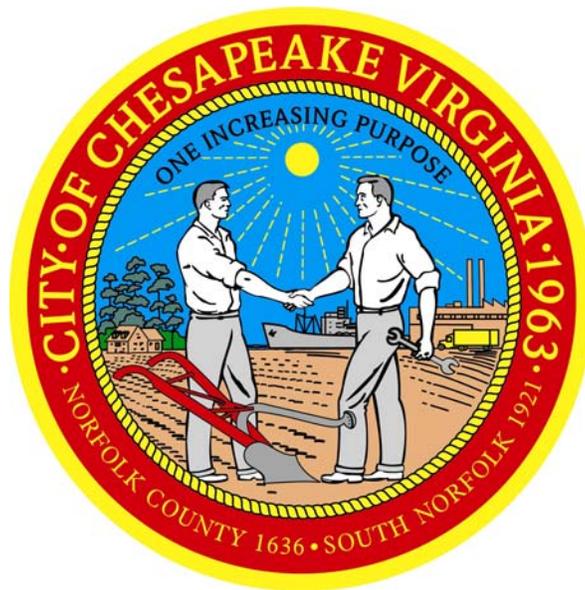


# *City of Chesapeake, Virginia*



## *Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2015*

Comprehensive Annual  
Financial Report  
of the  
City of Chesapeake, Virginia  
for Fiscal Year Ended  
June 30, 2015



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  
Karen Hughes  
Carrie Latham

Jessica Rayner  
Anna Riddlehoover  
Rhonda Sommer  
Sean Stewart  
Nancy Tracy

Rhonda Unterbrink  
Tamara Walters  
Katherine Williams  
Robyn Williford

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**

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**Chesapeake**  
VIRGINIA

# INTRODUCTORY SECTION

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA

December 8, 2015

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, 2015, 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**

This is the fifth consecutive calendar year of sales tax revenue growth for the City. The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2014 increased \$83.0 million or 2.6% from \$3.156 billion in 2013 to \$3.239 billion. General Merchandise Stores accounted for \$29.5 million of this increase.

Unemployment for the City and State is at its lowest point in five years and remains below the national rate. For the fiscal year ended June 30, 2015, the average unemployment rates were 5.0% for Chesapeake (a decline from the prior year's average unemployment rate of 5.3%), 5.4% for the region and 4.9% for the State, compared to 5.7% for the United States.

For the fiscal year ended June 30, 2015, there were 544 foreclosures in the City, down 17.1% from 656 in the fiscal year ended June 30, 2014 and down 22.8% from 705 in the previous fiscal year. This is the fourth consecutive year of foreclosure declines.

The Chesapeake Economic Development Department's 2015 Annual Report noted the following accomplishments:

- Investment in Chesapeake totaled \$152.6 million during 2014, and with that came the creation of 1,220 new jobs. In addition, renewed leases from 74 companies totaled \$20.9 million and retained 468 jobs.
- The U.S. Small Business Administration has named Chesapeake the "Small Business Community of the Year," and USA Today ranked the City among the "Top 100 Best Cities for Millennials." Chesapeake was praised for innovative outreach programs designed to foster retention and growth, and its initiatives created to assist startups.
- WalletHub.com listed Chesapeake as one of "The Hardest Working Cities in America." Add to the mix the best schools in Hampton Roads located in one of America's safest cities, and you have a positive climate and strong foundation upon which to grow and prosper.
- Chesapeake was again named one of America's top 50 "best cities to live" by *24/7 Wall St.*, an online provider of financial news and opinion, based on a review of 550 cities with populations of 65,000 or more as measured by the U.S. Census Bureau. Examiners cited Chesapeake as one of Virginia's larger cities, residents in the city are also generally well paid, and they are likely to be employed.

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

### **Major Initiatives**

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

During fiscal year 2015, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, General Fund expenditures, encumbrances and other financing uses of \$528,174,706 were below budget by \$17,884,147 or 3.3%. Total General Fund revenues and other financing sources of \$530,316,498 were over budget by \$8,506,580 or 1.6%.
- Following four years of construction, the new Gilmerton Bridge has an estimated completion date of December 2015. Virginia Department of Transportation constructed the 85 foot wide replacement while remaining open to vehicular traffic during the daytime hours. The \$134 million project accommodates future widening of Military Highway from four lanes to six.
- Construction commenced on the new Public Safety Operations Building in May 2015. The project will provide a central location for many of the City's most critical communications and emergency operations functions, including – Emergency 911 Call Center and Emergency Dispatch, Emergency Operations Center, Customer Contact Center (382-CITY), Back-up Network Operations Center, Emergency Management Office and Fire Training Administration. The 51,000 square foot building is scheduled for completion in 2017.
- 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. The City completed construction of the first bridge span that opened to traffic in early 2015. The full project completion is scheduled for 2017. The project includes building a 95-foot-high, fixed span four-lane replacement for the fifty-year-old Steel Bridge.
- 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 Norfolk Northwest Annex. Under these agreements, the Navy agrees to reimburse the City half of the purchase price of the property in exchange for a conservation easement. These purchases bolster the City's support of each installation's mission and furthers its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake. Recently, the City purchased the 43 acres Philippians Property on Ballahack Road in June 2015 for \$600,000 and subsequently sold a conservation easement to the Navy for \$300,000 on September 24, 2015. To date, the City has closed or is in the final stages of purchasing four properties and a second round of applications has been initiated.
- The City receives CDBG and HOME entitlement funds annually to carry out community development activities including residential rehabilitation, affordable housing development, code enforcement, public facility improvements, public services, employment training, and youth development. The combined 2015 allocation was \$1,384,594.
- The Planning Department continues to administer the City's Neighborhood Stabilization Continuation Program (NSP). \$586,031 in NSP program income will be used to acquire, redevelop, and sell three (3) foreclosed residential properties to eligible first time homebuyers. One of the three properties was acquired July 2015.

***For the Future:***

- Chesapeake's future as a desirable community in which to live and work continues to show promise and opportunity. Its central location, availability of land, and good transportation network continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As

a result of these qualities, the Chesapeake civilian labor force has grown from 97,963 in 2000 to 116,496 in 2014 per the Virginia Employment Commission, an increase of 18.9% over the period. Median household income has risen from \$50,743 in 2000 to \$69,743 in 2013, 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% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2035 will be approximately 314,600. Additionally, total households are projected to be 114,300, while total employment will be 167,000. This yields a housing-to-jobs ratio of 1.46%, 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 Design Workshop to prepare a physical development plan, as well as a strategy to maximize the economic potential of the study area. The area has already evidenced its potential with the recent creation of the Dominion Commerce Park and Dominion Commons shopping center, new residential developments, expansion of Tidewater Community College's Chesapeake Campus and 2008 opening of Grassfield High School – ranked third in the state of Virginia for the 2014-2015 school year and designated a Governor's STEM (Science, Technology, Engineering and Mathematics) Academy.
- The City continues to focus on new initiatives designed to improve access to government services and programs. For example, the City is in the final stages of 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. The go-live date was November 16, 2015.
- Construction continues on several of the Planned Unit Developments in the City, including the residential component of the Gateway at SoNo, Culpepper Landing and Edinburgh as well as commercial construction at Edinburgh. There have been several large residential developments proposed in calendar years 2014 and 2015 which include single family homes, condos, and apartments.

## **Financial Information**

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

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

***Minimum Fund Balance Policy.*** 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 historically committed an additional 5% of the total General Fund revenue to be used for emergency operating purposes and 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 have been replaced by a City Council resolution to maintain an Unassigned Fund Balance in the

General Fund at a minimum of ten (10) percent of the General Fund Revenues and Tax Revenues Committed to Special Revenue Funds, including Tax Increment Financing Funds. City Council plans to budget for a 12% year-end unassigned fund balance to ensure compliance. 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 develop a plan to replenish the balance to 10% within three years. Funds in excess of 10% may be retained in the Unassigned General Fund Balance, or may be designated as Committed for capital projects, or other non-recurring expenditure requirements or high priority needs. This policy is in addition to the 6% of General Fund revenue restricted for cash flow emergencies that will remain in force. This Fund Balance Policy shall be effective July 1, 2014 for Fiscal Year 2014-15, and remain in effect until otherwise amended.

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

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

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

#### **Other Information**

**Single Audit.** As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were performed to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. The testing of major federal award programs for the fiscal year ended June 30, 2015 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

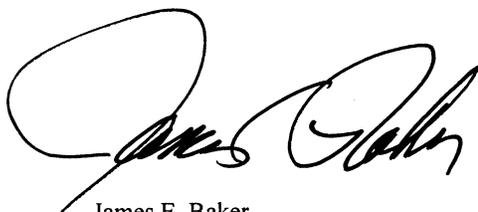
**Independent Audit.** The City's Charter, SEC 11.06, *Annual Audit* requires an audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City's Audit Selection Committee and approved by City Council. In addition to meeting the requirements set 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, 2014. This was the 33rd 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, 2014.

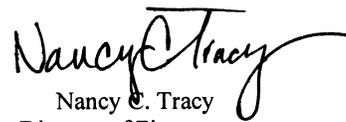
A Certificate of Achievement is valid for a period of one year only. The City believes that the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

*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.



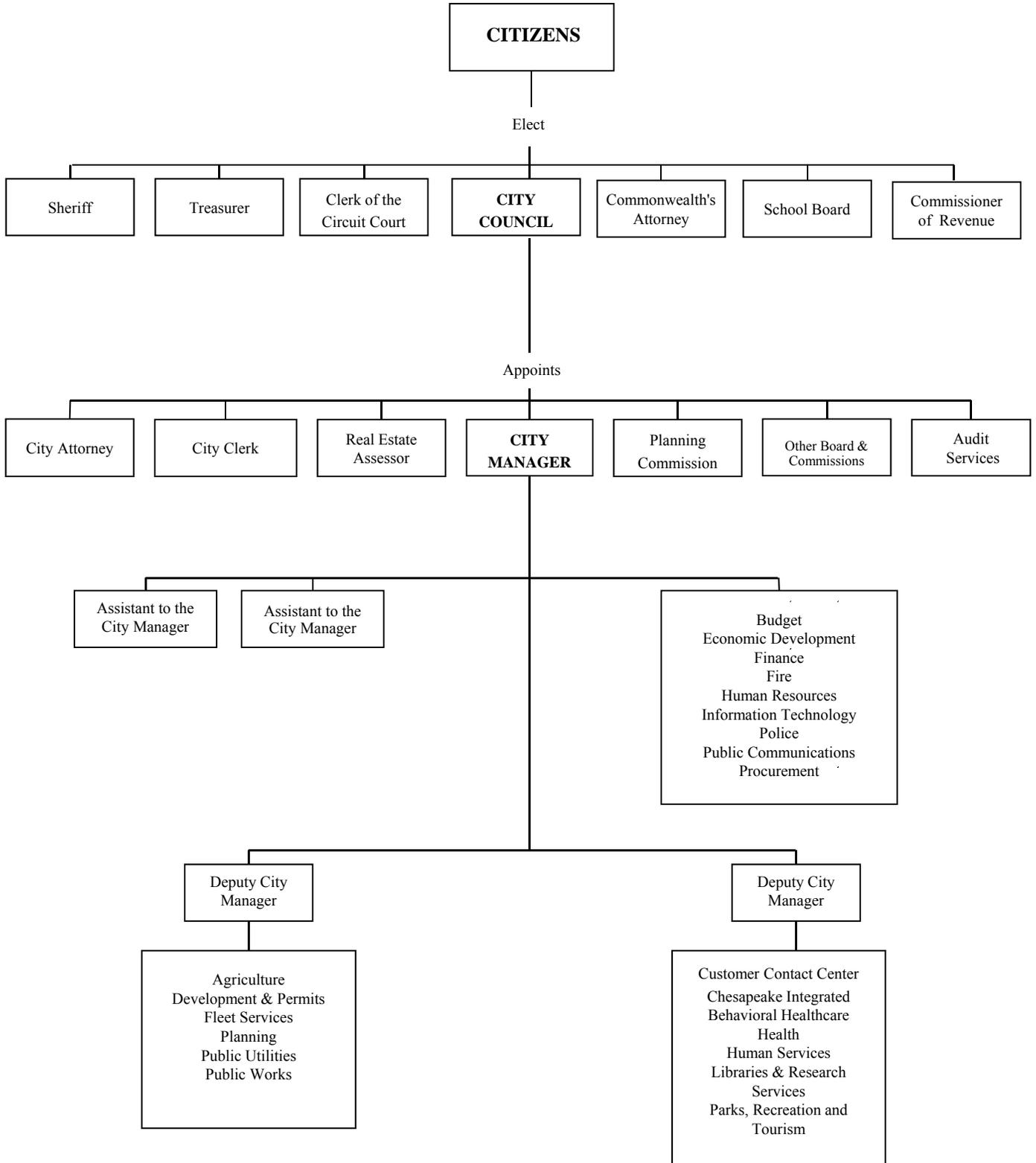
James E. Baker  
City Manager

Very truly yours,



Nancy C. Tracy  
Director of Finance

## CITY WIDE ORGANIZATIONAL CHART



# CITY OF CHESAPEAKE, VIRGINIA

City Officials  
June 30, 2015

---

## City Council

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

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

## Other Officials

Barbara O. Carraway ..... City Treasurer  
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  
Beverly Pender ..... Acting City Clerk  
David Sanford ..... Acting 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 T. Arrington  
and Timothy S. Wright ..... Judges, Circuit Court  
Robert G. MacDonald ..... Chief Judge, General District Court  
Philip J. Infantino and Michael R. Katchmark ..... Judges, General District Court  
Deborah A. Ellington ..... Clerk of the General District Court  
Eileen A. Olds ..... Chief Judge, Juvenile and Domestic Relations Court  
Rufus A. Banks ..... 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 ..... Director of Libraries and Research Services  
Michael D. Barber ..... Director of Parks, Recreation and Tourism

## CITY OF CHESAPEAKE, VIRGINIA

City Officials  
June 30, 2015

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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  
Colleen C. Leary  
Harry A. Murphy  
Victoria L. Proffitt  
Louis J. Tayon, Jr.  
Michael J. Woods

### Other School Board Officials

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

### Supplemental Listing

Vacant..... 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  
Raimundo Rivera..... Director of Finance and Administration,  
Chesapeake Redevelopment and Housing Authority  
R. Joe Simmons ..... Director, Chesapeake Mosquito Control Commission



Government Finance Officers Association

**Certificate of  
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for Excellence  
in Financial  
Reporting**

Presented to

**City of Chesapeake  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# FINANCIAL SECTION



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**Chesapeake**  
VIRGINIA

## Report of Independent Auditor

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2015, 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 2.72%, 2.27%, and 0.30%, 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 opinion, insofar as it relates to the amounts included for the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc. are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Change in Accounting Principle***

As described in Note 17 to the financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Governmental Accounting Standards Board ("GASB") Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), and required supplementary information other than MD&A as listed on the table of contents are 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 December 08, 2015, 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  
December 8, 2015

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**Chesapeake**  
VIRGINIA

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

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

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The discussion and analysis of the financial performance of the City of Chesapeake (the City) provides an overall review of the City's financial activities for the fiscal year ended June 30, 2015. 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 2015

- For the year ended June 30, 2015, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of these statements has resulted in a restatement of the fiscal year 2015 beginning net position balances. Reduction to the beginning net positions for fiscal year 2015 were as follows: \$150.0 million - Primary Government, \$397.6 million - Chesapeake Public Schools and \$1.8 million - Other Component Units (Mosquito Control Commission).
- The total net position of the City on a government-wide basis excluding component units, at the close of fiscal year 2015 was \$1.467 billion. Of this amount, \$72.0 million is unrestricted.
- The City's total net position decreased by \$70.7 million from the prior year, after the effects of the restatement. The governmental activities net position decreased by \$84.5 million and business-type net position increased by \$13.8 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$330.8 million, an increase of \$4.6 million from the prior year. Approximately 77.7% or \$256.9 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 \$6.0 million. The original budget projected a budget deficit of \$26.9 million. The final amended budget included net increases over the original budget of \$0.4 million in revenues and \$0.4 million in expenses along with a net decrease in other financing uses of \$2.7 million and resulted in a revised budget deficit projection of \$24.2 million. Through continued efforts by City management to control costs, particularly human resource costs, the actual expenditures of \$261.1 million were \$21.8 million or 7.7% lower than the amended budget.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$64.0 million, or 14.4% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- The total fund balance of the General Fund of \$158.9 million increased \$6.0 million from the prior year. Fund balance composition at year end was 0.9% nonspendable, 20.4% restricted, 35.0% committed, 3.4% assigned and 40.3% unassigned.
- The City retired \$46.1 million in bonds during 2015 which was offset by the addition of \$42.2 million Virginia Transportation Infrastructure bonds and \$2.2 million Convertible Capital Appreciation bonds. As a result the City's total bonded debt decreased by \$1.7 million from fiscal year 2014 (approximately 0.3%).

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

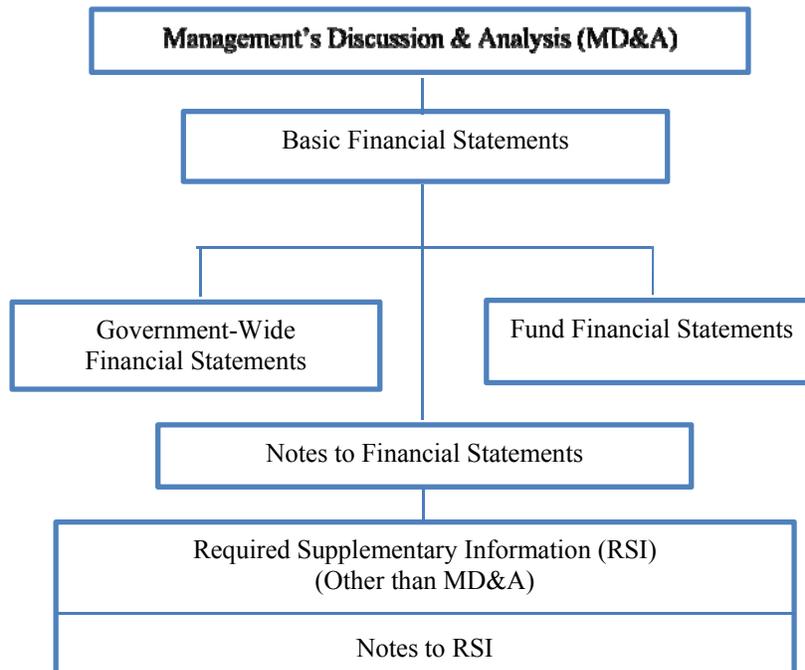
The following graphic shows how the required parts of this *Management's Discussion and Analysis* and the City's *basic financial statements* are arranged and relate to one another.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

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### 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, 2015

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

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

### Fund Financial Statements

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

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 \$1.467 billion at the close of fiscal year 2015, a decrease of \$70.7 million from the net position at June 30, 2014. The decrease is primarily attributable to the implementation of GASB 68 in fiscal year 2015 (see note 17). By far the largest portion of the City's net position (77.2%) is net investment in capital assets (e.g., land, buildings, equipment and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

#### Statement of Net Position

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

**June 30, 2015 and 2014**

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2015*	FY2014	FY2015*	FY2014	FY2015*	FY2014
<b>Assets and Deferred Outflows</b>						
Current and other assets	\$ 434.3	419.5	190.8	180.3	625.1	599.8
Capital assets	1,038.8	1,050.0	779.5	726.3	1,818.3	1,776.3
Deferred outflows of resources	23.2	2.6	4.2	2.9	27.4	5.5
<b>Total assets and deferred outflows</b>	<b>1,496.3</b>	<b>1,472.1</b>	<b>974.5</b>	<b>909.5</b>	<b>2,470.8</b>	<b>2,381.6</b>
<b>Liabilities and Deferred Inflows</b>						
Current and other liabilities	72.7	22.8	22.9	22.9	95.6	45.7
Long-term liabilities	450.5	430.1	407.9	359.7	858.4	789.8
Deferred inflows of resources	38.8	0.4	10.7	7.7	49.5	8.1
Total liabilities and deferred inflows	562.0	453.3	441.5	390.3	1,003.5	843.6
<b>Net position</b>						
Net investment in capital assets	751.2	725.7	381.0	363.1	1,132.2	1,088.8
Restricted	83.0	80.5	180.1	174.2	263.1	254.7
Unrestricted	100.1	212.6	(28.1)	(18.1)	72.0	194.5
Total net position	934.3	1,018.8	533.0	519.2	1,467.3	1,538.0
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 1,496.3</b>	<b>1,472.1</b>	<b>974.5</b>	<b>909.5</b>	<b>2,470.8</b>	<b>2,381.6</b>

\*Restated

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2015

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Approximately 17.9% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$72.0 million or 4.9%) 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 \$28.1 million. Total unrestricted net position decreased by \$122.5 million or 63.0% from the prior year. Total restricted net position increased \$8.4 million or 3.3%, 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 \$43.4 million or 4.0%. The City's total net position decreased by \$70.7 million or 4.6% during the fiscal year.

### **Governmental Activities**

The increase in net position, before adjustment due to restatement (note 17), from the current fiscal year was \$54.5 million, as shown on the Statement of Activities. This increase is mainly attributable to increases in revenues and reductions in expenses.

Revenues for the City's governmental activities were \$602.6 million, representing an increase of \$17.3 million over fiscal year 2014. The net increase was primarily due to a combination of increases of \$11.4 million in taxes, \$1.5 million in charges for services, \$3.2 million in grants and contributions. Total donated land and infrastructure assets, including roads, of \$4.7 million were reported in the public works function.

General revenues increased \$12.6 million over the prior year. Real and personal property taxes, the largest source of the City revenues, showed an increase of \$6.8 million or 2.3%. This increase is mainly due to increased collections in current real property taxes, which resulted from increases in assessments – 2.2% in real property and 2.0% in personal property. Other taxes increased \$4.6 million or 3.8%.

Expenses decreased by \$4.8 million or 0.9%. Major increases in the functional areas of public works - \$20.2 million, public welfare - \$2.2 million and education - \$2.0 million were offset by decreases in general government - \$23.1 million, public safety - \$2.0 million, parks and recreation - \$0.1 million, interest on long-term debt - \$1.4 million and depreciation and amortization net unallocated portion - \$2.6 million. The \$20.2 million increase in public works was primarily attributable to additional expenditures of \$7.4 million for pavement resurfacing projects and decreases in closed capital projects. The \$23.1 million decrease in general government was mainly due to the change in allocation method for OPEB and increases in closed capital projects. Beginning in the current fiscal year OPEB costs were allocated to functional areas.

### **Business-type Activities**

The increase in net position prior to adjustment due to restatement (note 17) was \$24.8 million. These resources cannot be used to make up for any net deficit in governmental activities. The City generally can only use this net position to finance the continuing operations of its enterprise operations, which include the Public Utilities, the Chesapeake Transportation System and Stormwater Management. Increases in capital assets were mainly attributable to a significant increase in construction in progress related to the Chesapeake Transportation System and \$6.7 million of deeded and donated assets from developers reported in the Public Utilities Fund. Total revenues increased \$4.3 million or 4.3% for business-type activities primarily due to increases in charges for services and capital grants and contributions.

**CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2015

**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, 2015 and 2014**  
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Activities</u>	
	<u>FY2015*</u>	<u>FY2014</u>	<u>FY2015*</u>	<u>FY2014</u>	<u>FY2015*</u>	<u>FY2014</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 30.9	29.4	96.0	92.3	126.9	121.7
Operating grants and contributions	94.9	94.9	1.2	1.1	96.1	96.0
Capital grants and contributions	7.3	4.1	7.9	7.4	15.2	11.5
General revenues						
Property taxes	305.7	298.9	-	-	305.7	298.9
Other taxes	126.5	121.9	-	-	126.5	121.9
Grants and contributions not restricted to specific programs	31.9	31.7	-	-	31.9	31.7
Unrestricted investment earnings	1.7	1.5	-	-	1.7	1.5
Other	3.7	2.9	-	-	3.7	2.9
<b>Total revenues</b>	<b>602.6</b>	<b>585.3</b>	<b>105.1</b>	<b>100.8</b>	<b>707.7</b>	<b>686.1</b>
<b>Expenses</b>						
General government	129.6	152.7	-	-	129.6	152.7
Public safety	91.4	93.4	-	-	91.4	93.4
Public works	58.9	38.7	-	-	58.9	38.7
Parks and recreation	2.4	2.5	-	-	2.4	2.5
Public welfare	44.2	42.0	-	-	44.2	42.0
Education	192.0	190.0	-	-	192.0	190.0
Public Utilities	-	-	59.6	57.3	59.6	57.3
Chesapeake Transportation System	-	-	9.0	10.4	9.0	10.4
Stormwater Management	-	-	11.5	8.8	11.5	8.8
Interest on long-term debt	13.6	15.0	-	-	13.6	15.0
Depreciation and amortization unallocated	16.2	18.8	-	-	16.2	18.8
<b>Total expenses</b>	<b>548.3</b>	<b>553.1</b>	<b>80.1</b>	<b>76.5</b>	<b>628.4</b>	<b>629.6</b>
Excess (deficiency) before transfers	54.3	32.2	25.0	24.3	79.3	56.5
Transfers	0.2	-	(0.2)	-	-	-
Increase (decrease) in net position	54.5	32.2	24.8	24.3	79.3	56.5
Net position - beginning	1,018.8	986.6	519.2	494.9	1,538.0	1,481.5
Adjustment due to restatement (note 17)	(139.0)	-	(11.0)	-	(150.0)	-
Net position - beginning, as restated	879.8	986.6	508.2	494.9	1,388.0	1,481.5
Net position - ending	\$ 934.3	1,018.8	533.0	519.2	1,467.3	1,538.0

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

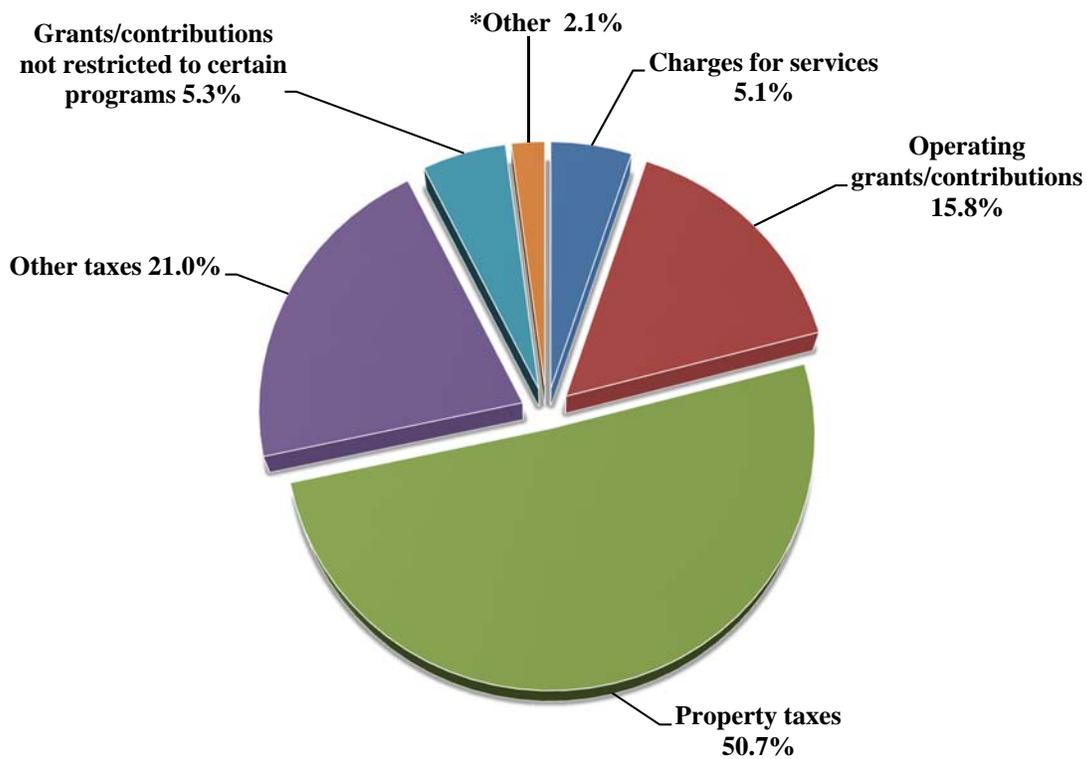
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### Governmental Activities

The City's total revenues from governmental activities were \$602.6 million for the fiscal year ended June 30, 2015. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$305.7 million and accounted for 50.7% of total revenues. Property taxes increased \$6.8 million or 2.3% 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 2.19% and personal property of 1.95%. Both the personal property tax and the real estate tax rates remained unchanged in fiscal year 2015.

Revenues from other taxes, \$126.5 million, make up 21.0% of the City's revenues and increased 3.8% from the prior fiscal year, driven by consumer spending activity reflected in increased taxes on sales, utility purchases, business license, restaurant meals and hotel/motel rooms. Approximately 71.7% of the City's revenue from governmental activities comes from some type of tax and 5.1% comes from fees charged for services.

### Revenues by Source – Governmental Activities – Year Ended June 30, 2015



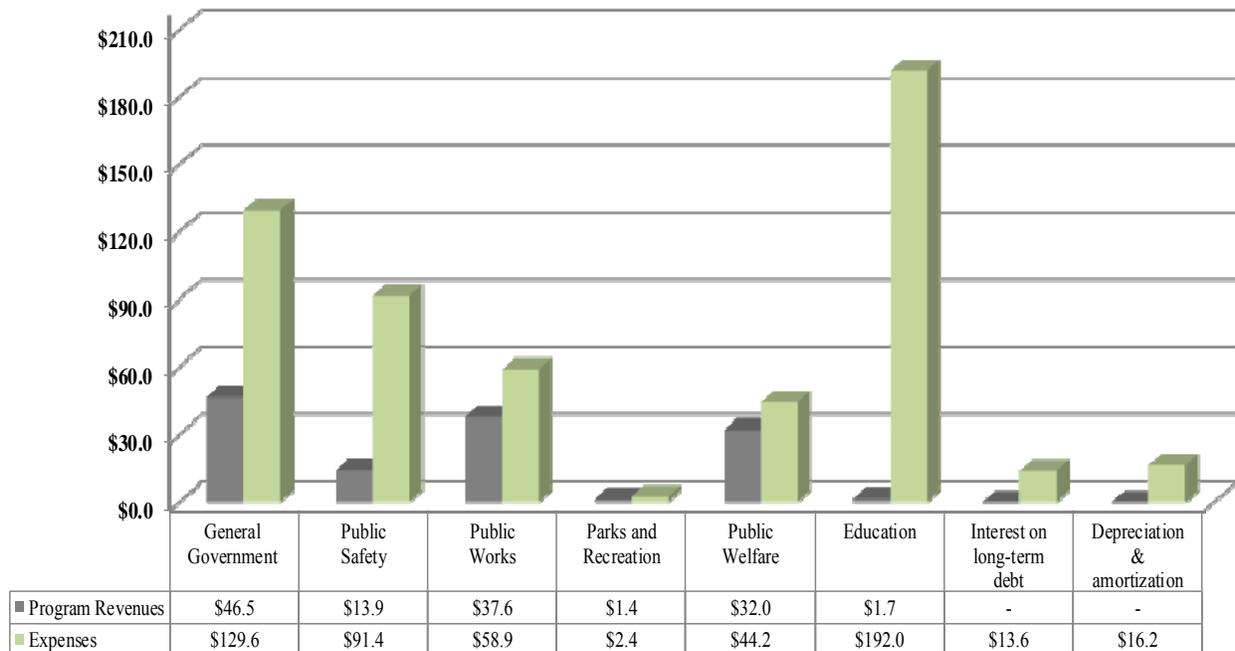
\*Other includes capital grants/contributions and unrestricted investment earnings

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

The City's expenses for governmental activities cover a wide range of services, with 16.7% or \$91.4 million related to public safety, 8.1% or \$44.2 million for public welfare and 10.7% or \$58.9 million for public works. Education continues to be the City's largest program. Education expenses totaled \$192.0 million (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2015. Overall expenses for governmental activities decreased by \$4.8 million from fiscal year 2014 primarily due to expense increases of \$20.2 million in public works, \$2.2 million in public welfare and \$2.0 million in education which were offset by expense savings of \$23.1 million in general government, \$2.0 million in public safety, \$0.1 million in parks and recreation, \$1.4 million in interest on long-term debt and \$2.6 million in unallocated depreciation and amortization.

