2,490	2,490
Investment income	-	1,492	1,492
Total revenues	2,111,834	1,910,047	(201,787)
<b>EXPENDITURES</b>			
Public welfare:			
Contract services	3,586,642	3,031,834	554,808
Administrative expenses	270,068	255,213	14,855
Total expenditures	3,856,710	3,287,047	569,663
<b>Deficiency of revenues under expenditures</b>	<b>(1,744,876)</b>	<b>(1,377,000)</b>	<b>367,876</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,744,745	1,744,745	-
Transfer to the General Fund	-	(1,492)	(1,492)
Total other financing sources (uses)	1,744,745	1,743,253	(1,492)
<b>Net change in fund balance</b>	<b>(131)</b>	<b>366,253</b>	<b>366,384</b>
<b>Fund balance - beginning</b>	<b>624,445</b>	<b>624,445</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 624,314</b>	<b>990,698</b>	<b>366,384</b>

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

E-911 Operations Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Communications sales tax	\$ 4,947,998	4,947,998	-
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	1,275,494	1,230,857	(44,637)
Investment income	-	3,824	3,824
<b>Total revenues</b>	<b>6,223,492</b>	<b>6,182,679</b>	<b>(40,813)</b>
<b>EXPENDITURES</b>			
Public safety	5,740,440	5,468,865	271,575
Capital outlay	134,166	56,583	77,583
<b>Total expenditures</b>	<b>5,874,606</b>	<b>5,525,448</b>	<b>349,158</b>
<b>Deficiency of revenues under expenditures</b>	<b>348,886</b>	<b>657,231</b>	<b>308,345</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	18,296	18,296	-
Transfer to other funds	-	(3,824)	(3,824)
<b>Total other financing sources (uses)</b>	<b>18,296</b>	<b>14,472</b>	<b>(3,824)</b>
<b>Net change in fund balance</b>	<b>367,182</b>	<b>671,703</b>	<b>304,521</b>
<b>Fund balance - beginning</b>	<b>1,468,110</b>	<b>1,468,110</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,835,292</b>	<b>2,139,813</b>	<b>304,521</b>

## CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Parks and Recreation Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Revenues from use of property	\$ 109,136	139,296	30,160
Investment income	-	1,138	1,138
Charges for services	1,477,247	1,059,100	(418,147)
Sale of food and beverages	13,956	16,304	2,348
Total revenues	1,600,339	1,215,838	(384,501)
<b>EXPENDITURES</b>			
Parks and recreation	2,791,323	2,135,360	655,963
Capital outlay	20,607	20,543	64
Total expenditures	2,811,930	2,155,903	656,027
<b>Deficiency of revenues under expenditures</b>	<b>(1,211,591)</b>	<b>(940,065)</b>	<b>271,526</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,161,563	1,161,563	-
Transfer to other funds	(621,968)	(623,106)	(1,138)
Total other financing sources (uses)	539,595	538,457	(1,138)
<b>Net change in fund balance</b>	<b>(671,996)</b>	<b>(401,608)</b>	<b>270,388</b>
<b>Fund balance - beginning</b>	<b>911,514</b>	<b>911,514</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 239,518</b>	<b>509,906</b>	<b>270,388</b>

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Fee Supported Activities Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2014

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Recovered costs	\$ 10,000	5,833	(4,167)
Investment income	-	2,086	2,086
Charges for services	1,308,479	493,881	(814,598)
Total revenues	1,318,479	501,800	(816,679)
<b>EXPENDITURES</b>			
Public safety	1,596,077	439,990	1,156,087
Capital outlay	39,081	-	39,081
Total expenditures	1,635,158	439,990	1,195,168
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(316,679)</b>	<b>61,810</b>	<b>378,489</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to the General Fund	-	(2,086)	(2,086)
Total other financing sources (uses)	-	(2,086)	(2,086)
<b>Net change in fund balance</b>	<b>(316,679)</b>	<b>59,724</b>	<b>376,403</b>
<b>Fund balance - beginning</b>	<b>1,098,577</b>	<b>1,098,577</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 781,898</b>	<b>1,158,301</b>	<b>376,403</b>

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

## 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.



Combining Statement of Net Position  
Internal Service Funds  
June 30, 2014

	Information Technology	City Garage	Self- Insurance	Total
<b>ASSETS</b>				
Current assets:				
Cash and temporary investments	\$ 6,403,270	4,301,785	23,113,258	33,818,313
Receivables:				
Accounts	13,994	93,741	-	107,735
Interest	-	-	40,836	40,836
Inventory of materials and supplies	-	432,696	-	432,696
Prepaid expenses	446,019	-	2,531,461	2,977,480
<b>Total current assets</b>	<b>6,863,283</b>	<b>4,828,222</b>	<b>25,685,555</b>	<b>37,377,060</b>
Noncurrent assets:				
Capital assets:				
Construction in progress	286,013	768,318	-	1,054,331
Buildings	507,072	159,095	20,930	687,097
Improvements other than buildings	12,912,298	170,179	-	13,082,477
Software, equipment and vehicles	18,545,324	85,410,430	265,990	104,221,744
Infrastructure	-	77,584	-	77,584
Less accumulated depreciation	(25,459,001)	(49,078,009)	(235,448)	(74,772,458)
<b>Total capital assets, net of accumulated depreciation</b>	<b>6,791,706</b>	<b>37,507,597</b>	<b>51,472</b>	<b>44,350,775</b>
<b>Total noncurrent assets</b>	<b>6,791,706</b>	<b>37,507,597</b>	<b>51,472</b>	<b>44,350,775</b>
<b>Total assets</b>	<b>\$ 13,654,989</b>	<b>42,335,819</b>	<b>25,737,027</b>	<b>81,727,835</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 222,906	448,213	795,888	1,467,007
Accrued expenses and other liabilities	152	5,011	407	5,570
Current portion of accrued vacation, sick pay, and overtime leave	138,208	70,744	4,340	213,292
Current portion of liability for self-insurance losses	-	-	6,515,894	6,515,894
<b>Total current liabilities</b>	<b>361,266</b>	<b>523,968</b>	<b>7,316,529</b>	<b>8,201,763</b>
Noncurrent liabilities:				
Accrued vacation, sick pay, and overtime leave	200,943	116,796	6,331	324,070
Liability for self-insurance losses	-	-	21,431,833	21,431,833
<b>Total noncurrent liabilities</b>	<b>200,943</b>	<b>116,796</b>	<b>21,438,164</b>	<b>21,755,903</b>
<b>Total liabilities</b>	<b>562,209</b>	<b>640,764</b>	<b>28,754,693</b>	<b>29,957,666</b>
<b>Net Position</b>				
Net investment in capital assets	6,791,706	37,507,597	51,472	44,350,775
Unrestricted	6,301,074	4,187,458	(3,069,138)	7,419,394
<b>Total net position</b>	<b>13,092,780</b>	<b>41,695,055</b>	<b>(3,017,666)</b>	<b>51,770,169</b>
<b>Total liabilities and net position</b>	<b>\$ 13,654,989</b>	<b>42,335,819</b>	<b>25,737,027</b>	<b>81,727,835</b>

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
Year Ended June 30, 2014

	Information Technology	City Garage	Self- Insurance	Total
<b>OPERATING REVENUES</b>				
Billings to departments	\$ 7,989,721	12,698,463	9,957,282	30,645,466
Billings to outside agencies & component units	952,722	1,695,933	-	2,648,655
Recovered costs	1,601	113,878	483,562	599,041
Total operating revenues	8,944,044	14,508,274	10,440,844	33,893,162
<b>OPERATING EXPENSES</b>				
Cost of materials billed	-	5,200,486	-	5,200,486
Purchases for resale	-	2,087,436	-	2,087,436
General and administrative	425,345	95,609	1,714	522,668
Other salaries and wages	3,074,213	1,621,807	208,128	4,904,148
Other fringe benefits	1,124,594	735,902	72,277	1,932,773
Self-insurance losses	-	-	5,638,523	5,638,523
Indemnity and medical claims	-	-	2,909,814	2,909,814
Other repairs and supplies	2,332,489	710,843	25,943	3,069,275
Equipment rental	402,192	6,604	1,942	410,738
Other contractual services	1,009,050	47,572	84,075	1,140,697
Depreciation and amortization	2,951,528	6,667,765	53,720	9,673,013
Insurance premiums	-	-	1,360,363	1,360,363
Total operating expenses	11,319,411	17,174,024	10,356,499	38,849,934
<b>Operating income (loss)</b>	<b>(2,375,367)</b>	<b>(2,665,750)</b>	<b>84,345</b>	<b>(4,956,772)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	11,275	7,575	102,431	121,281
Gain on sale of equipment	-	202,635	-	202,635
Loss on sale of equipment	-	(191,376)	-	(191,376)
Total nonoperating revenues (expenses)	11,275	18,834	102,431	132,540
<b>Income (loss) before transfers and contributions</b>	<b>(2,364,092)</b>	<b>(2,646,916)</b>	<b>186,776</b>	<b>(4,824,232)</b>
Transfers in	-	278,112	-	278,112
Transfers out	(31,071)	(7,575)	-	(38,646)
Capital contributions	290,640	2,328,929	-	2,619,569
<b>Increase (decrease) in net position</b>	<b>(2,104,523)</b>	<b>(47,450)</b>	<b>186,776</b>	<b>(1,965,197)</b>
<b>Total net position - beginning</b>	<b>15,197,303</b>	<b>41,742,505</b>	<b>(3,204,442)</b>	<b>53,735,366</b>
<b>Total net position - ending</b>	<b>\$ 13,092,780</b>	<b>41,695,055</b>	<b>(3,017,666)</b>	<b>51,770,169</b>

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2014

	Information Technology	City Garage	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 8,930,124	14,502,175	10,440,844	33,873,143
Payments to suppliers	(4,364,850)	(8,086,459)	(8,976,464)	(21,427,773)
Payments to employees	(4,180,366)	(2,362,312)	(277,613)	(6,820,291)
Net cash provided by (used in) operating activities	384,908	4,053,404	1,186,767	5,625,079
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	278,112	-	278,112
Transfers out	(31,071)	(7,575)	-	(38,646)
Net cash provided by (used in) noncapital financing activities	(31,071)	270,537	-	239,466
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(992,776)	(5,713,720)	-	(6,706,496)
Proceeds from sale of capital assets	-	11,259	-	11,259
Net cash used in capital and related financing activities	(992,776)	(5,702,461)	-	(6,695,237)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	11,275	7,575	160,127	178,977
Net cash provided by investing activities	11,275	7,575	160,127	178,977
Net increase (decrease) in cash and temporary investments	(627,664)	(1,370,945)	1,346,894	(651,715)
<b>Cash and temporary investments beginning of year</b>	<b>7,030,934</b>	<b>5,672,730</b>	<b>21,766,364</b>	<b>34,470,028</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 6,403,270</b>	<b>4,301,785</b>	<b>23,113,258</b>	<b>33,818,313</b>

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

Operating income (loss)	\$ (2,375,367)	(2,665,750)	84,345	(4,956,772)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,951,528	6,667,765	53,720	9,673,013
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	(13,920)	(6,099)	-	(20,019)
Prepaid expenses	(154,503)	-	(53,640)	(208,143)
Inventory of materials and supplies	-	(89,382)	-	(89,382)
Accounts payable	(40,527)	151,473	185,238	296,184
Accrued expenses and other liabilities	(744)	(22,681)	407	(23,018)
Liability for self-insurance losses	-	-	914,312	914,312
Accrued vacation, sick pay, and overtime leave	18,441	18,078	2,385	38,904
Total adjustments	2,760,275	6,719,154	1,102,422	10,581,851
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 384,908</b>	<b>4,053,404</b>	<b>1,186,767</b>	<b>5,625,079</b>

**Supplemental information on significant noncash transactions:**

Contributions of capital assets:

Information Technology	290,640	
City Garage		2,328,929

# Fiduciary Fund

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

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

Statement of Changes in Assets and Liabilities  
Special Welfare Fund  
Year Ended June 30, 2014

	Balances at July 1, 2013	Additions	Deductions	Balances at June 30, 2014
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,597	20,126	20,767	956
Total current assets	\$ 1,597	20,126	20,767	956
<b>LIABILITIES</b>				
Due to children under foster care	\$ 1,597	20,126	20,767	956
Total liabilities	\$ 1,597	20,126	20,767	956

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# Chesapeake Public Schools Component Unit

## *Major Governmental funds*

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

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

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

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

## *Fiduciary Funds:*

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

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



*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-1*

Balance Sheet – Governmental Funds  
 June 30, 2014

	General	Schools' Food Services	School Textbook	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments	\$ 40,770,643	2,897,848	4,109,011	-	47,777,502
Receivables	1,024,074	8,980	7,260	-	1,040,314
Due from federal government	17,005,954	346,565	-	-	17,352,519
Due from Commonwealth of Virginia	11,257,776	-	-	-	11,257,776
Inventory	1,586,698	435,095	-	-	2,021,793
Restricted cash and temporary investments	-	-	-	23,396,037	23,396,037
<b>Total assets</b>	<b>\$ 71,645,145</b>	<b>3,688,488</b>	<b>4,116,271</b>	<b>23,396,037</b>	<b>102,845,941</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 38,905,427	436,548	96,847	833,484	40,272,306
Claims payable	6,122,389	-	-	-	6,122,389
<b>Total liabilities</b>	<b>45,027,816</b>	<b>436,548</b>	<b>96,847</b>	<b>833,484</b>	<b>46,394,695</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues - sales taxes	3,624,780	-	-	-	3,624,780
<b>Total deferred inflows</b>	<b>3,624,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,624,780</b>
<b>Fund balances:</b>					
Nonspendable:					
Inventory	1,586,698	435,095	-	-	2,021,793
Restricted:					
Capital Projects	-	-	-	22,562,553	22,562,553
Food services	-	2,816,845	-	-	2,816,845
School textbook	-	-	4,019,424	-	4,019,424
Future health, dental, worker's compensation	19,125,968	-	-	-	19,125,968
Technology	107,725	-	-	-	107,725
Instruction	1,218,664	-	-	-	1,218,664
Assigned to:					
Instruction	953,494	-	-	-	953,494
<b>Total fund balances</b>	<b>22,992,549</b>	<b>3,251,940</b>	<b>4,019,424</b>	<b>22,562,553</b>	<b>52,826,466</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 71,645,145</b>	<b>3,688,488</b>	<b>4,116,271</b>	<b>23,396,037</b>	
<b>Adjustments for the statement of net position:</b>					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					229,441,016
Long-term liabilities are not reported as liabilities in the governmental funds.					(56,376,139)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(278,140,621)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					2,957
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds.					3,624,780
<b>Net position of governmental activities</b>					<b>\$ (48,621,541)</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-2*