### Expenses and Program Revenues – Governmental Activities Year Ended June 30, 2015 (in millions)



### Business-Type Activities

Net position for the City's business-type activities reached \$533.0 million, an increase of \$13.8 million. For fiscal year 2015, total revenues of business-type activities increased \$4.3 million mainly due to increases in charges for services and capital grants and contributions. Charges for services of \$96.0 million, including water and sewer utility fees, toll revenues and stormwater fees, increased \$3.7 million or 4.0% and made up 91.3% of total revenues for business-type activities. Total expenses for fiscal year 2015 were \$80.1 million, an increase of \$3.6 million over fiscal year 2014.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

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### 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, 2015, the governmental funds reported combined ending fund balances of \$330.8 million, an increase of \$4.6 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2015:

- \$25.5 million spent in the Capital Projects Fund to fund capital items
- \$184.5 million contributed from the City's General Fund to finance the Public School operations
- \$9.1 million of tax revenues generated by incremental increases in property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts

The City contributed \$13.4 million to the OPEB Trust Fund, including \$3.2 million considered pay-as-you-go. The OPEB Trust Fund was established in fiscal year 2008 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 \$256.9 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 \$125.0 million unrestricted funds in the General Fund represent 28.1% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2015 were as follows:

- \$34.3 million committed for one time projects
- \$49.9 million committed for capital projects
- \$1.6 million committed for school capital projects
- \$23.9 million committed for various programs and projects
- \$39.0 million assigned for future capital projects
- \$23.6 million assigned for debt service
- \$20.6 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2015, the unassigned fund balance, includes \$64.0 million in the General Fund, the City's chief operating fund, and is in compliance with the City's new fund balance policy. Restricted funds total \$72.0 million at year end and include \$32.0 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 \$6.0 million during fiscal year 2015, primarily due to \$7.9 million or 2.8% increase in property taxes revenues and \$4.4 million or 3.9% increase in other local taxes. Investment income, license, permits and fees also contributed to the increase. Total expenditures increased by 3.6% from the prior fiscal year. Part of the increase resulted from the salary increase of 3.0% effective October 1, 2014. Notable increases are \$2.2 million in Education - payments to the Chesapeake Public Schools, \$4.6 million in Public Safety and \$10.0 million in Public Works. General Government decreased by \$4.2 million.

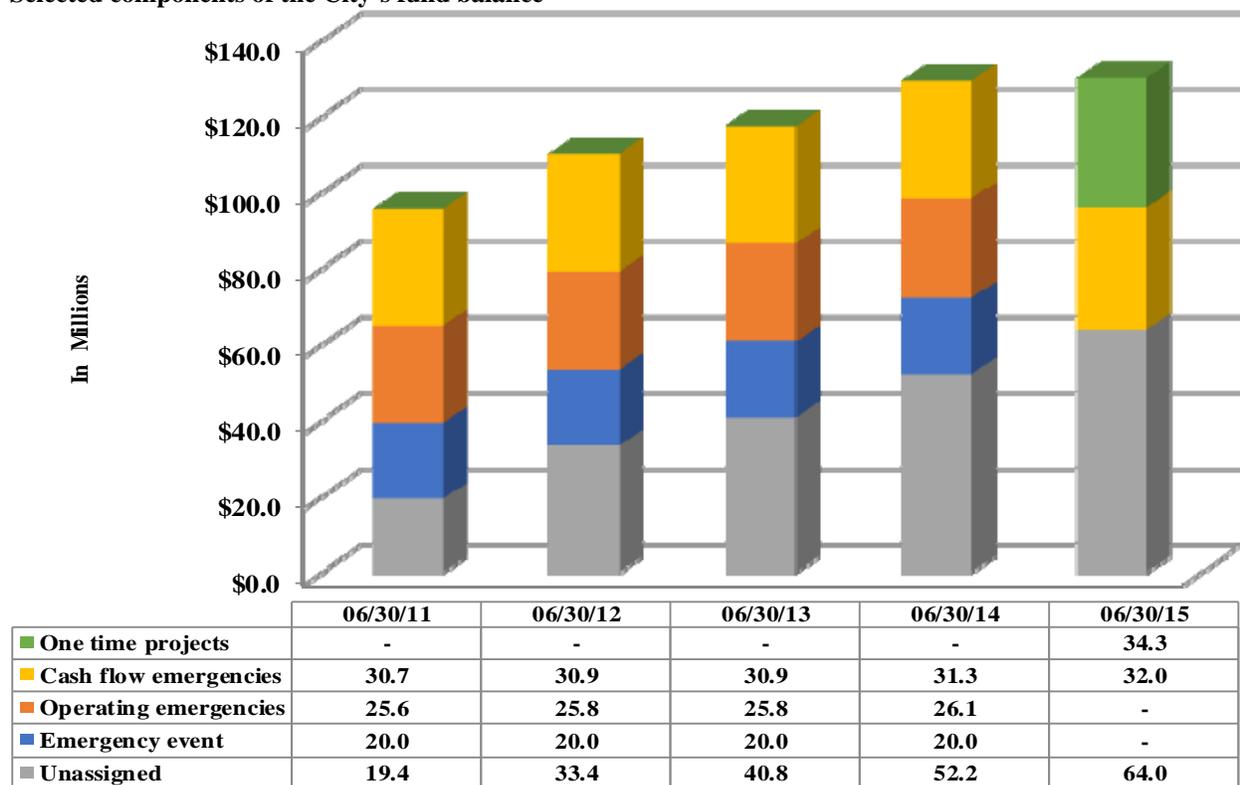
## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

The City Charter requires that a minimum of six percent of total General Fund revenues must be set aside in fund balance for emergency and cash flow needs which may arise throughout the fiscal year. The restriction for cash flow and emergencies totaled \$32.0 million at June 30, 2015. The City maintains a fund balance policy that was updated most recently in June 2014, to be effective beginning with fiscal year 2015. This policy requires the maintenance of an unassigned fund balance equal to at least ten percent of General Fund revenues and tax revenues committed to special revenue funds. City Council plans to budget for a twelve percent year-end unassigned fund balance to ensure compliance. The application results in the elimination of previously set aside amounts for operating emergencies and emergency event response which existed prior to fiscal year 2015 and were included with the committed fund balance in accordance with GASB 54.

The new fund balance policy also created a committed fund balance category for one time projects. In addition to committed for one time projects, \$21.4 million has been committed for other purposes including \$6.3 million set aside for lockbox funds for School and City capital projects to be used for future debt service and pay-as-you go financing.

### General Fund Selected components of the City's fund balance



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$64.0 million at June 30, 2015. 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, 2015

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### Summary of Changes in General Fund Unassigned Fund Balance

Year ended June 30, 2015

(in Millions)

Unassigned fund balance at June 30, 2014		\$ 52.2
Revenues	\$ 524.0	
Expenditures:		
Current, Capital Outlay and Debt Service	445.6	
Other financing sources (uses)	(72.4)	
Net Change in fund balance	6.0	
Decrease in reservations (Restricted, Committed and Assigned)	5.8	
Increase in unassigned fund balance		11.8
Unassigned fund balance at June 30, 2015		\$ 64.0

The Debt Service Fund ended the year with \$24.0 million in total fund balance, a decrease of \$5.2 million from 2014. The decrease is mainly due to a \$6.0 million planned use of fund balance. The assigned fund balance of \$23.6 million is for the payment of debt service as directed by City Council.

Total fund balance of the Capital Project Fund increased by \$2.3 million as a result of \$25.5 million in capital outlay offset by \$4.6 million of revenues (primarily intergovernmental and revenues from local developers) and \$23.2 million in other financing sources and uses.

### Proprietary Funds

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

For the fiscal year 2015, Public Utilities reported an increase in net position of \$9.7 million to \$412.2 million at June 30, 2015 from \$402.5 million at June 30, 2014. Total operating revenues of \$69.2 million were \$2.6 million more than the prior year primarily due to a 4.9% rate increase effective July 1, 2014 as well as an increase in the number of water and sewer connections. Total operating expenses for fiscal year 2015 were \$52.8 million, a decrease of \$0.7 million.

Chesapeake Transportation System reported operating revenues for fiscal year 2015 of \$11.1 million versus \$10.5 million for 2014. The slight increase is due primarily to increases in overall traffic transactions. Operating expenses for the year amounted to \$7.6 million, with \$4.1 million from depreciation and amortization expense. Net position increased by \$2.3 million.

Stormwater Management had \$38.4 million in restricted net position at June 30, 2015, an increase of \$1.0 million from 2014. Operating revenues were \$15.6 million. Operating expenses totaled \$9.2 million, a 5.6% increase from the previous fiscal year. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$2.4 million was spent to replace aging vehicles and equipment and \$1.7 million was spent on various stormwater, dredging and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

### GENERAL FUND BUDGETARY HIGHLIGHTS

**General Fund**  
**Year Ended June 30, 2015**  
**(in millions)**

	<b>Original Budget*</b>	<b>Amended Budget</b>	<b>Actual</b>
Revenues:			
Taxes	\$ 406.0	406.0	411.8
Intergovernmental	85.0	85.5	87.1
Other	25.5	25.4	24.9
Total	516.5	516.9	523.8
Expenditures and transfers:			
Expenditures *	282.5	282.9	261.1
Transfers (net)	260.9	258.2	256.7
Total	543.4	541.1	517.8
Change in fund balance	\$ (26.9)	(24.2)	6.0

\* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of \$5.4 million for encumbrances reappropriated from June 30, 2014.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of \$0.4 million, a \$0.4 million increase in appropriations and a net decrease of \$2.7 million in transfers resulting in a \$2.7 million increase to the change in fund balance. Major changes included the following:

- Increase of \$0.5 million in various fees and state compensation board payments to the city
- Appropriation of \$0.5 million in State maintenance funds to fund Public Works annual resurfacing contract, traffic engineering signal maintenance and bridge maintenance and repairs
- A transfer of \$1.9 million in TIF surplus to the General Fund
- A transfer of \$0.5 million from the General Fund to Internal Service Fund to fund the sheriff mowing program

Actual total revenues were above the amended budget by \$6.9 million, primarily due to general property taxes. Budgeted revenues for general property taxes were anticipating a 2.2% increase over last fiscal year, a total of \$6.4 million while actual collections increased by \$7.9 million, or 2.8% mainly due to collections on current real and personal properties taxes. Intergovernmental revenues were \$1.6 million more than amended budgeted revenues. Of the \$1.6 million, \$1.0 million was revenue from the federal government, which included the \$0.9 million reimbursement for major storm expenses; the remaining \$0.6 million came from the Commonwealth, comprised of a \$1.0 million increase in shared expenses, a \$0.6 million reduction in noncategorical aid, primarily due to the city's share of reduction in state aid, and a \$0.2 million increase in other categorical aid.

Expenditures were below the amended budget by \$21.8 million, prior to encumbrances. The general government category returned \$7.9 million or 7.3% of its budget, partially due to cost savings and vacancies resulting from employee retirement and turnover. Notable savings include Public Libraries - \$0.8 million, Sheriff - \$1.4 million, regional cooperation and support - \$0.9 million, Treasurer - \$0.9 million. Public Safety departments were \$5.5 million or 6% below amended budget and Public Works departments were \$6.3 million or 9.3% below the amended budget mainly in tipping fees and street maintenance. Although the amended budget called for a reduction of \$24.2 million in fund balance, the actual revenues and expenditures resulted in a net increase in fund balance of \$6.0 million, a positive budget variance of \$30.2 million.

**CITY OF CHESAPEAKE, VIRGINIA**

Management’s Discussion and Analysis  
Year Ended June 30, 2015

**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, 2015, amounts to approximately \$1.818 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings, improvements, machinery and equipment, drainage and water/sewer systems, roads, bridges and construction in progress. The total change in the City’s investment in capital assets for the current year was a net increase of 2.4% or \$42.0 million - a decrease of 1.1% for governmental activities and an increase of 7.0% for business-type activities in part due to \$59.1 million increase in construction in progress for the Chesapeake Transportation System.

**Capital Assets (net of accumulated depreciation)**  
**June 30, 2015 and 2014**  
**(in millions)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 53.9	51.2	22.3	22.3	76.2	73.5
Intangibles	275.3	273.2	3.6	3.6	278.9	276.8
Construction in progress	71.3	66.3	339.0	279.4	410.3	345.7
Buildings	359.4	372.3	3.7	3.8	363.1	376.1
Improvements other than buildings	19.9	18.2	2.6	2.6	22.5	20.8
Software, equipment and vehicles	58.2	57.1	5.3	4.7	63.5	61.8
Infrastructure	200.8	211.7	403.0	409.9	603.8	621.6
Total	\$ 1,038.8	1,050.0	779.5	726.3	1,818.3	1,776.3

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

- Completed capital projects totaling \$20.4 million for governmental activities.
- Completed capital projects totaling \$17.4 million for business-type activities.
- Construction in progress totaled \$71.3 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$339.0 million for business-type activities, which includes Public Utilities, Chesapeake Transportation System and Stormwater projects.

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

The City’s fiscal year 2016 capital budget provides approximately \$126.3 million for various capital projects. Some of the major categories include \$17.2 million for transportation projects, \$31.0 million in school related projects, \$35.6 million for public safety projects, \$5.7 million for economic development, \$13.2 million for community facilities projects, \$14.7 million for Public Utilities projects and \$5.1 million for Stormwater projects. Projects budgeted to commence in fiscal year 2016 include:

- Replacement of Fire Department vehicles and installation of a fire alarm and PA system in the Public Safety building
- Provide water/sewer system infrastructure to older neighborhoods
- Replacement of gravity sewer mains to comply with the Regional Consent Order issued by the Virginia Department of Environmental Quality (DEQ)
- Replacement of structural components at pump stations throughout the city
- Renovations of building components of the Juvenile Services building
- Excavation and re-grading of the Sunray Area stormwater drainage facility

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2015

- Engineering design for the expansion of the Lake Gaston water treatment plant (WTP) and replacement/rehabilitation of aging equipment and supervisory control and data acquisition (SCADA) systems at both the Lake Gaston and Northwest River WTP
- Renovation and refurbishment of the Chesapeake Conference Center

### 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 \$605.7 million. Of this amount, \$363.6 million comprises debt backed by the full faith and credit of the City and \$242.1 million is debt secured by revenues of the Water and Sewer System and Chesapeake Transportation System toll revenues.

**June 30, 2015 and 2014**  
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds*	\$ 277.5	316.7	83.8	89.7	361.3	406.4
Revenue bonds*	-	-	242.1	198.4	242.1	198.4
Literary loans	1.0	1.3	-	-	1.0	1.3
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 279.8	360.2	325.9	278.9	605.7	607.4

\*does not include bond premiums and discounts.

Chesapeake's total bonded debt decreased by \$1.7 million during the fiscal year. 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 adds 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. During the fiscal year ending June 30, 2015 the City borrowed an additional \$42.2 million from the Virginia Transportation Infrastructure Bank (VTIB) to fund ongoing construction for the Chesapeake Transportation System. The VTIB debt has a subordinate lien.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2.4 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2015

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

- The average unemployment rate for fiscal year 2015 for the City of Chesapeake is 5.0%, a decline from the 2014 rate of 5.3%. This compares to the average unemployment rates of 5.4% for the region, 4.9% for Virginia and 5.7% 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 2.67% from the prior year compared to 2.2% in fiscal year 2014. Personal Property tax experienced a 2.39% increase. There was slight improvement in other taxes.
- Taxable retail sales for calendar year 2014 increased by \$83 million or 2.6%.
- 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, whose original purpose finances School assets, which have a final maturity date of 2026. The savings commenced during 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 City and School capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing Chesapeake's budget for fiscal year 2017. Additionally, the City budget process includes detailed three-year resource requirements in order to improve projections, further support strategic planning and to maintain the City's fiscal stability and strong financial position.

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

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

# Basic Financial Statements



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**Chesapeake**  
VIRGINIA

# Government-Wide Financial Statements



Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Cash and temporary investments (note 2)	\$ 241,459,608	81,432,902	322,892,510	52,776,450	8,747,622
Receivables, net of allowance for uncollectible amounts (note 3)	87,026,357	24,683,504	111,709,861	21,255,775	62,309
Due from component units, net of allowance for uncollectible amounts (note 7)	250,100	-	250,100	-	-
Internal balances (note 8)	20,219,981	(20,219,981)	-	-	-
Inventories	1,715,392	2,169,271	3,884,663	2,333,338	13,838,698
Prepaid expenses	3,564,206	63,356	3,627,562	56,083	128,260
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	23,956,047	23,956,047	-	-
Cash restricted for debt service	-	4,425,459	4,425,459	-	-
Cash restricted for debt service with trustee	-	17,787,692	17,787,692	-	-
Cash with State Set-Aside (note 2)	468,823	-	468,823	-	-
Capital construction:					
Cash and temporary investments	78,763,238	47,235,868	125,999,106	20,794,515	-
Cash and temporary investments with trustee	15	8,309,308	8,309,323	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	852,412	-	852,412	-	-
Capital Assets (notes 4, 6 and 9):					
Land	53,871,266	22,255,578	76,126,844	17,277,065	2,556,729
Intangibles	275,339,272	3,613,039	278,952,311	-	-
Construction in progress	71,302,796	339,030,398	410,333,194	16,482,385	-
Buildings	611,828,072	5,578,827	617,406,899	198,269,550	3,876,840
Improvements other than buildings	45,400,390	3,643,023	49,043,413	5,604,230	19,696,680
Software, equipment and vehicles	151,584,207	15,259,041	166,843,248	77,238,491	1,984,611
Infrastructure	1,108,438,817	673,187,544	1,781,626,361	-	-
Accumulated depreciation	(1,278,903,103)	(283,064,627)	(1,561,967,730)	(78,215,987)	(16,006,594)
Total assets	1,473,181,849	970,346,249	2,443,528,098	333,871,895	34,885,155
<b>Deferred Outflows of Resources (note 5)</b>	23,169,897	4,175,720	27,345,617	36,092,073	260,540
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,496,351,746</b>	<b>974,521,969</b>	<b>2,470,873,715</b>	<b>369,963,968</b>	<b>35,145,695</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>Liabilities</b>					
Accounts payable, deposits and accrued expenses (note 3)	\$ 27,662,029	13,373,792	41,035,821	50,601,442	565,791
Unearned revenues	1,387,875	1,436,184	2,824,059	-	25,849
Due to primary government (note 7)	-	-	-	-	2,513,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	43,699,394	8,158,482	51,857,876	3,473,733	90,000
Due in more than one year	450,451,805	407,903,222	858,355,027	699,282,764	2,404,812
Total liabilities	523,201,103	430,871,680	954,072,783	753,357,939	5,600,054
<b>Deferred Inflows of Resources (note 5)</b>	38,843,885	10,692,626	49,536,511	57,784,000	472,228
<b>Net Position</b>					
Net investment in capital assets	751,215,126	380,994,500	1,132,209,626	229,602,135	10,863,166
Restricted for:					
Capital projects	9,289,916	10,285,096	19,575,012	17,708,059	-
Debt service	524,780	33,995,534	34,520,314	-	-
Other purposes:					
Expendable:					
General Fund	33,566,342	-	33,566,342	-	-
Special Projects	39,432,885	-	39,432,885	-	-
Educational Purposes	179,089	-	179,089	21,882,686	-
Public Works	15	-	15	-	-
Public Utilities Operations	-	91,402,834	91,402,834	-	-
Chesapeake Transportation System Operations	-	11,139,151	11,139,151	-	-
Stormwater Management Operations	-	33,287,986	33,287,986	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	385,442
Chesapeake Airport Authority	-	-	-	-	211,123
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	100,085,810	(28,147,438)	71,938,372	(710,370,851)	17,613,682
Total net position	934,306,758	532,957,663	1,467,264,421	(441,177,971)	29,073,413
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 1,496,351,746</b>	<b>974,521,969</b>	<b>2,470,873,715</b>	<b>369,963,968</b>	<b>35,145,695</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, 2015

Schedule B

Functions/Programs	Net Revenue (Expense) and Changes in Net Position							
	Program Revenues			Primary Government Business-type Activities		Discretely Presented Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	Public Schools	Others
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ 129,569,793	17,221,747	28,866,794	406,727	(83,074,525)	-	-	-
Public safety	91,413,819	6,065,257	7,565,999	275,512	(77,507,051)	-	-	-
Public works	58,920,091	423,362	32,052,082	5,120,119	(21,324,528)	-	-	-
Parks and recreation	2,439,039	1,179,898	193,250	-	(1,065,891)	-	-	-
Public welfare	44,174,172	6,036,692	25,952,044	-	(12,185,436)	-	-	-
Education	191,962,233	-	213,431	1,495,365	(190,253,437)	-	-	-
Interest on long term debt	13,597,584	-	-	-	(13,597,584)	-	-	-
Depreciation and amortization - net unallocated portion (note 4)	16,215,291	-	-	-	(16,215,291)	-	-	-
Total governmental activities	548,292,022	30,926,956	94,843,600	7,297,723	(415,223,743)	-	-	-
Business-type activities:								
Public Utilities	59,665,753	69,235,499	958,095	6,740,788	-	17,268,629	-	-
Chesapeake Transportation System	8,973,844	11,101,413	58,097	1,051,597	-	3,237,263	-	-
Stormwater Management	11,578,159	15,644,842	194,689	140,140	-	4,401,512	-	-
Total business-type activities	80,217,756	95,981,754	1,210,881	7,932,525	-	24,907,404	-	-
<b>Total primary government</b>	<b>\$ 628,509,778</b>	<b>126,908,710</b>	<b>96,054,481</b>	<b>15,230,248</b>	<b>(415,223,743)</b>	<b>24,907,404</b>	<b>(390,316,339)</b>	<b>-</b>
<b>COMPONENT UNITS</b>								
Public Schools	\$ 442,852,339	16,611,124	88,908,283	1,190,330	-	-	(336,142,602)	-
Chesapeake Mosquito Control Commission	4,033,457	-	4,078,310	-	-	-	-	44,853
Economic Development Authority	686,818	-	193,055	-	-	-	-	(493,763)
Chesapeake Port Authority	46,498	35,905	9,953	-	-	-	-	(640)
Chesapeake Airport Authority	1,583,143	427,789	761,293	-	-	-	-	(394,061)
Elizabeth River Properties, Inc	190,881	124,003	31,673	-	-	-	-	(35,205)
<b>Total component units</b>	<b>\$ 449,393,136</b>	<b>17,198,821</b>	<b>93,982,567</b>	<b>1,190,330</b>	<b>-</b>	<b>-</b>	<b>(336,142,602)</b>	<b>(878,816)</b>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					\$ 305,738,657	-	-	-
Local sales and use taxes					37,236,136	-	-	-
Consumer utility taxes					10,624,686	-	-	-
Communication sales tax					11,859,090	-	-	-
Business license taxes					25,684,602	-	-	-
Local utility consumption tax					902,138	-	-	-
Bank stock taxes					1,288,227	-	-	-
Taxes on recordation and wills					2,842,444	-	-	-
Tobacco taxes					4,481,456	-	-	-
Hotel and motel room taxes					5,555,174	-	-	-
Restaurant food taxes					24,523,112	-	-	-
Admission taxes					836,853	-	-	-
Short-term rental taxes					693,834	-	-	-
Part-mutual wagging pool tax					6,639	-	-	-
Payment from City					-	-	184,457,843	-
Grants and contributions not restricted to specific programs					31,873,268	-	155,306,935	-
Unrestricted investment earnings					1,688,206	-	242,790	-
Miscellaneous					3,718,394	-	1,146,129	-
<b>Transfers</b>					190,553	(190,553)	-	-
Total general revenues and transfers					469,743,469	(190,553)	469,552,916	341,153,697
<b>Change in net position</b>					54,519,726	24,716,851	79,236,577	5,011,095
<b>Net position - beginning, as restated</b>					879,787,032	508,240,812	1,388,027,844	(446,189,066)
<b>Net position - ending</b>					\$ 934,306,758	532,957,663	1,467,264,421	29,952,229
							(441,177,971)	29,073,413

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

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**Chesapeake**  
VIRGINIA

# Fund Financial Statements



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**Chesapeake**  
VIRGINIA

# Governmental Fund Financial Statements

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

**Other Governmental Funds** – Include Special Revenue and Permanent Funds.



Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments (note 2)	\$ 128,927,044	23,847,824	-	53,711,285	206,486,153
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	3,332,271	-	-	-	3,332,271
State categorical aid	1,614,330	-	-	-	1,614,330
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	23,466	-	7,446	2,364,014	2,394,926
Federal government	-	-	27,280	2,300,672	2,327,952
Receivables (note 3):					
Property taxes	34,537,968	-	-	-	34,537,968
Accounts receivable	6,355,872	-	-	3,989,716	10,345,588
Utility taxes	2,937,148	-	-	-	2,937,148
Interest	167,510	31,216	-	1,662	200,388
Fines	91,582	-	-	518,303	609,885
Ambulance fees	2,935,208	-	-	-	2,935,208
Restaurant and food tax	2,194,243	-	-	-	2,194,243
Other	1,324,952	-	-	391,375	1,716,327
Allowance for uncollectible amounts	(4,210,684)	-	-	(2,783,401)	(6,994,085)
Inventory	1,328,573	-	-	-	1,328,573
Due from other funds (note 8)	615,898	-	13,582,808	-	14,198,706
Prepaid expenditures and other assets	-	-	-	264,695	264,695
Restricted assets (note 2):					
Cash with state set-aside (note 6)	468,823	-	-	-	468,823
Capital construction:					
Cash and temporary investments	-	-	78,763,238	-	78,763,238
Cash and temporary investments with trustee	-	-	15	-	15
Investments	-	-	-	852,412	852,412
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	105,042	145,058	-	-	250,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
<b>Total assets</b>	<b>\$ 211,339,247</b>	<b>24,024,098</b>	<b>92,380,787</b>	<b>61,610,733</b>	<b>389,354,865</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable (note 3)	\$ 11,101,485	1,000	-	1,716,896	12,819,381
Deposits (note 3)	2,768,232	-	-	-	2,768,232
Accrued expenditures (note 3)	2,962,311	-	-	79,839	3,042,150
Unearned revenue	132,910	-	1,000,000	254,964	1,387,874
Other liabilities (note 3)	520,447	-	735	2,181	523,363
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	2,435,821	-	2,435,821
Due to Commonwealth of Virginia	600	-	-	-	600
Due to other funds (note 8)	-	-	-	615,898	615,898
Total liabilities	17,485,985	1,000	3,436,556	2,669,778	23,593,319
<b>Deferred Inflows of Resources (note 5)</b>	<b>34,962,611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,962,611</b>
<b>Fund Balances (note 12)</b>					
Nonspendable	1,433,615	145,058	-	277,490	1,856,163
Restricted for cash flow emergencies	31,981,331	-	-	-	31,981,331
Restricted other	468,823	250,779	15	39,347,279	40,066,896
Committed for one time projects	34,275,685	-	-	-	34,275,685
Committed other	21,351,556	-	49,930,641	4,128,555	75,410,752
Assigned	5,416,979	23,627,261	39,013,575	15,187,631	83,245,446
Unassigned	63,962,662	-	-	-	63,962,662
Total fund balances	158,890,651	24,023,098	88,944,231	58,940,955	330,798,935
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 211,339,247</b>	<b>24,024,098</b>	<b>92,380,787</b>	<b>61,610,733</b>	<b>389,354,865</b>

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

(Continued)

Balance Sheet  
Governmental Funds  
June 30, 2015

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**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 \$ 330,798,935

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 \$45,572,503 associated with the internal service funds as indicated below.

Capital assets 993,289,214

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

Pension contribution made after the measurement date	\$ 20,433,453	
Unamortized deferred loss on refundings	<u>1,927,055</u>	22,360,508

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Governmental funds deferred inflows	34,962,611	
Unamortized difference between actual and projected pension earnings	(37,035,582)	
Unamortized deferred gain on refundings	<u>(341,286)</u>	(2,414,257)

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 \$714,871 as noted on Schedule E.

Current assets	38,943,992	
Capital assets	45,572,503	
Deferred outflows	809,389	
Liabilities	(1,594,604)	
Long-term debt	(33,022,475)	
Deferred inflows	(1,467,017)	
Net cumulative profit(loss) allocation	<u>714,871</u>	49,956,659

An interfund loan that does not contribute to current financial resources is not reported in governmental activities 5,922,302

Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, is not reported in the funds. (4,477,879)

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 \$33,022,475 associated with the internal service funds as indicated above.

General obligation bonds	(289,178,539)	
Net pension liability	(110,092,588)	
Net OPEB obligation	(24,950,114)	
Arbitrage rebate and yield restriction	(250,779)	
Compensated absences (net of ISF)	(18,885,454)	
Literary loans	(997,681)	
Installment Purchase Agreement	(1,342,284)	
Supplemental Payments Agreement	(12,885,000)	
Edinburgh Purchase Agreement	<u>(2,546,285)</u>	(461,128,724)

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**Net position of governmental activities** **\$ 934,306,758**

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, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 293,884,026	-	-	9,892,705	303,776,731
Other local taxes	117,949,749	-	-	8,584,642	126,534,391
Licenses, permits and fees	8,744,557	-	-	-	8,744,557
Fines and forfeitures	2,585,943	-	-	-	2,585,943
Investment income	830,325	137,390	370,600	195,579	1,533,894
Revenues from use of property	602,504	54,889	-	219,377	876,770
Charges for services	11,106,901	-	-	8,352,155	19,459,056
Miscellaneous local revenues	220,967	121,384	22,045	2,715,668	3,080,064
Recovered costs	792,393	-	331,474	1,666,563	2,790,430
Program income	-	-	-	138,654	138,654
Revenues from local developers	-	-	1,617,834	-	1,617,834
Intergovernmental revenues:					
Commonwealth of Virginia	86,124,430	-	1,493,071	20,751,731	108,369,232
Federal government	1,049,256	-	754,459	13,372,116	15,175,831
Federal government - American Reinvestment and Recovery Act	-	888,431	-	-	888,431
Chesapeake Public Schools	138,530	74,900	-	-	213,430
<b>Total revenues</b>	<b>524,029,581</b>	<b>1,276,994</b>	<b>4,589,483</b>	<b>65,889,190</b>	<b>595,785,248</b>
<b>EXPENDITURES</b>					
Current:					
General government	100,918,833	-	-	11,102,995	112,021,828
Public safety	86,056,385	-	-	8,411,397	94,467,782
Public works	60,880,687	-	-	-	60,880,687
Parks and recreation	9,686,407	-	-	81,260	9,767,667
Public welfare	-	-	-	44,677,723	44,677,723
Education - Payments to Public Schools	184,457,843	-	-	-	184,457,843
Capital outlay	1,370,181	-	25,510,457	2,875,169	29,755,807
Debt service	2,224,500	52,931,139	-	291,959	55,447,598
<b>Total expenditures</b>	<b>445,594,836</b>	<b>52,931,139</b>	<b>25,510,457</b>	<b>67,440,503</b>	<b>591,476,935</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>78,434,745</b>	<b>(51,654,145)</b>	<b>(20,920,974)</b>	<b>(1,551,313)</b>	<b>4,308,313</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds (note 8)	4,595,082	47,988,117	24,003,951	19,258,751	95,845,901
Proceeds from capital lease (note 6)	-	-	(383,863)	-	(383,863)
Transfers to other funds (note 8)	(77,007,537)	(1,509,044)	(429,079)	(16,247,573)	(95,193,233)
<b>Total other financing sources (uses)</b>	<b>(72,412,455)</b>	<b>46,479,073</b>	<b>23,191,009</b>	<b>3,011,178</b>	<b>268,805</b>
<b>Net change in fund balance</b>	<b>6,022,290</b>	<b>(5,175,072)</b>	<b>2,270,035</b>	<b>1,459,865</b>	<b>4,577,118</b>
<b>Fund balance - beginning</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>
<b>Fund balance - ending</b>	<b>\$ 158,890,651</b>	<b>24,023,098</b>	<b>88,944,231</b>	<b>58,940,955</b>	<b>330,798,935</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, 2015

**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 \$ 4,577,118

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The Statement of Activities also includes expenses which relate to current-year closed projects that included assets that are no longer capitalizable at the time of project closure. In addition, donated assets and gains and losses on disposal of assets are not reported in governmental funds, but are reported as revenues (expenses) in the Statement of Activities. This represents the net effect of the donated assets plus the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:

Depreciation expense	\$ (37,190,302)	
Capital outlay expenditures	29,755,807	
Donated assets	4,719,708	
Noncapitalizable expenses related to closed projects	(5,403,484)	
Asset transfers	(10,081)	
Disposal of assets	(842,918)	
		(8,971,270)

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues changed by this amount this year. 1,961,926

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

Debt issued (and related costs)	383,863	
Principal repayments	43,139,300	
		43,523,163

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

Accrued interest	370,492	
Compensated absences	(1,148,832)	
Pension expense	8,982,661	
Net pension liability	5,933,054	
		14,137,375

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. (960,306)

Interfund loan activity that does not contribute to current financial resources and, therefore, is not reported in the funds. 251,720

**Change in net position of governmental activities** **\$ 54,519,726**

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

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**Chesapeake**  
VIRGINIA

# Proprietary Fund Financial Statements

## **Major Enterprise Funds:**

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

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

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

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



Statement of Net Position  
 Proprietary Funds  
 June 30, 2015

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Current assets:					
Cash and temporary investments (note 2)	\$ 69,501,528	1,740,242	10,191,132	81,432,902	34,973,455
Receivables (note 3):					
Accounts	15,435,809	414,814	10,771,155	26,621,778	253,113
Interest	20,136	-	13,534	33,670	31,094
Allowance for uncollectible amounts	(1,959,820)	(36,875)	(173,499)	(2,170,194)	-
Intergovernmental revenues due from:					
Commonwealth of Virginia	-	39,649	-	39,649	-
Federal government	-	158,601	-	158,601	-
Inventory of materials and supplies	2,169,271	-	-	2,169,271	386,819
Prepaid expenses	63,356	-	-	63,356	3,299,511
<b>Total current assets</b>	<b>85,230,280</b>	<b>2,316,431</b>	<b>20,802,322</b>	<b>108,349,033</b>	<b>38,943,992</b>
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	23,946,990	9,057	23,956,047	-
Cash restricted for debt service	4,425,459	-	-	4,425,459	-
Cash restricted for debt service with trustee	4,729,881	13,057,811	-	17,787,692	-
Capital construction:					
Cash and temporary investments	18,620,284	11,137	28,604,447	47,235,868	-
Cash and temporary investments with trustee	3,090,212	5,219,096	-	8,309,308	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
<b>Total restricted assets</b>	<b>31,865,836</b>	<b>42,235,034</b>	<b>28,613,504</b>	<b>102,714,374</b>	<b>-</b>
Capital assets (note 4):					
Land	10,727,890	11,105,618	422,070	22,255,578	-
Intangibles	2,345,309	-	1,267,730	3,613,039	-
Construction in progress	55,326,973	276,230,588	7,472,837	339,030,398	464,800
Buildings	73,598	5,389,295	115,934	5,578,827	687,097
Improvements other than buildings	3,582,790	-	60,233	3,643,023	13,082,477
Software, equipment and vehicles	8,107,266	6,969,173	182,602	15,259,041	109,702,815
Infrastructure	564,892,846	82,849,818	25,444,880	673,187,544	77,584
Less accumulated depreciation	(214,337,418)	(62,730,142)	(5,997,067)	(283,064,627)	(78,442,270)
<b>Total capital assets, net of accumulated depreciation</b>	<b>430,719,254</b>	<b>319,814,350</b>	<b>28,969,219</b>	<b>779,502,823</b>	<b>45,572,503</b>
<b>Total noncurrent assets</b>	<b>462,585,090</b>	<b>362,049,384</b>	<b>57,582,723</b>	<b>882,217,197</b>	<b>45,572,503</b>
<b>Total assets</b>	<b>547,815,370</b>	<b>364,365,815</b>	<b>78,385,045</b>	<b>990,566,230</b>	<b>84,516,495</b>
<b>Deferred Outflows of Resources (note 5)</b>	<b>3,458,820</b>	<b>285,671</b>	<b>431,229</b>	<b>4,175,720</b>	<b>809,389</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 551,274,190</b>	<b>364,651,486</b>	<b>78,816,274</b>	<b>994,741,950</b>	<b>85,325,884</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>Liabilities</b>					
Current liabilities:					
Accounts payable (note 3)	\$ 2,530,613	46,937	526,178	3,103,728	1,583,457
Accrued expenses and other liabilities (note 3)	1,224,025	2,381,550	11,503	3,617,078	11,147
Deposits (note 3)	918,913	-	-	918,913	-
Unearned revenues	1,214,137	-	-	1,214,137	-
Due to other funds (note 8)	-	13,582,808	-	13,582,808	-
Construction projects payable (note 3)	625,134	5,081,472	27,467	5,734,073	-
Current portion of long-term debt (note 6)	7,395,584	298,068	-	7,693,652	-
Current portion of accrued vacation, sick pay and overtime leave (note 6)	335,621	42,599	86,610	464,830	202,773
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	5,740,653
<b>Total current liabilities</b>	<b>14,244,027</b>	<b>21,433,434</b>	<b>651,758</b>	<b>36,329,219</b>	<b>7,538,030</b>
Noncurrent liabilities:					
Unearned revenues	222,047	-	-	222,047	-
General obligation bonds (note 6)	83,545,253	-	-	83,545,253	-
Revenue bonds (note 6)	32,525,000	216,640,887	-	249,165,887	-
Due to Commonwealth of Virginia (note 6)	-	65,415,169	-	65,415,169	-
Advances from other funds (note 8)	-	5,922,302	-	5,922,302	-
Accrued vacation, sick pay and overtime leave (note 6)	624,448	75,335	174,079	873,862	337,479
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	22,798,014
Net pension liability	5,987,009	711,148	2,204,894	8,903,051	3,943,556
<b>Total noncurrent liabilities</b>	<b>122,903,757</b>	<b>288,764,841</b>	<b>2,378,973</b>	<b>414,047,571</b>	<b>27,079,049</b>
<b>Total liabilities</b>	<b>137,147,784</b>	<b>310,198,275</b>	<b>3,030,731</b>	<b>450,376,790</b>	<b>34,617,079</b>
<b>Deferred Inflows of Resources (note 5)</b>	<b>1,946,604</b>	<b>283,684</b>	<b>8,462,338</b>	<b>10,692,626</b>	<b>1,467,017</b>
<b>Net Position</b>					
Net investment in capital assets	312,647,085	39,378,196	28,969,219	380,994,500	45,572,503
Restricted for:					
Capital projects	-	5,219,096	5,066,000	10,285,096	-
Debt service	8,129,883	25,865,651	-	33,995,534	-
Other purposes - Expendable:					
Public Utilities Fund	91,402,834	-	-	91,402,834	-
Chesapeake Transportation System Fund	-	11,139,151	-	11,139,151	-
Stormwater Management Fund	-	-	33,287,986	33,287,986	-
Unrestricted (deficit)	-	(27,432,567)	-	(27,432,567)	3,669,285
<b>Total net position</b>	<b>412,179,802</b>	<b>54,169,527</b>	<b>67,323,205</b>	<b>533,672,534</b>	<b>49,241,788</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 551,274,190</b>	<b>364,651,486</b>	<b>78,816,274</b>	<b>994,741,950</b>	<b>85,325,884</b>
				533,672,534	
				(714,871)	
				532,957,663	

Net position of enterprise funds, Schedule E

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities, Schedule A

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

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2015

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>OPERATING REVENUES</b>					
Licenses, permits and fees	-	-	303,534	303,534	-
Charges for services:					
Sale of water	\$ 36,777,301	-	-	36,777,301	-
Billings to departments	-	-	-	-	30,214,231
Billings to outside agencies and component units	-	-	-	-	2,198,266
Sewer service charges	25,726,585	-	-	25,726,585	-
Stormwater management fees	-	-	15,303,176	15,303,176	-
Tolls and tickets	-	11,024,004	-	11,024,004	-
Rental fees	921,390	-	-	921,390	219,282
Connection fees	4,657,875	-	-	4,657,875	-
Miscellaneous	1,148,116	27,930	9,996	1,186,042	15,545
Recovered costs	4,232	49,479	28,136	81,847	1,104,001
Total operating revenues	69,235,499	11,101,413	15,644,842	95,981,754	33,751,325
<b>OPERATING EXPENSES</b>					
Cost of materials billed	-	-	-	-	4,527,795
Purchases for resale	17,934,342	-	-	17,934,342	2,147,083
Water production	7,339,525	-	-	7,339,525	-
Sewer maintenance and operation	6,132,237	-	-	6,132,237	-
Water maintenance and operation	2,987,154	-	-	2,987,154	-
Customer service	1,776,322	-	-	1,776,322	-
General and administrative	2,382,452	323,494	1,377,367	4,083,313	602,628
Technical services	1,170,729	-	-	1,170,729	-
Other salaries and wages	-	1,182,267	3,048,916	4,231,183	5,517,069
Other fringe benefits	-	466,743	1,359,123	1,825,866	1,700,854
Self-insurance losses	-	-	-	-	4,656,118
Indemnity and medical claims	-	-	-	-	1,964,840
Other repairs and supplies	-	475,774	320,732	796,506	4,470,918
Equipment rental	-	3,741	13,039	16,780	29,014
Other contractual services	-	959,506	2,291,614	3,251,120	1,112,790
Depreciation and amortization	12,725,398	4,143,251	797,137	17,665,786	9,408,396
Insurance premiums	-	-	-	-	1,416,304
Meter reading services	317,100	-	-	317,100	-
Other	7,049	43,745	-	50,794	-
Total operating expenses	52,772,308	7,598,521	9,207,928	69,578,757	37,553,809
<b>Operating income (loss)</b>	16,463,191	3,502,892	6,436,914	26,402,997	(3,802,484)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	352,929	58,097	194,689	605,715	154,312
Interest expense	(3,241,302)	(1,375,323)	-	(4,616,625)	-
Gain on sale of equipment	1,300	-	-	1,300	283,033
Loss on sale of equipment	(3,928,750)	-	(2,382,244)	(6,310,994)	(394,210)
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	605,166	-	-	605,166	-
Total nonoperating revenues (expenses)	(6,210,657)	(1,317,226)	(2,187,555)	(9,715,438)	43,135
<b>Income (loss) before transfers and contributions</b>	10,252,534	2,185,666	4,249,359	16,687,559	(3,759,349)
Transfers in (note 8)	8,046	-	58,547	66,593	-
Transfers out (note 8)	-	-	(15,507)	(15,507)	(703,754)
Capital contributions	6,746,806	1,051,597	142,903	7,941,306	6,891,716
<b>Increase (decrease) in net position</b>	17,007,386	3,237,263	4,435,302	24,679,951	2,428,613
<b>Total net position - beginning, as restated</b>	395,172,416	50,932,264	62,887,903	508,992,583	46,813,175
<b>Total net position - ending</b>	\$ 412,179,802	54,169,527	67,323,205	533,672,534	49,241,788

Change in net position of enterprise funds, Schedule F	\$ 24,679,951
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	36,900
Change in net position of business-type activities, Schedule B	\$ 24,716,851

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

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2015

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 69,986,372	11,396,067	15,366,628	96,749,067	33,605,947
Payments to suppliers	(28,278,761)	(1,791,650)	(3,782,466)	(33,852,877)	(20,496,407)
Payments to employees	(12,010,261)	(1,659,406)	(4,532,367)	(18,202,034)	(7,565,113)
Net cash provided by (used in) operating activities	29,697,350	7,945,011	7,051,795	44,694,156	5,544,427
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	8,046	-	58,547	66,593	-
Transfers out	-	-	(15,507)	(15,507)	(703,754)
Net cash provided by (used in) noncapital financing activities	8,046	-	43,040	51,086	(703,754)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Federal government	605,166	-	-	605,166	-
Proceeds from revenue bonds	-	45,561,130	-	45,561,130	-
Proceeds from sale of capital assets	1,910	-	-	1,910	(111,177)
Principal payment of long-term debt	(6,630,000)	251,721	-	(6,378,279)	-
Acquisition of capital assets	(6,146,243)	(49,996,389)	(3,746,070)	(59,888,702)	(3,738,408)
Increase (decrease) in construction projects payable	567,600	(592,975)	(142,927)	(168,302)	-
Interest paid	(5,246,650)	(8,769,393)	-	(14,016,043)	-
Due to other funds	-	7,987,398	-	7,987,398	-
Net cash provided by (used in) capital and related financing activities	(16,848,217)	(5,558,508)	(3,888,997)	(26,295,722)	(3,849,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	349,113	58,097	195,990	603,200	164,054
Net cash provided by investing activities	349,113	58,097	195,990	603,200	164,054
Net increase (decrease) in cash and temporary investments	13,206,292	2,444,600	3,401,828	19,052,720	1,155,142
<b>Cash and temporary investments beginning 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>Cash and temporary investments end of year</b>	<b>\$ 101,367,364</b>	<b>43,975,276</b>	<b>38,804,636</b>	<b>184,147,276</b>	<b>34,973,455</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 16,463,191	3,502,892	6,436,914	26,402,997	(3,802,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	12,725,398	4,143,251	797,137	17,665,786	9,408,396
Pension expense	(472,132)	(68,806)	(189,571)	(730,509)	(355,810)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	802,339	294,654	(308,353)	788,640	(145,378)
Prepaid expenses and other assets	(11,765)	-	-	(11,765)	(322,031)
Inventory of materials and supplies	(441,821)	-	-	(441,821)	45,877
Accounts payable	491,464	14,610	213,931	720,005	116,449
Deposits	130,104	-	-	130,104	-
Unearned revenue	(181,570)	-	-	(181,570)	-
Deferred inflows	-	-	30,139	30,139	-
Accrued expenses and other liabilities	3,219	2,304	6,355	11,878	5,577
Liability for self insurance losses	-	-	-	-	590,940
Accrued vacation, sick pay and overtime leave	188,923	56,106	65,243	310,272	2,891
Total adjustments	13,234,159	4,442,119	614,881	18,291,159	9,346,911
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 29,697,350</b>	<b>7,945,011</b>	<b>7,051,795</b>	<b>44,694,156</b>	<b>5,544,427</b>
<b>Supplemental information on significant noncash transactions:</b>					
Contributions of capital assets:					
Public Utilities Fund	\$ 6,746,806				
Chesapeake Transportation Fund		\$ 1,051,597			
Stormwater Fund			\$ 142,903		
Internal Service Funds					\$ 6,891,716

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, 2015

	<u>Agency Special Welfare</u>	<u>Other Postemployment Benefits Trust</u>
<b>ASSETS</b>		
Cash and temporary investments (note 2)	\$ 5,196	-
Investments with trustee, at fair value (note 2)		
Stocks	-	43,071,505
Taxable bonds	-	23,533,253
Money market	-	32,479
Total assets	\$ 5,196	66,637,237
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	36,458
Due to children under foster care	5,196	-
Total liabilities	5,196	36,458
<b>Net Position</b>		
Held in trust for other postemployment benefits	-	66,600,779
<b>Total liabilities and net position</b>	<b>\$ 5,196</b>	<b>66,637,237</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, 2015

	<b>Other Postemployment Benefits Trust</b>
<b>ADDITIONS</b>	
Contributions from employer (note 11)	\$ 11,752,000
Contributions from plan members (note 11)	2,358,413
Investment income:	
Interest and dividend income	2,970,222
Net appreciation (depreciation) in fair value of investments	(1,335,744)
Less investment expenses	145,824
Net investment income	1,488,654
Total additions	15,599,067
<b>DEDUCTIONS</b>	
Administrative expenses	23,561
Benefits and refunds paid on behalf of plan members and beneficiaries	5,564,097
Total deductions	5,587,658
<b>Change in net position</b>	<b>10,011,409</b>
<b>Held in trust for other postemployment benefits - beginning of year</b>	<b>56,589,370</b>
<b>Held in trust for other postemployment benefits - end of year</b>	<b>\$ 66,600,779</b>

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

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**Chesapeake**  
VIRGINIA

## Other Discretely Presented Component Units

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

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

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

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

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



Combining Statement of Net Position  
Other Discretely Presented Component Units  
June 30, 2015

	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 AND DEFERRED OUTFLOWS</b>							
<b>Assets</b>							
Current assets:							
Cash and temporary investments (note 2)	\$ 4,511,145	2,603,166	7,630	707,377	918,304	8,747,622	
Receivables, net of allowance for uncollectible amounts	6,839	3,604	-	42,313	9,553	62,309	
Inventories	237,702	13,600,996	-	-	-	13,838,698	
Prepaid expenses	123,305	-	-	-	4,955	128,260	
Total current assets	4,878,991	16,207,766	7,630	749,690	932,812	22,776,889	
Capital assets:							
Land	530,778	-	-	1,577,244	448,707	2,556,729	
Buildings	2,620,364	-	-	-	1,256,476	3,876,840	
Improvements other than buildings	14,897	-	-	19,644,782	37,001	19,696,680	
Software, equipment and vehicles	1,747,851	-	-	236,760	-	1,984,611	
Less accumulated depreciation	(2,148,172)	-	-	(13,392,343)	(466,079)	(16,006,594)	
Total capital assets, net of accumulated depreciation	2,765,718	-	-	8,066,443	1,276,105	12,108,266	
Total assets	7,644,709	16,207,766	7,630	8,816,133	2,208,917	34,885,155	
Deferred Outflows of Resources (note 5)	260,540	-	-	-	-	260,540	
Total assets and deferred outflows of resources	\$ 7,905,249	16,207,766	7,630	8,816,133	2,208,917	35,145,695	
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenses	\$ 157,508	7,964	-	398,507	-	563,979	
Unearned revenues	-	-	-	25,849	-	25,849	
Other liabilities	12	-	-	-	1,800	1,812	
Due to primary government	-	1,319,095	944,407	250,100	-	2,513,602	
Current portion of long-term debt	-	-	-	90,000	-	90,000	
Long term liabilities	1,499,812	-	-	905,000	-	2,404,812	
Total liabilities	1,657,332	1,327,059	944,407	1,669,456	1,800	5,600,054	
Deferred Inflows of Resources (note 5)	472,228	-	-	-	-	472,228	
<b>Net Position</b>							
Net investment in capital assets	2,765,718	-	-	6,821,343	1,276,105	10,863,166	
Restricted	-	-	-	211,123	385,442	596,565	
Unrestricted (deficit)	3,009,971	14,880,707	(936,777)	114,211	545,570	17,613,682	
Total net position	5,775,689	14,880,707	(936,777)	7,146,677	2,207,117	29,073,413	
Total liabilities and net position	\$ 7,905,249	16,207,766	7,630	8,816,133	2,208,917	35,145,695	

Combining Statement of Activities  
 Other Discretely Presented Component Units  
 Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc		
<b>Governmental Type Activities</b>										
Chesapeake Mosquito Control Commission	\$ 4,033,457	-	4,078,310	44,853	-	-	-	-	-	44,853
<b>Business-type Activities</b>										
Economic Development Authority	686,818	-	193,055	-	(493,763)	-	-	-	-	(493,763)
Chesapeake Port Authority	46,498	35,905	9,953	-	-	(640)	-	-	-	(640)
Chesapeake Airport Authority	1,583,143	427,789	761,293	-	-	-	(394,061)	-	-	(394,061)
Elizabeth River Properties of Chesapeake, Inc	190,881	124,003	31,673	-	-	-	-	(35,205)	-	(35,205)
<b>Total component units</b>	<b>\$ 6,540,797</b>	<b>587,697</b>	<b>5,074,284</b>	<b>44,853</b>	<b>(493,763)</b>	<b>(640)</b>	<b>(394,061)</b>	<b>(35,205)</b>	<b>-</b>	<b>(878,816)</b>
<b>Change in net position</b>				\$ 44,853	(493,763)	(640)	(394,061)	(35,205)		(878,816)
<b>Net position - beginning, as restated</b>				5,730,836	15,374,470	(936,137)	7,540,738	2,242,322		29,952,229
<b>Net position - ending</b>				\$ 5,775,689	14,880,707	(936,777)	7,146,677	2,207,117		29,073,413

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**Chesapeake**  
VIRGINIA

# Notes to Basic Financial Statements

**Chesapeake**  
VIRGINIA

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

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

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

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

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

- The Chesapeake Public Schools (the Schools) are responsible for elementary and secondary education within the City. All nine members of the School Board are elected. The City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools' operations and approves the borrowing of money and the issuance of bonds. Separate audited financial statements are available from the Chesapeake Public Schools at 312 Cedar Road, Chesapeake, Virginia 23322.
- The Economic Development Authority of the City of Chesapeake (the EDA) was established under the Industrial Development and Revenue Bond Act, *Code of Virginia*. The EDA is responsible for promoting industry and developing trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City. The City Council appoints the members of the Board of the EDA. The EDA issued lease revenue bonds for two major construction projects for which the City is the lessor. The City also appropriates funds annually to pay the administrative expenses of the EDA. Separate audited financial statements for the EDA are available through the City's Department of Economic Development at 676 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.

Notes to Basic Financial Statements  
June 30, 2015

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(1) **Continued**

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

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

Notes to Basic Financial Statements  
June 30, 2015

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**(1) Continued**

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements  
June 30, 2015

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(1) **Continued**

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

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

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

The City reports the following major governmental funds:

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

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

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

Notes to Basic Financial Statements  
June 30, 2015

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(1) **Continued**

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

Fiduciary funds:

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

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

Notes to Basic Financial Statements  
June 30, 2015

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**(1) Continued**

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

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

***Cash and Temporary Investments***

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

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

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

***Receivables and Payables***

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

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

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

Notes to Basic Financial Statements  
June 30, 2015

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**(1) Continued**

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, 2014, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2015 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, 2015 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2015 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

*Inventories and Prepaids*

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

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

Notes to Basic Financial Statements  
June 30, 2015

(1) **Continued**

***Capital Assets***

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are 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, paid time off and accrued overtime leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay, paid time off and accrued overtime leave earned and, upon retirement, termination or death, may be compensated for certain amounts at their most current rate of pay. The costs of accumulated vacation, paid time off and overtime leave are accrued as a liability as the benefits are earned by employees if attributable to services already rendered and compensation through paid time off or some other means is probable. Sick leave liability is accrued as the benefits are earned by employees if it is probable the City will compensate the employees for the benefits through cash payments conditioned upon the employees' termination or retirement. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

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

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

Notes to Basic Financial Statements  
June 30, 2015

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(1) **Continued**

***Long-term Obligations***

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

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

***Encumbrances***

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

***Net Position***

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

***Fund Balances***

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

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

Notes to Basic Financial Statements  
June 30, 2015

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(1) **Continued**

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

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

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

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

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

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

**Minimum Fund Balance Policy**

The City charter requires that a minimum of 6% of specified revenues of the General Fund and Special Revenue funds be restricted for emergency use and cash flow needs which may occur throughout the fiscal year. In addition, the City shall budget for 12% of these same revenues as unassigned fund balance in the General Fund in order to maintain the new policy requirement of a minimum 10% as adopted by resolution of City Council on June 10, 2014 to become effective for fiscal year 2015.

Notes to Basic Financial Statements  
June 30, 2015

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(2) **Deposits and Investments**

*Deposits*

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

The carrying value of pooled deposits, as of June 30, 2015 is \$161,414,770 including petty cash of \$37,580 and cash in the special welfare fiduciary fund of \$5,196. Cash of \$468,823 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 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.

*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, 2015.

*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).

Notes to Basic Financial Statements  
June 30, 2015

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**(2) Continued**

*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, 2015, the City was holding certificates of deposit in TowneBank of \$54,000,000 which represented 11.08% 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.

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.

Notes to Basic Financial Statements  
June 30, 2015

(2) Continued

*Amounts Relating to Component Units*

The cash and investments of the Schools, the Mosquito Control Commission 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 \$4,236,477 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	\$ 161,414,770
State set-aside fund	468,823
Restricted Deposits	1,000,000
Investments	487,532,322
Other Component Units	4,236,477
<b>Total deposits and investments</b>	<b>\$ 654,652,392</b>
Per Schedules A and H:	
Cash and temporary investments	\$ 384,421,778
Cash and temporary investments with trustee	90,593,284
Cash restricted for debt service	4,425,459
Cash restricted for debt service with trustee	17,787,692
Cash with State Set-Aside	468,823
Cash restricted for Public Utilities improvement and debt service reserve	1,000,000
Investment - zero coupon bond	852,412
Capital construction - cash and temporary investments	146,793,621
Capital construction - cash and temporary investments with trustee	8,309,323
<b>Total cash and temporary investments per Schedules A and H</b>	<b>\$ 654,652,392</b>

Notes to Basic Financial Statements  
June 30, 2015

## (2) Continued

Investments by type at year-end are shown below:

	Amount	Rating	Weighted Average Maturity	
<b>Investments:</b>				
Bank Money Market Accounts	\$ 33,669,036	AAA	0.1	
Commercial Paper	41,937,740	AAA	12.9	
U.S. Government-Sponsored Coupon Securities	4,012,090	AAA	5.3	
U.S. Government-Sponsored Coupon Securities	183,489,103	AA+	241.2	
Corporate Notes	3,991,160	AAA	7.8	
Corporate Notes	2,734,695	AA+	5.3	
Corporate Notes	670,628	AA	1.3	
Corporate Notes	7,735,459	AA-	15.1	
Federal Agency Discount	2,932,140	AAA	3.4	
Federal Agency Discount	2,960,130	AA+	3.5	
Federal Agency Discount	2,998,200	AAA	3.5	
Municipal Bonds - Taxable	3,182,777	AAA	2.8	
Municipal Bonds - Taxable	3,120,802	AA+	2.7	
Municipal Bonds - Taxable	1,159,989	AA-	1.0	
Municipal Bonds - Taxable	502,565	AA2	0.4	
Municipal Bonds - Non Taxable	775,837	AAA	0.9	
Municipal Bonds - Non Taxable	100,008	AA2	0.1	
U.S. Treasury Coupon Securities	11,014,210	AAA	16.3	
Local Government Investment Pool	43,471,375	AAA	0.1	
OPEB - Irrevocable Trust at Local Government Investment Pool	32,477	AAA	0.0	
Virginia State Non-Arbitrage Program	19,553,977	AAA	2.8	
Evergreen Money Market Mutual Fund	514,064	AAA	0.0	
<b>Total Investments</b>	<b>370,558,462</b>			
<b>Restricted investments:</b>				
Money market deposit	2,026,133	Unrated	0.0	
Va State Non-Arbitrage Program (Chesapeake Transportation System, Jail, and VML)	5,793,960	AAA	0.8	
Wells Fargo Advantage Heritage - Money Mkt Institutional (VML)	15	AAA	0.0	
U.S. Government-sponsored discount securities	852,412	AAA	1.1	
PFM - SNAP (Virginia State Non-Arbitrage Program)	41,861,772	AAA	6.0	
PFM - SNAP First Americ Treas Oblig Fd - CI D - Toll Road Bonds	362,125	AAA	0.1	
<b>Total Restricted investments</b>	<b>50,896,417</b>			
<b>Total Investments and Restricted investments</b>	<b>421,454,879</b>			
<b>Portfolio weighted average maturity</b>			<b>334.4</b>	
<b>Irrevocable Trust:</b>				
OPEB - Diversified Portfolio	66,077,443	Various		
<b>Total</b>	<b>66,077,443</b>			
<b>Total Investments, Restricted Investments and Irrevocable Trust</b>	<b>\$ 487,532,322</b>			
<b>Investment totals by rating:</b>				
<b>AAA</b>	\$ 168,085,083	48,870,284	-	216,955,367
<b>AA+</b>	192,304,730	-	-	192,304,730
<b>AA</b>	670,628	-	-	670,628
<b>AA-</b>	8,895,448	-	-	8,895,448
<b>AA2</b>	602,573	-	-	602,573
<b>Unrated</b>	-	2,026,133	-	2,026,133
<b>Various</b>	-	-	66,077,443	66,077,443
<b>Total</b>	<b>\$ 370,558,462</b>	<b>50,896,417</b>	<b>66,077,443</b>	<b>487,532,322</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(3) Accounts Receivable and Payable**

Accounts receivable, net of allowance for uncollectibles, for the primary government in the Statement of Net Position as of June 30, 2015 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Due from Commonwealth of Virginia	\$ 35,931,528	39,649
Due from Federal government	2,327,952	158,601
Due from customers	3,666,616	24,451,584
Property taxes receivable	32,276,714	-
Interest receivable	231,482	33,670
Other	12,592,065	-
<b>Total accounts receivable</b>	<b>\$ 87,026,357</b>	<b>24,683,504</b>

Accounts receivable, net of allowance for uncollectibles, for the discretely presented component units in the Statement of Net Position as of June 30, 2015 are as follows:

	<b>Public Schools</b>	<b>Other</b>
Due from Commonwealth of Virginia	\$ 12,059,007	-
Due from Federal government	8,026,169	-
Other	1,170,599	62,309
<b>Total accounts receivable</b>	<b>\$ 21,255,775</b>	<b>62,309</b>

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2015 are as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Due from Commonwealth of Virginia	\$ 33,560,068	-	7,446	2,364,014
Due from Federal government	-	-	27,280	2,300,672
Property taxes receivable	32,276,714	-	-	-
Interest receivable	167,510	31,216	-	1,662
Other	13,889,575	-	-	2,115,993
<b>Total accounts receivable</b>	<b>\$ 79,893,867</b>	<b>31,216</b>	<b>34,726</b>	<b>6,782,341</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(3) Continued**

Property taxes receivable in the General Fund as of June 30, 2015 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 8,149,709	148,119	8,001,590
Personal property	26,388,259	2,113,135	24,275,124
Total property taxes receivable	\$ 34,537,968	2,261,254	32,276,714

The total allowance for uncollectible receivables in the General Fund is \$4,210,684, which includes a \$2,261,254 allowance for uncollectible taxes, a \$478,082 allowance for uncollectible emergency medical service fees, a \$247,837 allowance for uncollectible vehicle license fees, a \$389,511 allowance for uncollectible miscellaneous City invoices and a \$834,000 allowance for the Gateway at SoNo receivable. Provisions have been made for allowances for uncollectible advances to component units for the EDA advance of \$1,319,095 and the Port Authority advance of \$944,407. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from Chesapeake Integrated Behavior Healthcare in the amount of \$2,323,422 and \$459,979 in the Fee Supported Fund for red light cameras.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2015 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Due from customers and others	\$ 13,475,989	377,939	10,597,656	253,113
Interest receivable	20,136	-	13,534	31,094
Due from Commonwealth of Virginia	-	39,649	-	-
Due from Federal Government	-	158,601	-	-
Total accounts receivable	\$ 13,496,125	576,189	10,611,190	284,207

Accounts payable, deposits and accrued expenses for the primary government in the Statement of Net Position as of June 30, 2015 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 14,402,838	3,103,728
Deposits	2,768,232	918,913
Accrued expenses, excluding interest	3,053,297	27,686
Accrued interest payable	4,477,878	3,589,392
Other liabilities	523,363	-
Construction projects payable	2,435,821	5,734,073
Due to Commonwealth of Virginia	600	-
Total accounts payable, deposits, and accrued expenses	\$ 27,662,029	13,373,792

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(3) Continued**

Accounts payable, deposits and accrued expenses for the discretely presented component units in the Statement of Net Position as of June 30, 2015 are as follows:

		<b>Public Schools</b>	<b>Other</b>
Accounts payable	\$	5,626,002	433,835
Accrued expenses		38,564,933	106,435
Claims payable		6,410,507	-
Other liabilities		-	25,521
<b>Total accounts payable, deposits, and accrued expenses</b>	<b>\$</b>	<b>50,601,442</b>	<b>565,791</b>

Accounts payable, deposits and accrued expenditures in the governmental funds as of June 30, 2015 are as follows:

		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Accounts payable and deposits	\$	13,869,717	1,000	-	1,716,896
Accrued expenditures, excluding interest		2,962,311	-	-	79,839
Other liabilities		520,447	-	735	2,181
Construction projects payable		-	-	2,435,821	-
Due to Commonwealth of Virginia		600	-	-	-
<b>Total accounts payable, deposits, and accrued expenditures</b>	<b>\$</b>	<b>17,353,075</b>	<b>1,000</b>	<b>2,436,556</b>	<b>1,798,916</b>

Accounts payable, deposits and accrued expenses in the proprietary funds as of June 30, 2015 are as follows:

		<b>Public Utilities Fund</b>	<b>Chesapeake Transportation System</b>	<b>Stormwater Management Fund</b>	<b>Internal Service Funds</b>
Accounts payable and deposits	\$	3,449,526	46,937	526,178	1,583,457
Accrued expenses, excluding interest		12,077	4,106	11,503	11,147
Accrued interest payable		1,211,948	2,377,444	-	-
Construction projects payable		625,134	5,081,472	27,467	-
<b>Total accounts payable, deposits, and accrued expenses</b>	<b>\$</b>	<b>5,298,685</b>	<b>7,509,959</b>	<b>565,148</b>	<b>1,594,604</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(4) Capital Assets**

Capital asset activities for the year ended June 30, 2015 are as follows:

**Primary government  
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 48,166,282	2,707,459	(18,556)	50,855,185
Land - School	3,016,081	-	-	3,016,081
Intangibles	273,151,656	2,187,616	-	275,339,272
Construction in progress	65,200,746	26,005,324	(20,368,074)	70,837,996
Construction in progress - ISF	1,054,331	232,573	(822,104)	464,800
<b>Total capital assets, not being depreciated</b>	<b>390,589,096</b>	<b>31,132,972</b>	<b>(21,208,734)</b>	<b>400,513,334</b>
Capital assets, being depreciated:				
Buildings	213,181,333	1,337,931	(1,534,014)	212,985,250
Buildings - ISF	687,097	-	-	687,097
Buildings - School	398,155,725	-	-	398,155,725
Improvements other than buildings	28,676,109	3,658,993	(17,189)	32,317,913
Improvements other than buildings - ISF	13,082,477	-	-	13,082,477
Software, equipment and vehicles	39,360,029	6,778,099	(4,256,736)	41,881,392
Software, equipment and vehicles - ISF	104,221,744	11,732,144	(6,251,073)	109,702,815
Infrastructure	1,101,576,913	6,784,320	-	1,108,361,233
Infrastructure - ISF	77,584	-	-	77,584
<b>Total capital assets being depreciated</b>	<b>1,899,019,011</b>	<b>30,291,487</b>	<b>(12,059,012)</b>	<b>1,917,251,486</b>
Less accumulated depreciation for:				
Buildings	(85,385,745)	(5,887,868)	715,443	(90,558,170)
Buildings - ISF	(218,879)	(20,284)	-	(239,163)
Buildings - School	(154,086,597)	(7,504,390)	-	(161,590,987)
Improvements other than buildings	(12,498,997)	(1,748,253)	14,427	(14,232,823)
Improvements other than buildings - ISF	(11,031,528)	(208,571)	-	(11,240,099)
Software, equipment and vehicles	(22,935,675)	(4,384,435)	878,087	(26,442,023)
Software, equipment and vehicles - ISF	(63,507,851)	(9,174,388)	5,738,584	(66,943,655)
Infrastructure	(889,965,354)	(17,671,476)	-	(907,636,830)
Infrastructure - ISF	(14,200)	(5,153)	-	(19,353)
<b>Total accumulated depreciation</b>	<b>(1,239,644,826)</b>	<b>(46,604,818)</b>	<b>7,346,541</b>	<b>(1,278,903,103)</b>
<b>Total capital assets being depreciated, net</b>	<b>659,374,185</b>	<b>(16,313,331)</b>	<b>(4,712,471)</b>	<b>638,348,383</b>
<b>Capital assets, net</b>	<b>\$ 1,049,963,281</b>	<b>14,819,641</b>	<b>(25,921,205)</b>	<b>1,038,861,717</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)

Notes to Basic Financial Statements  
June 30, 2015

**(4) Continued**

Governmental Activities capital assets, net of accumulated depreciation, at June 30, 2015 are comprised of the following:

General Government Capital Assets, net	\$ 993,289,214
Internal Service Fund Capital Assets, net	45,572,503
<b>Total</b>	<b>\$ 1,038,861,717</b>

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2015 as follows:

General government	\$ 8,996,838
Public safety	811,098
Public works	1,818,358
Public welfare	135,126
Parks and recreation	253,016
Education	7,504,390
Net unallocated portion (depreciation of general infrastructure assets)	17,671,476
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	9,408,396
<b>Total depreciation expense, governmental activities</b>	<b>\$ 46,598,698</b>

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$16,215,291 includes the unallocated portion of depreciation expense noted above of \$17,671,476 net of amortization of deferred bond premiums and refunding costs of \$1,456,185. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$6,120.

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

<b>Function</b>	<b>Project Authorization</b>	<b>Expended to June 30, 2015</b>	<b>Committed</b>	<b>Required Future Financing</b>
General government	\$ 97,215,616	37,146,987	60,068,629	none
Public safety	60,135,937	9,555,037	50,580,900	none
Public works	60,907,075	20,617,544	40,289,531	none
Parks	7,548,474	3,869,583	3,678,891	none
Education	1,458,678	113,645	1,345,033	none
<b>Total</b>	<b>\$ 227,265,780</b>	<b>71,302,796</b>	<b>155,962,984</b>	

The construction in progress consists of \$69,938,548 from capital projects, \$501,139 from grants and \$863,109 from operating funds.

Notes to Basic Financial Statements  
June 30, 2015

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,255,578	-	-	22,255,578
Intangibles	3,573,068	39,971	-	3,613,039
Construction in progress	279,410,669	69,646,989	(10,027,260)	339,030,398
Total capital assets, not being depreciated	305,239,315	69,686,960	(10,027,260)	364,899,015
Capital assets, being depreciated:				
Buildings	5,578,827	-	-	5,578,827
Improvements other than buildings	3,576,250	66,773	-	3,643,023
Software, equipment and vehicles	13,398,053	5,491,655	(3,630,667)	15,259,041
Infrastructure	664,041,901	12,697,813	(3,552,170)	673,187,544
Total capital assets, being depreciated	686,595,031	18,256,241	(7,182,837)	697,668,435
Less accumulated depreciation for:				
Buildings	(1,713,345)	(145,889)	-	(1,859,234)
Improvements other than buildings	(967,464)	(88,609)	-	(1,056,073)
Software, equipment and vehicles	(8,689,927)	(1,324,244)	68,698	(9,945,473)
Infrastructure	(254,160,677)	(16,845,704)	802,534	(270,203,847)
Total accumulated depreciation	(265,531,413)	(18,404,446)	871,232	(283,064,627)
Total capital assets being depreciated, net	421,063,618	(148,205)	(6,311,605)	414,603,808
Capital assets, net	\$ 726,302,933	69,538,755	(16,338,865)	779,502,823

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

Public Utilities Fund	\$ 13,193,192
Chesapeake Transportation System	4,414,117
Stormwater Management Fund	797,137
Total depreciation expense, business-type activities	\$ 18,404,446

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$223.8 million at June 30, 2015. There was \$10,116,911 of capitalized interest incurred this fiscal year related to construction in progress.

Notes to Basic Financial Statements  
June 30, 2015

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,727,890	-	-	10,727,890
Intangibles	2,329,609	15,700	-	2,345,309
Construction in progress	55,080,083	6,410,736	(6,163,846)	55,326,973
Total capital assets, not being depreciated	68,137,582	6,426,436	(6,163,846)	68,400,172
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	3,518,780	64,010	-	3,582,790
Software, equipment and vehicles	6,347,053	2,998,715	(1,238,502)	8,107,266
Infrastructure	556,903,928	11,534,968	(3,546,050)	564,892,846
Total capital assets, being depreciated	566,843,359	14,597,693	(4,784,552)	576,656,500
Less accumulated depreciation for:				
Buildings	(40,895)	(1,384)	-	(42,279)
Improvements other than buildings	(965,069)	(85,698)	-	(1,050,767)
Software, equipment and vehicles	(3,018,591)	(1,029,623)	58,776	(3,989,438)
Infrastructure	(197,974,861)	(12,076,487)	796,414	(209,254,934)
Total accumulated depreciation	(201,999,416)	(13,193,192)	855,190	(214,337,418)
Total capital assets being depreciated, net	364,843,943	1,404,501	(3,929,362)	362,319,082
Capital assets, net	\$ 432,981,525	7,830,937	(10,093,208)	430,719,254

The construction in progress consists of \$48,935,624 from capital projects, \$6,317,134 from capitalized interest and \$74,215 from operating funds.

Notes to Basic Financial Statements  
June 30, 2015

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	217,166,828	59,353,364	(289,604)	276,230,588
<b>Total capital assets, not being depreciated</b>	<b>228,272,446</b>	<b>59,353,364</b>	<b>(289,604)</b>	<b>287,336,206</b>
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Software, equipment and vehicles	6,866,248	102,925	-	6,969,173
Infrastructure	82,855,938	-	(6,120)	82,849,818
<b>Total capital assets, being depreciated</b>	<b>95,111,481</b>	<b>102,925</b>	<b>(6,120)</b>	<b>95,208,286</b>
Less accumulated depreciation for:				
Buildings	(1,660,681)	(134,732)	-	(1,795,413)
Software, equipment and vehicles	(5,531,564)	(281,971)	-	(5,813,535)
Infrastructure	(51,129,900)	(3,997,414)	6,120	(55,121,194)
<b>Total accumulated depreciation</b>	<b>(58,322,145)</b>	<b>(4,414,117)</b>	<b>6,120</b>	<b>(62,730,142)</b>
<b>Total capital assets being depreciated, net</b>	<b>36,789,336</b>	<b>(4,311,192)</b>	<b>-</b>	<b>32,478,144</b>
<b>Capital assets, net</b>	<b>\$ 265,061,782</b>	<b>55,042,172</b>	<b>(289,604)</b>	<b>319,814,350</b>

Notes to Basic Financial Statements  
June 30, 2015

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 422,070	-	-	422,070
Intangibles	1,243,459	24,271	-	1,267,730
Construction in progress	7,163,758	3,882,889	(3,573,810)	7,472,837
<b>Total capital assets, not being depreciated</b>	<b>8,829,287</b>	<b>3,907,160</b>	<b>(3,573,810)</b>	<b>9,162,637</b>
Capital assets, being depreciated:				
Buildings	115,934	-	-	115,934
Improvements other than buildings	57,470	2,763	-	60,233
Software, equipment and vehicles	184,752	2,390,015	(2,392,165)	182,602
Infrastructure	24,282,035	1,162,845	-	25,444,880
<b>Total capital assets, being depreciated</b>	<b>24,640,191</b>	<b>3,555,623</b>	<b>(2,392,165)</b>	<b>25,803,649</b>
Less accumulated depreciation for:				
Buildings	(11,769)	(9,773)	-	(21,542)
Improvements other than buildings	(2,395)	(2,911)	-	(5,306)
Software, equipment and vehicles	(139,772)	(12,650)	9,922	(142,500)
Infrastructure	(5,055,916)	(771,803)	-	(5,827,719)
<b>Total accumulated depreciation</b>	<b>(5,209,852)</b>	<b>(797,137)</b>	<b>9,922</b>	<b>(5,997,067)</b>
<b>Total capital assets being depreciated, net</b>	<b>19,430,339</b>	<b>2,758,486</b>	<b>(2,382,243)</b>	<b>19,806,582</b>
<b>Capital assets, net</b>	<b>\$ 28,259,626</b>	<b>6,665,646</b>	<b>(5,956,053)</b>	<b>28,969,219</b>

Notes to Basic Financial Statements  
June 30, 2015

**(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	11,546,161	12,021,841	(7,085,617)	16,482,385
<b>Total capital assets, not being depreciated</b>	<b>28,823,226</b>	<b>12,021,841</b>	<b>(7,085,617)</b>	<b>33,759,450</b>
Capital assets, being depreciated:				
Buildings	190,747,155	7,522,395	-	198,269,550
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	64,327,724	2,829,813	(2,529,832)	64,627,705
Textbooks	11,561,530	1,342,079	(292,823)	12,610,786
<b>Total capital assets, being depreciated</b>	<b>272,240,639</b>	<b>11,694,287</b>	<b>(2,822,655)</b>	<b>281,112,271</b>
Less accumulated depreciation for:				
Buildings	(16,742,771)	(3,734,500)	-	(20,477,271)
Building improvements	(3,703,395)	(163,791)	-	(3,867,186)
Furniture and equipment	(47,780,265)	(3,173,596)	2,498,232	(48,455,629)
Textbooks	(3,396,418)	(2,312,306)	292,823	(5,415,901)
<b>Total accumulated depreciation</b>	<b>(71,622,849)</b>	<b>(9,384,193)</b>	<b>2,791,055</b>	<b>(78,215,987)</b>
<b>Total capital assets being depreciated, net</b>	<b>200,617,790</b>	<b>2,310,094</b>	<b>(31,600)</b>	<b>202,896,284</b>
<b>Capital assets, net</b>	<b>\$ 229,441,016</b>	<b>14,331,935</b>	<b>(7,117,217)</b>	<b>236,655,734</b>

Depreciation expense of \$9,384,193 was charged to the Public Schools' governmental functions.

Notes to Basic Financial Statements  
June 30, 2015

**(5) Deferred Outflows and Inflows of Resources**

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

Deferred outflows of resources for the primary government in the Statement of Net Position as of June 30, 2015 are as follows:

	Governmental Activities	Business-type Activities
Pension	\$ 21,242,842	1,661,735
Unamortized deferred loss on refundings	1,927,055	2,513,985
Total deferred outflows of resources	\$ 23,169,897	4,175,720

Deferred outflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2015 are as follows:

	Public Schools	Other
Pension	\$ 36,092,073	260,540
Total deferred outflows of resources	\$ 36,092,073	260,540

Deferred outflows of resources in the proprietary funds as of June 30, 2015 are comprised of the following:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	\$ 1,073,990	156,516	431,229	809,389
Unamortized deferred loss on refundings	2,384,830	129,155	-	-
Total deferred outflows of resources	\$ 3,458,820	285,671	431,229	809,389

Notes to Basic Financial Statements  
June 30, 2015

**(5) Continued**

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

Deferred inflows of resources for the primary government in the Statement of Net Position as of June 30, 2015 are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Pension	\$ 38,502,599	3,011,890
Unamortized deferred gain on refundings	341,286	-
Stormwater management fees	-	7,680,736
Total deferred inflows of resources	\$ 38,843,885	10,692,626

Deferred inflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2015 are as follows:

	<b>Public Schools</b>	<b>Other</b>
Pension	\$ 57,784,000	472,228
Total deferred inflows of resources	\$ 57,784,000	472,228

Deferred inflows of resources in the governmental funds as of June 30, 2015 are comprised of the following:

	<b>General Fund</b>
Taxes receivable	\$ 29,951,749
Personal Property Tax Relief Act	3,209,133
EMS fees receivable	1,798,554
Solid waste fees receivable	3,175
Total deferred inflows of resources	\$ 34,962,611

Deferred inflows of resources in the proprietary funds as of June 30, 2015 are comprised of the following:

	<b>Public Utilities Fund</b>	<b>Chesapeake Transportation System</b>	<b>Stormwater Management Fund</b>	<b>Internal Service Funds</b>
Pension	\$ 1,946,604	283,684	781,602	1,467,017
Stormwater Management Fees	-	-	7,680,736	-
Total deferred inflows of resources	\$ 1,946,604	283,684	8,462,338	1,467,017

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(6) Long-Term Obligations**

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2015 follows:

	Balances at July 1, 2014	Increases	Decreases	Balances at June 30, 2015	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 316,652,794	-	(39,164,202)	277,488,592	27,014,908
Deferred amounts:					
Plus bond premiums	13,724,638	-	(2,034,691)	11,689,947	1,869,170
<b>Total bonds payable</b>	<b>330,377,432</b>	<b>-</b>	<b>(41,198,893)</b>	<b>289,178,539</b>	<b>28,884,078</b>
Other long-term obligations:					
Net pension liability*	158,952,299	11,904,368	(56,820,523)	114,036,144	-
Net OPEB obligation	30,883,168	7,468,000	(13,401,054)	24,950,114	-
Arbitrage rebate and yield restriction	244,059	6,720	-	250,779	-
Compensated absences	18,273,984	13,843,030	(12,691,307)	19,425,707	6,917,684
Literary loans	1,272,785	-	(275,104)	997,681	199,537
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	756,950	-	(756,950)	-	-
Supplemental payments agreement	14,390,000	-	(1,505,000)	12,885,000	1,585,000
Liability for self-insurance losses	27,947,727	6,620,957	(6,030,018)	28,538,666	5,740,653
Edinburgh loan payable	2,918,727	-	(372,442)	2,546,285	372,442
<b>Total long-term obligations</b>	<b>\$ 587,359,415</b>	<b>39,843,075</b>	<b>(133,051,291)</b>	<b>494,151,199</b>	<b>43,699,394</b>

\* Restated

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

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued**

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2015 follows:

	Balances at July 1, 2014	Increases	Decreases	Balances at June 30, 2015	Due Within One Year
<b>Public Utilities:</b>					
Bonds payable:					
General obligation bonds	\$ 89,650,000	-	(5,840,000)	83,810,000	5,975,000
Revenue bonds	34,130,000	-	(790,000)	33,340,000	815,000
	123,780,000	-	(6,630,000)	117,150,000	6,790,000
Deferred amounts:					
Plus bond premiums	7,172,464	-	(856,627)	6,315,837	605,584
Less bond discounts	(2,291)	-	2,291	-	-
Total bonds payable	130,950,173	-	(7,484,336)	123,465,837	7,395,584
Net pension liability*	8,372,444	601,858	(2,987,293)	5,987,009	-
Compensated absences	771,146	623,968	(435,045)	960,069	335,621
	140,093,763	1,225,826	(10,906,674)	130,412,915	7,731,205
<b>Chesapeake Transportation System:</b>					
Revenue Bonds Payable:					
Current Interest Bonds	107,890,000	-	-	107,890,000	-
Convertible CABs <sup>(1)</sup>	46,293,785	2,266,517	-	48,560,302	-
VTIB Bonds <sup>(2)</sup>	10,118,362	42,230,608	-	52,348,970	-
	164,302,147	44,497,125	-	208,799,272	-
Deferred Amounts:					
Plus bond premiums	7,363,921	-	(288,244)	7,075,677	298,068
Total bonds payable	171,666,068	44,497,125	(288,244)	215,874,949	298,068
VTIB bonds accrued interest payable <sup>(3)</sup>	-	1,064,006	-	1,064,006	-
Due to Commonwealth of Virginia <sup>(4)</sup>	64,252,400	791,715	-	65,044,115	-
Net pension liability*	1,035,881	87,711	(412,444)	711,148	-
Compensated absences	61,829	108,203	(52,098)	117,934	42,599
	237,016,178	46,548,760	(752,786)	282,812,152	340,667
<b>Stormwater Management:</b>					
Net pension liability*	3,134,447	241,658	(1,171,211)	2,204,894	-
Compensated absences	195,446	223,769	(158,526)	260,689	86,610
	3,329,893	465,427	(1,329,737)	2,465,583	86,610
Total long-term obligations	\$ 380,439,834	48,240,013	(12,989,197)	415,690,650	8,158,482

\*Restated

<sup>(1)</sup> The increase to the convertible Capital Appreciation Bonds (CABs) for 2015 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.

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

<sup>(4)</sup> The amount due to the Commonwealth of Virginia does not include accrued interest of \$371,054 at June 30, 2015.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued**

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2015 follows:

	Balances at July 1, 2014	Increases	Decreases	Balances at June 30, 2015	Due Within One Year
Compensated absences	\$ 42,790,509	132,367	(2,309,757)	40,613,119	1,655,674
Net pension liability*	397,669,000	32,064,000	(57,784,000)	371,949,000	-
Net OPEB obligation	278,140,621	7,676,633	(6,637,601)	279,179,653	-
Liability for self-insurance losses	4,643,853	383,620	(1,066,347)	3,961,126	-
Capital leases	8,840,302	-	(1,786,703)	7,053,599	1,818,059
<b>Total long-term obligations</b>	<b>\$ 732,084,285</b>	<b>40,256,620</b>	<b>(69,584,408)</b>	<b>702,756,497</b>	<b>3,473,733</b>

\*Restated

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

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

Notes to Basic Financial Statements  
June 30, 2015

## (6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2015 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1996A School bonds	5.23%	\$ 1,190,000	1,190,000	-	.00% - 3.00%
1997A School bonds	5.60%	2,565,000	2,565,000	-	.00% - 3.00%
1998A School bonds	5.10%	1,640,000	1,640,000	-	.00% - 2.00%
1999A School bonds	5.975 - 6.10%	2,500,000	2,500,000	-	.00% - 2.00%
2000A School bonds	5.60%	3,365,000	3,365,000	-	.00% - 2.00%
2001A School bonds	5.10%	3,205,000	3,205,000	-	.00% - 2.00%
2001B School bonds	3.10 - 5.10%	663,592	-	663,592	-
2002A School bonds	5.10%	2,805,000	2,805,000	-	.00% - 1.00%
2003A School bonds	4.10 - 5.10%	1,305,000	1,305,000	-	.00% - 1.00%
2005A Public Improvement bonds	4.50%	680,000	-	680,000	-
2005A School bonds	4.10 - 5.10%	12,880,000	11,980,000	900,000	.00% - 1.00%
2005B School bonds	4.60 - 5.10%	6,355,000	5,910,000	445,000	.00% - 1.00%
2006A School bonds	4.48 - 5.10%	12,440,000	10,840,000	1,600,000	.00% - 1.00%
2006A Public Improvement bonds	4.25%	750,000	-	750,000	-
2006B School bonds	4.23 - 5.10%	12,460,000	10,820,000	1,640,000	.00% - 1.00%
2007A School bonds	4.10 - 5.10%	7,945,000	6,530,000	1,415,000	.00% - 1.00%
2007B School bonds	4.35 - 5.10%	7,190,000	5,925,000	1,265,000	.00% - 1.00%
2008A Public Improvement bonds	3.25 - 4.50%	7,350,000	5,650,000	1,700,000	-
2008A Public Improvement Refunding bonds	3.25 - 5.00%	5,675,000	-	5,675,000	-
2008B Tax Increment Financing bonds	4.00 - 4.63%	10,535,000	8,110,000	2,425,000	.00% - 1.00%
2009A School bonds	2.55 - 5.05%	28,440,000	21,130,000	7,310,000	.00% - 1.00%
2010A Tax Increment Financing, RZED	2.92 - 6.07%	2,030,000	1,445,000	585,000	-
2010A School bonds	3.05 - 5.05%	10,585,000	7,445,000	3,140,000	.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%	915,000	-	915,000	-
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%	820,000	-	820,000	-
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%	19,605,000	-	19,605,000	-
2011A School Bonds	3.30 - 4.05%	8,340,000	5,675,000	2,665,000	.00% - 1.00%
2011B School Bonds (QSCB)	4.25%	4,220,000	-	4,220,000	-
2012A Public Improvement Refunding Bonds	2.00 - 4.00%	7,985,000	1,960,000	6,025,000	-
2012D Public Improvement Refunding Bonds	2.00 - 5.00%	9,910,000	3,375,000	6,535,000	-
2013A School Bonds	3.05 - 5.05%	17,730,000	11,235,000	6,495,000	.00% - 1.00%
2013B School Bonds	3.05 - 5.05%	7,685,000	-	7,685,000	-
2014A Public Improvement Refunding Bonds	2.00 - 3.38%	6,740,000	1,565,000	5,175,000	-
		277,488,592	175,445,000	102,043,592	
Add unamortized bond premiums		11,689,947	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 289,178,539	175,445,000	102,043,592	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 997,681	-	997,681	-
Total Literary loans		\$ 997,681	-	997,681	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	\$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		\$ 1,342,284	-	1,342,284	

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued**

Outstanding bonds for business-type activities at June 30, 2015 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2010D Water and Sewer Refunding bonds	4.00 - 5.00%	\$ 20,625,000	20,625,000	-	-
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	22,605,000	12,915,000	9,690,000	-
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%	820,000	-	820,000	-
2014B Water and Sewer Refunding bonds	0.20-2.704%	22,800,000	22,800,000	-	-
Total Public Utilities - general obligation bonds		83,810,000	73,300,000	10,510,000	
Public Utilities - Revenue bonds					
2010A Water and Sewer Revenue bonds	2.75 - 3.00%	815,000	-	815,000	-
2010B Water and Sewer Revenue bonds	3.82 - 6.28%	32,525,000	29,040,000	3,485,000	-
Total Public Utilities - revenue bonds		33,340,000	29,040,000	4,300,000	
Add unamortized bond premiums		6,315,837	n/a	n/a	n/a
Total Public Utilities bonds		\$ 123,465,837	102,340,000	14,810,000	
Chesapeake Transportation System (CTS) - Revenue bonds:					
2012A - Refunding	3.00 - 5.00%	\$ 15,465,000	3,580,000	11,885,000	-
2012A - New Money	4.00 - 5.00%	92,425,000	92,425,000	-	-
2012B - Convertible CABS	4.75 - 4.88%	48,560,302	46,099,076	2,461,226	-
2012C - VTIB	3.33%	52,348,970	52,348,970	-	-
Total CTS Toll Road Revenue bonds		208,799,272	194,453,046	14,346,226	
Add unamortized bond premiums		7,075,677	n/a	n/a	n/a
Less unamortized bond discount		-	n/a	n/a	n/a
Total CTS - revenue bonds		\$ 215,874,949			

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:						
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	18,291,943	8,118,538	199,533	5,987	-	64,430
2021-2025	90,961,911	28,585,232	-	-	-	322,148
2026-2030	64,465,000	10,273,979	-	-	-	322,148
2031-2035	11,515,000	655,210	-	-	1,342,284	128,859
	\$ 277,488,592	89,258,185	997,681	89,791	1,342,284	1,095,304

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued**

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

	Business-type Activities				
	Public Utilities		Chesapeake Transportation		
	Bonds		System Bonds		(1)
	Principal	Interest	Principal	Accreted Interest on Convertible CABS	Interest
Year ending June 30:					
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	6,665,000	4,395,014	1,605,757	-	6,869,816
2021-2025	34,420,000	18,022,086	17,178,783	-	37,402,874
2026-2030	23,025,000	10,588,777	12,286,813	2,991,899	45,919,439
2031-2035	16,565,000	5,323,845	17,161,796	9,704,011	41,063,718
2036-2040	8,850,000	2,062,743	25,324,916	12,820,481	33,586,644
2041-2045	2,000,000	62,830	51,868,042	2,971,089	23,560,558
2046-2050	-	-	67,079,661	-	7,991,321
2051-2055	-	-	10,120,722	-	490,434
	\$ 117,150,000	59,790,588	203,071,490	28,487,480	217,626,729
Accreted interest inception to date			5,727,782		
			208,799,272		

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

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

- (a) In 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, 2015 is \$5,727,782.

Notes to Basic Financial Statements  
June 30, 2015

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**(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 payments schedule was established at the time of issuance but a new schedule will be prepared at the time of substantial completion based on the actual aggregate amount of advances and dates of each advance. The outstanding principal as of June 30, 2015 is \$52,348,970.

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, 2015 are \$65,044,115, which is comprised of \$26,985,769 to TFRA and \$38,058,346 to Urban Allocation. Amount does not include \$371,054 accrued interest on TFRA loan at June 30, 2015.

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

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

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

- (c) 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, 2015, \$9,540,000 of the defeased bonds remain outstanding.