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2014

	General	Schools' Food Services	Schools' Textbook	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental:					
From City of Chesapeake	\$ 178,345,206	-	-	-	178,345,206
From Commonwealth of Virginia	207,399,456	265,897	-	-	207,665,353
From Federal government	20,840,875	7,382,533	-	-	28,223,408
Donated commodities from Federal government	-	836,377	-	-	836,377
<b>Total intergovernmental</b>	<b>406,585,537</b>	<b>8,484,807</b>	<b>-</b>	<b>-</b>	<b>415,070,344</b>
Charges for services	10,705,876	3,986,731	-	-	14,692,607
Interest	56,531	11,112	10,517	89,846	168,006
Miscellaneous	858,469	34,303	12,724	90,000	995,496
<b>Total revenues</b>	<b>418,206,413</b>	<b>12,516,953</b>	<b>23,241</b>	<b>179,846</b>	<b>430,926,453</b>
<b>EXPENDITURES</b>					
Education:					
Administration	8,354,515	-	-	-	8,354,515
Instruction	325,917,480	-	4,333,540	-	330,251,020
Attendance and health services	5,930,593	-	-	-	5,930,593
Pupil transportation	26,045,067	-	-	-	26,045,067
Operations and maintenance	41,884,001	-	-	-	41,884,001
School facilities services	438,493	-	-	-	438,493
School technology services	12,463,649	-	-	-	12,463,649
<b>Total education</b>	<b>421,033,798</b>	<b>-</b>	<b>4,333,540</b>	<b>-</b>	<b>425,367,338</b>
Food services	-	12,382,527	-	-	12,382,527
Debt service	2,052,384	-	-	-	2,052,384
Payment to primary government – return of interest income	56,531	-	-	89,846	146,377
Capital outlay	2,113,812	-	-	8,565,095	10,678,907
<b>Total expenditures</b>	<b>425,256,525</b>	<b>12,382,527</b>	<b>4,333,540</b>	<b>8,654,941</b>	<b>450,627,533</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,050,112)</b>	<b>134,426</b>	<b>(4,310,299)</b>	<b>(8,475,095)</b>	<b>(19,701,080)</b>
Other financing sources (uses):					
Proceeds from capital leases	2,113,812	-	-	-	2,113,812
Payment from primary government for capital outlay	-	-	-	3,915,112	3,915,112
<b>Total other financing sources (uses)</b>	<b>2,113,812</b>	<b>-</b>	<b>-</b>	<b>3,915,112</b>	<b>6,028,924</b>
<b>Net change in fund balances</b>	<b>(4,936,300)</b>	<b>134,426</b>	<b>(4,310,299)</b>	<b>(4,559,983)</b>	<b>(13,672,156)</b>
<b>Fund balances at beginning of year</b>	<b>27,847,133</b>	<b>3,072,475</b>	<b>8,329,723</b>	<b>27,122,536</b>	<b>66,371,867</b>
Increase (decrease) in reserve for inventory	81,716	45,039	-	-	126,755
<b>Fund balances at end of year</b>	<b>\$ 22,992,549</b>	<b>3,251,940</b>	<b>4,019,424</b>	<b>22,562,553</b>	<b>52,826,466</b>

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-2, Continued*

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2014

**Adjustments for the statement of activities:**

Net change in fund balance from previous page	\$ (13,672,156)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period.	6,463,456
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balances by the cost of the equipment sold.	(92,787)
Some capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. Capital leases are not revenues in the statement of activities.	(2,113,812)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,751,604
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues.	5,171
Because some sales taxes will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.	144,221
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	126,755
Changes in net OPEB obligations are reported only in the statement of activities	(124,344)
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences liabilities incurred exceeded the amount used by \$2,562,684, pension liability incurred exceeded contributions made by \$1,513 and self insurance amount paid exceeded claims incurred by \$703,759.	(1,860,438)
<b>Change in net position of governmental activities</b>	<b>\$ (9,372,330)</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-3*

Statement of Fiduciary Net Position – Fiduciary Funds  
 June 30, 2014

	<b>Schools' OPEB</b>	
	<b>Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ -	5,074,816
Investments, at fair value		
Money market trust	11,658,005	-
<b>Total assets</b>	<b>\$ 11,658,005</b>	<b>5,074,816</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Due to students	\$ -	5,074,816
Total liabilities	-	5,074,816
<b>Net position:</b>		
Held in trust for other postemployment benefits	11,658,005	-
Total net position	11,658,005	-
<b>Total liabilities and net position</b>	<b>\$ 11,658,005</b>	<b>5,074,816</b>

**CITY OF CHESAPEAKE, VIRGINIA  
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-3A*

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
Year Ended June 30, 2014

	<b>Schools' OPEB Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 7,753,753
Plan member contributions	3,154,443
Total contributions	10,908,196
Net investment income:	
Net appreciation in the fair value of investments	1,242,941
Total investment income	1,242,941
<b>Total additions</b>	<b>\$ 12,151,137</b>
<b>DEDUCTIONS</b>	
Benefits	\$ 9,908,197
Administrative expenses	12,178
<b>Total deductions</b>	<b>9,920,375</b>
<b>Change in net position</b>	<b>2,230,762</b>
<b>Net position at beginning of year</b>	<b>9,427,243</b>
<b>Net position at end of year</b>	<b>\$ 11,658,005</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-4*

General Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Intergovernmental:				
City of Chesapeake	\$ 177,417,342	178,417,342	178,345,206	(72,136)
Commonwealth of Virginia	208,058,710	208,091,828	207,399,456	(692,372)
Federal government	27,087,786	27,052,168	20,840,875	(6,211,293)
Charges for services	2,300,800	2,300,800	10,705,876	8,405,076
Interest	-	-	56,531	56,531
Miscellaneous	657,135	659,635	858,469	198,834
<b>Total revenues</b>	<b>415,521,773</b>	<b>416,521,773</b>	<b>418,206,413</b>	<b>1,684,640</b>
<b>EXPENDITURES</b>				
Education:				
Administration	7,895,946	8,277,859	8,354,515	76,656
Instruction	319,319,987	323,083,322	325,917,480	2,834,158
Attendance and health services	5,813,338	5,763,338	5,930,593	167,255
Pupil transportation	24,635,586	25,097,800	26,045,067	947,267
Operations and maintenance	41,629,596	41,010,609	41,884,001	873,392
School facilities services	488,280	449,380	438,493	(10,887)
School technology services	14,034,599	12,673,747	12,463,649	(210,098)
Capital Outlay	-	-	2,113,812	2,113,812
<b>Total education</b>	<b>413,817,332</b>	<b>416,356,055</b>	<b>423,147,610</b>	<b>6,791,555</b>
Debt service:				
Principal	1,751,604	1,751,604	1,751,604	-
Interest	300,780	300,780	300,780	-
<b>Total debt service</b>	<b>2,052,384</b>	<b>2,052,384</b>	<b>2,052,384</b>	<b>-</b>
Payment to primary government – return of interest income	-	-	56,531	56,531
<b>Total expenditures</b>	<b>415,869,716</b>	<b>418,408,439</b>	<b>425,256,525</b>	<b>6,848,086</b>
<b>Total revenues over (under) expenditures</b>	<b>\$ (347,943)</b>	<b>(1,886,666)</b>	<b>(7,050,112)</b>	<b>(5,163,446)</b>
Other financing sources (uses):				
Proceeds from capital leases			2,113,812	
Total other financing uses			2,113,812	
Total revenues over expenditures and other financing uses			(4,936,300)	
Fund balance at beginning of year			27,847,133	
Increase in reserve for inventory			81,716	
Fund balance at end of year			<u>\$ 22,992,549</u>	

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-5*

Schools' Food Services Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 152,000	152,000	265,897	113,897
Federal government	7,260,000	7,260,000	7,382,533	122,533
Charges for services	4,550,000	4,550,000	3,986,731	(563,269)
Interest	10,000	10,000	11,112	1,112
Miscellaneous	25,000	25,000	34,303	9,303
Total revenues	11,997,000	11,997,000	11,680,576	(316,424)
<b>EXPENDITURES</b>				
Operating costs:				
Purchases for resale	4,660,000	4,460,000	3,858,209	(601,791)
Food service salaries and fringe benefits	6,949,625	6,949,625	6,301,727	(647,898)
General and administrative	1,080,400	1,280,400	1,197,601	(82,799)
Other repairs and supplies	313,000	318,000	163,682	(154,318)
Capital outlay	10,000	5,000	14,875	9,875
Other expenditures	14,250	14,250	10,056	(4,194)
Total expenditures	13,027,275	13,027,275	11,546,150	(1,481,125)
Total revenues over (under) expenditures	\$ (1,030,275)	(1,030,275)	134,426	1,164,701
Fund balance at beginning of year			3,072,475	
Decrease in reserve for inventory			45,039	
Fund balance at end of year			<u>\$ 3,251,940</u>	

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

*Schedule S-6*

School Textbook Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Year Ended June 30, 2014

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Interest	\$ 35,000	35,000	10,517	(24,483)
Miscellaneous	5,000	5,000	12,724	7,724
Total revenues	40,000	40,000	23,241	(16,759)
<b>EXPENDITURES</b>				
Instruction:				
Textbooks	5,899,883	5,899,883	3,693,939	(2,205,944)
Expendable workbooks	10,000	10,000	639,601	629,601
Total expenditures	5,909,883	5,909,883	4,333,540	(1,576,343)
Total revenues over (under) expenditures	\$ (5,869,883)	(5,869,883)	(4,310,299)	1,559,584
Fund balance at beginning of year			8,329,723	
Fund balance at end of year			\$ 4,019,424	

## Other Component Units

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

## CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Position  
 Other Component Units  
 June 30, 2014

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
<b>ASSETS</b>		
Current assets:		
Cash and temporary investments	\$ 4,488,352	14,622
Inventory of materials and supplies	267,992	-
Receivables, net of allowance for uncollectible amounts	-	80
Total current assets	4,756,344	14,702
<b>Total assets</b>	<b>\$ 4,756,344</b>	<b>14,702</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 125,795	6,432
Total current liabilities	125,795	6,432
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
<b>Total liabilities</b>	<b>125,795</b>	<b>950,839</b>
<b>Fund Balance</b>		
Nonspendable:		
Inventory	267,992	-
Committed:		
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	2,268,829	-
<b>Net Position</b>		
Unrestricted	-	(936,137)
<b>Total fund balance and net position</b>	<b>4,630,549</b>	<b>(936,137)</b>
<b>Total liabilities, fund balance, and net position</b>	<b>\$ 4,756,344</b>	<b>14,702</b>
<b>Reconciliation to Net Position:</b>		
Total fund balance	\$ 4,630,549	
Capital assets - net of depreciation	2,926,321	
<b>Net Position</b>	<b>\$ 7,556,870</b>	

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Chesapeake Mosquito Control Commission  
 Year Ended June 30, 2014

	<b>Chesapeake Mosquito Control Commission</b>
<b>REVENUES</b>	
Property taxes	\$ 3,902,508
Investment income	9,860
Other	128,852
Total revenues	4,041,220
<b>EXPENDITURES</b>	
Other salaries and wages	1,794,701
Other fringe benefits	710,962
Other repairs and supplies	572,247
Other postemployment benefits	98,535
Insurance premiums	274,753
Capital outlay	120,647
Other	346,507
Total expenditures	3,918,352
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>122,868</b>
<b>Fund balance - beginning</b>	<b>4,507,681</b>
<b>Fund balance - ending</b>	<b>\$ 4,630,549</b>

**Reconciliation to Change in Net Position:**

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

Net change in fund balance	\$ 122,868
Depreciation expense	(186,118)
Loss on disposal	(34,581)
Capital outlay expenditures	120,647
<b>Change in Net Position</b>	<b>\$ 22,816</b>

Statement of Revenue, Expenditures, and Changes in Net Position  
 Chesapeake Port Authority  
 Year Ended June 30, 2014

	<b>Chesapeake Port Authority</b>
<b>OPERATING REVENUE</b>	
Other income	\$ 42,135
Total operating revenues	42,135
<b>OPERATING EXPENSES</b>	
General and administrative	12,395
Other expenses	40,955
Total operating expenditures	53,350
<b>Operating loss</b>	<b>(11,215)</b>
<b>NONOPERATING REVENUES</b>	
Appropriations from the City	11,106
Total nonoperating revenues	11,106
<b>Increase (decrease) in net position</b>	<b>(109)</b>
<b>Net position - beginning</b>	<b>(936,028)</b>
<b>Net position - ending</b>	<b>\$ (936,137)</b>

Statement of Cash Flows  
 Chesapeake Port Authority  
 Year Ended June 30, 2014

	<b>Chesapeake Port Authority</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 48,487
Payments to suppliers	(53,350)
Net cash provided by operating activities	(4,863)
<b>CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	
Appropriation from City	11,106
Net increase in cash and temporary investments	6,243
<b>Cash and temporary investments beginning of year</b>	<b>8,379</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 14,622</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (11,215)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts receivable	(80)
Accounts payable	6,432
Total adjustments	6,352
<b>Net cash used in operating activities</b>	<b>\$ (4,863)</b>