Notes to Basic Financial Statements  
June 30, 2015

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**(6) Continued**

- (d) 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, 2015, \$7,620,000 of the defeased bonds remain outstanding.
- (e) In August 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City's receipt of these taxes. The agreement provides for principal payments to be made in January and July of each calendar year. These payments are expected to take place over a five year period but this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2015, \$2,546,285 was outstanding.
- (f) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.
- (g) In July 1997, the Commonwealth Transportation Board (CTB) issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the CTB to make annual payments equal to the debt service payments on the bonds. In May 2006, the CTB partially refunded the 1997 bonds in the amount of \$23,830,000. 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 \$1,505,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued**

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2015.

Fiscal year ending June 30:	Principal	Interest
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	1,920,000	302,750
2021-2022	4,135,000	312,750
Total payments	\$ 12,885,000	2,701,000

- (h) Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2015 was the settlement date and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Transportation System Fund or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment. The fund balance in the Debt Service Fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the Statement of Net Position.
- (i) The future payments by year of accumulated vacation, sick pay, paid time off and accrued overtime leave, arbitrage, net pension liability, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension liability and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay, paid time off and accrued overtime leave liability is generally liquidated by the department for which the employee works for the General Fund, Public Utilities, Chesapeake Transportation System and Stormwater Management. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension liability and net OPEB obligation are liquidated by the correlating funds in respect to the departmental costs, however, the net pension liability is reflected, based on allocation, on Internal Service Fund, Enterprise Fund, and Entity-Wide Fund statements. The liability for self-insurance losses is liquidated by the Self-Insurance Fund.
- (j) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 10% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 31, 2014 was \$47,735,000. 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 \$393,285,000 as of June 30, 2015.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(6) Continued****(k) Computation of Legal Debt Margin (per Constitution of Virginia)**

Assessed valuation - real estate	\$	23,905,386,600
Legal debt limit - 10% of assessed valuation	\$	2,390,538,660
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	605,777,829
Less:		
Self-supporting debt not chargeable to debt limit	282,754,272	
Amounts available for debt service	23,627,261	
		299,396,296
Legal debt margin available	\$	2,091,142,364
Percent of:		
Legal debt margin outstanding		12.5%
Legal debt margin available		87.5%
		100.0%
Summary of assessed valuation:		
Public service real estate	\$	1,010,138,720
Other city real estate		22,895,247,880
	\$	23,905,386,600

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 2015, management believes the City is in compliance with these policies.

- (l) Management believes the City is in compliance, in all material respects, with all significant financial covenants contained in the bond indentures.
- (m) In November 2011, the Airport Authority sold its \$1,220,000 revenue refunding bonds to the Virginia Resources Authority as administrator of the Virginia Airports Revolving Fund. The purpose of the 2011 bonds was to refund the outstanding 1999 bonds to achieve debt service savings as well as restructuring the debt repayment by extending full maturity by five years. As part of this transaction, the City Council approved a new support agreement for the 2011 bonds which pledges the City's moral obligation with respect to the debt service reserve in substitution for the 1999 Agreement. At June 30, 2015, \$995,000 of the bonds remain outstanding, all of which are callable.

Notes to Basic Financial Statements  
June 30, 2015

**(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 \$105,042 and in the Debt Service Fund for \$145,058 for the balance outstanding at June 30, 2015 of \$250,100.

The General Fund also budgeted and made payments of \$328,551 on behalf of the Airport Authority during fiscal year 2015. 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 \$9,953 on behalf of the Port Authority during fiscal year 2015. 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, 2015, \$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 \$177,480 on behalf of the Authority during fiscal year 2015. 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, 2015 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, 2015 is summarized as follows:

Advances to Airport Authority	\$ 250,100
Advance to Port Authority	944,407
Advance to EDA	1,319,095
Total advances to component units	2,513,602
Less allowance for uncollectible amounts	(2,263,502)
Net advances to component units	\$ 250,100

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(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, 2015 are as follows:

Due To Other Funds	Due From Other Funds		
	Special Revenue Funds	Enterprise Funds	Total
Capital Project Fund	\$ -	13,582,808	13,582,808
General Fund	615,898	-	615,898
Total interfund balances	\$ 615,898	13,582,808	14,198,706

The interfund balance due to the General Fund from the Special Revenue funds of \$615,898 consist of \$404,200 due from the Grants Fund and \$211,698 due from the Community Development Fund. The interfund balance due to the Capital Projects Fund of \$13,582,808 from the Enterprise funds is a result of a timing difference related to the funding of the Dominion Boulevard improvements. The total interfund balance of \$14,198,706 is due within one year.

In addition, the City purchased the Chesapeake Conference Center and one acre of land for a parking facility on July 1, 1998 with accumulated reserves in the Debt Service Fund, which were not already dedicated to the repayment of the debt. City Council authorized the purchase and the repayment of \$9,142,398 of funds advanced. The funds are accruing interest and began being repaid to the Debt Service Fund from the Conference Center Fund surpluses beginning in fiscal year 2001, subject to annual appropriation by City Council. The amount repaid in the current year was \$1,000,000. The outstanding balance is \$236,530 as of June 30, 2015.

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

According to Section 4.2 (b) of the new 2012 Indenture, there shall be no repayment of the City contribution until the Virginia Transportation Infrastructure Bank (VTIB) loan has been repaid in full. The City contribution accrues interest at a rate of 3% per year, compounded semi-annually on each interest payment date. As of June 30, 2015, the amount currently outstanding on this loan is \$5,922,302 which includes principal of \$5,841,975 and accrued interest of \$80,327.

Notes to Basic Financial Statements  
June 30, 2015

**(8) Continued**

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service and capital purposes. In the year ended June 30, 2015, City Council approved transfers totaling \$13,668,520 to the Capital Projects Fund from the General Fund. Included in these transfers were funding for various capital projects, which came from prior years' resources. Major projects included \$3,000,000 for the Hampton Road Regional Jail Authority Participation, \$2,250,000 for the Jail Expansion, \$1,380,000 for Fentress Encroachment Protection, \$1,160,000 for Social Services Building Renewal, \$1,000,000 each for Residential Street Repaving and Deep Creek AIW Bridge ROW Preservation and \$800,000 for High Priority Renewal and Replacements.

Interfund transfers for the year ended June 30, 2015 are as follows:

Transfers To Other Funds	Transfers From Other Funds						Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Stormwater Management Fund	
General Fund	\$ -	1,509,044	-	3,038,802	31,729	15,507	4,595,082
Debt Service Fund	44,474,600	-	370,532	3,142,985	-	-	47,988,117
Capital Projects Fund	13,668,520	-	-	9,663,406	672,025	-	24,003,951
Nonmajor governmental funds	18,864,417	-	-	394,334	-	-	19,258,751
Public Utilities Fund	-	-	-	8,046	-	-	8,046
Stormwater Fund	-	-	58,547	-	-	-	58,547
Total	\$ 77,007,537	1,509,044	429,079	16,247,573	703,754	15,507	95,912,494

**(9) Leases**

The City and the Schools, a component unit, lease certain property under non-cancelable capital leases and certain facilities under non-cancelable operating leases with scheduled rent increases. As of June 30, 2015, there were no outstanding capital leases for the City's capital assets from governmental activities.

The future minimum operating lease payments for governmental activities as of June 30, 2015 are as follows:

	Operating
Fiscal years:	
2016	\$ 923,685
2017	694,618
2018	484,525
2019	153,904
2020	-
Total future minimum lease payments	\$ 2,256,732

The total governmental operating lease payments for the year ended June 30, 2015 were \$1,147,295.

Notes to Basic Financial Statements  
June 30, 2015

**(9) Continued**

At June 30, 2015, the Schools capital assets include \$18,101,604 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,469,708. Accumulated amortization expense for these assets is \$11,617,833. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2015 are as follows:

	<b>Capital</b>
Fiscal years:	
2016	\$ 2,042,186
2017	1,570,023
2018	1,371,658
2019	662,026
2020	662,026
2021-2023	1,412,523
Total future minimum lease payments	7,720,442
Less amounts representing interest	666,843
Present value of minimum capital lease payments	\$ 7,053,599

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

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

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

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

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

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

***Eligible Members***

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

*(Continued)*

Notes to Basic Financial Statements  
June 30, 2015

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**(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.

Notes to Basic Financial Statements  
June 30, 2015

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**(10) Continued**

***Service Retirement Multiplier***

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

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

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

***Retirement Age***

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

***Earliest Unreduced Retirement Eligibility***

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

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

***Earliest Reduced Retirement Eligibility***

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

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

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

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

***Eligibility***

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

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

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

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

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

Notes to Basic Financial Statements  
June 30, 2015

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**(10) Continued**

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

***Disability Coverage***

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

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

***Purchase of Prior Service***

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

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

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

***Eligible Members***

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

***Hybrid Opt-In Election***

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

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

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

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

***Retirement Contributions***

Same as VRS Plan 1.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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**(10) Continued**

***Creditable Service***

Same as VRS Plan 1.

***Vesting***

Same as VRS Plan 1.

***Calculating the Benefit***

See definition under VRS Plan 1.

***Average Final Compensation***

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

***Service Retirement Multiplier***

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

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

***Normal Retirement Age***

Normal: Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

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

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

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

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

***Eligibility:***

Same as VRS Plan 1.

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

Same as VRS Plan 1.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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

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

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

***Purchase of Prior Service***

Same as VRS Plan 1.

**VRS HYBRID RETIREMENT PLAN*****About VRS Hybrid Retirement Plan***

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

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

***Eligible Members***

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

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

\*Non-Eligible Members

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

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

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

***Retirement Contributions***

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

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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(10) Continued

***Creditable Service***

**Defined Benefit Component:**

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

**Defined Contributions Component:**

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

***Vesting***

**Defined Benefit Component:**

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

**Defined Contributions Component:**

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

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

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

Distribution is not required by law until age 70½.

***Calculating the Benefit***

**Defined Benefit Component:**

See definition under VRS Plan 1.

**Defined Contribution Component:**

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

***Average Final Compensation***

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

Notes to Basic Financial Statements  
June 30, 2015

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(10) Continued

*Service Retirement Multiplier*

**Defined Benefit Component:**

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.

**Defined Contribution Component:**

Not applicable.

*Normal Retirement Age*

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

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

*Earliest Unreduced Retirement Eligibility*

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

*Earliest 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.

Notes to Basic Financial Statements  
June 30, 2015

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

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

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

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

Same as VRS Plan 1, with the following exceptions:

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

**Defined Contribution Component:**

Not applicable.

***Employees Covered by Benefit Terms***

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	Schools Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,702	598
Inactive members not currently receiving benefits:		
Vested inactive members	425	92
Non-vested inactive members	786	277
Inactive members active elsewhere in VRS	721	144
Total inactive members not currently receiving benefits	1,932	513
Active members	3,072	1,074
Total covered employees	6,706	2,185

***Contributions***

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

The City's contractually required contribution rate for the year ended June 30, 2015 was 15.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$23,165,117 and \$21,780,263 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Schools' nonprofessional contractually required contribution rate for the year ended June 30, 2015 was 10.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Schools were \$2,321,931 and \$2,399,609 for the years ended June 30, 2015 and June 30, 2014, respectively.

Each school division's contractually required contribution rate for teachers for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarial determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$31,725,142 and \$25,246,663 for the years ended June 30, 2015 and 2014, respectively.

***Net Pension Liability***

The City's and Schools' nonprofessional net pension liabilities were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

At June 30, 2015 Schools reported a liability of \$357,804,000 for its proportionate share of the net pension liability of the Teacher Retirement Plan. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Schools proportion of the net pension liability was based on Schools actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of actuarially determined employer contributions for all participating employers. As of June 30, 2014, the Schools' proportion was 2.96080% as compared to 2.94268% at June 30, 2013.

***Actuarial Assumptions – General Employees***

The total pension liabilities for General Employees in the City's and Schools' nonprofessional Retirement Plans were based on an actuarial valuations as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued*****Actuarial Assumptions – Public Safety Employees***

The total pension liability for Public Safety employees in the City Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

***Actuarial Assumptions – Schools Teachers***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

**Mortality rates:**

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

***Long-Term Expected Rate of Return***

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

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

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

Notes to Basic Financial Statements  
June 30, 2015

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

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

***Changes in City Net Pension Liability***

City	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 773,801,021	598,576,634	175,224,387
Changes for the year:			
Service cost	18,811,281	-	18,811,281
Interest	52,973,477	-	52,973,477
Contributions - employer	-	21,780,263	(21,780,263)
Contributions - employee	-	7,107,584	(7,107,584)
Net investment income	-	94,184,657	(94,184,657)
Benefit payments, including refunds of employee contributions	(34,074,130)	(34,074,130)	-
Administrative expense	-	(507,330)	507,330
Other changes	-	4,964	(4,964)
	37,710,628	88,496,008	(50,785,380)
Balances at June 30, 2014	\$ 811,511,649	687,072,642	124,439,007

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

Schools - Nonprofessional	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 87,595,888	67,634,802	19,961,086
Changes for the year:			
Service cost	2,157,963	-	2,157,963
Interest	5,971,479	-	5,971,479
Contributions - employer	-	2,399,609	(2,399,609)
Contributions - employee	-	1,057,299	(1,057,299)
Net investment income	-	10,545,595	(10,545,595)
Benefit payments, including refunds of employee contributions	(4,578,086)	(4,578,086)	-
Administrative expense	-	(57,298)	57,298
Other changes	-	556	(556)
	3,551,356	9,367,675	(5,816,319)
Balances at June 30, 2014	\$ 91,147,244	77,002,477	14,144,767

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability - City	\$ 227,959,923	124,439,007	37,919,264
Net Pension Liability - Schools Nonprofessional Schools' proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 25,343,000	14,145,000	4,767,000
	\$ 523,399,000	357,804,000	219,818,000

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

For the year ended June 30, 2015, the City recognized pension expense of \$12,981,600. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	41,986,717
Employer contributions subsequent to the measurement date	23,165,117	-
Total	\$ 23,165,117	41,986,717

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

\$23,165,117 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$(10,496,679)
2017	(10,496,679)
2018	(10,496,679)
2019	(10,496,680)
Thereafter	-

For the year ended June 30, 2015, Schools recognized pension expense of \$1,265,000 for the nonprofessional plan. At June 30, 2015, Schools reported deferred outflows of resources and deferred inflows of resources related to nonprofessional pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	4,682,000
Employer contributions subsequent to the measurement date	2,321,931	-
<b>Total</b>	<b>\$ 2,321,931</b>	<b>4,682,000</b>

\$2,321,931 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions for nonprofessional employees subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$(1,170,000)
2017	(1,170,000)
2018	(1,170,000)
2019	(1,170,000)
Thereafter	(2,000)

For the year ended June 30, 2015 Schools recognized pension expense of \$28,754,000 for the teachers plan. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Notes to Basic Financial Statements  
June 30, 2015

**(10) Continued**

At June 30, 2015, Schools reported deferred outflows of resources and deferred inflows of resources related to pensions for teachers from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	53,102,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,045,000	
Employer contributions subsequent to the measurement date	31,725,142	-
<b>Total</b>	<b>\$ 33,770,142</b>	<b>53,102,000</b>

\$31,725,142 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$(12,824,000)
2017	(12,824,000)
2018	(12,824,000)
2019	(12,824,000)
Thereafter	239,000

***Payables to the Pension Plan***

The City reported payables of \$1,943,126 due to the VRS at June 30, 2015 which represent the June 2015 employer contributions for all plans not contractually required to be remitted until July 2015.

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

Notes to Basic Financial Statements  
June 30, 2015

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**(11) Other Postemployment Benefits**

***Plan Description***

The City's Other Post-Employment Benefit plan is a single-employer defined benefit plan that provides access to medical and dental insurance benefits to eligible Pre-Medicare retirees and their dependents. (Effective January 1, 2016, the existing post-Medicare supplemental plan offered to retirees will be discontinued per City Council's resolution on September 15, 2015). Plan membership as of June 30, 2015 consisted of 2,791 active service participants and 512 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.

***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 2015, the City contributed \$13,401,054 to the plan, including \$3,205,684 for current premiums (58% of total premiums), an additional \$8,546,316 to prefund benefits and \$1,649,054 actuarially estimated implicit subsidy. Plan members receiving benefits contributed \$2,358,413, or 42% of the total premiums, through their required monthly contributions. Member contributions are 1.60% 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.

Notes to Basic Financial Statements  
June 30, 2015

**(11) Continued**

For the year ended June 30, 2015, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 7,851,000
Interest on net OPEB obligation	2,316,000
Adjustment to annual required contribution	(2,699,000)
Annual OPEB cost	7,468,000
Less employer contributions made	13,401,054
Increase (decrease) in net OPEB obligation	(5,933,054)
Net OPEB obligation at July 1, 2014	30,883,168
Net OPEB obligation at June 30, 2015	\$ 24,950,114

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 7,468,000	\$ 13,401,054	179.4%	\$ 24,950,114
June 30, 2014	10,431,000	13,640,311	130.8%	30,883,168
June 30, 2013	11,595,000	12,029,095	103.7%	34,092,479

***Funded Status and Funding Progress***

As of July 1, 2015, the most recent actuarial valuation date for fiscal year ending June 30, 2015, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 111,653,000
Less actuarial value of plan assets	66,697,474
Unfunded actuarial accrued liability (UAAL)	\$ 44,955,526
Funded ratio (actuarial value of plan assets/AAL)	59.74%
Covered payroll	\$ 146,633,012
UAAL as a percentage of covered payroll	30.66%

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

Notes to Basic Financial Statements  
June 30, 2015

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(11) **Continued**

***Actuarial Method and Assumptions***

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

In the actuarial valuation for fiscal year ending June 30, 2015 (dated October 15, 2015), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (discount rate) and an annual healthcare cost trend rate of 6.0% - 7.0% initially, reduced by 0.1% - 0.9% each year to an ultimate rate of 5.8% after twelve 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, 2014, consisted of 5,288 active service participants and 1,374 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund ("the Trust"). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

***Significant Accounting Policies***

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

***Funding Policy***

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2015, the Schools contributed \$6,637,601 to the plan to pay for current premiums (67% of total premiums). Plan members receiving benefits contributed \$3,303,549 or 33% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' general fund.

Notes to Basic Financial Statements  
June 30, 2015

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

The Schools' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities using level dollar amortization. The amortization period is closed and equals 30 years as of 06/30/12.

For the year ended June 30, 2015, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	12,017,270
Interest on net OPEB obligation		11,125,625
Adjustment to annual required contribution		(15,466,262)
Annual OPEB cost		7,676,633
Less employer contributions made		(6,637,601)
Increase in net OPEB obligation		1,039,032
Net OPEB obligation at July 1, 2014		278,140,621
Net OPEB obligation at June 30, 2015	\$	279,179,653

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 7,676,633	\$ 6,637,601	86.5%	\$ 279,179,653
June 30, 2014	7,878,097	7,753,753	98.4%	278,140,621
June 30, 2013	33,678,756	7,222,623	21.4%	278,016,277

Notes to Basic Financial Statements  
June 30, 2015

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

Based on the most recent actuarial valuation dated July 1, 2014, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 142,117,300
Less actuarial value of plan assets	11,658,005
Unfunded actuarial accrued liability (UAAL)	\$ 130,459,295
Funded ratio (actuarial value of plan assets/AAL)	8.2%
Covered payroll	\$ 240,652,174
UAAL as a percentage of covered payroll	54.2%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2015. The schedule provides multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Method and Assumptions***

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. In FY 2014, 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 July 1, 2014 actuarial valuation. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

*(Continued)*

Notes to Basic Financial Statements  
June 30, 2015

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ 1,328,573	-	-	-	1,328,573
Advances to component units and other	105,042	145,058	-	-	250,100
Prepaid expenditures and other assets	-	-	-	264,695	264,695
Education permanent funds principal	-	-	-	12,795	12,795
<b>Total nonspendable</b>	<b>1,433,615</b>	<b>145,058</b>	<b>-</b>	<b>277,490</b>	<b>1,856,163</b>
<b>Restricted for cash flow emergencies</b>	<b>31,981,331</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,981,331</b>
<b>Restricted other:</b>					
General Government					
Tax increment financing - Greenbrier	-	-	-	14,792,749	14,792,749
Tax increment financing - South Norfolk	-	-	-	6,596,269	6,596,269
Proffers	-	-	-	655,805	655,805
Grants	-	-	-	1,483,518	1,483,518
Total General Government	-	-	-	23,528,341	23,528,341
Public Safety					
Proffers	-	-	-	609,501	609,501
Grants	-	-	-	2,045,226	2,045,226
Total Public Safety	-	-	-	2,654,727	2,654,727
Public Works					
Proffers	-	-	-	1,120,170	1,120,170
Total Public Works	-	-	-	1,120,170	1,120,170
Parks and Recreation					
Grants	-	-	-	313,617	313,617
Total Parks and Recreation	-	-	-	313,617	313,617
Public Welfare					
Integrated behavioral healthcare	-	-	-	4,216,498	4,216,498
Grants	-	-	-	493,082	493,082
Total Public Welfare	-	-	-	4,709,580	4,709,580
Education					
Proffers	-	-	-	6,841,756	6,841,756
Education permanent funds interest	-	-	-	179,089	179,089
Total Education	-	-	-	7,020,845	7,020,845
Oak Grove connector	468,823	-	-	-	468,823
Arbitrage rebate and yield restriction	-	250,779	-	-	250,779
Poindexter Street construction	-	-	15	-	15
<b>Total restricted other</b>	<b>468,823</b>	<b>250,779</b>	<b>15</b>	<b>39,347,279</b>	<b>40,066,896</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(12) Continued**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Committed for one time projects</b>	<b>34,275,685</b>	-	-	-	<b>34,275,685</b>
<b>Committed other:</b>					
General Government:					
Payroll transition	3,466,000	-	-	-	3,466,000
Technology fees	325,943	-	-	-	325,943
Treasurer's EGOV	168,828	-	-	-	168,828
Treasurer's late license fee	2,565,019	-	-	-	2,565,019
Litigation reserve	1,339,208	-	-	-	1,339,208
Treasurer's EZ Pass	31,258	-	-	-	31,258
Juvenile services	-	-	-	375,000	375,000
Open space agriculture preservation	-	-	-	2,136,292	2,136,292
<b>Total General Government</b>	<b>7,896,256</b>	-	-	<b>2,511,292</b>	<b>10,407,548</b>
Public Safety:					
Radio system (800 MHZ)	1,035,307	-	-	-	1,035,307
Animal Control fees	11,109	-	-	-	11,109
<b>Total Public Safety</b>	<b>1,046,416</b>	-	-	-	<b>1,046,416</b>
Public Works					
Transportation capital improvements	4,961	-	-	-	4,961
Overweight fines	472,260	-	-	-	472,260
Excavation fees	218,414	-	-	-	218,414
Prorata drainage	-	-	6,164,232	-	6,164,232
<b>Total Public Works</b>	<b>695,635</b>	-	<b>6,164,232</b>	-	<b>6,859,867</b>
Parks and Recreation					
Open space	-	-	3,125,684	-	3,125,684
<b>Total Parks and Recreation</b>	-	-	<b>3,125,684</b>	-	<b>3,125,684</b>
Public Welfare					
Public assistance	-	-	-	186,339	186,339
CSB of Chesapeake, Inc	-	-	-	413,615	413,615
Community development	-	-	-	1,990	1,990
Housing trust	-	-	-	98,153	98,153
<b>Total Public Welfare</b>	-	-	-	<b>700,097</b>	<b>700,097</b>
City future capital projects	4,673,911	-	-	-	4,673,911
Encumbrances	3,880,498	-	40,640,725	917,166	45,438,389
Economic development investment program	535,488	-	-	-	535,488
Solid waste and disposal	1,038,341	-	-	-	1,038,341
Schools future capital projects	1,585,011	-	-	-	1,585,011
<b>Total committed other</b>	<b>21,351,556</b>	-	<b>49,930,641</b>	<b>4,128,555</b>	<b>75,410,752</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

## (12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Assigned:</b>					
General Government:					
Finance - indirect cost plan	14,500	-	-	-	14,500
Planning - historic register application	10,000	-	-	-	10,000
Clerk of the Circuit Court - technology	109,893	-	-	-	109,893
Sheriff - work release	49,908	-	-	-	49,908
Commissioner of the Revenue - cigarette tax stamps	35,000	-	-	-	35,000
Local developers	-	-	224,296	-	224,296
Conference Center	-	-	-	3,054,756	3,054,756
Juvenile services	-	-	-	1,304,105	1,304,105
<b>Total General Government</b>	<b>219,301</b>	<b>-</b>	<b>224,296</b>	<b>4,358,861</b>	<b>4,802,458</b>
Public Safety:					
Animal Control - software	35,000	-	-	-	35,000
Police - protective helmet bags and shields	32,000	-	-	-	32,000
E-911	-	-	-	2,566,151	2,566,151
Fee supported activities	-	-	-	1,067,084	1,067,084
<b>Total Public Safety</b>	<b>67,000</b>	<b>-</b>	<b>-</b>	<b>3,633,235</b>	<b>3,700,235</b>
Public Works					
Street maintenance	347,146	-	-	-	347,146
Escalator repairs	111,000	-	-	-	111,000
Prorata drainage	-	-	1,521,121	-	1,521,121
Jordan Bridge	-	-	300,000	-	300,000
<b>Total Public Works</b>	<b>458,146</b>	<b>-</b>	<b>1,821,121</b>	<b>-</b>	<b>2,279,267</b>
Parks and Recreation					
Open space	-	-	13,150	-	13,150
<b>Total Parks and Recreation</b>	<b>-</b>	<b>-</b>	<b>13,150</b>	<b>-</b>	<b>13,150</b>
Public Welfare					
Public assistance	-	-	-	3,788,730	3,788,730
Integrated behavioral healthcare	-	-	-	2,152,791	2,152,791
Interagency consortium	-	-	-	1,254,014	1,254,014
<b>Total Public Welfare</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,195,535</b>	<b>7,195,535</b>
Education:					
Revenue sharing	2,980,697	-	230	-	2,980,927
Cash reversion	1,691,835	-	-	-	1,691,835
<b>Total Education</b>	<b>4,672,532</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>4,672,762</b>
Debt service payments	-	23,627,261	-	-	23,627,261
City future capital projects	-	-	36,517,300	-	36,517,300
Schools future capital projects	-	-	437,478	-	437,478
<b>Total assigned</b>	<b>5,416,979</b>	<b>23,627,261</b>	<b>39,013,575</b>	<b>15,187,631</b>	<b>83,245,446</b>
<b>Unassigned:</b>	<b>63,962,662</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,962,662</b>
<b>Total fund balance</b>	<b>\$ 158,890,651</b>	<b>24,023,098</b>	<b>88,944,231</b>	<b>58,940,955</b>	<b>330,798,935</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(13) Deferred Compensation Plan**

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by a third party for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2015.

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

The City Council adopted a five-year capital improvements program on May 12, 2015, which was later amended on June 9, 2015. The total estimated cost of which amounted to \$544,109,437 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	\$ 132,063,993
General Fund - Operating Transfer	2,306,590
General Fund - Unassigned	9,618,320
General Fund - Committed for City Capital Projects	20,692,813
General Fund - Committed for Schools	26,750,000
Capital Projects Fund Balance	2,803,820
Information Technology - Fund Balance	1,345,043
Mosquito Control - Fund Balance	1,250,000
Conference Center - Fund Balance	2,045,000
SoNo TIF Fund Cash	6,450,000
State Revenue Sharing	32,000,000
State Grant	26,848,133
Proffers	125,000
Public Utilities - Fund Balance	16,563,834
Stormwater Management Fees	27,116,000
Borrowing Authority - Unissued	63,426,218
Borrowing Authority - Greenbrier TIF	16,000,000
Borrowing Authority - Short Term Financing	16,595,150
Borrowing Authority - VPSA	87,275,000
Public Utilities - Borrowing Authority Revenue Supported	52,834,523
<b>Total five year capital budget</b>	<b>\$ 544,109,437</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(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, 2015 for the City and the Schools are as follows:

<u>City</u>		<u>Schools</u>	
<u>Governmental Funds</u>		<u>Governmental Funds</u>	
General Fund	\$ 3,880,498	General Fund	\$ 1,900,917
Capital Projects	40,640,725	Capital Projects	7,466,951
Other Governmental Funds	917,166	Other Governmental Funds	1,373,325
Total	\$ 45,438,389	Total	\$ 10,741,193

**(15) Joint Venture**

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

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

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

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

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(16) Continued**

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

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 66 <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 \$28,538,666 reported in the Self-Insurance Fund at June 30, 2015 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2015 and 2014 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>
6/30/2015	\$ 27,947,727	6,620,957	6,030,018	28,538,666
6/30/2014	27,033,415	8,548,336	7,634,024	27,947,727

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has an \$800,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation, medical and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. Amounts due in future years on claims as of June 30, 2015 are recognized as a long-term liability in the statement of net position. The Schools use the information provided by the third-party

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(16) Continued**

administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2015 is \$10,371,633.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2015 and 2014 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>
6/30/2015	\$ 10,766,242	61,739,112	62,133,721	10,371,633
6/30/2014	10,781,689	62,625,751	62,641,198	10,766,242

The liability at June 30, 2015 is comprised of \$3,961,126 in long-term liabilities and \$6,410,507 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 indebtedness to be reduced to \$75 million from \$218 million. At June 30, 2015, SPSA's outstanding indebtedness totaled \$24 million. The City's current contract with SPSA terminates on January 24, 2018, however, negotiations are underway to extend the contract. Complete audited financial statements for SPSA are available from the administrative office at 723 Woodlake Drive, Chesapeake, Virginia 23320.

***City of Chesapeake Warehouse Fire***

On November 19, 2014, the Public Works storeroom/warehouse located at 925 Executive Blvd was destroyed by fire. An investigation determined that the fire was caused by a third party vehicle contacting an overhead electrical wire. The warehouse structure, with a net book value of \$487,378, and equipment valued at \$153,164 was also destroyed by the fire for a total loss of \$640,542. The City recovered \$525,543 as of June 30, 2015, from its insurance carrier. An additional recovery of \$98,652 for additional costs including demolition of the old warehouse and purchase of storage sheds was received in September 2015. As the fire was caused by a third party, the City's insurance carrier is attempting to recover the \$100,000 deductible from the third party's carrier. It is unknown if or how much of the deductible the City will recover.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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**(16) Continued**

***Federal Award Programs***

The City and the Schools participate in a number of federal award programs. Although they have been audited in accordance with the provisions of 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. The City is working with MJM Golf, LLC (the owner of the golf course) and Dominion Virginia Power to implement long-term water quality protection measures. Residents living near the golf course filed suit against Dominion Power, the contractor that delivered the fly ash to the site, its subcontractors and the owner of the golf course; however, through rulings of the Chesapeake Circuit Court, the number of plaintiffs and claims for damages have been drastically reduced. The City is not a party to these claims and the likelihood of recovery by the residents against the City is very low. The City's approval of the golf course through the issuance of a conditional use permit was based on information provided by Dominion Virginia Power. It is also to be noted that the Virginia Department of Environmental Quality approved use of fly ash at this location.

***Notice of claim – Michael Smith***

The City has received a Notice of Claim from counsel for Michael Smith on June 26, 2014 for injuries sustained as a result of gunshot wounds to the arm and chest. No pleadings have been filed nor demands made.

***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 is scheduled for February 22, 2016. 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.