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

# STATISTICAL SECTION

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

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Net Position by Component  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2005	2006	2007	2008
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 588,733,474	649,736,620	666,474,648	684,361,590
Restricted for:				
Capital projects	9,684,866	6,604,716	8,818,429	8,353,966
Debt service	10,976,974	7,585,894	9,498,240	6,836,388
Other purposes:				
Expendable	1,270,039	32,080,786	39,740,870	44,031,261
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	158,375,919	175,198,047	193,675,640	199,553,990
<b>Total business-type activities net position</b>	<b>\$ 769,054,067</b>	<b>871,218,858</b>	<b>918,220,622</b>	<b>943,149,990</b>
<b>Business-Type Activities</b>				
Net investment in capital assets	\$ 249,688,287	254,349,571	263,256,688	275,037,856
Restricted for:				
Capital projects	2,061,689	3,260,963	3,053,741	2,919,414
Debt service	5,710,688	5,532,370	4,987,244	4,995,386
Other purposes:				
Expendable	38,493,631	46,287,418	55,711,887	66,957,564
Nonexpendable	1,986,705	1,619,932	2,492,078	1,956,411
Unrestricted	1,986,705	1,619,932	2,492,078	1,956,411
<b>Total business-type activities net position</b>	<b>\$ 297,941,000</b>	<b>311,050,254</b>	<b>329,501,638</b>	<b>351,866,631</b>
<b>Primary Government</b>				
Net investment in capital assets	\$ 838,421,761	904,086,191	929,731,336	959,399,446
Restricted for:				
Capital projects	11,746,555	9,865,679	11,872,170	11,273,380
Debt service	16,687,662	13,118,264	14,485,484	11,831,774
Other purposes:				
Expendable	39,763,670	78,368,204	95,452,757	95,452,179
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	160,362,624	176,817,979	196,167,718	201,510,401
<b>Total primary government net position</b>	<b>\$ 1,066,995,067</b>	<b>1,182,269,112</b>	<b>1,247,722,260</b>	<b>1,279,479,975</b>
<b>Component Units</b>				
Net investment in capital assets	\$ 76,186,297	84,249,220	97,490,222	124,861,846
Restricted for:				
Capital projects	6,602,465	5,669,625	32,955,766	23,851,420
Other purposes:				
Expendable	-	-	-	2,010,154
Unrestricted	(10,102,135)	(13,520,512)	(8,265,134)	(52,681,911)
<b>Total component units net position</b>	<b>\$ 72,686,627</b>	<b>76,398,333</b>	<b>122,180,854</b>	<b>98,041,509</b>

Table 1

Fiscal Years					
2009	2010	2011	2012	2013	2014
701,163,988	711,456,653	735,161,026	762,765,688	715,309,724	725,639,898
6,797,052	6,733,774	7,208,270	7,541,231	7,945,218	7,730,629
7,032,992	5,977,598	5,585,278	2,974,020	3,051,674	1,104,771
48,053,608	61,966,212	64,874,383	66,019,778	65,320,915	71,603,633
12,795	12,795	12,795	12,795	12,795	12,795
186,150,360	172,115,671	197,640,231	180,953,477	194,955,789	212,685,592
949,210,795	958,262,703	1,010,481,983	1,020,266,989	986,596,115	1,018,777,318
287,074,512	274,620,304	282,334,648	286,255,165	338,956,191	363,131,229
3,110,328	1,421,019	2,969,658	1,765,682	4,909,101	4,192,551
6,095,925	8,400,300	11,051,969	10,331,849	40,167,626	36,168,752
71,224,863	90,743,786	99,837,905	116,409,613	112,058,449	133,882,562
1,161,632	(1,229,016)	(1,185,861)	(1,543,594)	(1,170,944)	(18,150,568)
368,667,260	373,956,393	395,008,319	413,218,715	494,920,423	519,224,526
988,238,500	986,076,957	1,017,495,674	1,049,020,853	1,054,265,915	1,088,771,127
9,907,380	8,154,793	10,177,928	9,306,913	12,854,319	11,923,180
13,128,917	14,377,898	16,637,247	13,305,869	43,219,300	37,273,523
119,278,471	152,709,998	164,712,288	182,429,391	177,379,364	205,486,195
12,795	12,795	12,795	12,795	12,795	12,795
187,311,992	170,886,655	196,454,370	179,409,883	193,784,845	194,535,024
1,317,878,055	1,332,219,096	1,405,490,302	1,433,485,704	1,481,516,538	1,538,001,844
144,813,085	155,905,524	177,640,500	218,780,868	226,212,630	231,613,876
36,422,441	44,293,952	22,133,039	15,625,180	27,122,536	22,562,553
1,994,027	2,334,502	1,234,356	38,848,921	36,950,588	27,909,453
(91,627,322)	(143,537,497)	(189,089,275)	(286,045,269)	(303,617,981)	(298,929,160)
91,602,231	58,996,481	11,918,620	(12,790,300)	(13,332,227)	(16,843,278)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2005	2006	2007	2008
<b>Program Revenues</b>				
Governmental activities:				
Charges for Services:				
General government	\$ 12,691,638	11,164,814	11,622,631	11,413,581
Public safety	5,140,050	5,975,514	6,128,427	6,025,679
Public works	1,379,049	1,331,973	1,285,196	1,460,197
Parks and recreation	174,071	74,469	74,480	79,588
Public welfare	2,121,147	2,635,982	2,715,215	3,466,956
Operating grants and contributions	77,669,726	90,120,716	91,298,815	99,583,775
Capital grants and contributions	35,617,170	27,830,644	13,814,033	11,219,370
Total governmental activities program revenues	<u>\$ 134,792,851</u>	<u>139,134,112</u>	<u>126,938,797</u>	<u>133,249,146</u>
Business-type activities:				
Charges for Services:				
Public Utilities	\$ 39,725,069	42,572,239	47,743,685	52,591,554
Chesapeake Transportation System	6,911,794	7,074,711	7,375,691	7,217,160
Stormwater Management	4,600,299	4,713,008	6,645,062	10,580,469
Northwest River Park	138,998	128,933	120,954	108,187
Jordan Bridge	1,649,017	1,538,705	1,591,275	1,501,230
Recreation	630,819	694,222	711,779	716,131
Operating grants and contributions	1,248,956	1,858,181	2,878,949	2,591,258
Capital grants and contributions	8,134,879	10,928,051	13,419,662	15,845,647
Total business-type program revenues	<u>\$ 63,039,831</u>	<u>69,508,050</u>	<u>80,487,057</u>	<u>91,151,636</u>
Total primary government program revenues	<u>\$ 197,832,682</u>	<u>208,642,162</u>	<u>207,425,854</u>	<u>224,400,782</u>
Component Units				
Charges for Services:				
Public Schools	\$ 7,287,354	7,870,493	8,398,845	8,227,885
Chesapeake Port Authority	-	-	-	-
Chesapeake Airport Authority	278,615	361,632	371,644	391,022
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	64,151
Operating grants and contributions	67,183,629	76,851,214	86,696,917	87,790,467
Capital grants and contributions	2,181,385	1,343,384	1,922,839	1,907,684
Total component unit program revenues	<u>\$ 76,930,983</u>	<u>86,426,723</u>	<u>97,390,245</u>	<u>98,381,209</u>
Total primary government and component units program revenues	<u>\$ 274,763,665</u>	<u>295,068,885</u>	<u>304,816,099</u>	<u>322,781,991</u>

Table 2

Fiscal Years					
2009	2010	2011	2012	2013	2014
15,214,785	14,634,265	15,176,526	15,655,753	19,070,413	17,991,011
5,749,819	6,066,443	7,170,555	8,004,960	4,552,411	4,930,678
1,661,573	2,533,979	1,819,486	572,422	491,789	579,655
1,040,947	1,058,795	1,203,236	1,185,891	1,119,617	1,199,110
3,240,175	3,758,146	3,907,048	3,634,765	3,876,330	4,730,175
94,712,370	93,882,445	112,543,495	114,361,618	95,148,851	94,884,033
21,872,574	10,319,478	2,840,507	2,971,533	7,941,256	4,135,767
143,492,243	132,253,551	144,660,853	146,386,942	132,200,667	128,450,429
56,097,409	55,733,051	66,688,401	63,871,301	59,999,277	66,585,995
6,910,173	7,097,481	8,151,134	10,488,113	10,310,889	10,475,725
13,036,755	14,194,442	14,767,660	14,833,052	14,973,046	15,183,909
-	-	-	-	-	-
527,523	-	-	-	-	-
-	-	-	-	-	-
1,871,101	1,145,292	1,185,967	1,309,146	1,501,314	1,132,388
10,661,753	3,597,675	3,102,397	2,662,708	32,250,518	7,412,395
89,104,714	81,767,941	93,895,559	93,164,320	119,035,044	100,790,412
232,596,957	214,021,492	238,556,412	239,551,262	251,235,711	229,240,841
7,426,524	7,245,368	7,243,389	7,097,754	7,628,806	14,692,607
-	-	38,550	36,210	39,400	42,135
394,838	431,858	435,781	424,813	434,049	429,444
78,675	88,050	96,100	100,730	97,283	110,753
85,261,245	89,515,940	100,528,447	112,735,654	93,629,158	99,476,140
1,895,524	955,420	1,125,139	1,541,294	1,204,851	1,311,294
95,056,806	98,236,636	109,467,406	121,936,455	103,033,547	116,062,373
327,653,763	312,258,128	348,023,818	361,487,717	354,269,258	345,303,214

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 102,155,781	101,278,295	117,954,878	135,964,547
Public safety	71,944,068	77,947,397	82,617,025	93,861,996
Public works	40,171,186	40,314,100	44,270,405	52,669,486
Parks and recreation	4,040,492	6,417,776	6,747,501	7,553,891
Public welfare	37,546,666	38,702,645	40,178,450	43,104,880
Education	143,874,317	157,328,449	209,181,274	212,504,699
Interest on long term debt	19,215,361	19,785,611	20,504,113	20,048,717
Depreciation and amortization - net unallocated portion	21,051,803	21,445,311	22,485,199	22,321,802
Total governmental activities	<u>\$ 439,999,674</u>	<u>463,219,584</u>	<u>543,938,845</u>	<u>588,030,018</u>
Business-type activities:				
Public Utilities	\$ 39,964,142	41,565,116	45,326,237	49,066,651
Chesapeake Transportation System	8,822,878	9,353,137	10,069,048	9,353,126
Stormwater Management	3,578,748	3,244,651	3,504,445	6,200,482
Northwest River Park	103,767	110,101	108,625	114,018
Jordan Bridge	1,111,030	1,082,663	1,149,121	1,368,308
Recreation	629,371	665,589	666,376	681,384
Total business-type activities	<u>\$ 54,209,936</u>	<u>56,021,257</u>	<u>60,823,852</u>	<u>66,783,969</u>
Total primary government	<u>\$ 494,209,610</u>	<u>519,240,841</u>	<u>604,762,697</u>	<u>654,813,988</u>
Component units				
Public Schools	\$ 348,832,222	374,191,792	413,008,600	495,669,077
Chesapeake Mosquito Control Commission	3,606,347	4,137,568	4,558,222	4,595,989
Economic Development Authority	2,760,873	5,105,041	5,120,015	3,529,822
Chesapeake Port Authority	2,000	12,984	14,672	15,404
Chesapeake Airport Authority	1,151,836	1,202,651	1,421,866	1,295,891
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	70,361
Total component units	<u>\$ 356,353,278</u>	<u>384,650,036</u>	<u>424,123,375</u>	<u>505,176,544</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (305,206,823)	(324,085,472)	(417,000,048)	(454,780,872)
Business-type activities	8,829,895	13,486,793	19,663,205	24,367,667
Total primary government net expense	<u>\$ (296,376,928)</u>	<u>(310,598,679)</u>	<u>(397,336,843)</u>	<u>(430,413,205)</u>
Total component units net expense	<u>\$ (279,422,295)</u>	<u>(298,223,313)</u>	<u>(326,733,130)</u>	<u>(406,795,335)</u>

Table 2, Continued

Fiscal Years					
2009	2010	2011	2012	2013	2014
143,489,932	143,639,154	138,721,838	144,974,198	149,330,767	152,704,171
91,889,008	87,113,239	90,494,294	100,787,254	83,454,031	93,375,929
47,649,415	48,092,037	40,170,140	47,637,435	40,647,017	38,746,709
9,066,099	7,795,681	8,344,251	7,804,170	9,693,509	2,516,007
44,005,141	42,497,064	44,417,008	44,804,508	40,991,944	42,027,655
226,520,024	213,633,155	179,064,673	203,047,686	208,985,915	189,942,276
18,948,390	19,234,044	19,801,226	17,885,365	15,821,682	15,001,553
22,760,633	22,734,730	21,783,568	20,169,069	19,429,215	18,824,944
604,328,642	584,739,104	542,796,998	587,109,685	568,354,080	553,139,244
51,901,055	53,143,253	54,051,300	56,133,023	54,559,573	57,339,899
9,945,582	11,183,690	9,728,730	10,587,608	11,981,231	10,430,045
7,140,754	8,838,137	8,903,174	7,761,421	9,256,065	8,755,098
-	-	-	-	-	-
2,074,693	181,365	-	-	-	-
-	-	-	-	-	-
71,062,084	73,346,445	72,683,204	74,482,052	75,796,869	76,525,042
675,390,726	658,085,549	615,480,202	661,591,737	644,150,949	629,664,286
500,750,043	486,073,626	474,747,371	472,886,416	449,879,147	444,265,205
4,833,609	4,717,522	4,087,128	4,630,205	4,520,768	4,018,404
2,380,983	2,232,533	1,521,383	2,364,300	883,000	789,713
12,479	8,619	38,752	44,866	50,187	53,350
1,396,948	1,656,760	1,297,329	1,324,282	1,285,463	1,359,188
107,633	110,503	116,800	145,536	188,512	179,427
509,481,695	494,799,563	481,808,763	481,395,605	456,807,077	450,665,287
(460,836,399)	(452,485,553)	(398,136,145)	(440,722,743)	(436,153,413)	(424,688,815)
18,042,630	8,421,496	21,212,355	18,682,268	43,238,175	24,265,370
(442,793,769)	(444,064,057)	(376,923,790)	(422,040,475)	(392,915,238)	(400,423,445)
(414,424,889)	(396,562,927)	(372,341,357)	(359,459,150)	(353,773,530)	(334,602,914)