*(Continued)*

Notes to Basic Financial Statements  
June 30, 2015

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**(16) Continued**

A third action may be filed, dependent on the outcome of an initial offer and negotiations yet to be made, with regard to an additional partial taking of a parcel of land (Parcel 278). The parties are hoping to negotiate a possible settlement with regard to all three acquisitions from this particular landowner (Parcels 99, 105 and 278). If negotiation is unsuccessful, these three matters are likely to be consolidated in a single trial date yet to be set in 2016.

***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. All three matters have been consolidated for a single trial scheduled to begin on September 13, 2016. The Animal Service Facility was placed in service as of December 2012 and is being used for its intended purpose.

***Pasquale J. Guerriero v. S. A. Mayo***  
**(U.S. District Court Eastern District of Virginia, Norfolk Division, Case No. 2:15 cv 385)**

Filed on September 3, 2015, Plaintiff brings this suit under 42 U.S.C. Section 1983, alleging that Detective S. A. Mayo of the Chesapeake Police Department unlawfully arrested him without probable cause in violation of the Fourth Amendment. Plaintiff seeks \$500,000 in damages, including \$150,000 in punitive damages, as well as attorney’s fees. No trial date has been set.

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

Filed on September 12, 2014, Plaintiff brings this suit against the City, Fire Chief Edmund Elliott and Fire Captain Christine Dosmann alleging false imprisonment, malicious prosecution and battery. The City has been dismissed entirely from this case and the sole claim remaining after a hearing in December 2015 is a claim against Chief Elliott and Captain Dosmann of malicious prosecution. Plaintiff seeks \$650,000 in damages (including \$350,000 in punitive damages), costs and attorney’s fees. No trial date has been set.

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

Filed on October 21, 2014, Plaintiff brings this suit against the City alleging negligence in maintaining the Campostella overpass and allowing ice to accumulate causing personal injuries to Plaintiff. Plaintiff was struck by a vehicle that spun out on the overpass and ran into her. Plaintiff seeks \$5,000,000 in damages and costs. No trial date has been set.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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**(16) Continued**

***Kevin Leon Smith v. Albert Fargo, et al.***

**(U.S. District Court Eastern District of Virginia, Norfolk Division, Case No. 3:13 cv 638)**

Filed on September 18, 2013, Plaintiff, *pro se*, brings this suit against Chesapeake Police Officers Albert Fargo, Joseph Milewczik and Jason Lightfoot, under 42 U.S.C. Section 1983, alleging violations of his Fourth Amendment rights. Plaintiff claims he was kept handcuffed in a police cruiser for too long and that his cell phone was illegally seized. Plaintiff seeks \$1,000,000 in damages. The Officers currently have a motion to dismiss pending before the Court. No trial date has been set.

***Eddie J. Gaskins v. Steven Dooley and City of Chesapeake***

**(Case No. CL 14-2759)**

This suit, filed on November 12, 2014, arises from an automobile accident which occurred on February 1, 2013, involving Plaintiff and Chesapeake police officer Steven Dooley. Plaintiff is seeking damages in the amount of \$250,000,000, plus interest and costs. A Notice of Claim in this matter was received by the City on September 9, 2014 and the lawsuit was served on November 24, 2014. This matter, previously set for trial on December 7, 2015, has been continued generally. The City is unable to predict the outcome of this matter.

***Paul L. Phillips and Ryan Phillips v. City of Chesapeake***

**(Case No. CL 14-1790)**

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

**(17) Fund Results and Reconciliation**

**GASB 68 Restatements**

In fiscal year 2015, the City implemented GASB Statement No. 68 (GASB 68), "Accounting and Financial Reporting for Pensions, an amendment of GASB 27," and GASB Statement No. 71 (GASB 71), "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68". GASB 68 establishes standards of accounting and reporting for defined benefit contribution pension plans administered through a trust or equivalent arrangement.

GASB 68 requires the City and the component units, Public Schools and Mosquito Control Commission, to report net pension liabilities and pension expense for the VRS agent multiple-employer and cost-sharing plans in the government-wide financial statements. For the VRS plans, the measurement date for net pension liabilities is June 30, 2014. Therefore, contributions made during fiscal year 2015 are reported as deferred outflows of resources in accordance with GASB 71. GASB 68 also requires additional disclosures and new supplementary schedules.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

**(17) Continued**

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

	<b>2015 Beginning Balance Prior to Restatement</b>	<b>Restatement</b>	<b>2015 Beginning Balance Restated</b>
<b>Primary Government</b>			
Governmental Activities			
Total Assets and Deferred Outflows of Resources	\$ 1,472,055,718	19,962,013	1,492,017,731
Total Liabilities and Deferred Inflows of Resources	453,278,400	158,952,299	612,230,699
Net Position	1,018,777,318	(138,990,286)	879,787,032
Business-type Activities			
Total Assets and Deferred Outflows of Resources	909,546,299	1,559,058	911,105,357
Total Liabilities and Deferred Inflows of Resources	390,321,773	12,542,772	402,864,545
Net Position	519,224,526	(10,983,714)	508,240,812
<b>Proprietary Funds</b>			
Public Utilities			
Total Assets and Deferred Outflows of Resources	539,987,657	1,040,689	541,028,346
Total Liabilities and Deferred Inflows of Resources	137,483,486	8,372,444	145,855,930
Net Position	402,504,171	(7,331,755)	395,172,416
Chesapeake Transportation System			
Total Assets and Deferred Outflows of Resources	307,609,832	128,759	307,738,591
Total Liabilities and Deferred Inflows of Resources	255,770,446	1,035,881	256,806,327
Net Position	51,839,386	(907,122)	50,932,264
Stormwater Management			
Total Assets and Deferred Outflows of Resources	73,966,572	389,610	74,356,182
Total Liabilities and Deferred Inflows of Resources	8,333,832	3,134,447	11,468,279
Net Position	65,632,740	(2,744,837)	62,887,903
Internal Service Funds			
Total Assets and Deferred Outflows of Resources	81,727,835	703,609	82,431,444
Total Liabilities and Deferred Inflows of Resources	29,957,666	5,660,603	35,618,269
Net Position	51,770,169	(4,956,994)	46,813,175
<b>Discretely Presented Component Units</b>			
Public Schools			
Total Assets and Deferred Outflows of Resources	332,289,914	27,673,000	359,962,914
Total Liabilities and Deferred Inflows of Resources	380,911,455	425,240,525	806,151,980
Net Position	(48,621,541)	(397,567,525)	(446,189,066)
Other - Mosquito Control Commission			
Total Assets and Deferred Outflows of Resources	7,682,665	259,192	7,941,857
Total Liabilities and Deferred Inflows of Resources	125,795	2,085,226	2,211,021
Net Position	7,556,870	(1,826,034)	5,730,836

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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(17) **Continued**

**Fund Deficits**

The Self-Insurance Fund, an Internal Service Fund, had a net position deficit of \$2,788,590 at June 30, 2015. 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 \$936,777 at June 30, 2015. 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 \$441,177,971 at June 30, 2015. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation and net pension liability. At June 30, 2015, the School's net OPEB obligation and net pension liability were \$279,179,653 and \$371,949,000 respectively.

(18) **Subsequent Events**

***City of Chesapeake Department of Social Services Building Flood***

On July 30, 2015, the Social Services building located at 100 Outlaw Street incurred flooding and heavy water damage primarily to the second floor which was just remodeled and to the first floor to a lesser degree. There were no injuries to City employees or citizens. The cause of the flood was due to the poorly secured new roof installation that allowed water from a heavy rain to seep through seals. A claim has been filed with the contractor's insurance company and is currently under review. The overall expense associated with the claim is estimated at \$119,000. Repairs and restoration proceeded promptly.

***Chesapeake OPEB Trust Fund***

The City's OPEB Trust is a single employer plan in which an irrevocable Trust was established to fund post-employment medical benefits. On September 15, 2015 City Council adopted a resolution to eliminate the existing post-65 health care plan offered to retirees effective January 1, 2016. The City's pre-65 plan will remain in place. This decision was based on the fact that, due to Medicare reform, Medicare eligible retirees now have other plan options available, many of which offer lower premiums than the City's post-65 offering. Since the City currently subsidizes 30% of the plan, the discontinuance will result in such a significant reduction in the City's OPEB liability that it is expected that pay-as-you-go payments for retirees' medical costs will be made from the Trust rather than from City funds sooner than anticipated. On November 16, 2015, by unanimous decision, the Finance Board of the OPEB Trust voted to make changes to reduce the discount rate used to project the long term expected rate of return assumed for Trust assets for the OPEB Plan from 7.5% to 7.0% and to reduce the amortization period from 27 years to 15 years.

***Plant Closure***

The closure of a public service corporation plant located in the Deep Creek area of the City occurred during 2014, so that the assessed value for this company was substantially reduced as of January 1, 2015. As a result, net revenues from Public Service Corporations for FY16 is anticipated to decline by approximately \$1,548,000 from FY15. This anticipated decrease was accounted for in the FY16 operating budget and is somewhat offset by increases in other public service assessments.

(Continued)

Notes to Basic Financial Statements  
June 30, 2015

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**(19) New Accounting Pronouncements**

The GASB has issued the following pronouncements prior to June 30, 2015 which have effective dates that may impact future presentations.

GASB Statement No. 72, *Fire Value Measurement and Application*. GASB Statement No. 72 will be effective for the City beginning with year ending June 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 will be effective for the City beginning with year ending June 30, 2017.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 76, *The Hierarchy of General Accepted Accounting Principles for State and Local Governments*, was issued in June 2015. GASB Statement No. 76 will be effective for the City beginning with year ending June 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 will be effective for the City beginning with year ending June 30, 2016.

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 Balance -  
 Budget and Actual - General Fund - unaudited  
 Year Ended June 30, 2015

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
<b>REVENUES</b>				
General property taxes	\$ 287,993,577	287,993,577	293,884,026	5,890,449
Other local taxes	118,059,630	118,059,630	117,949,749	(109,881)
Licenses, permits and fees	8,988,797	9,099,797	8,744,557	(355,240)
Fines and forfeitures	2,954,182	2,954,182	2,585,943	(368,239)
Investment income	645,748	645,748	830,325	184,577
Revenues from use of property	606,696	630,934	602,504	(28,430)
Charges for services	11,591,784	11,157,295	11,106,901	(50,394)
Miscellaneous local revenues	641,200	616,962	220,967	(395,995)
Recovered costs	110,300	275,395	792,393	516,998
Intergovernmental revenues:				
Commonwealth of Virginia	84,932,072	85,412,890	86,124,430	711,540
Federal government	49,244	49,244	1,049,256	1,000,012
Total revenues	516,573,230	516,895,654	523,891,051	6,995,397
<b>EXPENDITURES</b>				
Current:				
General government	109,903,572	109,090,925	101,130,992	7,959,933
Public safety	91,575,052	91,681,214	86,148,112	5,533,102
Public works	67,354,345	67,903,458	61,596,827	6,306,631
Parks and recreation	11,452,370	11,503,696	10,036,562	1,467,134
Debt Service	2,226,500	2,738,480	2,224,500	513,980
Total expenditures	282,511,839	282,917,773	261,136,993	21,780,780
<b>Excess (deficiency) of revenues over (under) expenditures</b>	234,061,391	233,977,881	262,754,058	28,776,177
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	1,584,360	4,914,264	4,595,082	(319,182)
Transfer from component units	-	-	138,530	138,530
Transfer from component unit - cash reversion	-	-	1,691,835	1,691,835
Transfers to other funds	(76,432,306)	(76,991,402)	(77,007,537)	(16,135)
Transfer to component units	(186,077,542)	(186,149,678)	(186,149,678)	-
Total other financing sources (uses)	(260,925,488)	(258,226,816)	(256,731,768)	1,495,048
<b>Net Change in Fund Balance</b>	(26,864,097)	(24,248,935)	6,022,290	30,271,225
<b>Fund balance - beginning</b>	152,868,361	152,868,361	152,868,361	-
<b>Fund balance - ending</b>	\$ 126,004,264	128,619,426	158,890,651	30,271,225

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

Schedule of Employer Contributions - Virginia Retirement System - unaudited  
 Year Ended June 30, 2015

**City**

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

**Schools' Nonprofessional Employees**

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

**Schools' Professional Employees**

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

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

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

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

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited  
Year Ended June 30, 2015

<b>City Employees</b>	<b>2015*</b>
<b>Total pension liability</b>	
Service cost	\$ 18,811,281
Interest cost	52,973,477
Benefit payments, including refunds of employee contributions	(34,074,130)
<b>Net change in total pension liability</b>	<b>37,710,628</b>
<b>Total pension liability - beginning</b>	<b>773,801,021</b>
<b>Total pension liability - ending</b>	<b>\$ 811,511,649</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 21,780,263
Contributions - employee	7,107,584
Net investment income	94,184,657
Benefit payments, including refunds of employee contributions	(34,074,130)
Administrative expense	(507,330)
Other	4,964
<b>Net change in plan fiduciary net position</b>	<b>88,496,008</b>
<b>Plan fiduciary net position - beginning</b>	<b>598,576,634</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 687,072,642</b>
<b>Net pension liability - ending</b>	<b>\$ 124,439,007</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>84.67%</b>
<b>Covered-employee payroll</b>	<b>\$ 151,895,543</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>81.92%</b>

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

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

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

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited  
Year Ended June 30, 2015

<b>Schools' Nonprofessional Employees:</b>	<b>2015*</b>
<b>Total pension liability</b>	
Service cost	\$ 2,157,963
Interest cost	5,971,479
Benefit payments, including refunds of employee contributions	(4,578,086)
<b>Net change in total pension liability</b>	<b>3,551,356</b>
<b>Total pension liability - beginning</b>	<b>87,595,888</b>
<b>Total pension liability - ending</b>	<b>\$ 91,147,244</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 2,399,609
Contributions - employee	1,057,299
Net investment income	10,545,595
Benefit payments, including refunds of employee contributions	(4,578,086)
Administrative expense	(57,298)
Other	556
<b>Net change in plan fiduciary net position</b>	<b>9,367,675</b>
<b>Plan fiduciary net position - beginning</b>	<b>67,634,802</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 77,002,477</b>
<b>Net pension liability - ending</b>	<b>\$ 14,144,767</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>84.48%</b>
<b>Covered-employee payroll</b>	<b>\$ 22,808,112</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>62.02%</b>

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

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

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

Schedule of Employer's Share of Net Pension Liability - unaudited  
 VRS Teacher Retirement Plan  
 Year Ended June 30, 2015

<b>Schools' Professional Employees:</b>	<b>2015*</b>
Employer's Proportion of the Net Pension Liability (Asset)	2.96080%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 357,804,000
Employer's Covered-Employee Payroll	\$ 233,462,806
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	153.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

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

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

Schedules of Funding Progress - Other Postemployment Benefits - unaudited  
Year Ended June 30, 2015

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, 2015	June 30, 2015	\$ 66,697,474	111,653,000	44,955,526	59.74%	\$ 146,633,012	30.66%
	July 1, 2014	June 30, 2014	53,253,294	125,608,000	72,354,706	42.40%	140,598,239	51.46%
	July 1, 2013	June 30, 2013	40,266,226	126,666,000	86,399,774	31.79%	149,594,019	57.76%

See Note 16 of the financial statements for subsequent information

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, 2014	June 30, 2015	\$ 11,658,005	142,117,300	130,459,295	8.20%	\$ 240,652,174	54.21%
	July 1, 2013	June 30, 2014	9,427,243	143,710,654	134,283,411	6.56%	237,598,942	56.52%
	July 1, 2012	June 30, 2013	8,547,297	362,045,590	353,498,293	2.36%	231,925,031	152.42%

Schedules of Employer Contributions - Other Postemployment Benefits - unaudited  
Year Ended June 30, 2015

<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>				
2015	\$	7,851,000	13,401,054	170.69%
2014		10,615,000	13,640,552	128.50%
2013		11,752,000	12,029,095	102.36%

<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>				
2015	\$	12,017,270	6,637,601	55.23%
2014		12,216,794	7,753,753	63.47%
2013		37,604,581	7,222,623	19.21%

Notes to Required Supplementary Information  
June 30, 2015

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**(1) Budgets and Budgetary Accounting**

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

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

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

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

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

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

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

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

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

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

Notes to Required Supplementary Information  
June 30, 2015

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(2) **Retirement Plans**

**Changes of benefit terms – All Plans**

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

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

**Schools Professional Employees**

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

**City Employees and Schools Nonprofessional Employees**

Largest 10 – Non-LEOs:

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

Largest 10 – LEOs:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOs:

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

Other Supplementary Information -  
Combining and Individual Fund  
Schedules

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA

# General Fund

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

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



General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
<b>General property taxes</b>			
Current taxes on real property	\$ 223,042,177	225,189,367	2,147,190
Current taxes on public service corporations	10,256,537	10,546,515	289,978
Current taxes on personal property	36,294,505	38,354,492	2,059,987
Delinquent taxes on real property	4,377,110	4,094,126	(282,984)
Delinquent taxes on personal property	11,295,808	12,775,371	1,479,563
Penalties, interest and advertising	2,727,440	2,924,155	196,715
<b>Total general property taxes</b>	<b>287,993,577</b>	<b>293,884,026</b>	<b>5,890,449</b>
<b>Other local taxes</b>			
Local sales and use taxes	36,549,663	37,236,136	686,473
Consumer utility taxes	10,438,344	10,624,686	186,342
Communications sales tax	7,563,969	6,911,092	(652,877)
Business license taxes	25,913,400	25,684,602	(228,798)
Local utility consumption tax	871,596	902,138	30,542
Bank stock taxes	1,261,111	1,288,227	27,116
Taxes on recordation and wills	3,889,342	2,842,444	(1,046,898)
Tobacco taxes	4,518,150	4,481,456	(36,694)
Hotel and motel room taxes	3,875,937	4,143,589	267,652
Restaurant food taxes	21,701,754	22,298,053	596,299
Admission taxes	963,321	836,853	(126,468)
Short-term rental taxes	422,200	693,834	271,634
Pari-mutuel waging pool tax	90,843	6,639	(84,204)
<b>Total other local taxes</b>	<b>118,059,630</b>	<b>117,949,749</b>	<b>(109,881)</b>
<b>Revenues from local sources</b>			
Licenses, permits and fees:			
Bicycle licenses	38	17	(21)
Building structure and equipment permits	1,097,481	959,274	(138,207)
Precious metals and gems permits	4,909	3,800	(1,109)
Highway and driveway permits	21,998	23,040	1,042
Transfer fees	6,914	5,536	(1,378)
Zoning inspection fees	57,032	69,362	12,330
Building inspection fees	140,702	106,595	(34,107)
Electrical inspection fees	340,553	285,786	(54,767)
Elevator inspection fees	23,040	21,920	(1,120)
Plumbing inspection fees	214,166	178,691	(35,475)
Mechanical permits	412,076	350,974	(61,102)
Stormwater permits	111,000	111,000	-
Subdivision review fees	245,648	166,502	(79,146)
Solicitors permits	4,468	5,569	1,101
Taxi operators licenses	1,205	1,575	370
Motor vehicle license	6,161,814	6,179,528	17,714
Inspection fees - gas appliances	73,552	64,070	(9,482)
Animal license and fees	168,409	189,799	21,390
Rodent free certification fee	5,858	5,250	(608)
Hunting and fishing license	20	59	39
Rental inspection fees	8,914	16,210	7,296
<b>Total licenses, permits and fees</b>	<b>9,099,797</b>	<b>8,744,557</b>	<b>(355,240)</b>
Fines and forfeitures	2,954,182	2,585,943	(368,239)
Investment income	645,748	830,325	184,577

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Revenues from use of property:			
Rental of general property	\$ 197,247	221,235	23,988
Rental of recreational properties and facilities	381,203	331,372	(49,831)
Library rental revenue	11,003	14,962	3,959
Rental of showmobile	41,481	34,935	(6,546)
<b>Total revenues from use of property</b>	<b>630,934</b>	<b>602,504</b>	<b>(28,430)</b>
Charges for services:			
Special court costs	75,918	74,050	(1,868)
Law library fees	94,650	83,655	(10,995)
Accident report fees	33,058	50,443	17,385
Municipal court fees	67,449	51,592	(15,857)
Civil penalties	29,994	60,449	30,455
Non-support fees	80,000	89,001	9,001
Commonwealth's Attorney fees	25,705	25,395	(310)
Police escort fees	24,515	23,036	(1,479)
Sale of service - police	163,796	168,915	5,119
Fire report fees	535	871	336
Sheriff fees	22,861	22,861	-
Inmate medical fees	22,724	13,697	(9,027)
Sale of service - jail	668,842	114,816	(554,026)
Sale of service - jail inmates	76,315	92,880	16,565
Inmate phone system - jail	500,047	425,909	(74,138)
Sale of service - sheriff	882,519	768,396	(114,123)
Sale of service - public works	406,438	354,296	(52,142)
Engineering and administrative fees	101,872	24,380	(77,492)
Recreation fees	1,297,509	1,179,898	(117,611)
Library fines and fees	277,475	312,968	35,493
Lot processing fees	58,996	103,600	44,604
Sale of service - planning	4,400	4,342	(58)
Sale of service - public information	-	83	83
Sale of publications	61	-	(61)
Returned check fees	16,600	12,000	(4,600)
Custodian service	119,286	102,140	(17,146)
Wage assignment fees	5,850	5,771	(79)
Sale of service - assessor	5,267	6,035	768
Emergency medical service fees	4,496,000	5,049,340	553,340
Administration collected fees	1,011,042	865,385	(145,657)
Wetland board civil fees	55,985	45,585	(10,400)
Passport application fee	69,613	79,500	9,887
Sale of service - Commissioner of the Revenue	53,852	60,123	6,271
Subdivision inspection fees	190,095	607,347	417,252
Fire plan review fees	34,007	33,072	(935)
Zoning fees	25,164	28,402	3,238
Building plan fees	61,355	61,548	193
Inspections technology fee	68,225	71,860	3,635
E-Government subscription fee	29,275	31,354	2,079
Waste and recycling service	-	1,906	1,906
<b>Total charges for services</b>	<b>11,157,295</b>	<b>11,106,901</b>	<b>(50,394)</b>

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Miscellaneous local revenues:			
Sale of real property	\$ -	3,600	3,600
Sale of ARC - public works	12,577	15,990	3,413
Sale of junk and salvage	3,550	10,671	7,121
Sale of food and beverages	31,034	16,332	(14,702)
Other revenue	569,801	174,374	(395,427)
<b>Total miscellaneous local revenues</b>	<b>616,962</b>	<b>220,967</b>	<b>(395,995)</b>
Recovered costs:			
Insurance claims and collections	165,095	165,095	-
Other recoveries and rebates	110,300	623,861	513,561
Recoveries - Jury	-	3,437	3,437
<b>Total recovered costs</b>	<b>275,395</b>	<b>792,393</b>	<b>516,998</b>
<b>Total revenues from local sources</b>	<b>431,433,520</b>	<b>436,717,365</b>	<b>5,283,845</b>
<b>Revenues from the Commonwealth</b>			
Noncategorical aid:			
Motor vehicle carrier taxes	184,000	180,892	(3,108)
Mobile home titling taxes	42,500	34,253	(8,247)
Indirect costs	370,000	408,087	38,087
Daily rental taxes - auto	855,000	970,909	115,909
Deed taxes	640,000	706,014	66,014
Personal Property Tax Relief	28,590,001	28,590,001	-
Local aid to the Commonwealth Contra Revenue	-	(816,565)	(816,565)
<b>Total noncategorical aid</b>	<b>30,681,501</b>	<b>30,073,591</b>	<b>(607,910)</b>
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,856,659	1,842,312	(14,347)
Sheriff	8,928,546	10,168,670	1,240,124
Commissioner of the Revenue	351,300	351,222	(78)
Treasurer	372,075	372,064	(11)
Registrar/Electoral Board	76,829	75,102	(1,727)
Circuit court clerk	1,303,980	1,114,463	(189,517)
Agriculture	75,348	83,188	7,840
<b>Total shared expenses</b>	<b>12,964,737</b>	<b>14,007,021</b>	<b>1,042,284</b>

(Continued)

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from the Commonwealth, continued:</b>			
Other categorical aid:			
Local jail	\$ 1,977,082	2,268,409	291,327
Police	6,299,897	6,299,896	(1)
Street and highway maintenance	32,059,662	32,066,139	6,477
Library	180,011	180,011	-
Excess fees	250,000	149,251	(100,749)
Transportation improvement set-aside	1,000,000	983,112	(16,888)
Reimbursement for emergency expense	-	97,000	97,000
<b>Total other categorical aid</b>	<b>41,766,652</b>	<b>42,043,818</b>	<b>277,166</b>
<b>Total categorical aid</b>	<b>54,731,389</b>	<b>56,050,839</b>	<b>1,319,450</b>
<b>Total revenues from the Commonwealth</b>	<b>85,412,890</b>	<b>86,124,430</b>	<b>711,540</b>
<b>Revenues from the Federal Government</b>			
Noncategorical aid - Refuge Revenue Sharing Act	29,106	66,131	37,025
Categorical aid:			
Other federal grants	20,138	25,646	5,508
Drug Enforcement Agency	-	44,510	44,510
Emergency reimbursement - federal	-	912,969	912,969
<b>Total revenues from the Federal Government</b>	<b>49,244</b>	<b>1,049,256</b>	<b>1,000,012</b>
<b>Total revenues</b>	<b>516,895,654</b>	<b>523,891,051</b>	<b>6,995,397</b>
<b>OTHER FINANCING SOURCES</b>			
Payments from component units:			
Chesapeake Public Schools	-	138,530	138,530
Chesapeake Public Schools - cash reversion	-	1,691,835	1,691,835
Transfers from other funds	4,914,264	4,595,082	(319,182)
<b>Total other financing sources</b>	<b>4,914,264</b>	<b>6,425,447</b>	<b>1,511,183</b>
<b>Total revenues and other financing sources</b>	<b>\$ 521,809,918</b>	<b>530,316,498</b>	<b>8,506,580</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, 2015

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
<b>EXPENDITURES</b>						
<b>General government:</b>						
Legislative Department - City Council	\$ 937,394	887,273	5,684	892,957	44,437	44,437
Executive Department:						
City manager	1,838,892	1,740,909	-	1,740,909	97,983	97,983
Public communications	1,193,145	1,168,541	-	1,168,541	24,604	24,604
Contingencies	1,006,426	-	-	-	1,006,426	1,006,426
Environmental emergencies	275,702	-	-	-	275,702	275,702
Department of Law - City Attorney	1,998,750	1,881,680	-	1,881,680	117,070	117,070
Department of Finance:						
Commissioner of revenue	3,516,981	3,312,478	58,340	3,370,818	146,163	115,923
Real estate assessor	2,466,518	2,294,764	-	2,294,764	171,754	171,515
Board of equalization	4,333	2,357	-	2,357	1,976	1,976
City treasurer	5,273,139	4,353,032	-	4,353,032	920,107	915,492
Director of finance	2,397,154	2,194,725	-	2,194,725	202,429	169,878
Economic development	1,821,988	1,720,168	-	1,720,168	101,820	75,405
Budget director	695,306	662,334	-	662,334	32,972	32,972
City auditor	577,408	572,397	-	572,397	5,011	5,011
Independent auditors	182,400	149,625	-	149,625	32,775	32,775
Financial advisory services	64,783	36,399	-	36,399	28,384	5,380
Department of Human Resources:						
Human resources	2,271,587	2,117,723	-	2,117,723	153,864	153,864
HIP AA	213,468	202,930	-	202,930	10,538	10,538
Judicial Department:						
Circuit court	684,640	613,202	45,113	658,315	26,325	26,325
Magistrates office	69,237	66,765	-	66,765	2,472	2,472
General district court	296,039	263,624	-	263,624	32,415	32,415
Juvenile and domestic relations court	114,105	105,603	-	105,603	8,502	3,607
Court services unit	341,921	273,699	-	273,699	68,222	68,222
Commonwealth's attorney	4,229,125	3,998,934	9,432	4,008,366	220,759	220,759
Circuit court clerk	2,487,290	2,200,342	-	2,200,342	286,948	286,948
Sheriff	40,530,767	39,075,490	30,520	39,106,010	1,424,757	1,348,423
Purchasing	891,165	777,723	-	777,723	113,442	101,047
Department of Public Health:						
Adult clinics	454,858	454,347	-	454,347	511	511
General clinics	1,642,413	1,638,688	-	1,638,688	3,725	3,725
OSHA services	694,821	695,305	8,847	704,152	(9,331)	(9,331)

(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, 2015

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
<b>General government, continued:</b>						
Department of Public Library:						
Public library	\$ 8,599,271	7,804,342	33,609	7,837,951	219,338	541,982
Public library state aid	180,063	179,869	-	179,869	136	58
Law library	102,664	102,394	-	102,394	-	270
Boards and Commissions:						
Planning department	2,141,932	1,969,678	-	1,969,678	300	171,954
Planning commission	229,077	37,170	-	37,170	-	191,907
Electoral board	819,641	778,147	-	778,147	-	41,494
Electoral workers	104,498	77,535	-	77,535	-	26,963
Department of Agriculture	389,411	382,456	-	382,456	16	6,939
Bureau of Community Programs	1,138,732	1,038,693	-	1,038,693	12,095	87,944
Customer Contact Center	728,026	725,516	-	725,516	100	2,410
Department of Development and Permits:						
Code compliance and zoning administration	3,806,953	3,585,753	-	3,585,753	-	221,200
Development and permits administration	2,782,804	2,499,648	20,614	2,520,262	4,047	258,495
Nondepartmental:						
Support of civic and community organizations	330,020	312,834	-	312,834	-	17,186
Regional cooperation and support	6,666,215	5,759,519	-	5,759,519	-	906,696
Other nondepartmental support	1,620,437	1,924,796	-	1,924,796	-	(304,359)
Chesapeake regional airport	279,426	279,426	-	279,426	-	-
Debt service	2,738,480	2,224,500	-	2,224,500	-	513,980
<b>Total general government</b>	<b>111,829,405</b>	<b>103,143,333</b>	<b>212,159</b>	<b>103,355,492</b>	<b>429,096</b>	<b>8,044,817</b>
<b>Public Safety:</b>						
Police department	43,172,494	41,603,518	10,159	41,613,677	70,370	1,488,447
Animal control	1,777,451	1,599,017	-	1,599,017	2,109	176,325
Public safety training	1,272,761	1,162,371	33,598	1,195,969	-	76,792
Fire department	43,530,974	39,891,798	47,970	39,939,768	50,290	3,540,916
Fire prevention bureau	1,378,338	1,304,874	-	1,304,874	-	73,464
Fire training	198,957	159,151	-	159,151	-	39,806
Emergency management operations	350,239	335,656	-	335,656	-	14,583
<b>Total public safety</b>	<b>91,681,214</b>	<b>86,056,385</b>	<b>91,727</b>	<b>86,148,112</b>	<b>122,769</b>	<b>5,410,333</b>
<b>Public works:</b>						
Engineering and administration	9,777,126	9,208,798	76,521	9,285,319	16,787	475,020
Traffic engineering	2,023,316	1,585,565	13,816	1,599,381	111,921	312,014
Street maintenance	6,003,794	4,745,449	361,968	5,107,417	621,479	274,898
Bridges and structures	3,294,343	2,407,618	151,750	2,559,368	100,058	634,917
Bureau of drainage	2,253,168	1,927,682	57,223	1,984,905	183,132	85,131

(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, 2015

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
<b>Public works, continued:</b>						
Contractual services	\$ 12,428,357	10,803,636	8,042	10,811,678	1,616,679	259,106
Buildings maintenance	6,498,334	6,203,926	13,592	6,217,518	280,816	169,938
Facilities Management - building	1,376,957	1,094,729	13,228	1,107,957	269,000	260,114
Public works operations	963,492	856,739	20,000	876,739	86,753	86,753
Solid waste collection	8,246,063	7,670,392	-	7,670,392	575,671	542,805
SPSA	15,038,508	14,376,153	-	14,376,153	662,355	13,191
<b>Total public works</b>	<b>67,903,458</b>	<b>60,880,687</b>	<b>716,140</b>	<b>61,596,827</b>	<b>3,192,744</b>	<b>3,113,887</b>
<b>Parks and recreation:</b>						
Administration	2,448,576	2,302,027	-	2,302,027	146,549	138,624
Community centers	2,042,908	1,803,384	8,040	1,811,424	231,484	203,151
Parks operations	1,065,706	894,111	-	894,111	171,595	166,452
Parks and grounds maintenance	2,884,955	2,293,935	342,115	2,636,050	248,905	169,859
Parks, grounds and building maintenance - warehouse and work order	142,567	130,008	-	130,008	12,559	12,559
Recreation programs	1,033,036	912,125	-	912,125	120,911	112,173
Special programs	1,814,373	1,293,658	-	1,293,658	520,715	514,011
Fine arts programs	71,575	57,159	-	57,159	14,416	14,416
<b>Total parks and recreation</b>	<b>11,503,696</b>	<b>9,686,407</b>	<b>350,155</b>	<b>10,036,562</b>	<b>1,467,134</b>	<b>1,331,245</b>
<b>Total expenditures and encumbrances</b>	<b>282,917,773</b>	<b>259,766,812</b>	<b>1,370,181</b>	<b>261,136,993</b>	<b>21,780,780</b>	<b>17,900,282</b>
<b>OTHER FINANCING USES</b>						
Transfers to component unit:						
Public Schools	\$ 186,149,678	186,149,678	-	186,149,678	-	-
Transfers to other funds:						
Debt Service Fund	44,459,087	44,474,600	-	44,474,600	(15,513)	(15,513)
Capital Projects Fund	13,668,520	13,668,520	-	13,668,520	-	-
Virginia Public Assistance Fund	7,208,982	7,208,982	-	7,208,982	-	-
Community Services Fund	7,342,301	7,342,301	-	7,342,301	-	-
Interagency Consortium Fund	1,790,646	1,790,646	-	1,790,646	-	-
Grants Fund	139,896	140,518	-	140,518	(622)	(622)
Chesapeake Juvenile Services Fund	2,381,970	2,381,970	-	2,381,970	-	-
Total transfers to other funds	<b>76,991,402</b>	<b>77,007,537</b>	<b>-</b>	<b>77,007,537</b>	<b>(16,135)</b>	<b>(16,135)</b>
<b>Total other financing uses</b>	<b>263,141,080</b>	<b>263,157,215</b>	<b>-</b>	<b>263,157,215</b>	<b>(16,135)</b>	<b>(16,135)</b>
<b>Total expenditures, encumbrances, and other financing uses</b>	<b>\$ 546,058,853</b>	<b>522,924,027</b>	<b>1,370,181</b>	<b>524,294,208</b>	<b>21,764,645</b>	<b>17,884,147</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.



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**Chesapeake**  
VIRGINIA

Debt Service Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment income	\$ 146,317	137,390	(8,927)
Revenues from use of property	54,889	54,889	-
Miscellaneous local revenues	-	121,384	121,384
Intergovernmental revenues:			
Federal government - American Reinvestment and Recovery Act	887,223	888,431	1,208
<b>Total revenues</b>	<b>1,088,429</b>	<b>1,202,094</b>	<b>113,665</b>
<b>EXPENDITURES</b>			
Interest on general obligation bonds	13,327,028	13,145,963	181,065
Interest on literary loans	38,184	38,184	-
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	778,566	391,066	387,500
Other debt expenditures	55,000	37,190	17,810
Redemption of general obligation bonds	38,899,202	38,979,202	(80,000)
Redemption of literary loans	275,104	275,104	-
<b>Total expenditures</b>	<b>53,437,514</b>	<b>52,931,139</b>	<b>506,375</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(52,349,085)</b>	<b>(51,729,045)</b>	<b>620,040</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds:			
General Fund	44,459,087	44,474,600	15,513
Conference Center Fund	1,000,000	1,000,000	-
Capital Projects Fund	-	370,532	370,532
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,543,747	1,469,578	(74,169)
Tax Increment Financing - South Norfolk Fund	725,926	608,977	(116,949)
<b>Total transfers from other funds</b>	<b>47,793,190</b>	<b>47,988,117</b>	<b>194,927</b>
Transfers to other funds:			
Transfer to General Fund	(1,394,681)	(1,509,044)	(114,363)
<b>Total transfers to other funds</b>	<b>(1,394,681)</b>	<b>(1,509,044)</b>	<b>(114,363)</b>
Payments from component unit - Public Schools Capital Projects Fund	-	74,900	74,900
<b>Total other financing sources (uses)</b>	<b>46,398,509</b>	<b>46,553,973</b>	<b>155,464</b>
<b>Net Change in Fund Balance</b>	<b>(5,950,576)</b>	<b>(5,175,072)</b>	<b>775,504</b>
<b>Fund balance - beginning</b>	<b>29,198,170</b>	<b>29,198,170</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 23,247,594</b>	<b>24,023,098</b>	<b>775,504</b>

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**Chesapeake**  
VIRGINIA

# Capital Projects Funds

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

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

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

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



**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-1*

General Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects:								
General Government:								
1011210100	American with Disability Act III	8,661	8,440	-	8,440	221	220	1
1011500100	Public Works/Public Utilities Operation Relocation Ph I	9,700,000	37,144	2,463,527	2,500,671	7,199,329	36,500	7,162,829
1011600100	Mosquito Control Facility Relocation	3,828,000	-	147,737	147,737	3,680,263	612,263	3,068,000
1011700100	Airport Authority Renovations	307,000	49,125	55,300	104,425	202,575	-	202,575
1011800100	Compressed Natural Gas (CNG) Fueling Station # 2	1,350,000	-	-	-	1,350,000	-	1,350,000
1021200100	Facilities High Priority Renewal & Replacement	2,687,973	-	2,687,066	2,687,066	907	-	907
1021200100	Facilities High Priority Renewal & Replacement	601,174	-	601,174	601,174	-	-	-
1021500100	High Priority Renewal and Replacements III	998,036	569,556	998,036	1,567,591	1,032,409	766,737	265,672
1021600100	Solid Waste Facility Relocation	2,170,000	-	-	-	2,170,000	-	2,170,000
1021700100	Dominion Boulevard Corridor	345,600	171,326	135,186	306,512	39,088	12,996	26,092
1021800100	Jordan Bridge Memorial	100,000	-	-	-	100,000	-	100,000
1030810100	American with Disability Act II	13,366	10,446	2,900	13,346	20	-	20
1041500100	Municipal Parking Lots and Sidewalks II	600,000	199,293	213,788	413,082	186,918	20,670	166,248
1041600100	Western Branch Property Acquisition	1,900,000	-	1,900,000	1,900,000	-	-	-
1041700100	South Norfolk - Strategic Acquisition of Real Property	3,351,974	18,627	14,327	32,953	3,319,021	-	3,319,021
1051000100	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000
1051600100	Disaster Recovery Backup Radio System	32	-	-	-	32	-	32
1051700100	Council Chambers and Work Session Room	436	-	-	-	436	-	436
1051700100	Council Chambers and Work Session Room	115,354	-	115,354	115,354	-	-	-
1061600100	Enterprise Kronos Upgrade	1,616	-	-	-	1,616	-	1,616
1061600100	Enterprise Kronos Upgrade	156,809	28,235	128,574	156,809	-	-	-
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	68,414	12,090	-	12,090	56,324	40,213	16,111
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	823,611	497,795	325,816	823,611	-	-	-
1071600100	FCC Narrowbanding Compliance	700	-	-	-	700	-	700
1071600100	FCC Narrowbanding Compliance	288,400	-	288,400	288,400	-	-	-
1071700100	Enterprise Wide Technology Improvement - Phase III	500,000	165,050	1,600	166,650	333,350	16,560	316,790
1081600100	Project 25 Radio System	9,601,674	1,183,092	66,375	1,249,467	8,352,207	5,143,637	3,208,570
1081700100	Human Services Case Management System	354,540	-	-	-	354,540	-	354,540
1081700100	Human Services Case Management System	395,460	139,224	256,236	395,460	-	-	-
1081900100	Public Health Center/Health Department Expansion	730,000	-	-	-	730,000	-	730,000
1090900100	South Norfolk Strategic Development	31,325	-	-	-	31,325	-	31,325
1091100100	Greenbrier - Wayfinding Signage	236,411	-	66,976	66,976	169,435	-	169,435
1091400100	Human Services - HVAC/Emergency Exit	8,320	-	-	-	8,320	-	8,320
1091700100	Kronos Upgrade	130,000	-	-	-	130,000	-	130,000
1091900100	Telephone System Upgrades Phase II	348,452	345,092	-	345,092	3,360	-	3,360
1101200100	South Norfolk Community Development	100,000	-	32,812	32,812	67,188	-	67,188
1101410100	Telephone System Upgrade	5,052	-	-	-	5,052	-	5,052
1101410100	Telephone System Upgrade	68,075	47,815	20,260	68,075	-	-	-
1101900100	Fentress Encroachment Protection	3,335,897	780,408	-	780,408	2,555,490	-	2,555,490
1101900100	Fentress Encroachment Protection	756,369	756,369	-	756,369	-	-	-
1111700100	Maximo Upgrade and Integration to Peoplesoft	305,600	-	-	-	305,600	-	305,600

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-1, Continued*

Capital Projects Fund  
Schedule of Expenditures and Encumbrances - Budget and Actual  
Year Ended June 30, 2015

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects, continued:								
General Government, continued:								
1121100100	Enterprise Wide Technology Improvement	\$ 23	-	-	-	23	-	23
1121400100	e-Government Initiative Phase II Web 2.0	8,200	-	-	-	8,200	-	8,200
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	858,093	92,210	288,532	380,743	477,351	331,993	145,358
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	8,281	-	8,281	8,281	-	-	-
1131200100	Greenbrier Center District - Greenbrier TIF	4,992,451	1,522,664	38,536	1,561,199	3,431,252	421,431	3,009,821
1131210100	Battlefield/Volvo Improvements	681,402	571,649	-	571,649	109,753	-	109,753
1131700100	WCTV Field and Remote Equipment Replacements	295	-	-	-	295	-	295
1131700100	WCTV Field and Remote Equipment Replacements	203,875	203,875	-	203,875	-	-	-
1141000100	Greenbrier TIF - Conference Center District	99,697	33,376	-	33,376	66,321	-	66,321
1141700100	WCTV Studio Equipment Replacements	126	-	-	-	126	-	126
1141700100	WCTV Studio Equipment Replacements	272,369	272,369	-	272,369	-	-	-
1150900100	Fire Station 3 - Indian River	3,240	-	-	-	3,240	-	3,240
1150900100	Fire Station 3 - Indian River	500	500	-	500	-	-	-
1151000100	Conference Center Renovations	694,319	154,880	522	155,402	538,917	44,200	494,717
1151300100	Enterprise Wide Tech Improvements	9,369	-	-	-	9,369	-	9,369
1151300100	Enterprise Wide Tech Improvements	744,218	718,019	26,200	744,218	644,929	441,195	203,734
1171900100	Social Services Carpet and Workstations Replacement	1,160,000	-	515,071	515,071	250,000	-	250,000
1181000100	Greenbrier Gateway Signage	250,000	-	-	-	11,369	-	11,369
1181200100	Municipal District - Greenbrier TIF	11,369	-	-	-	11,369	-	-
1181200100	Municipal District - Greenbrier TIF	1,958,631	1,958,631	-	1,958,631	-	-	-
1181300100	Greenbrier TIF - Woodlake Drive Expansion	10,915,970	2,716,042	3,042,084	5,758,126	5,157,844	991,534	4,166,310
1191200100	South Norfolk TIF - Poindexter Street Scope	248,127	-	10,275	10,275	237,852	-	237,852
1201000100	Greenbrier Center Pedestrian Safety	1,310,238	-	-	-	1,310,238	-	1,310,238
1201200100	South Norfolk TIF - Library Expansion	61,992	-	6,789	6,789	55,203	15,780	39,423
1201900100	Case Mgmt Software-City Attny & Comm Attny	454,200	-	225,124	225,124	229,076	61,400	167,676
1211200100	22nd Street Bridge Replacement	6,049,300	694	388,065	388,758	5,660,542	1,145,792	4,514,750
1221000100	EMS Field Data Collection and Billing System	27,521	-	-	-	27,521	-	27,521
1221000100	EMS Field Data Collection and Billing System	367,479	367,479	-	367,479	-	-	-
1230900100	Animal Control Bureau Shelter	1,328	1,328	-	1,328	-	-	-
1271500100	Fuel Focus Upgrade	854	-	854	854	-	-	-
1271600100	PeopleTools Upgrade Comp IRS	703,265	225,584	287,299	512,884	190,381	20,823	169,558
1281500100	Mainframe Migration Project Phase I	5,500,000	3,976,406	1,429,112	5,405,518	94,482	-	94,482
1281600100	Voting Equipment Replacement	335	-	-	-	335	-	335
1300900100	Conference Center Equipment Replacement	812,344	812,344	-	812,344	-	-	-
1411300100	Risk Management Software I	208,745	74,575	-	74,575	134,169	108,857	25,312
1441300100	Fast Payback Energy Conservation	1,300,000	712,076	71,500	783,576	516,425	-	516,425
1451300100	Circuit Court Clerk Security and Document Preservation	1,524	-	-	-	1,524	-	1,524
1491700100	Street Light Improvements - South Norfolk TIF	296,400	138,104	111,776	249,880	46,520	29,339	17,181
1561700100	Electronic Plan & Permitting System	3,205,646	699,640	792,211	1,491,851	1,713,795	744,952	968,843
1561700100	Electronic Plan & Permitting System	78,427	-	78,427	78,427	-	-	-
1611200100	Municipal Center Parking Lots / Sidewalks	776,932	518,831	258,101	776,932	-	-	-

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-1, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects, continued:								
General Government, continued:								
1621200100	Commerce Park	\$ 934,565	499,663	81,120	580,783	353,783	24,291	329,492
1621210100	Greenbrier Circle Access Road	800,000	8,907	-	8,907	791,093	33,703	757,390
1631210100	Elizabeth River Landing Park	4,385,001	2,381,579	1,798,218	4,179,797	205,204	85,470	119,734
1911200100	Personal Property System Rewrite	700,000	147,867	512,120	659,988	40,013	40,013	-
1921200100	Human Resource/Payroll System	929,241	23,780	298,045	321,825	607,416	5,055	602,361
1981200100	Community Revitalization	1,366,359	-	813,956	813,956	552,404	-	552,404
	<b>Total General Government</b>	<b>104,418,544</b>	<b>15,659,680</b>	<b>29,796,178</b>	<b>45,455,858</b>	<b>58,962,686</b>	<b>111,195,624</b>	<b>47,767,062</b>
Department of Public Safety:								
1011900200	Replace Cooling Towers - Courts, Public Safety, & Jail	575,000	-	-	-	575,000	-	575,000
1040900200	Grade Crossing Safety & Intersection	148,779	2,632	-	2,632	146,147	-	146,147
1041800200	Jail Expansion to Address Overcrowding	2,625,000	330,470	-	330,470	2,294,530	-	2,294,530
1061100200	Land Acquisition - Fire Station #10 / Police Precinct #6	540	-	-	-	540	-	540
1071100200	Fire Station #10 - Design	8,039,150	356,155	60,773	416,929	7,622,221	754,191	6,868,030
1101600200	Combined Fire Station #7/Police Precinct #6	821,441	74,205	-	74,205	747,236	27,736	719,500
1131100200	Self Contained Breathing Apparatus	620	-	-	-	620	-	620
1241000200	Public Safety Facility Design	879,225	-	-	-	879,225	-	879,225
1241000200	Public Safety Facility Design	18,679	-	18,679	18,679	-	-	-
1251500200	Restroom Renovations Firestation #13	505,275	9,970	40,167	50,137	455,138	-	455,138
1251900200	Diesel Exhaust Extraction Systems	2	-	-	-	2	-	2
1251900200	Diesel Exhaust Extraction Systems	340,823	340,823	-	340,823	-	-	-
1261900200	Emergency Vehicle Storage Facility	612,400	-	-	-	612,400	-	612,400
1331900200	HR Regional Jail Authority Participation	3,000,000	1,000,000	-	1,000,000	2,000,000	-	2,000,000
1371400200	Animal Services Facility	1,387,833	-	533,000	533,000	854,833	583,282	271,551
1381400200	Public Safety Site Remediation / Turn Lane Construction	708,288	-	-	-	708,288	-	708,288
1381400200	Public Safety Site Remediation / Turn Lane Construction	883,606	-	883,606	883,606	-	-	-
1391400200	Public Safety Headquarters EOC/EDC Phase I	39,856,696	2,879,782	3,753,572	6,633,353	33,223,343	25,031,192	8,192,151
1391400200	Public Safety Headquarters EOC/EDC Phase I	89,699	89,699	-	89,699	-	-	-
1571700200	Critical Public Safety Equipment	446,369	446,369	-	446,369	-	-	-
1591200200	Jail Phase II - Design	434,241	-	10,000	10,000	424,241	13,975	410,266
1591200200	Jail Phase II - Design	163,490	(379,560)	543,050	163,490	-	-	-
1991200200	Sheriff Work Release Equipment	50,000	195	12,669	12,864	37,136	-	37,136
	<b>Total Department of Public Safety</b>	<b>61,587,156</b>	<b>4,704,371</b>	<b>6,301,885</b>	<b>11,006,256</b>	<b>50,580,900</b>	<b>26,787,453</b>	<b>23,793,447</b>
Department of Public Works:								
1020720300	Gilmerton Bridge Repairs II	210,412	-	9,925	9,925	200,487	-	200,487
1021900300	Bruce Road Safety Improvements	153,280	-	-	-	153,280	-	153,280
1031200300	Grade Crossing Safety Program II	200,000	-	-	-	200,000	-	200,000
1031900300	Centerville Bridge Rehabilitation	330,000	-	-	-	330,000	16,840	313,160
1040900300	Grade Crossing Safety Program	83,477	-	-	-	83,477	-	83,477
1041200300	Repairs and Maintenance Roads / Bridges	3,417	-	-	-	3,417	-	3,417
1041200300	Repairs and Maintenance Roads / Bridges	108,902	-	108,902	108,902	-	-	-
1050900300	Smart Traffic Center Phase 2	31,333	-	-	-	31,333	-	31,333

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-1, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1051100300	George Washington Highway Right of Way Acquisition	\$ 915,000	-	915,000	-	-	-
1061900300	Military Hwy & Smith Ave Intersection Improvements	100,000	-	-	100,000	46,497	53,503
1071900300	Residential Street Repaving	2,000,000	-	-	2,000,000	-	2,000,000
1081800300	DC AIW Bridge ROW Preservation	1,500,000	265,494	742,438	757,562	-	757,562
1091800300	Freeman Ave Railroad Overpass	75,000	8,975	53,065	21,935	200	21,735
1131500300	Elbow Road Safety Improvements	103,563	20,975	38,798	64,765	-	64,765
1141500300	Elbow Road Phase I	2,022,016	7,625	42,885	1,979,131	-	1,979,131
1151500300	Bruce Road/Taylor Road Right Turn Lane	225,000	170,254	215,099	9,901	2,844	7,057
1161500300	Military Highway S at Baugher Avenue	231,618	663	5,335	226,283	-	226,283
1171300300	Repair & Maintenance Roads/Bridges II	198,099	22,000	44,421	153,678	-	153,678
1171500300	Military Highway S at State Street	432,907	663	11,786	421,121	-	421,121
1200510300	Gum Road Multi-Use Path	357,478	-	10,050	347,428	-	347,428
1210820300	Traffic Signals and Intersection Improvements	225,983	-	16,945	209,038	6,140	202,898
1211000300	Great Dismal Swamp Trail Phase I	2,746,200	221,449	2,347,047	399,153	16,633	382,520
1241500300	George Washington Highway Improvement	3,244,680	300	3,208,825	35,855	-	35,855
1270710300	Master Drainage Improvement II	1,670,708	-	1,332,207	338,500	-	338,500
1301600300	Jerome St Outfall Drain Improvement	11,657	-	-	11,657	-	11,657
1311600300	Traffic Signals Improvements S. Military	6,646	-	-	6,646	-	6,646
1321500300	Safe Roads to School Program	158,202	-	115,140	43,062	-	43,062
1341100300	Various Drainage Improvements	15,000	-	-	15,000	-	15,000
1341100300	Various Drainage Improvements	255,809	(15,000)	255,809	-	-	-
1341140300	Various Drainage Improvements - West Munden	1,037,548	-	1,008,058	29,490	-	29,490
1341900300	Public Works Building Replacement - 925 Executive Blvd	332,378	13,360	13,360	319,018	500	318,518
1351000300	Portsmouth Boulevard Phase 4	21,580,000	413,677	1,494,827	20,085,173	380,370	19,704,803
1361000300	Hanbury-Battlefield Intersection & Ramp	41,086	-	-	41,086	-	41,086
1380610300	Repairs and Maintenance Roads/Bridges	1,993	-	-	1,993	-	1,993
1401400300	Community Rating System	16,519	-	-	16,519	-	16,519
14414003FES	Dismal Swamp Canal Trail - ARRA	1,410,000	-	-	39,706	-	39,706
1441700300	Centerville Bridge Super Structure Repairs	150,000	-	-	150,000	-	150,000
1451700300	Sunray Overpass Rehabilitation	1,536,000	158,370	201,151	1,334,849	35,239	1,299,610
1461700300	Triple Decker Bridge Rehabilitation	1,120,000	49,560	164,848	955,152	823,191	131,961
1471700300	US Route 17 South of Cedar Road	8,800,000	1,275,687	1,646,143	7,153,857	278,802	6,875,055
1481700300	South Norfolk Railroad Crossings	398,364	178	178	398,186	349,748	48,438
1511700300	Emergency Vehicle Pre-Emption Devices	22,241	-	-	22,241	-	22,241
1511700300	Emergency Vehicle Pre-Emption Devices	559,869	100,880	559,869	-	-	-
1541700300	Traffic Management Center and System Addition	2,650,697	188,153	285,429	2,365,268	4,719	2,360,549
1641200300	Hudgins Bridge Replacement	670,000	32,305	667,115	2,885	-	2,885
1671210300	Traffic Signal / Intersection Improvement	1,197,278	-	805,733	391,545	-	391,545
1671210300	Traffic Signal / Intersection Improvement	7,830	7,830	7,830	-	-	-
1831200300	Volvo / Independence Parkway Tinter	2,689,191	37,832	1,640,124	1,049,067	-	1,049,067
Total Department of Public Works		61,839,485	2,998,174	19,338,638	42,500,847	1,961,723	40,539,124

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-1, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
	Appropriations	Prior Years	Current Year			
General construction projects, continued:						
Department of Parks and Recreation:						
1881200300	Bells Mill Bridge Replacement	2,104	-	-	2,104	-
1041900400	Conference Center Roof Replacement	\$ 968,000	-	436,649	436,649	399,192
1041100400	Demolition of Camp 22 Buildings	22,672	-	-	22,672	-
1061800400	Open Space Park Improvements	136,991	104,877	28,240	133,117	-
1061800400	Open Space Park Improvements	94,769	94,769	-	94,769	-
091600400	General Improve CommCtr/Parks	458,424	351,785	49,182	400,967	12,123
1161300400	Deep Creek Park	14,980	-	14,977	14,977	3
1161300400	Deep Creek Park	21,325	-	21,325	21,325	-
1161900400	Athletic Field Improvements	232,535	-	191,488	191,488	3,000
1161900400	Athletic Field Improvements	147,465	-	147,465	147,465	-
1170500400	Parks Land Acquisition	143,103	200	-	200	-
1181900400	Park Program Improvements	204,492	-	92,580	92,580	142,903
1181900400	Park Program Improvements	264,710	-	51,288	51,288	111,912
1191900400	Facility Improvements on Recreational Buildings	35,290	-	218,027	218,027	46,683
1211900400	Parking Lot Improvements	90,000	-	35,290	35,290	-
1221200400	Johnson Park Improvements	245,397	-	-	-	90,000
1221900400	ADA Facility Compliance	28,229	-	12,944	12,944	245,397
1221900400	ADA Facility Compliance	60,000	-	46,771	46,771	15,286
1231900400	Oak Grove Lake Park Additional Parking	40,000	-	22,268	22,268	60,000
1260700400	Battlefield Visitor Center	4,253,750	2,058,401	6,523	2,064,924	17,733
1271110400	Park Shelters & Playgrounds	134,220	-	134,220	134,220	2,188,826
1271110400	Park Shelters & Playgrounds	98,018	90,599	4,454	95,053	-
1301500400	Cascade Blvd. Park Lighting	21,747	-	21,747	21,747	2,965
1311500400	SoNo Armory Demolition	27,505	-	-	-	27,505
1311510400	SoNo Pedestrian Beacon Lighting	3,145	-	-	-	3,145
1321600400	City Park Improvements	22,550	-	-	-	22,550
1321600400	City Park Improvements	77,450	77,450	-	77,450	-
1340600400	New Park Development - Open Space	2,695	(37,486)	37,486	6,437,305	2,695
1451400400	Northwest River Renovations	6,437,305	6,415,658	21,647	6,437,305	-
1451400400	Northwest River Renovations	3,324	-	12	12	3,312
1461400400	Centerville Park Upgrade	158,521	24,294	123,389	147,683	10,838
1841200400	Park Improvements	48,775	-	48,775	48,775	9,020
1961200400	Camelot Community Center	17,006	-	-	17,006	-
		29,003	29,003	-	29,003	-
		13,734	-	-	13,734	-
	Total Department of Parks and Recreation	14,655,187	9,209,550	1,766,746	10,976,296	636,762
					3,678,891	3,042,129

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CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Welfare:							
1141900500 Psychosocial Support Building Expansion	\$ 500,000	-	-	-	500,000	-	500,000
1151900500 Intellectual Disability Support Building Renovation	265,100	-	-	-	265,100	-	265,100
Total Department of Public Welfare	765,100	-	-	-	765,100	-	765,100
Department of Libraries:							
1081401000 Library Renewal/Replacement Profiter	169,105	-	-	-	169,105	-	169,105
1081401000 Library Renewal/Replacement Profiter	408,848	408,848	-	408,848	-	-	-
1101701000 Library Technology Upgrade/Replacement	1,159	-	-	-	1,159	-	1,159
1101701000 Library Technology Upgrade/Replacement	222,841	222,841	-	222,841	-	-	-
1121901000 Library Automated Materials Handling System	425,756	-	259,588	259,588	166,168	59,163	107,005
1131901000 Library Technology Upgrade/Replacement Phase II	122,855	-	121,898	121,898	957	-	957
1551701000 Library Children's Room Renovations	3,546	-	-	-	3,546	-	3,546
1551701000 Library Children's Room Renovations	175,702	175,702	-	175,702	-	-	-
Total Department of Libraries	1,529,811	807,391	381,486	1,188,877	340,934	59,163	281,771
Total General construction projects	244,795,283	62,455,468	25,510,457	87,965,925	156,829,358	40,640,725	116,188,633
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	246,253,961	64,780,521	25,510,457	90,290,978	155,962,983	40,640,725	115,322,258
Less completed projects	20,352,431			20,352,431			
Construction in progress	225,901,530			69,938,548			

\* Completed Projects  
 n/a - not applicable

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-2*

Public Utilities Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations			Expenditures		Total	Unexpended	Encumbrances	Unencumbered
	\$	Prior	Current	Current					
1010900800	400,000	31,571	129,150	160,721	239,279	239,279	-	239,279	-
1011500800	4,000,000	121,262	-	121,262	3,878,738	3,878,738	-	3,878,738	-
1021400800	29,364	-	-	-	29,364	29,364	-	-	29,364
1021400800	267,686	264,149	3,537	267,686	-	-	-	-	-
1030600800	2,594,185	2,594,185	-	2,594,185	-	-	-	-	-
1031400800	21	-	-	-	21	21	-	-	-
1041400800	250,000	-	-	-	250,000	250,000	-	-	250,000
1051900800	200,000	-	-	-	200,000	200,000	-	-	200,000
1061000800	300,389	43,100	-	43,100	257,289	257,289	49,800	49,800	150,200
1121600800	1,199,997	22,616	-	101,363	123,979	123,979	109,750	109,750	214,289
1131600800	2,000,000	-	-	72,820	72,820	72,820	295,685	295,685	966,268
1141600800	1,500,000	-	-	-	1,500,000	1,500,000	-	-	1,631,495
1171400800	5,371,370	80,028	235,514	315,542	5,055,828	5,055,828	92,272	92,272	1,500,000
1181500800	79,990	2,474	-	2,474	77,516	77,516	40,490	40,490	37,026
1191300800	7,175,000	4,891,188	165,469	5,056,657	2,118,343	2,118,343	183,797	183,797	1,934,546
1191700800	2,463,756	266,104	1,865,935	2,132,039	331,717	331,717	6,295	6,295	325,422
1201400800	39,500	-	-	-	39,500	39,500	17,500	17,500	22,000
1201400800	192,627	192,627	-	192,627	-	-	-	-	-
1201700800	2,831,535	-	-	-	2,831,535	2,831,535	-	-	2,831,535
1211300800	32,481	-	-	-	32,481	32,481	-	-	32,481
1211300800	1,725,904	1,725,904	-	1,725,904	-	-	-	-	-
1211400800	5,205,689	355,928	3,000	358,928	4,846,761	4,846,761	89,595	89,595	4,757,165
1211500800	150,000	-	-	-	150,000	150,000	-	-	150,000
1211700800	1,600,364	-	-	-	1,600,364	1,600,364	-	-	1,600,364
1213100800	1,522	1,522	-	1,522	-	-	-	-	-
1221400800	4,164,000	312,858	4,162	317,020	3,846,980	3,846,980	129,119	129,119	3,717,861
1241200800	893,000	401,868	14,643	416,512	476,488	476,488	-	-	476,488
1241300800	190,887	-	2,232	2,232	188,656	188,656	-	-	188,656
1251300800	375,000	316,014	23,850	339,864	35,136	35,136	-	-	35,136
1271200800	8,545,080	6,598,222	110,789	6,709,011	1,836,069	1,836,069	340,979	340,979	1,495,091
1281700800	872,870	-	100,715	100,715	772,155	772,155	-	-	772,155
1281700800	49,130	-	49,130	49,130	-	-	-	-	-
1290500800	653,800	19	-	19	653,781	653,781	-	-	653,781
1291700800	247,160	-	-	-	247,160	247,160	-	-	247,160
1301210800	217	-	-	-	217	217	-	-	217
1311010800	391,529	-	-	-	391,529	391,529	-	-	391,529
1311200800	1,696,100	1,152,864	2,300	1,155,164	540,936	540,936	254,481	254,481	286,454
1321200800	4,016,036	1,477,286	369,964	1,847,250	2,168,786	2,168,786	500,786	500,786	1,668,001
1331200800	2,883,742	98,000	-	98,000	2,785,742	2,785,742	-	-	2,785,742
1341200800	5,900,000	4,261,794	290,265	4,552,060	1,347,940	1,347,940	42,323	42,323	1,305,618
1351700800	2,672,978	-	101,669	101,669	2,571,309	2,571,309	-	-	2,506,330
1381200800	2,627,000	228,423	26,200	254,623	2,372,377	2,372,377	146,030	146,030	2,226,347