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2005	2006	2007	2008
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 224,842,486	260,070,410	290,780,794	306,455,101
Other local taxes	n/a	n/a	n/a	n/a
Public service taxes	n/a	n/a	n/a	n/a
Sales taxes	n/a	n/a	n/a	n/a
Local sales and use taxes	31,989,281	34,355,722	35,952,042	35,091,242
Business license taxes	21,461,924	23,853,491	24,170,737	24,381,697
Consumer utility taxes	20,087,144	20,203,462	21,166,147	23,556,638
Other taxes	38,078,922	41,289,606	41,880,370	41,183,079
Grants and contributions not restricted to specific programs	31,790,594	33,769,560	32,178,481	31,527,350
Unrestricted investment earnings	3,132,655	8,312,030	13,435,389	11,268,317
Miscellaneous	990,374	3,906,011	3,101,211	4,103,726
Transfers	849,137	489,971	1,336,063	2,143,668
Total general activities revenues & transfers	<u>\$ 373,222,517</u>	<u>426,250,263</u>	<u>464,001,234</u>	<u>479,710,818</u>
Business-type activities:				
Unrestricted investment earnings	\$ 185,162	112,432	124,242	140,994
Transfers	(849,137)	(489,971)	(1,336,063)	(2,143,668)
Total business-type activities revenues & transfers	<u>\$ (663,975)</u>	<u>(377,539)</u>	<u>(1,211,821)</u>	<u>(2,002,674)</u>
Total primary government revenues & transfers	<u>\$ 372,558,542</u>	<u>425,872,724</u>	<u>462,789,413</u>	<u>477,708,144</u>
Component Units:				
Payment from City	\$ 136,398,571	150,652,116	202,519,335	204,566,937
Grants and contributions not restricted to specific programs	145,451,853	149,142,199	166,996,775	170,014,139
Unrestricted investment earnings	73,136	1,204,100	2,410,518	4,065,837
Miscellaneous	651,726	936,605	589,023	2,747,274
Total component units	<u>\$ 282,575,286</u>	<u>301,935,020</u>	<u>372,515,651</u>	<u>381,394,187</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 68,015,694	102,164,791	47,001,186	24,929,946
Business-type activities	8,165,920	13,109,254	18,451,384	22,364,993
Total primary government net change in net position	<u>\$ 76,181,614</u>	<u>115,274,045</u>	<u>65,452,570</u>	<u>47,294,939</u>
Total component units net change in net position	<u>\$ 3,152,991</u>	<u>3,711,707</u>	<u>45,782,521</u>	<u>(25,401,148)</u>

Table 2, Continued

Fiscal Years					
2009	2010	2011	2012	2013	2014
308,040,890	307,213,245	298,873,974	293,799,799	288,743,868	298,879,122
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
32,772,077	31,888,444	32,065,910	33,751,538	34,451,337	35,389,855
23,960,628	22,022,114	23,030,916	24,752,986	24,268,792	25,068,518
10,016,340	10,115,683	10,312,035	10,027,978	10,258,697	10,450,356
47,569,929	48,297,304	49,341,676	50,533,368	50,956,443	50,985,268
31,439,703	31,520,409	31,510,142	31,646,114	31,739,924	31,725,721
7,444,350	3,881,599	2,281,828	2,400,850	162,669	1,538,560
3,516,856	3,465,033	2,778,515	3,123,243	2,961,604	2,871,351
370,150	3,133,630	160,429	471,873	5,295,381	(38,733)
465,130,923	461,537,461	450,355,425	450,507,749	448,838,715	456,870,018
64,430	1,269	-	-	-	-
(370,150)	(3,133,630)	(160,429)	(471,873)	(5,295,381)	38,733
(305,720)	(3,132,361)	(160,429)	(471,873)	(5,295,381)	38,733
464,825,203	458,405,100	450,194,996	450,035,876	443,543,334	456,908,751
218,635,536	205,717,540	171,309,720	195,333,708	201,293,387	182,260,318
183,774,094	155,771,193	152,297,184	137,894,439	151,059,807	147,665,810
1,764,666	1,105,263	591,149	333,931	86,192	168,006
3,811,315	1,363,181	1,065,443	1,188,152	792,217	1,046,806
407,985,611	363,957,177	325,263,496	334,750,230	353,231,603	331,140,940
4,294,524	9,051,908	52,219,280	9,785,006	12,685,302	32,181,203
17,736,910	5,289,135	21,051,926	18,210,395	37,942,794	24,304,103
22,031,434	14,341,043	73,271,206	27,995,401	50,628,096	56,485,306
(6,439,278)	(32,605,750)	(47,077,861)	(24,708,920)	(541,927)	(3,461,974)

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

## CITY OF CHESAPEAKE, VIRGINIA

Table 3

Fund Balances, Governmental Funds  
Last Ten Fiscal Years - Unaudited

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

	Fiscal Years				
	2010	2011	2012	2013	2014
<b>General Fund <sup>2</sup></b>					
Nonspendable	\$ -	1,215,836	1,128,589	1,173,244	1,189,121
Restricted for cash flow emergencies	-	30,710,709	30,923,382	30,923,382	31,310,247
Restricted other	-	3,758,367	1,011,910	833,686	700,071
Committed for operating emergencies	-	25,592,084	25,769,311	25,769,311	26,091,873
Committed for emergency event response and recovery	-	20,000,000	20,000,000	20,000,000	20,000,000
Committed other	-	28,300,785	21,354,919	19,799,695	19,669,549
Assigned	-	9,217,166	1,288,513	4,364,542	1,677,416
Unassigned	-	19,406,510	33,445,706	40,797,644	52,230,084
Reserved:					
Expendable	25,528,781	-	-	-	-
Unreserved:					
Designated for cash flow emergencies	32,100,281	-	-	-	-
Designated for operating emergencies	26,783,568	-	-	-	-
Designated - General Fund	3,900,779	-	-	-	-
Undesignated	41,699,790	-	-	-	-
Total general fund	130,013,199	138,201,457	134,922,330	143,661,504	152,868,361
<b>All Other Governmental Funds <sup>1</sup></b>					
Nonspendable	-	232,310	215,768	203,387	593,670
Restricted	-	43,324,930	38,624,448	34,357,794	40,383,450
Committed	-	37,283,577	35,592,442	27,181,725	25,246,730
Assigned	-	131,466,032	108,523,321	116,794,758	107,129,606
Unassigned	-	(30,855)	(21,229)	(146,211)	-
Reserved:					
Expendable	48,617,453	-	-	-	-
Nonexpendable	12,795	-	-	-	-
Unreserved:					
Designated for debt service	38,282,537	-	-	-	-
Designated for construction projects	-	-	-	-	-
Designated - Special Revenue Funds	3,100,225	-	-	-	-
Undesignated - Capital Projects Fund	26,962,867	-	-	-	-
Undesignated - Special Revenue Funds	58,467,663	-	-	-	-
Undesignated - Permanent Funds	171,038	-	-	-	-
Total all other governmental funds	175,614,578	212,275,994	182,934,750	178,391,453	173,353,456
<b>Total Governmental Funds</b>	<b>\$ 305,627,777</b>	<b>350,477,451</b>	<b>317,857,080</b>	<b>322,052,957</b>	<b>326,221,817</b>

<sup>1</sup> Total Governmental Funds expendable minus General Fund expendable.<sup>2</sup> With the implementation of the Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, the fund balance is divided into five categories: Nonspendable, Restricted, Committed, Assigned and Unassigned. Previously, fund categories were comprised of reserved, unreserved-designated and unreserved-undesignated. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

**CITY OF CHESAPEAKE, VIRGINIA**

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

	2005	2006	2007	2008
<b>REVENUES</b>				
General property taxes	\$ 224,815,562	254,570,961	287,428,178	303,752,471
Other local taxes	111,617,271	115,380,212	117,811,881	118,584,264
Licenses, permits, and fees	2,900,145	7,422,144	8,267,568	8,320,450
Fines and forfeitures	2,929,501	3,587,702	3,284,658	3,571,138
Investment income	3,361,642	7,628,030	12,277,373	10,159,705
Revenues from use of property	402,355	692,489	752,247	821,971
Charges for services	12,586,752	13,094,005	14,430,213	15,356,589
Miscellaneous local revenues	701,593	1,181,755	2,111,967	2,579,045
Recovered costs	3,522,595	3,039,786	2,235,212	2,452,331
Program income	172,643	179,969	196,657	140,431
Revenues from local developers	1,737,131	2,360,155	1,539,730	1,088,464
Intergovernmental revenues:				
Commonwealth of Virginia	91,882,899	99,075,408	101,746,899	106,204,101
Federal government	17,469,444	19,257,416	16,213,096	19,646,487
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Mosquito Control Commission	-	300,000.00	300,000	300,000
Chesapeake Public Schools	2,252,275	3,461,393	3,050,079	4,456,580
Total revenues	476,351,808	531,231,425	571,645,758	597,434,027
<b>EXPENDITURES</b>				
Current:				
General government	96,583,251	99,715,504	104,994,583	114,701,994
Public safety	70,474,672	76,643,995	83,176,840	91,538,720
Public works	41,022,326	42,423,515	47,655,696	52,950,476
Parks and recreation	3,932,120	6,373,828	6,910,347	7,827,906
Public welfare	37,357,981	37,860,700	39,744,863	41,520,684
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.				1,040,243
Education - Payments to Public Schools	137,190,122	150,652,116	202,519,335	204,566,937
General government - Payments to Mosquito Control Commission	-	-	-	-
Capital outlay	34,960,257	51,450,380	44,627,098	37,665,536
Debt service:				
Principal	26,854,851	29,135,993	30,420,147	33,226,719
Interest	19,760,635	19,369,437	21,508,440	20,321,152
Total expenditures	468,136,215	513,625,468	581,557,349	605,360,367
<b>Excess (deficiency) of revenues over (under) expenditures</b>	8,215,593	17,605,957	(9,911,591)	(7,926,340)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	68,380,647	70,582,784	110,177,288	112,215,093
Proceeds from equipment capital leases	-	531,918	-	-
General obligation bonds issued	13,815,000	15,865,000	-	-
General obligation refunding bonds issued	-	-	-	-
Transfers to other funds	(68,917,222)	(70,584,457)	(110,345,316)	(117,513,581)
Payment to refunded bond escrow agent	(913,530)	-	-	-
Premiums on general obligation bonds issued	394,743	59,276	-	-
VPSA bond proceeds	19,275,000	26,935,000	28,080,000	9,490,000
Premiums on VPSA bonds	1,147,404	1,072,963	927,672	513,048
Total other financing sources (uses)	33,182,042	44,462,484	28,839,644	4,704,560
<b>Net change in fund balances</b>	\$ 41,397,635	62,068,441	18,928,053	(3,221,780)
<b>Debt service as a percentage of noncapital expenditures</b> <sup>1</sup>	10.76%	10.50%	9.67%	9.43%

<sup>1</sup> Debt service as a percentage of noncapital expenditures is calculated as follows:  
(debt service payments (principal and interest) / total expenditures less capital outlay expenditures)

Table 4

Fiscal Years					
2009	2010	2011	2012	2013	2014
305,829,730	304,947,151	296,632,594	293,402,936	290,256,858	295,012,634
114,318,974	112,323,545	114,750,537	119,065,871	119,935,269	121,893,999
7,803,173	7,575,603	7,972,072	8,307,084	8,091,767	8,526,755
2,335,259	2,028,178	2,261,473	2,675,066	3,000,462	2,689,990
6,904,289	3,591,409	2,050,170	2,252,138	220,723	1,417,282
848,257	804,015	778,597	898,374	895,198	946,050
16,237,073	18,153,264	18,828,633	17,862,425	17,754,480	18,047,555
4,352,154	3,173,343	1,794,641	2,129,706	2,400,427	4,542,690
2,548,192	2,272,195	1,809,704	2,036,718	1,736,917	1,853,213
277,191	206,739	124,629	158,692	69,815	649,715
705,995	831,779	412,363	585,076	669,054	809,803
101,886,059	95,205,573	103,376,371	106,086,317	103,681,099	105,987,373
17,117,982	19,485,307	31,301,818	35,562,794	19,525,713	15,611,161
3,188,902	9,012,210	7,508,761	2,262,536	1,769,751	1,853,891
-	-	-	-	-	-
2,229,109	960,855	541,907	269,357	119,662	146,377
586,582,339	580,571,166	590,144,270	593,555,090	570,127,195	579,988,488
118,517,768	117,475,619	115,688,136	118,108,161	114,270,761	116,553,224
88,970,424	87,356,259	89,830,242	97,250,186	90,042,746	89,357,145
52,872,322	54,166,903	48,602,743	49,987,411	53,610,904	50,867,236
8,889,221	8,364,559	8,397,383	8,251,131	8,237,407	8,705,783
43,289,297	42,255,922	44,026,969	44,353,875	41,062,109	41,755,349
50,282	53,368	43,133	33,625	-	-
218,635,536	205,717,540	171,309,720	195,333,708	201,293,387	182,260,318
-	-	-	347,408	-	-
32,194,102	42,246,435	56,570,778	67,227,782	26,928,990	27,565,329
35,766,343	37,413,352	27,821,247	40,084,951	42,023,919	56,969,642
19,497,740	17,129,985	29,811,366	18,612,948	16,496,449	15,151,883
618,683,035	612,179,942	592,101,717	639,591,186	593,966,672	589,185,909
(32,100,696)	(31,608,776)	(1,957,447)	(46,036,096)	(23,839,477)	(9,197,421)
105,080,053	113,218,228	109,787,305	95,800,084	97,153,386	82,474,033
-	4,490,443	-	-	-	-
23,015,000	2,555,000	52,845,000	-	-	-
17,255,000	-	-	76,840,000	-	13,175,000
(105,121,391)	(109,862,086)	(116,595,421)	(95,643,209)	(99,773,872)	(82,721,065)
(17,774,815)	-	-	(84,369,830)	-	-
732,755	-	770,237	5,786,007	-	438,313
34,285,000	12,280,000	-	14,170,000	26,690,000	-
2,715,026	978,896	-	832,673	3,997,373	-
60,186,628	23,660,481	46,807,121	13,415,725	28,066,887	13,366,281
28,085,932	(7,948,295)	44,849,674	(32,620,371)	4,227,410	4,168,860
9.42%	9.57%	10.76%	10.26%	10.32%	12.84%

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

	Fiscal Years				
	2005	2006	2007	2008	2009
Real Property Assessed Value <sup>1</sup>	\$ 14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526
Real Property Estimated Actual Value <sup>1</sup>	14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526
Personal Property Assessed Value <sup>1</sup>	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067
Personal Property Estimated Actual Value <sup>1</sup>	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067
Total Assessed Value	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593
Total Direct Tax Rate <sup>2</sup>	1.53	1.46	1.30	1.24	1.22
Estimated Actual Value	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2010	2011	2012	2013	2014
Real Property Assessed Value <sup>1</sup>	\$ 25,479,133,480	24,341,395,672	23,821,885,769	23,197,467,449	23,391,965,862
Real Property Estimated Actual Value <sup>1</sup>	25,479,133,480	24,341,395,672	23,821,885,769	23,197,467,449	23,391,965,862
Personal Property Assessed Value <sup>1</sup>	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642	1,965,284,896
Personal Property Estimated Actual Value <sup>1</sup>	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642	1,965,284,896
Total Assessed Value	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091	25,357,250,758
Total Direct Tax Rate <sup>2</sup>	1.23	1.24	1.25	1.26	1.27
Estimated Actual Value	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091	25,357,250,758
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

<sup>1</sup> Source: City of Chesapeake Commissioner of the Revenue<sup>2</sup> The Direct Tax Rate is calculated using a formula that includes the City's actual current tax rates which are \$1.04 per \$100 for real property and \$4.00 per \$100 for personal property.

Direct and Overlapping Property Tax Rates<sup>2,3</sup>  
 Last Ten Fiscal Years - Unaudited  
 (rate per hundred)

		Fiscal Years									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real Estate <sup>1,2</sup>	\$	1.26	1.21	1.09	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Motor Vehicles		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles <sup>4</sup>		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 <sup>5</sup>		1.50	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property <sup>4</sup>		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes <sup>6</sup>		1.26	1.21	1.09	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Machinery & Tools <sup>4</sup>		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm <sup>4</sup>		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes <sup>4</sup>		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate <sup>7</sup>		1.53	1.46	1.30	1.24	1.22	1.23	1.24	1.25	1.26	1.27

<sup>1</sup> Assessment of Real Estate is 100 percent of fair market value.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> The general tax rate on boat assessments was reduced to \$0.01 per \$100 effective January 1, 2006.

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

<sup>7</sup> The Direct tax rate is calculated using a weighted formula that includes the current tax rates of \$1.04 for real property and \$4.00 for personal property.

**SOURCE: City of Chesapeake, Ordinances**

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers  
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2014		Fiscal Year 2005	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 691,475,259	2.96%	\$ 585,382,845	3.98%
Liberty Property LTD Partnership	Shopping Center & Office Bldg	92,020,600	0.39%	-	-
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	88,153,400	0.38%	95,505,500	0.65%
Chesapeake Mall LLC	Shopping Mall	60,744,100	0.26%	79,976,600	0.54%
CP Venture Two LLC	Shopping Center, Bank, Restaurant	53,859,800	0.23%	48,721,400	0.33%
Woodlake Co Limited Partnership	Apartment Complex	51,677,100	0.22%	44,346,800	0.30%
Chesapeake CVSD LN Apt Prop Own	Apartment Complex	48,471,000	0.21%	-	-
352 LLC	Apartment Complex	44,080,700	0.19%	-	-
Wal-Mart Stores East LP	Shopping Center	42,618,700	0.18%	-	-
JLP Chesapeake LLC	Retail	41,029,700	0.18%	36,566,400	0.25%
Cove Land LLC	Apartment Complex	-	-	36,850,000	0.25%
Crossways Associates LLC	Office Buildings	-	-	30,698,800	0.21%
CPRE 1 Bay LLC	Apartment Complex	-	-	28,129,600	0.19%
Dollar Tree Distribution Inc	Distribution Center	-	-	27,371,400	0.19%
Total Top Ten Principal Taxpayers <sup>1</sup>		\$ 1,214,130,359	5.19%	\$ 1,013,549,345	6.89%
Total Assessed Valuation <sup>2</sup>		\$ 23,391,965,862		\$ 14,713,238,641	

Source: <sup>1</sup> City of Chesapeake Real Estate Assessor

<sup>2</sup> City of Chesapeake Commissioner of Revenue

**CITY OF CHESAPEAKE, VIRGINIA**

**Table 8**

Property Tax Levies  
Last Ten Fiscal Years - Unaudited

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

	<b>Fiscal Years</b>				
	2010	2011	2012	2013	2014
Real Property <sup>1</sup>	\$ 256,686,437	244,714,892	239,592,086	232,728,788	234,953,853
Motor Vehicles	52,583,399	54,526,861	57,005,425	58,046,052	60,253,531
Motor Carriers	783,122	772,340	832,321	1,078,933	1,096,643
Recreation Vehicles	398,344	435,204	428,150	434,856	468,503
Boats <sup>2</sup>	18,376	15,348	38	16,577	25,467
Business	10,907,821	11,110,574	10,871,320	10,823,401	11,393,593
Motor Homes	161,994	158,567	150,445	145,410	133,526
Machinery & Tools	2,467,120	2,656,780	2,525,561	2,807,478	2,840,962
Farm	122,016	124,308	125,153	137,745	136,734
Airplanes	52,265	49,359	44,540	40,719	51,540

<sup>1</sup> Public service corporation property is not included

<sup>2</sup> 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

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 9*

Property Tax Levies and Collections  
Last Ten Fiscal Years - Unaudited

<b>Fiscal Years</b>	<b>Original Levy</b>	<b>Adjusted Levy<sup>4</sup></b>	<b>Collected in Initial Period<sup>1,2,3</sup></b>	<b>Percent of Levy Collected Within Fiscal Year of Levy</b>	<b>Collections in Subsequent Years<sup>1</sup></b>	<b>Cumulative Tax Collections</b>	<b>Cumulative Collections as a Percent of Adjusted Tax Levy</b>
2005	250,428,244	255,317,793	235,274,576	94%	13,409,939	248,684,515	97%
2006	281,317,257	285,378,750	270,230,570	96%	14,388,659	284,619,229	100%
2007	313,521,798	316,965,021	302,736,730	97%	14,887,180	317,623,910	100%
2008	333,265,029	335,672,237	320,625,461	96%	16,051,166	336,676,627	100%
2009	333,315,537	333,586,467	321,158,867	96%	13,018,637	334,177,504	100%
2010	335,044,180	335,000,692	322,313,673	96%	13,567,900	335,881,573	100%
2011	325,454,707	325,119,953	293,876,393	90%	14,782,282	308,658,675	95%
2012	322,131,965	322,915,229	307,325,140	95%	13,822,471	321,147,611	99%
2013	317,138,129	318,995,853	303,370,705	96%	12,163,282	315,533,987	99%
2014	322,052,626	320,093,719	309,803,612	96%	-	309,803,612	97%

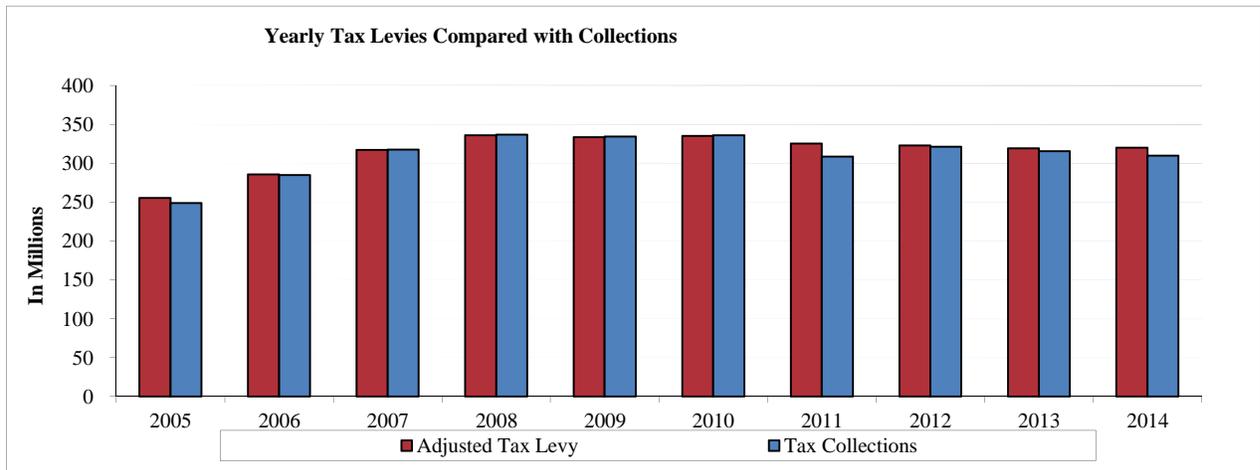
<sup>1</sup> Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit.

<sup>2</sup> Collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

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

<sup>4</sup> Adjusted Levy reflects residual amount after exonerations and reassessments.

Source: City of Chesapeake Commissioner of the Revenue



**CITY OF CHESAPEAKE, VIRGINIA**

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

	2005	2006	2007	2008
General Obligation Bonds <sup>5</sup>	\$ 368,101,103	386,216,974	386,364,926	365,942,083
School Literary Loans	5,726,848	5,177,355	4,627,862	4,078,369
Certificates of Participation	2,060,000	-	-	-
Installment Purchase Agreement	-	-	1,342,284	1,342,284
Section 108 Loans	2,255,000	1,995,000	1,715,000	1,415,000
Edinburgh Loan Payable	-	-	-	-
Supplemental Payments Agreement	25,870,000	24,205,000	23,160,000	22,065,000
Capital Leases to Component Unit	34,335,000	31,750,000	28,915,000	25,960,000
Capital Leases	12,112,890	12,170,380	12,590,549	8,903,865
Notes Payable	48,578	-	-	-
<b>Total Governmental Activities<sup>1</sup></b>	<b>\$ 450,509,419</b>	<b>461,514,709</b>	<b>458,715,621</b>	<b>429,706,601</b>

	2005	2006	2007	2008
General Obligation Bonds <sup>2,5</sup>	\$ 137,891,769	132,943,657	127,952,342	123,202,703
Utility Notes Payable	575,000	460,000	345,000	230,000
Revenue Bonds <sup>5</sup>	21,378,469	21,388,950	21,399,431	21,024,910
Due to the Commonwealth of Virginia	71,958,461	71,078,118	68,520,358	68,163,966
<b>Total Business-Type Activities</b>	<b>231,803,699</b>	<b>225,870,725</b>	<b>218,217,131</b>	<b>212,621,579</b>
<b>Total Primary Government</b>	<b>\$ 682,313,118</b>	<b>687,385,434</b>	<b>676,932,752</b>	<b>642,328,180</b>

Percent of Personal Income <sup>3</sup> 9.39% 8.87% 8.35% 7.29%

All Debt Per Capita <sup>3,4</sup> 3,149 3,144 3,059 2,871

<sup>1</sup> Represents net direct debt.

<sup>2</sup> 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.

<sup>3</sup> See Table 18 Demographic and Economic Statistics for personal income and population data.

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

<sup>5</sup> General obligation bonds and revenue bonds for governmental and business-type activities are reported net of premiums, discounts and refunding costs.

<sup>6</sup> GASB 65 was implemented in fiscal year 2013 which requires unamortized deferred gains/losses on refunding (previously referred to as "refunding gains/costs") to be reflected as deferred inflows/outflows of resources on the financial statements and are no longer to be included in the outstanding debt amount.

n/a = not yet available.

Table 10

Governmental Activities					
2009	2010	2011	2012	2013 <sup>6</sup>	2014 <sup>6</sup>
392,746,796	374,866,922	393,645,104	379,311,630	374,250,425	330,377,432
3,528,876	2,979,383	2,429,890	1,920,312	1,596,819	1,272,785
-	-	-	-	-	-
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
1,095,000	755,000	390,000	-	-	-
-	-	-	3,566,037	3,372,767	2,918,727
20,925,000	19,735,000	18,495,000	17,190,000	15,825,000	14,390,000
22,875,000	19,650,000	16,245,000	3,905,000	1,740,000	-
5,173,336	7,065,815	4,572,549	2,713,052	1,717,634	756,950
-	-	-	-	-	-
447,686,292	426,394,404	437,119,827	409,948,315	399,844,929	351,058,178

Business-Type Activities					
2009	2010	2011	2012	2013 <sup>6</sup>	2014 <sup>6</sup>
118,352,808	113,726,503	109,491,935	104,530,235	102,400,760	96,811,378
115,000	-	-	-	-	-
20,625,391	56,704,446	56,228,710	54,994,987	193,293,117	205,804,863
67,321,762	65,828,257	66,265,372	63,210,753	63,483,912	64,252,400
206,414,961	236,259,206	231,986,017	222,735,975	359,177,789	366,868,641
654,101,253	662,653,610	669,105,844	632,684,290	759,022,719	717,926,819
7.36%	7.28%	6.99%	6.20%	n/a	n/a
2,904	2,919	2,992	2,765	3,322	3,101

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

General Bonded Debt Outstanding								
Fiscal Year	Governmental	Business-Type	Total	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>
	Activities General Obligation Bonds <sup>1</sup>	Activities General Obligation Bonds <sup>1,4</sup>	General Obligation Bonds					
2005	\$ 368,101,103	137,891,769	505,992,872	5,726,848	-	511,719,720	3.14%	\$ 2,362
2006	386,216,974	132,943,657	519,160,631	5,177,355	-	524,337,986	2.74%	2,398
2007	386,364,926	127,952,342	514,317,268	4,627,862	1,342,284	520,287,414	2.19%	2,351
2008	365,942,083	123,202,703	489,144,786	4,078,369	1,342,284	494,565,439	1.86%	2,210
2009	392,746,796	118,352,808	511,099,604	3,528,876	1,342,284	515,970,764	1.89%	2,291
2010	374,866,922	113,726,503	488,593,425	2,979,383	1,342,284	492,915,092	1.81%	2,171
2011	393,645,104	109,491,935	503,137,039	2,429,890	1,342,284	506,909,213	1.94%	2,267
2012	379,311,630	104,530,235	483,841,865	1,920,312	1,342,284	487,104,461	1.90%	2,129
2013 <sup>5</sup>	374,250,425	102,400,760	476,651,185	1,596,819	1,342,284	479,590,288	1.91%	2,099
2014 <sup>5</sup>	330,377,432	96,811,377	427,188,809	1,272,785	1,342,284	429,803,878	1.69%	1,856

<sup>1</sup> General Obligation Bonds and Revenue Bonds for Governmental and Business-Type Activities are reported net of premiums, discounts and refunding costs.

<sup>2</sup> Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.

<sup>3</sup> Refer to Table 18 Demographic and Economic Statistics for population information.

<sup>4</sup> 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.

<sup>5</sup> GASB 65 was implemented in fiscal year 2013 which requires unamortized deferred gains/losses on refunding (previously referred to as "refunding gains/costs") to be reflected as deferred inflows/outflows of resources on the financial statements and are no longer to be included in the outstanding debt amount.

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 12*

Debt Affordability Indicators  
Last Ten Fiscal Years - Unaudited

*The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000 <sup>1</sup>*

<b>Fiscal Year</b>	<b>Overall Net Debt <sup>2 5</sup></b>	<b>Assessed Value of Taxable Real Property <sup>3</sup></b>	<b>Overall Net Debt to Assessed Value of Taxable Real Property</b>	<b>Population <sup>4</sup></b>	<b>Overall Net Debt Per Capita</b>
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
2011	427,773,273	24,341,395,672	1.76%	223,647	1,913
2012	400,308,060	23,821,885,769	1.68%	228,835	1,749
2013	382,862,836	23,197,467,449	1.65%	228,513	1,675
2014	337,333,541	23,391,965,862	1.44%	231,542	1,457

<sup>1</sup> Policy adopted February 27, 2007.

<sup>2</sup> Overall net debt excluding premiums and discounts.

<sup>3</sup> Source: Table 5

<sup>4</sup> Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2004 - 2006 as of April 2010) and City of Chesapeake Planning Department estimates (2007 - 2014).

<sup>5</sup> Excludes debt of business-type activities.

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

<b>Fiscal Year</b>	<b>Total General Governmental Expenditures<sup>1</sup></b>	<b>Bonded Debt Expenditures<sup>2</sup></b>	<b>Ratio of Bonded Debt Expenditures to General Governmental Expenditures</b>
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%
2011	786,367,294	53,671,048	6.83%
2012	804,601,179	54,520,530	6.78%
2013	790,069,938	54,617,831	6.91%
2014	823,045,641	68,534,817 <sup>3</sup>	8.33%

<sup>1</sup> 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.

<sup>2</sup> Expenditures for general obligation bonds, excluding those reported in Enterprise Funds.

<sup>3</sup> Includes \$13.5 million of bonded expenditure for the redemption of bonds that were refunded in April 2014.

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 14*

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

<b>Fiscal Year</b>	<b>Local Revenues <sup>1</sup></b>	<b>Bonded Debt Expenditures <sup>2</sup></b>	<b>Ratio of Bonded Debt Expenditures To Local Revenues</b>
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%
2011	548,808,465	67,150,204	12.24%
2012	549,969,765	68,582,088	12.47%
2013	542,272,274 <sup>4</sup>	66,406,955	12.25%
2014	567,826,116	79,181,410 <sup>3</sup>	13.94%

<sup>1</sup> Includes local revenues of the following funds: General, Special Revenue, Permanent, Debt Service, Chesapeake Public Schools - component unit, Chesapeake Mosquito Control Commission - component unit, Public Utilities Fund, Chesapeake Transportation System and Stormwater Fund. Excluded are Capital Projects - primary government, Chesapeake Public Schools Capital Projects - component unit, and transfers/expenditures/revenues between the City, Chesapeake Public Schools, and Elizabeth River Properties of Chesapeake.

<sup>2</sup> Includes bonded debt expenditures for governmental and business-type activities.

<sup>3</sup> Includes \$13.5 million in bonded debt expenditure for the redemption of bonds that were refunded in April 2014.

<sup>4</sup> Amount restated.

**CITY OF CHESAPEAKE, VIRGINIA***Table 15*Direct and Overlapping Governmental Activities Debt  
June 30, 2014 - Unaudited

<b>Jurisdiction</b>	<b>Debt Outstanding</b> <sup>1</sup>	<b>Percentage Applicable To Government</b>	<b>Amount Applicable To Government</b>
Direct:			
City of Chesapeake	\$ 351,058,178	100.0%	\$ 351,058,178
Overlapping:			
None	-	0.0%	-
<b>TOTAL</b>	<b>\$ 351,058,178</b>	<b>100.0%</b>	<b>\$ 351,058,178</b>

<sup>1</sup> General Obligation Bonds and Revenue Bonds for Governmental and Business-Type Activities are reported net of premiums, discounts and refunding costs.

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

*Table 16*

Fiscal Years	Debt Limit <sup>1</sup>	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
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%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%
2012	2,382,188,577	386,127,534	1,996,061,043	16.2%
2013	2,319,746,745	375,857,548	1,943,889,197	16.2%
2014	2,339,196,586	336,424,470	2,002,772,116	14.4%

<sup>1</sup> 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.

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

<b>Water and Sewer Systems</b>							
Fiscal Year	Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS <sup>3</sup>			Coverage <sup>4</sup>
				Principal	Interest	Total	
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
2011	62,490,959 <sup>5</sup>	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60
2012	61,960,470 <sup>5</sup>	38,720,225	23,240,245	750,000	1,947,443	2,697,443	8.62
2013	60,824,884 <sup>5</sup>	38,852,321	21,972,563	770,000	1,930,568	2,700,568	8.14
2014	67,418,806 <sup>5</sup>	41,653,842	25,764,964	790,000	1,911,318	2,701,318	9.54

<b>Chesapeake Expressway/Chesapeake Transportation System <sup>6</sup></b>							
Fiscal Year	Toll Revenue	Operating Expenses <sup>2</sup>	Net Toll Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS <sup>7</sup>			Coverage <sup>8</sup>
				Principal	Interest	Total	
2005	\$ 6,902,035	2,204,682	4,697,353	-	1,216,688	1,216,688	3.86
2006	7,049,208	2,480,948	4,568,260	-	1,216,688	1,216,688	3.75
2007	7,323,423	2,520,958	4,802,465	-	1,216,688	1,216,688	3.95
2008	7,189,355	2,607,820	4,581,535	385,000	1,205,859	1,590,859	2.88
2009	6,890,532	2,965,959	3,924,573	410,000	1,183,500	1,593,500	2.46
2010	7,086,364	2,803,534	4,282,830	430,000	1,159,875	1,589,875	2.69
2011	8,119,694	2,880,655	5,239,039	455,000	1,134,984	1,589,984	3.30
2012	10,393,888	2,760,383	7,633,505	480,000	1,108,688	1,588,688	4.80
2013	10,275,031	2,817,156	7,457,875	-	466,388	466,388	15.99
2014	10,450,019	2,683,507	7,766,512	-	707,318	707,318	10.98

<sup>1</sup> Revenues are defined as exclusive of interest and less fifty percent (50%) of connection fees for the Water and Sewer System under the 1987 bond resolution for all revenue bonds issued prior to fiscal year 2010. In fiscal year 2010 and in subsequent fiscal years the definition of revenues for the Water and Sewer System includes interest, 100% of connection fees, and the Build America Bonds subsidy reimbursement. Capital grants and revenues transferred to the rate stabilization fund have been excluded from the calculation.

<sup>2</sup> Operating expenses are exclusive of depreciation and amortization and renewal and replacement costs.

<sup>3</sup> As of June 30, 2005, all revenue bonds for the Water Sewer System had been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. Revenue bonds were issued in April 2010 under a new Indenture of Trust.

<sup>4</sup> As of fiscal year 2010, net revenues shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt.

<sup>5</sup> The transfers to the Rate Stabilization Fund for the fiscal years 2011 and 2012 were \$5.2 million and \$3.0 million, respectively. There were no transfers in fiscal years 2013 and 2014.

<sup>6</sup> Beginning with fiscal year 2014, the financial information is presented to be consistent with the applicable Indenture of Trust. In fiscal year 2013, a new Indenture of Trust was created for the Chesapeake Transportation System and all outstanding Chesapeake Expressway bonds were refunded.

<sup>7</sup> Beginning with fiscal year 2013, debt payments made July 15 are treated as due the previous fiscal year. Additionally, debt service shall not include the principal and interest on outstanding bonds to the extent that they are paid from bond proceeds or investment earnings on such proceeds.

<sup>8</sup> From 2005 to 2012, net toll revenues shall be sufficient in each fiscal year to equal 125% (or 1.25 times) annual debt service. Beginning in fiscal year 2013, net toll revenues shall be sufficient in each fiscal year to equal 130% (or 1.3 times) annual debt service.

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 18*

Demographic and Economic Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>2</sup> (in thousands)	Per Capita Income <sup>2</sup>	School Enrollment <sup>3</sup>	Chesapeake Unemployment Rate <sup>4</sup>	Virginia Unemployment Rate <sup>4</sup>
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	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	9,103,000	40,812	38,864	6.8%	7.0%
2011	223,647	9,565,620	42,504	38,668	6.6%	6.5%
2012	228,835	10,205,818	44,681	38,421	6.3%	6.0%
2013	228,513	n/a	n/a	38,591	5.8%	5.6%
2014	231,542	n/a	n/a	38,685	5.3%	5.3%

n/a - Information not yet available

Sources:

<sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2005 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2014). For fiscal year 2011 the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts are the basis for future population estimates generated by the Planning Department during this decade.

<sup>2</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of November 2012)

<sup>3</sup> Chesapeake Public Schools

<sup>4</sup> U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year, not seasonally adjusted - restated through December 2013)

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Principal Employers  
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2014		Fiscal Year 2005	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools <sup>1</sup>	Government	5,657	4.90%	5,012	4.19%
City of Chesapeake <sup>3</sup>	Government	3,607	3.13%	3,128	2.61%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,300	1.99%	2,400	2.01%
Cox Communications	Hampton Roads headquarters/customer care center	1,600	1.39%	800	0.67%
Sentara Home Care Services	Home care nursing	1,100	0.95%	-	0.00%
General Dynamics Information Technology	Engineering and technical services	780	0.68%	-	0.00%
Dollar Tree Stores Inc	Corporate headquarters/distribution facility	900	0.78%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration Service Center	800	0.69%	-	0.00%
Captial One	Credit Intermediation and Related Activities	650	0.56%	-	0.00%
Canon Information Technology Service Inc	Technical and consumer support	600	0.52%	-	0.00%
QVC Chesapeake Inc	Phone center/order processing facility	580	0.50%	1,276	1.07%
USAA	Insurance Claim Support	500	0.43%	-	0.00%
Oceaneering International	Transportation Equipment Manufacturing	460	0.40%	-	0.00%
Lifetouch National School Studios Inc	School photography processing plant	300	0.26%	665	0.56%
First Data Resources	Card processing center	300	0.26%	-	0.00%
Caci Acquisition Inc	Professional, Scientific and Technical Services	300	0.26%	-	0.00%
HSBC - Household International	Regional processing center for financial services	-	0.00%	1,215	1.02%
LTD Management Co LLC Marketing	Hotel development and management	-	0.00%	1,000	0.84%
LTD Management LLC	Hotel development and management	-	0.00%	810	0.68%
EDS	National employee benefits administration service center	-	0.00%	800	0.67%
Reliance Staffing Services	Employment supply service	-	0.00%	700	0.59%
ICT Groups	Technical support center	-	0.00%	500	0.42%
		20,434	17.71%	18,306	15.30%
Total Employment <sup>2</sup>		115,361		119,644	

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

<sup>1</sup> Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

<sup>2</sup> Source is Bureau of Economic Analysis, an agency of the U.S. Department of Commerce

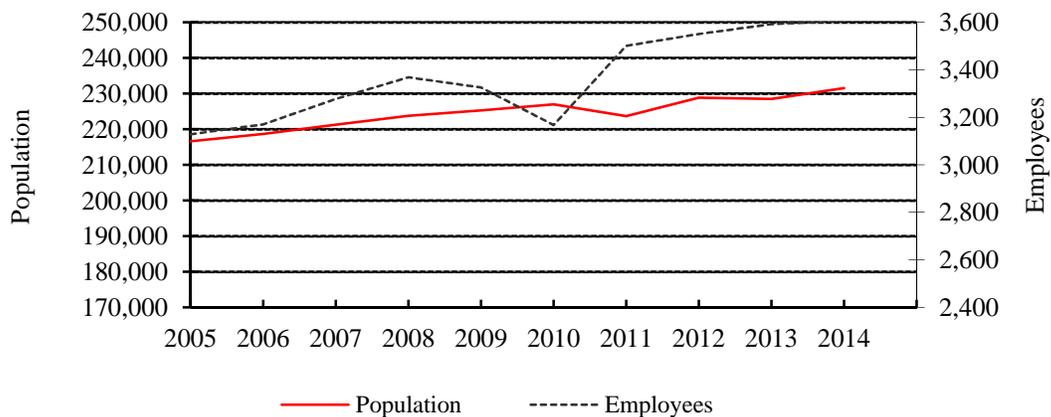
<sup>3</sup> Source is Budget Department

Municipal Employment Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <sup>1</sup>	Total Employees	Employees Per 1,000 Population
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
2011	223,647	3,501	15.7
2012	228,835	3,550	15.5
2013	228,513	3,592	15.7
2014	231,542	3,607	15.6

Sources: <sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2005 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2014)

Population and Employee Figures



**Note:** With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees, and is included in fiscal year 2011 and subsequent years.

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

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

Function/Program	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Management Services		40	41	43	43	38	42	43	42	41
Economic Development <sup>2</sup>		71	74	74	73	60	49	76	80	35
Finance		24	25	26	25	22	24	25	24	27
Information Technology		54	55	57	54	52	58	61	58	56
Human Resources		17	20	20	21	21	20	21	20	21
Budget		7	7	7	7	6	7	7	7	7
Agriculture		8	8	8	7	5	7	7	6	6
Development & Permits		7	4	7	6	28	73	76	75	78
Other		244	257	248	242	221	265	243	249	248
Police		507	498	546	520	510	543	554	548	549
Sheriff		346	389	396	403	393	407	406	400	400
Fire		418	452	426	432	415	428	444	443	443
Community Services		158	159	172	167	166	207	210	257	242
Community Programs		57	59	58	58	60	24	23	13	10
Public Works <sup>1</sup>		425	438	445	424	377	449	451	451	455
Parks, Recreation & Tourism <sup>1,2</sup>		77	81	84	89	81	177	177	192	249
Library		80	85	84	84	79	118	122	123	123
Public Utilities		195	184	194	198	184	208	208	208	210
General Services <sup>1</sup>		66	71	70	70	66	-	-	-	-
Justice		53	63	94	86	76	84	84	84	84
Health and Human Services		316	307	309	316	307	311	312	312	323
<b>Total</b>	<b>3,128</b>	<b>3,170</b>	<b>3,277</b>	<b>3,368</b>	<b>3,325</b>	<b>3,167</b>	<b>3,501</b>	<b>3,550</b>	<b>3,592</b>	<b>3,607</b>

**Source:** Personnel Summary provided by Budget Department

<sup>1</sup> Department of General Services was absorbed into the Departments of Parks, Recreation & Tourism and Public Works effective fiscal year 2011.

<sup>2</sup> Conference Center/Conventions & Tourism was moved from Economic Development into the Department of Parks, Recreation & Tourism during fiscal year 2014.

<sup>3</sup> With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees. In fiscal year 2011 and in subsequent years, part-time employees full-time equivalent are included.

**Note:** Detailed information for 2005 is not available

**CITY OF CHESAPEAKE, VIRGINIA**

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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Function/Program</b>					
General Government					
Building Permits Issued	6,769	6,481	5,547	4,843	3,947
Building Inspections Conducted	16,432	14,600	11,022	9,452	7,251
Electrical Permits Issued	4,996	4,775	4,156	3,578	3,028
Electrical Inspections Performed	13,462	12,260	12,636	11,339	8,411
Plumbing Permits Issued	2,420	2,280	1,898	1,738	1,418
Plumbing Inspections Performed	10,952	9,724	8,788	7,441	4,569
Mechanical/Gas Permits Issued	6,878	6,163	5,147	4,655	4,021
Mechanical/Gas Inspections Performed	17,981	18,447	12,769	10,241	7,028
Code Compliance Inspections	14,013	20,270	20,570	25,568	19,899
Police					
Calls for Police Service	135,054	131,669	126,458	159,180	156,618
Part I Law Violations	9,236	9,183	8,005	8,270	8,640
Total Criminal Charges (primary and secondary)	n/a	n/a	n/a	16,083	18,190
Total Traffic Charges (moving/ non-moving/excludes DUI)	57,858	63,609	55,715	31,547	34,841
DUI Arrests	1,243	1,159	925	721	830
Fire					
Calls answered for Fire Protection Services	23,460	23,911	24,504	25,152	24,839
Public Works					
Refuse Collected (tons per year)	114,605	118,899	116,794	114,145	110,931
Street Resurfacing (miles)	47.58	44.99	54.58	35.56	36.87
Potholes Repaired	n/a	5,200	3,376	3,047	4,717
Water					
Active Service Accounts	59,008	59,880	60,390	60,923	61,243
Daily Average Consumption in Gallons (in mgd) <sup>1</sup>	16.00	16.53	16.20	16.19	16.96
Daily Average Water Provided by Chesapeake (in mgd)	9.25	9.73	10.67	10.69	11.14
Daily Average Water Purchased from other localities (in mgd)	6.71	6.08	5.46	5.50	5.82
Wastewater					
Active Service Accounts	57,160	58,046	58,579	59,126	59,437
Parks and Recreation					
Youth Athletics - Participants	9,003	8,414	7,793	7,002	6,261
Youth Athletics - Teams	695	648	601	537	506
Youth Athletics - Coaches	1,353	1,359	1,200	1,062	915
Adult Athletics - Participants	4,180	4,445	4,064	3,924	4,095
Adult Athletics - Teams	236	235	228	227	237
Special Programs Athletics - Participants <sup>3</sup>	1,065	818	627	700	495
Special Programs Athletics - Programs	11	9	10	7	6
Leisure Classes - Youth Participants	2,104	2,073	1,908	1,580	2,372
Leisure Classes - Adult Participant	1,258	779	769	614	1,301
Leisure Classes - Community Program Participants <sup>2</sup>	47,268	42,623	45,247	63,892	3,346
Special Events - PR&T Sponsored Attendance	34,900	34,250	31,750	26,915	27,775
Community Center Attendance <sup>3</sup>	173,191	199,587	172,544	188,276	189,700
Community Center ID Sales	10,147	8,974	9,528	7,604	8,314
Community Center Rentals	1,607	1,769	1,392	1,157	1,328
Senior Program Participants	n/a	n/a	12,732	15,982	21,742
Therapeutic Program Participants	n/a	n/a	2,044	2,760	2,014
Library					
Items Checked Out	1,890,069	1,956,559	1,912,077	2,010,415	2,365,984
Interlibrary Loans - Borrowed	910	1,072	974	1,269	1,189
Interlibrary Loans - Loans	2,591	2,696	2,146	2,467	2,841
Library Collection	678,422	677,933	691,482	699,943	598,224
Patron Visits	1,349,598	1,589,297	1,622,831	1,491,973	1,623,514
Website Visits	520,208	692,305	654,106	779,001	394,623
Registered Patrons	182,623	188,999	207,190	227,348	161,373
Total Programming	2,418	2,417	2,541	2,987	3,205
Total Programming - Participants	73,708	70,343	96,476	78,256	66,313
Typewriter Use	925	774	471	540	409
Public Computer Use	407,157	517,870	600,024	596,540	651,984
Bookmobile - Patrons <sup>4</sup>	14,597	12,761	15,516	16,219	15,348
Bookmobile - Number of Stops <sup>4</sup>	1,380	1,201	1,307	1,331	1,291
Bookmobile - Miles Driven <sup>4</sup>	7,078	6,364	7,811	8,240	7,415
Schools					
Student Enrollment	40,005	40,121	39,465	39,026	38,868

**Source:** Various City Departments

n/a - Information not available

<sup>1</sup> Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)

<sup>2</sup> Summer Food Service Program was transferred to Schools in FY09

<sup>3</sup> Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic program

<sup>4</sup> Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need

<sup>5</sup> Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)

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

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Government</b>					
Building Permits Issued	3,481	3,973	4,199	3,940	3,602
Building Inspections Conducted	7,417	8,085	8,744	9,933	10,301
Electrical Permits Issued	4,926	3,194	2,911	2,994	3,000
Electrical Inspections Performed	7,857	8,842	7,968	9,151	7,810
Plumbing Permits Issued	1,490	1,530	1,402	1,260	1,389
Plumbing Inspections Performed	5,849	5,639	5,261	5,724	5,743
Mechanical/Gas Permits Issued	4,688	4,390	4,268	5,016	5,339
Mechanical/Gas Inspections Performed	8,339	8,039	7,821	8,678	10,040
Code Compliance Inspections	21,580	17,183	16,612	14,397	13,775
<b>Police</b>					
Calls for Police Service	136,811	120,216	126,508	124,261	128,733
Part I Law Violations	9,338	8,534	7,914	7,122	7,431
Total Criminal Charges (primary and secondary)	17,685	16,148	16,773	17,078	15,681
Total Traffic Charges (moving/ non-moving/excludes DUI)	38,555	38,810	35,666	35,976	35,011
DUI Arrests	735	951	1,216	1,187	1,004
<b>Fire</b>					
Calls answered for Fire Protection Services	25,051	24,916	25,268	26,508	26,784
<b>Public Works</b>					
Refuse Collected (tons per year)	111,348	93,171	94,184	91,908	91,313
Street Resurfacing (miles)	41.99	32.76	44.33	50.00	29.21
Potholes Repaired	7,249	9,980	8,367	11,110	10,777
<b>Water</b>					
Active Service Accounts	61,713	62,029	62,333	62,504	63,090
Daily Average Consumption in Gallons (in mgd) <sup>1</sup>	16.88	17.20	16.30	15.57	16.44
Daily Average Water Provided by Chesapeake (in mgd)	10.66	11.10	10.10	11.27	11.42
Daily Average Water Purchased from other localities (in mgd)	6.22	6.10	6.19	5.81	6.43
<b>Wastewater</b>					
Active Service Accounts	59,909	60,154	60,449	60,831	61,426
<b>Parks and Recreation</b>					
Youth Athletics - Participants	5,819	5,140	4,884	4,279	4,401
Youth Athletics - Teams	481	433	413	370	406
Youth Athletics - Coaches	834	727	664	612	487
Adult Athletics - Participants	3,999	3,639	3,070	2,560	2,256
Adult Athletics - Teams	228	218	189	172	151
Special Programs Athletics - Participants <sup>3</sup>	2,475	2,133	3,222	2,951	2,662
Special Programs Athletics - Programs	3	1	2	3	6
Leisure Classes - Youth Participants	1,901	1,249	1,159	1,196	1,371
Leisure Classes - Adult Participant	855	703	787	712	718
Leisure Classes - Community Program Participants <sup>2</sup>	3,386	3,277	3,644	3,773	4,434
Special Events - PR&T Sponsored Attendance	28,095	34,328	20,525	29,375	31,025
Community Center Attendance <sup>3</sup>	202,884	361,059	425,108	407,456	409,178
Community Center ID Sales	8,086	9,518	7,060	6,474	6,561
Community Center Rentals	1,340	1,637	2,092	2,054	1,929
Senior Program Participants	23,478	18,337	21,664	19,855	16,475
Therapeutic Program Participants	2,113	2,563	1,094	1,707	2,968
<b>Library</b>					
Items Checked Out	2,526,633	2,600,964	2,561,515	2,352,046	2,208,274
Interlibrary Loans - Borrowed	1,151	605	311	216	259
Interlibrary Loans - Loans	2,298	1,350	878	246	293
Library Collection	566,744	575,462	580,046	534,037	493,340
Patron Visits	1,520,528	1,392,890	1,410,177	1,287,912	1,255,427
Website Visits	433,480	433,889	472,836	453,106	406,741
Registered Patrons	139,821	130,989	154,252	162,903	158,952
Total Programming	3,237	3,138	3,054	3,928	4,332
Total Programming - Participants	71,425	64,416	58,945	78,575	100,217
Typewriter Use	641	681	660	880	371
Public Computer Use	682,863	636,072	565,386	541,384	437,362
Bookmobile - Patrons <sup>4</sup>	14,390	6,176	9,645	10,232	11,605
Bookmobile - Number of Stops <sup>4</sup>	1,324	448	492	515	576
Bookmobile - Miles Driven <sup>4</sup>	7,510	2,186	2,339	1,982	1,444
<b>Schools</b>					
Student Enrollment	38,864	38,668	38,421	38,591	38,685

**Source:** Various City Departments

n/a - Information not available

<sup>1</sup> Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)

<sup>2</sup> Summer Food Service Program was transferred to Schools in FY09

<sup>3</sup> Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic program

<sup>4</sup> Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need

<sup>5</sup> Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)

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

Function/Program	Fiscal Year					Fiscal Year				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	208	194	214	193	194	235	203	198	222	206
<b>Fire Stations</b>										
	15	15	15	15	15	15	15	15	15	15
<b>Public Works</b>										
<b>Refuse Collection</b>										
Collection Trucks	58	58	60	61	60	60	52	52	61	57
<b>Other Public Works</b>										
Storm Sewers (miles)	n/a	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,150	1,200
Streets (miles)	2,257	2,310	2,314	2,329	2,346	2,354	2,364	2,361	2,700	2,366
Streetlights	21,745	22,023	22,287	22,634	23,432	23,763	23,874	23,759	23,706	23,790
<b>Parks and Recreation</b>										
Park Acreage	2,043	2,066	2,066	2,262	2,262	2,322	2,322	2,322	2,349	2,349
Parks and Play Areas	67	64	66	67	67	70	70	70	71	71
Athletic Fields/Tennis Courts	211	211	200	199	203	226	226	228	228	228
Community Centers	7	7	8	8	8	8	8	8	8	8
Specialized Centers	4	4	4	4	4	4	5	5	5	5
<b>Water</b>										
Water Mains (miles)	786	795	804	818	824	821	828	829	832	833
Fire Hydrants	4,522	4,608	4,681	4,823	4,892	4,925	4,993	5,019	5,052	5,067
<b>Wastewater</b>										
Sanitary Sewers (miles)	1,003	1,019	1,034	1,048	1,053	1,053	1,057	1,060	1,062	1,065
Sewage Pumping Stations	253	255	259	262	262	263	264	262	262	269
<b>Schools</b>										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	16	16	16	17	17	17	17	17	17	17
Educational Centers	3	3	3	3	3	2	3	3	3	2

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

# COMPLIANCE SECTION

**Chesapeake**  
VIRGINIA

*This page intentionally left blank*

**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2014

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	\$ 61,734
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,978,824
Virginia Department of Education:		
School Breakfast Program	10.553	1,985,794
National School Lunch Program	10.555	5,224,748
Summer School Service Program For Children	10.559	107,307
Fresh Fruit and Vegetable Program	10.582	64,684
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	836,377
Virginia Department of Forestry:		
Department of Forestry and the US Forest Service - 2013	10.664	1,500
Department of Forestry and the US Forest Service - 2014	10.664	1,500
Department of Agriculture - Cooperative Forestry Assistance - Urban Forestry Grant	10.664	58
Department of Forestry and the US Forest Service	10.665	2,850
Department of Forestry and the USFS Chesapeake Watershed Forestry Program	10.678	10,000
		10,275,376
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grant Program:		
Program Year 2010	14.218	1,356
Program Year 2011	14.218	206,557
Program Year 2012	14.218	13,981
Program Year 2013	14.218	185,710
Program Year 2014	14.218	630,993
HOME Investment Partnerships Program:		
Program Year 2012	14.239	199,354
Program Year 2013	14.239	100,864
Program Year 2014	14.239	152,638
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization Program Program Income Allocation	14.228	32,214
		1,523,667
Department of Health and Human Services:		
Pass-through payments:		
Department of Health and Human Services		
Statewide BJA Adult Drug Court Grant	93.276	49,846
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	134,821
Block Grants for Prevention and Treatment of Substance Abuse	93.959	715,040
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	62,425
Promoting Safe and Stable Families	93.556	48,253
Temporary Assistance for Needy Families	93.558	1,691,084
Refugee and Entrant Assistance - State Administered Program	93.566	13,782
Low Income Home Energy Assistance	93.568	143,941
Child Care & Development Fund	93.596	214,290
Child Welfare Services-State Grants	93.645	10,741
Foster Care-Title IV-E	93.658	872,533
Revenue Maximization	93.658	17,062
Adoption Assistance	93.659	745,230
Social Services Block Grant	93.667	988,517
Independent Living	93.674	17,742
State Children's Insurance Program	93.767	59,400
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,746,238
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	396,657
		7,927,602

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2014

*Schedule U-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of the Interior:		
Direct payments:		
Payment in Lieu of Taxes	15.226	6,516
U.S. Fish and Wildlife Service - Department of the Interior ADA Accessible Canoe Launch	15.930	3,743
Pass-through payments:		
Department of Conservation and Recreation - Va Locality SW Prog Dev Grant	15.253	9,654
		19,913
Department of Justice:		
Direct payments:		
Drug Control and System Improvement - Equitable Sharing Program - Drug Enforcement	16.922	67,883
Juvenile Accountability Block Grant	16.523	26,716
Office of Community Oriented Policing Services-2012 COPS Grant	16.710	254,678
Pass-through payments:		
State Criminal Alien Assistance Program (SCAAP)	16.606	30,643
Bureau of Justice Assistance:		
Edward Byrne Grant Program		
Fiscal Year 2010	16.738	890
Fiscal Year 2011	16.738	6,668
Fiscal Year 2012	16.738	23,073
Fiscal Year 2013	16.738	81,513
Fiscal Year 2014	16.738	34,129
Office of the Attorney General		
Asset Forfeiture Transfer Program_OAG - Crisis Intervention Team	21.000	87,196
Asset Forfeiture Transfer Program_OAG - Critical Equipment	21.000	35,108
		648,497
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	1,800
		1,800
U.S. Department of Transportation:		
Pass-through payments:		
Virginia Department of Transportation:		
Federal Highway Administration - American Recovery and Reinvestment Act Great Dismal Swamp Canal Trail	20.205	994,463
Federal Highway Administration - Planning and Construction		
Battlefield Visitor Center	20.205	4,000
Elbow Road Safety Improvement	20.205	1,276
Emergency Vehicle Pre-Emption Device	20.205	366,496
Great Dismal Swamp Tr Ph 1	20.205	542,495
Gum Road Multi-Use Path	20.205	9,450
Military Hwy at Baugher Ave.	20.205	1,877
Military Hwy S. at State St.	20.205	200
Portsmouth Blvd Phase 4	20.205	373,781
Rt. 104 Steel Bridge	20.205	3,796,763
Safe Roads to School Division Coordinator	20.205	53,000
Safe Roads to School Program	20.205	112,940
Traffic Signal Impovement - S. Military Hwy	20.205	132,081
Traffic Mgmt Center and System	20.205	96,875
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		
Fiscal Year 2013 - Selective Enforcement - Alcohol	20.607	8,029
Fiscal Year 2014 - Selective Enforcement Occupant Protection	20.616	5,624
Fiscal Year 2014 - Selective Enforcement - Alcohol	20.607	10,940
Virginia Department of Emergency Management		
Hazardous Materials Emergency Preparedness	20.703	2,005
		6,512,295

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2014

*Schedule U-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Defense		
Direct payments: Navy		
Department of Defense Impact Aid	12.558	762,298
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	11,752
		774,050
Department of Education:		
Direct payments:		
Impact Aid	84.041	2,790,953
Pass-through payments:		
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	213,715
Title I, Part D - Program for Neglected & Delinquent Children	84.013	4,963
Title I Grants to Local Educational Agencies	84.010	4,802,851
Special Education - Grants to States	84.027	9,544,639
Special Education - Preschool Grants	84.173	175,611
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,372,096
Vocational Education - Basic Grants to States	84.048	485,061
Advanced Placement Program	84.330	6,957
Title III, Part A - English Language Acquisition Grants	84.365	78,777
Part C Funds	84.181	227,871
		19,703,494
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters - Fiscal Year 2011	97.044	7,590
Assistance to Firefighters - Fiscal Year 2013	97.044	414,982
Pass-through payments:		
Virginia Department of Emergency Management:		
Urban Area Security Initiative Grant-2010	97.008	100,669
Urban Area Security Initiative Grant-2010 Part II	97.008	35,346
Urban Area Security Initiative Grant-2013	97.008	62,496
Urban Area Security Initiative Grant-2014	97.008	190,860
Hazardous Mitigation Grant - 2012	97.039	22,075
Hazardous Mitigation Grant - 2013	97.039	31,023
Hazardous Mitigation Grant - 2014	97.039	814,776
VDEM Flood Mitigation Outreach	97.039	6,815
Local Emergency Management Planning Grant - 2013	97.042	1,312
Local Emergency Management Planning Grant - 2014	97.042	45,104
Port Security Grant - 2011	97.056	21,125
Port Security Grant - 2012	97.056	22,252
Port Security Grant - 2013	97.056	49,195
Citizens Corp Grant - 2013	97.067	23,418
SHSP Citizens Corp Grant	97.067	9,346
2011 CACHE Program	97.067	37,028
2012 CACHE Program	97.067	76,634
SHSP Haz Mat Training 2011	97.073	13,058
SHSP Haz Mat Training 2013	97.067	10,470
Port Security Grant	97.111	440
		1,996,014
National Science Foundation		
Pass-through payments:		
Virginia Commonwealth University		
Trans-NSF Recovery Act Research Support (MSP Institute: Math Specialist in Middle Schools)	47.082	141,545
		141,545
		\$ 49,524,253

Notes to Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

**(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	\$ 106,910
Capital Projects Fund	2,615,776
Special Revenue Funds:	
Virginia Public Assistance Fund	8,470,140
Grants Fund	3,473,669
Community Development Fund	830,513
Intergrated Behavioral Healthcare Fund	1,077,731
Enterprise Funds	3,781,917
<u>    Total primary government</u>	<u>20,356,656</u>
Component unit - Public Schools:	
School Operating Fund	21,677,252
School Food Services Fund	7,382,533
<u>    Total component unit - Public Schools</u>	<u>29,059,785</u>
<u>    Total federal expenditures from intergovernmental revenue</u>	<u>49,416,441</u>
Other reconciling items	107,812
<u>    Total federal expenditures per the Schedule of Expenditures of Federal Awards</u>	<u>\$ 49,524,253</u>

**(4) Subrecipients**

The Chesapeake Redevelopment and Housing Authority, Children’s Harbor, Our House Families, Heart of Compassion, For Kids, and Building Trade Academy are the subrecipients for the federal awards of \$675,684 for the Community Development Block Grant Program and \$405,547 for the HOME Investment Program received from the Department of Housing and Urban Development.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Chesapeake, Virginia (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2014. Our reporting includes a reference to other auditors who audited the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Elizabeth River Properties of Chesapeake, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purchase of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described at 2014-001 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **City of Chesapeake, Virginia's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia  
November 25, 2014

**Report of Independent Auditor on Compliance for Each Major  
Federal Program and Internal Control over Compliance  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Chesapeake, Virginia's (the "City") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the City's compliance for each of its major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002 that we consider to be a significant deficiency.

City of Chesapeake, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Virginia Beach, Virginia  
November 25, 2014

**City of Chesapeake, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2014**

**1) Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>Yes</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>Yes</b>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<b>Yes</b>

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture: SNAP Cluster	10.551/10.561
Department of Health and Human Services TANF Cluster	93.558/93.714/93.716
Department of Education: Special Education Cluster (IDEA)	84.027/84.173
Impact Aid Cluster	84.041
Improving Teacher Quality State Grants	84.367

Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,485,817</b>
The City of Chesapeake was qualified as a low risk auditee?	<b>Yes</b>

## 2) Findings - Financial Statement Audit

### ***2014-001 Significant Deficiency***

**Criteria:**

All interest should be accrued in the correct period.

**Statement of Condition:**

During the current year, management identified interest that was not accrued in the proper periods.

**Cause:**

Certain interest is not payable in the near future therefore was not subjected to the City's year end accrual process.

**Effect or Potential Effect:**

Because of these adjustments, the financial statements were misstated.

**Recommendation:**

We recommend management verify interest is properly accrued at year end regardless of the timing of payment.

**Views of Responsible Officials:**

- **Contact Person:** Wendy Hu, Controller
- **Corrective Action and Anticipated Completion Date:** Additional safeguards will be put in place to ensure proper reporting of accrued interest. The Finance Department Controller's office has reviewed current department procedures and is in the process of developing enhanced work papers to validate proper reporting of accrued interest. Additionally going forward accrued interest will be recorded throughout the fiscal year by the departments and reviewed by Finance. The enhancements will be in place for fiscal year 2015.

## 3) Findings and Questioned Costs - Major Federal Awards

### ***2014-002 Non Material, Non Compliance and Significant Deficiency***

**Program:**

Temporary Assistance for Needy Families (CFDA Number 93.558 – US Department of Health and Human Services – Virginia Department of Social Services)

**Criteria:**

Among other criteria, in order for an 18-year old individual to be TANF eligible, that individual must be a full-time student in secondary school or an equivalent vocational school.

**Statement of Condition:**

The case file examined included an 18-year old individual who was receiving TANF benefits but was not a full-time student in secondary school or equivalent vocational school.

**Questioned Costs:**

No questioned costs were identified as a result of this finding.

**Perspective Information:**

Of a sample of 40 individuals, we noted 1 individual that was improperly receiving for TANF benefits.

**Cause:**

The case file was not reviewed timely.

**Effect or Potential Effect:**

The individual was improperly receiving TANF benefits.

**Recommendation:**

We recommend that management implement procedures to flag and review files that are likely to fall out of eligibility in a timely manner.

**Views of Responsible Officials:**

- **Contact Person:** Michelle Cowling, Director of Human Services
- **Corrective Action and Anticipated Completion Date:** The following operational and procedural processes were immediately established:
  - Supervisors are required to review with staff the results of their monitoring and to follow-up monthly using the Data Warehouse Report for “Medicaid Child turning age 19”, and the ADAPT caseload alerts will be monitored weekly for “child turning 18/check school enrollment” cases.
  - The following refresher training will be provided on the following: “How to decipher Case Management System Reports”, timely processing requirements based on Federal and State guidelines, and documentation requirements.
  - When completing a case renewal, the Benefit Programs Workers will be required to document they have completed a search for any related cases.

**4) Findings and Questioned Costs – State Compliance**

None.

**5) Resolution of Prior Year’s Findings**

**2013-1**

Status: Corrected

**2013-2**

Status: Corrected

**2013-3**

Status: Corrected

*End of Comprehensive Annual Financial Report  
Of the City of Chesapeake, Virginia  
For the Fiscal Year Ended  
June 30, 2014*

**Chesapeake**  
VIRGINIA