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-2, Continued

Public Utilities Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Appropriations			Expenditures		Total	Unexpended	Encumbrances	Unencumbered
		Prior	Current	Prior	Current				
1391200800	Raw Water Transmission Main	\$ 15,575,000	13,931,432	232,691	-	14,164,123	1,410,877	1,417,403	(6,526)
1401200800	Northwest WTP Basin Cover Replacement	69,319	-	-	-	-	69,319	3,772	65,547
1401200800	Northwest River WTP Basin Cover Replacement	763,554	762,756	798	-	763,554	-	-	-
1401300800	Northwest River WTP Basin Cover Replacement	6,000,000	4,563,077	-	-	4,563,077	1,436,923	-	1,436,923
1451200800	South Norfolk Improvements	2,850,000	750,944	98,362	-	849,305	2,000,695	109,542	1,891,153
1471200800	Western Branch Interconnect to Lake Gaston WTP	8,298,000	1,589,005	11,136	-	1,600,141	6,697,859	696,142	6,001,717
1501210800	Laboratory Equipment Replacement	125,045	114,708	-	-	114,708	10,338	-	10,338
1511280800	Unserved Areas - Manning, Wampler & Vico	2,613,186	-	-	-	-	2,613,186	-	2,613,186
1511290800	Unserved Areas - Battlewood Meadows	4,451,774	-	27,672	-	27,672	4,424,103	525,761	3,898,341
1521200800	Lake Gaston WTP Membrane Replacement	1,711,615	1,710,006	1,610	-	1,711,615	-	-	-
1531200800	Replace Meter Reading Equip	1,399,623	49,073	-	-	49,073	1,350,550	2,088	1,348,462
1541200800	30" Raw Water Main	4,066,511	393,124	-	-	393,124	3,673,387	248,383	3,425,004
1691200800	Pump Station Wet Well Upgrades	3,701	-	-	-	-	3,701	-	3,701
1691200800	Pump Station Wet Well Upgrades	1,024,209	1,027,908	(3,699)	-	1,024,209	-	-	-
1711200800	Water Renewal - Water Line Upgrade	2,030,558	-	297,034	-	297,034	1,733,524	-	1,733,524
	Total expenditures and encumbrances	126,772,006	50,332,038	4,338,311	-	54,670,349	72,101,657	5,409,972	66,691,685
	Less completed projects	5,734,725	-	-	-	-	-	-	-
	Construction in progress - construction	121,037,281	-	-	-	-	-	-	-
	Construction in progress - capitalized interest	-	4,748,045	1,998,210	-	6,746,255	-	-	-
	Less closed capitalized interest	-	-	-	-	-	-	-	-
	Total construction in progress	-	55,080,083	6,336,521	-	61,416,604	-	-	-

\* Completed Projects  
 n/a - not applicable

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**Chesapeake**  
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-3

Chesapeake Transportation System Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Balance			
1230600300 Rt. 17/Steel Bridge/Dominion Boulevard	\$ 382,808,187	203,758,110	50,945,058	254,703,168	128,105,019	49,037,816	79,067,203	
1230610300 Dominion Blvd Wetland Mitigation	594,000	-	-	-	594,000	-	594,000	
1261600300 Chesapeake Expressway Repairs	56,911	-	-	-	56,911	-	56,911	
1261610300 Chesapeake Expressway Repairs	813,984	-	-	-	813,984	-	813,984	
1261620300 Chesapeake Expressway Repairs	440,072	-	-	-	440,072	-	440,072	
1261620300 Chesapeake Expressway Repairs	135,207	-	135,207	135,207	-	-	- *	
1261630300 Chesapeake Expressway Repairs	535,602	-	-	-	535,602	101,845	433,757	
1261630300 Chesapeake Expressway Repairs	154,398	-	154,398	154,398	-	-	- *	
1350900300 Rt. 17 Financing Study	1,751,791	1,731,772	-	1,731,772	20,019	-	20,019	
Total expenditures and encumbrances	387,290,153	205,489,882	51,234,663	256,724,545	130,565,608	49,139,661	81,425,947	
Less completed projects	8,083,027	-	-	289,604	-	-	-	
Construction in progress - construction	379,207,126	-	-	256,434,941	-	-	-	
Construction in progress - capitalized interest	-	11,676,946	8,118,701	19,795,647	-	-	-	
Total construction in progress	-	217,166,828	59,353,364	276,230,588	-	-	-	

\* Completed Projects  
 n/a - not applicable

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-4

Stormwater Management Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Expenditures				Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total			
1010400900	\$ 1,300,714	337,916	547,627	885,543	415,171	-	415,171
1010700900	87,000	-	-	-	87,000	-	87,000
1010800300	57,002	-	-	-	57,002	-	57,002
1011000300	125,835	-	-	-	125,835	-	125,835
1011100300	2,416,123	1,196,097	48,353	1,244,451	1,171,672	-	1,171,672
1020800900	187,704	-	-	-	187,704	-	187,704
1021300900	880,000	-	1,445	1,445	878,555	-	878,555
1031600900	720,000	-	116,724	116,724	603,276	-	603,276
1040800300	207,188	88,910	28,711	117,621	89,566	40,105	49,461
1040810300	225,000	70,168	-	70,168	154,832	-	154,832
1041000900	2,000,000	106,490	58,998	165,488	1,834,512	53,695	1,780,818
1041300900	370,000	-	-	-	370,000	-	370,000
1051210300	2,221,983	1,385,694	133,136	1,518,829	703,153	13,392	689,761
1051220300	287,285	-	-	-	287,285	-	287,285
1051400900	6,765,468	72,671	102,485	175,156	6,590,312	21,468	6,568,844
1061200900	1,000,000	426,990	102,488	529,478	470,522	10,220	460,302
1061300300	994,667	-	-	-	994,667	-	994,667
1061400900	1,200,000	4,825	-	4,825	1,195,175	-	1,195,175
1061500900	1,300,000	810,570	2,700	813,270	486,730	-	486,730
1071300900	2,100,000	144	-	144	2,099,856	-	2,099,856
1071400900	85,061	-	-	-	85,061	-	85,061
1071500900	506,347	-	-	-	506,347	-	506,347
1071800900	1,307,262	8,161	3,153	11,314	1,295,947	1,295,519	428
1071800900	2,383,469	-	2,383,469	2,383,469	-	-	-
1081500900	1,224,600	-	-	-	1,224,600	-	1,224,600
1091300900	600,000	-	-	-	600,000	-	600,000
1101300900	550,000	-	-	-	550,000	-	550,000
1101500900	200,000	-	-	-	200,000	-	200,000
1111300900	540,000	-	-	-	540,000	-	540,000
1111500900	340,565	-	-	-	340,565	-	340,565
1121200300	178,657	178,657	-	178,657	-	-	-
1121200900	1,205,357	1,004,760	29,583	1,034,343	171,014	109,610	61,404
1121200900	26,696	26,696	-	26,696	-	-	-
1121500900	129,468	-	-	-	129,468	-	129,468
1121500900	675,532	675,457	75	675,532	-	-	-
1431700900	1,200,000	-	-	-	1,200,000	148,030	1,051,971
1721200900	415,000	-	-	-	415,000	-	415,000
1731200900	1,300,000	34,467	176,335	210,802	1,089,198	45,655	1,043,543

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O-4, Continued*

Stormwater Management Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2015

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance			
1741200300 Murray Dr./Greenhaven Area Improvement	29,093	-	21,100	21,100	7,993	-	7,993	
1751200300 Partridge/Cloverdale Area Improvements	290,544	-	-	-	290,544	-	290,544	
1751200300 Partridge/Cloverdale Area Improvements	309,456	309,456	-	309,456	-	-	- *	
1761200300 Scenic Blvd Improvements	260,000	-	-	-	260,000	-	260,000	
1781200300 Shilleagh Roadside Ditch Improvements	485,452	425,629	27,321	452,950	32,502	-	32,502	
1801200900 Washington Manor Drainage Outfall Improvements	1,250,000	-	99,186	99,186	1,150,814	198,141	952,673	
Total expenditures and encumbrances	39,938,527	7,163,758	3,882,889	11,046,647	28,891,880	1,935,834	26,956,046	
Less completed projects	3,573,810			3,573,810				
Construction in progress	36,364,717			7,472,837				

\* Completed Projects  
 n/a - not applicable

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**Chesapeake**  
VIRGINIA

# Special Revenue and Permanent Funds

## Special Revenue Funds:

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

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

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

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

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

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

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

**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, 2015

	<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>ASSETS</b>				
Cash and temporary investments	\$ 14,792,749	6,596,269	2,628,144	5,971,224
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	555,332	176,382
Federal government	-	-	938,414	-
Receivables:				
Accounts receivable	-	-	209	3,430,501
Interest receivable	-	-	-	-
Other	-	-	1,288	-
Allowance for uncollectible amounts	-	-	-	(2,323,422)
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
<b>Total assets</b>	<b>\$ 14,792,749</b>	<b>6,596,269</b>	<b>4,123,387</b>	<b>7,254,685</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	-	70,000	651,226
Accrued expenditures	-	-	1,939	5,398
Unearned revenue	-	-	-	-
Other liabilities	-	-	1,544	92
Due to other funds	-	-	-	-
Total liabilities	-	-	73,483	656,716
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	14,792,749	6,596,269	-	4,216,498
Committed	-	-	261,174	228,680
Assigned	-	-	3,788,730	2,152,791
Total fund balances	14,792,749	6,596,269	4,049,904	6,597,969
<b>Total liabilities and fund balances</b>	<b>\$ 14,792,749</b>	<b>6,596,269</b>	<b>4,123,387</b>	<b>7,254,685</b>

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
2,860,914	1,580,093	1,181,539	2,482,662	-	38,093,594
-	1,050	693,522	-	-	1,426,286
-	-	-	-	-	938,414
7,281	336,340	2,915	112,997	-	3,890,243
-	-	-	-	-	-
390,087	-	-	-	-	391,375
-	-	-	-	-	(2,323,422)
264,695	-	-	-	-	264,695
-	-	-	-	-	-
3,522,977	1,917,483	1,877,976	2,595,659	-	42,681,185
77,145	21,559	623,962	6,611	-	1,450,503
64,254	6,205	-	-	-	77,796
47,964	207,000	-	-	-	254,964
45	-	-	-	-	1,681
-	-	-	-	-	-
189,408	234,764	623,962	6,611	-	1,784,944
264,695	-	-	-	-	264,695
-	-	-	-	-	25,605,516
14,118	378,614	-	22,897	-	905,483
3,054,756	1,304,105	1,254,014	2,566,151	-	14,120,547
3,333,569	1,682,719	1,254,014	2,589,048	-	40,896,241
3,522,977	1,917,483	1,877,976	2,595,659	-	42,681,185

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue Funds			
	Fee Supported Activities	Grants	Community Development	Open Space Agriculture Preservation
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,161,132	3,243,457	-	1,283,880
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	937,728	-	-
Federal government	-	1,084,109	278,149	-
Receivables:				
Accounts receivable	559,666	58,110	-	-
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	(459,979)	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	852,412
<b>Total assets</b>	<b>\$ 1,260,819</b>	<b>5,323,404</b>	<b>278,149</b>	<b>2,136,292</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 144,424	82,456	39,513	-
Accrued expenditures	1,096	947	-	-
Other liabilities	-	-	-	-
Other liabilities	-	500	-	-
Due to other funds	-	404,200	211,698	-
Total liabilities	145,520	488,103	251,211	-
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	4,335,442	-	-
Committed	48,215	499,859	26,938	2,136,292
Assigned	1,067,084	-	-	-
Total fund balances	1,115,299	4,835,301	26,938	2,136,292
<b>Total liabilities and fund balances</b>	<b>\$ 1,260,819</b>	<b>5,323,404</b>	<b>278,149</b>	<b>2,136,292</b>

Schedule P-1, Continued

Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
9,227,232	98,153	413,615	176,343	13,879	53,711,285
-	-	-	-	-	2,364,014
-	-	-	-	-	2,300,672
-	-	-	-	-	4,508,019
-	-	-	1,614	48	1,662
-	-	-	-	-	391,375
-	-	-	-	-	(2,783,401)
-	-	-	-	-	264,695
-	-	-	-	-	852,412
9,227,232	98,153	413,615	177,957	13,927	61,610,733
-	-	-	-	-	1,716,896
-	-	-	-	-	79,839
-	-	-	-	-	254,964
-	-	-	-	-	2,181
-	-	-	-	-	615,898
-	-	-	-	-	2,669,778
-	-	-	11,295	1,500	277,490
9,227,232	-	-	166,662	12,427	39,347,279
-	98,153	413,615	-	-	4,128,555
-	-	-	-	-	15,187,631
9,227,232	98,153	413,615	177,957	13,927	58,940,955
9,227,232	98,153	413,615	177,957	13,927	61,610,733

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2015

	<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	\$ 5,274,315	3,794,570	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,240,812	7,828,532
Federal government	-	-	9,046,240	1,079,625
Recovered costs	-	-	12,255	13,120
Investment income	43,051	19,197	7,749	17,742
Charges for services	-	-	465	6,036,227
Sale of food and beverages	-	-	-	11,850
Miscellaneous local revenues	-	-	-	-
Program income	-	-	-	-
Total revenues	5,317,366	3,813,767	13,307,521	14,987,096
<b>EXPENDITURES</b>				
Current:				
General government	411	3,351	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	18,581,178	21,215,669
Capital outlay	-	-	157,397	40,416
Debt service	-	-	-	-
Total expenditures	411	3,351	18,738,575	21,256,085
<b>Excess (deficiency) of revenues over (under) expenditures</b>	5,316,955	3,810,416	(5,431,054)	(6,268,989)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	7,208,982	7,342,301
Transfers to other funds	(7,403,346)	(3,813,091)	(25,722)	(1,074,801)
Total other financing sources (uses)	(7,403,346)	(3,813,091)	7,183,260	6,267,500
<b>Net change in fund balance</b>	(2,086,391)	(2,675)	1,752,206	(1,489)
<b>Fund balance - beginning</b>	16,879,140	6,598,944	2,297,698	6,599,458
<b>Fund balance - ending</b>	\$ 14,792,749	6,596,269	4,049,904	6,597,969

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
-	-	-	-	-	9,068,885
-	-	-	4,947,998	-	4,947,998
2,225,059	-	-	-	-	2,225,059
591,049	-	-	-	-	591,049
820,536	-	-	-	-	820,536
183,503	-	-	-	-	183,503
-	2,962,312	1,933,758	1,395,704	-	18,361,118
-	-	-	-	-	10,125,865
27,117	1,556,365	44,835	3,439	-	1,657,131
8,333	4,532	3,447	7,364	-	111,415
338,865	8,392	-	-	-	6,383,949
916,280	-	-	-	-	928,130
-	-	-	1,448	-	1,448
-	-	-	-	-	-
5,110,742	4,531,601	1,982,040	6,355,953	-	55,406,086
3,590,835	6,024,637	-	-	-	9,619,234
-	-	-	5,744,660	-	5,744,660
-	-	-	-	-	-
-	-	3,505,923	-	-	43,302,770
37,683	-	-	154,694	-	390,190
-	-	-	-	-	-
3,628,518	6,024,637	3,505,923	5,899,354	-	59,056,854
1,482,224	(1,493,036)	(1,523,883)	456,599	-	(3,650,768)
-	2,381,970	1,790,646	-	-	18,723,899
(1,881,333)	(4,532)	(3,447)	(7,364)	(509,906)	(14,723,542)
(1,881,333)	2,377,438	1,787,199	(7,364)	(509,906)	4,000,357
(399,109)	884,402	263,316	449,235	(509,906)	349,589
3,732,678	798,317	990,698	2,139,813	509,906	40,546,652
3,333,569	1,682,719	1,254,014	2,589,048	-	40,896,241

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2015

	<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	\$ -	-	-	823,820
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	35,200
Intergovernmental revenues:				
Commonwealth of Virginia	-	2,390,613	-	-
Federal government	-	1,969,708	1,276,543	-
Recovered costs	9,432	-	-	-
Investment income	3,381	2,192	-	76,662
Charges for services	809,318	230,758	-	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	113,616	-	7,130
Program income	-	-	138,654	-
Total revenues	822,131	4,706,887	1,415,197	942,812
<b>EXPENDITURES</b>				
Current:				
General government	-	1,483,761	-	-
Public safety	787,144	1,879,593	-	-
Parks and recreation	-	81,260	-	-
Public welfare	-	412,967	961,962	-
Capital outlay	74,608	1,005,602	487,765	611,035
Debt service	-	-	-	-
Total expenditures	861,752	4,863,183	1,449,727	611,035
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(39,621)</b>	<b>(156,296)</b>	<b>(34,530)</b>	<b>331,777</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	238,587	4,306	-
Transfers to other funds	(3,381)	(787,838)	-	(732,812)
Total other financing sources (uses)	(3,381)	(549,251)	4,306	(732,812)
<b>Net change in fund balance</b>	<b>(43,002)</b>	<b>(705,547)</b>	<b>(30,224)</b>	<b>(401,035)</b>
<b>Fund balance - beginning</b>	<b>1,158,301</b>	<b>5,540,848</b>	<b>57,162</b>	<b>2,537,327</b>
<b>Fund balance - ending</b>	<b>\$ 1,115,299</b>	<b>4,835,301</b>	<b>26,938</b>	<b>2,136,292</b>

Schedule P-2, Continued

Special Revenue Funds			Permanent Funds			Total Nonmajor Governmental Funds
Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney		
-	-	-	-	-	-	9,892,705
-	-	-	-	-	-	4,947,998
-	-	-	-	-	-	2,225,059
-	-	-	-	-	-	591,049
-	-	-	-	-	-	820,536
-	-	674	-	-	-	219,377
-	-	-	-	-	-	20,751,731
-	-	-	-	-	-	13,372,116
-	-	-	-	-	-	1,666,563
-	285	475	1,054	115	-	195,579
-	-	-	-	-	-	7,424,025
-	-	-	-	-	-	928,130
2,593,474	-	-	-	-	-	2,715,668
-	-	-	-	-	-	138,654
2,593,474	285	1,149	1,054	115	-	65,889,190
-	-	-	-	-	-	11,102,995
-	-	-	-	-	-	8,411,397
-	-	-	-	-	-	81,260
-	-	24	-	-	-	44,677,723
-	-	305,969	-	-	-	2,875,169
-	-	291,959	-	-	-	291,959
-	-	597,952	-	-	-	67,440,503
2,593,474	285	(596,803)	1,054	115	-	(1,551,313)
-	-	291,959	-	-	-	19,258,751
-	-	-	-	-	-	(16,247,573)
-	-	291,959	-	-	-	3,011,178
2,593,474	285	(304,844)	1,054	115	-	1,459,865
6,633,758	97,868	718,459	176,903	13,812	-	57,481,090
9,227,232	98,153	413,615	177,957	13,927	-	58,940,955

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-3*

Tax Increment Financing Greenbrier Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes on real property	\$ 5,420,000	5,274,315	(145,685)
Investment income	-	43,051	43,051
Total revenues	5,420,000	5,317,366	(102,634)
<b>EXPENDITURES</b>			
General government	450,000	411	449,589
Total expenditures	450,000	411	449,589
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,970,000</b>	<b>5,316,955</b>	<b>346,955</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(7,728,124)	(7,403,346)	324,778
Total other financing sources (uses)	(7,728,124)	(7,403,346)	324,778
<b>Net change in fund balance</b>	<b>(2,758,124)</b>	<b>(2,086,391)</b>	<b>671,733</b>
<b>Fund balance - beginning</b>	<b>16,879,140</b>	<b>16,879,140</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 14,121,016</b>	<b>14,792,749</b>	<b>671,733</b>

## CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Tax Increment Financing South Norfolk Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

		Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes on real property	\$	3,755,360	3,794,570	39,210
Investment income		-	19,197	19,197
Total revenues		3,755,360	3,813,767	58,407
<b>EXPENDITURES</b>				
General government		400,000	3,351	396,649
Total expenditures		400,000	3,351	396,649
<b>Excess (deficiency) of revenues over (under) expenditures</b>		3,355,360	3,810,416	455,056
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds		(5,024,403)	(3,813,091)	1,211,312
Total other financing sources (uses)		(5,024,403)	(3,813,091)	1,211,312
<b>Net change in fund balance</b>		(1,669,043)	(2,675)	1,666,368
<b>Fund balance - beginning</b>		6,598,944	6,598,944	-
<b>Fund balance - ending</b>	\$	4,929,901	6,596,269	1,666,368

## CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Virginia Public Assistance Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,763,275	4,240,812	(1,522,463)
Federal government	8,128,828	9,046,240	917,412
Total intergovernmental revenue	13,892,103	13,287,052	(605,051)
Recovered costs	12,800	12,255	(545)
Investment income	-	7,749	7,749
Charges for services	1,200	465	(735)
Total revenues	13,906,103	13,307,521	(598,582)
<b>EXPENDITURES</b>			
Public welfare:			
Bureau of Public Assistance	4,431,101	3,771,585	659,516
Joint Administration	4,139,081	3,744,724	394,357
Service Administration	6,081,595	5,303,493	778,102
Eligibility Administration	6,127,155	5,594,238	532,917
Other special programs	164,493	167,138	(2,645)
Capital outlay	160,000	157,397	2,603
Total expenditures	21,103,425	18,738,575	2,364,850
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(7,197,322)	(5,431,054)	1,766,268
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	7,208,982	7,208,982	-
Transfers to other funds	(21,164)	(25,722)	(4,558)
Total other financing sources (uses)	7,187,818	7,183,260	(4,558)
<b>Net change in fund balance</b>	(9,504)	1,752,206	1,761,710
<b>Fund balance - beginning</b>	2,297,698	2,297,698	-
<b>Fund balance - ending</b>	\$ 2,288,194	4,049,904	1,761,710

Integrated Behavioral Healthcare Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia:			
Substance abuse grants	\$ 888,548	892,655	4,107
Mental health grants	6,002,307	6,175,285	172,978
Intellectual disability grants	768,487	760,592	(7,895)
Total from the Commonwealth of Virginia	7,659,342	7,828,532	169,190
Federal government:			
Substance abuse, mental health and intellectual disability grants	1,077,231	1,079,625	2,394
Charges for services:			
Mental health fees	2,649,778	2,883,193	233,415
Intellectual disability fees	3,737,293	2,996,652	(740,641)
Substance abuse fees	56,500	156,382	99,882
Total charges for services	6,443,571	6,036,227	(407,344)
Recovered costs	-	13,120	13,120
Investment income	-	17,742	17,742
Sale of food and beverages	21,600	11,850	(9,750)
Total revenues	15,201,744	14,987,096	(214,648)
<b>EXPENDITURES</b>			
Public welfare	22,865,827	21,215,669	1,650,158
Capital outlay	67,500	40,416	27,084
Total expenditures	22,933,327	21,256,085	1,677,242
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(7,731,583)	(6,268,989)	1,462,594
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	7,342,301	7,342,301	-
Transfers to other funds	(1,090,555)	(1,074,801)	15,754
Total other financing sources (uses)	6,251,746	6,267,500	15,754
<b>Net change in fund balance</b>	(1,479,837)	(1,489)	1,478,348
<b>Fund balance - beginning</b>	6,599,458	6,599,458	-
<b>Fund balance - ending</b>	\$ 5,119,621	6,597,969	1,478,348

## CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restaurant food tax	\$ 2,196,135	2,225,059	28,924
Lodging sales tax	563,837	591,049	27,212
Lodging flat tax	797,726	820,536	22,810
Revenues from use of property	254,282	183,503	(70,779)
Recovered costs	8,495	27,117	18,622
Investment income	5,902	8,333	2,431
Charges for services	149,962	338,865	188,903
Sale of food and beverages	1,291,435	916,280	(375,155)
Total revenues	5,267,774	5,110,742	(157,032)
<b>EXPENDITURES</b>			
General government	3,785,564	3,590,835	194,729
Capital outlay	17,683	37,683	(20,000)
Total expenditures	3,803,247	3,628,518	174,729
<b>Excess (deficiency) of revenues over (under) expenditures</b>	1,464,527	1,482,224	17,697
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(1,873,000)	(1,881,333)	(8,333)
Total other financing sources (uses)	(1,873,000)	(1,881,333)	(8,333)
<b>Net change in fund balance</b>	(408,473)	(399,109)	9,364
<b>Fund balance - beginning</b>	3,732,678	3,732,678	-
<b>Fund balance - ending</b>	\$ 3,324,205	3,333,569	9,364

## CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Juvenile Services Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,805,080	2,962,312	157,232
Recovered costs	1,470,030	1,556,365	86,335
Investment income	-	4,532	4,532
Charges for services	6,200	8,392	2,192
Total revenues	4,281,310	4,531,601	250,291
<b>EXPENDITURES</b>			
General government	6,647,227	6,024,637	622,590
Capital outlay	27,915	-	27,915
Total expenditures	6,675,142	6,024,637	650,505
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,393,832)</b>	<b>(1,493,036)</b>	<b>900,796</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	2,381,970	2,381,970	-
Transfers to the General Fund	-	(4,532)	(4,532)
Total other financing sources (uses)	2,381,970	2,377,438	(4,532)
<b>Net change in fund balance</b>	<b>(11,862)</b>	<b>884,402</b>	<b>896,264</b>
<b>Fund balance - beginning</b>	<b>798,317</b>	<b>798,317</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 786,455</b>	<b>1,682,719</b>	<b>896,264</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-9*

Interagency Consortium Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,061,264	1,933,758	(127,506)
Recovered costs	-	44,835	44,835
Investment income	-	3,447	3,447
Total revenues	2,061,264	1,982,040	(79,224)
<b>EXPENDITURES</b>			
Public welfare:			
Contract services	3,586,642	3,276,975	309,667
Administrative expenses	265,268	228,948	36,320
Total expenditures	3,851,910	3,505,923	345,987
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,790,646)</b>	<b>(1,523,883)</b>	<b>266,763</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,790,646	1,790,646	-
Transfer to the General Fund	-	(3,447)	(3,447)
Total other financing sources (uses)	1,790,646	1,787,199	(3,447)
<b>Net change in fund balance</b>	<b>-</b>	<b>263,316</b>	<b>263,316</b>
<b>Fund balance - beginning</b>	<b>990,698</b>	<b>990,698</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 990,698</b>	<b>1,254,014</b>	<b>263,316</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-10*

E-911 Operations Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Communications sales tax	\$ 4,947,998	4,947,998	-
Intergovernmental revenues:			
Commonwealth of Virginia	1,236,373	1,395,704	159,331
Recovered costs	-	3,439	3,439
Investment income	-	7,364	7,364
Miscellaneous local revenues	-	1,448	1,448
Total revenues	6,184,371	6,355,953	171,582
<b>EXPENDITURES</b>			
Public safety	5,912,533	5,744,660	167,873
Capital outlay	154,694	154,694	-
Total expenditures	6,067,227	5,899,354	167,873
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>117,144</b>	<b>456,599</b>	<b>339,455</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	-	(7,364)	(7,364)
Total other financing sources (uses)	-	(7,364)	(7,364)
<b>Net change in fund balance</b>	<b>117,144</b>	<b>449,235</b>	<b>332,091</b>
<b>Fund balance - beginning</b>	<b>2,139,813</b>	<b>2,139,813</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 2,256,957</b>	<b>2,589,048</b>	<b>332,091</b>

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Fee Supported Activities Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Recovered costs	\$ 18,000	9,432	(8,568)
Investment income	-	3,381	3,381
Charges for services	740,041	809,318	69,277
Total revenues	758,041	822,131	64,090
<b>EXPENDITURES</b>			
Public safety	1,175,737	787,144	388,593
Capital outlay	76,985	74,608	2,377
Total expenditures	1,252,722	861,752	390,970
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(494,681)</b>	<b>(39,621)</b>	<b>455,060</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to the General Fund	-	(3,381)	(3,381)
Total other financing sources (uses)	-	(3,381)	(3,381)
<b>Net change in fund balance</b>	<b>(494,681)</b>	<b>(43,002)</b>	<b>451,679</b>
<b>Fund balance - beginning</b>	<b>1,158,301</b>	<b>1,158,301</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 663,620</b>	<b>1,115,299</b>	<b>451,679</b>

## 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, 2015

	Information Technology	City Garage	Self- Insurance	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Current assets:				
Cash and temporary investments	\$ 6,389,689	4,836,085	23,747,681	34,973,455
Receivables:				
Accounts	31,685	221,428	-	253,113
Interest	-	-	31,094	31,094
Inventory of materials and supplies	-	386,819	-	386,819
Prepaid expenses	616,354	42,815	2,640,342	3,299,511
Total current assets	7,037,728	5,487,147	26,419,117	38,943,992
Noncurrent assets:				
Capital assets:				
Construction in progress	464,800	-	-	464,800
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	20,481,258	88,955,567	265,990	109,702,815
Infrastructure	-	77,584	-	77,584
Less accumulated depreciation	(27,769,937)	(50,392,031)	(280,302)	(78,442,270)
Total capital assets, net of accumulated depreciation	6,595,491	38,970,394	6,618	45,572,503
Total noncurrent assets	6,595,491	38,970,394	6,618	45,572,503
Total assets	13,633,219	44,457,541	26,425,735	84,516,495
<b>Deferred Outflows of Resources (note 5)</b>	485,061	288,203	36,125	809,389
<b>Total assets and deferred outflows of resources</b>	\$ 14,118,280	44,745,744	26,461,860	85,325,884
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 774,793	327,725	480,939	1,583,457
Accrued expenses and other liabilities	-	11,147	-	11,147
Current portion of accrued vacation, sick pay and overtime leave	130,358	69,168	3,247	202,773
Current portion of liability for self-insurance losses	-	-	5,740,653	5,740,653
Total current liabilities	905,151	408,040	6,224,839	7,538,030
Noncurrent liabilities:				
Accrued vacation, sick pay and overtime leave	207,961	124,190	5,328	337,479
Liability for self-insurance losses	-	-	22,798,014	22,798,014
Net pension liability	2,580,440	1,206,324	156,792	3,943,556
Total noncurrent liabilities	2,788,401	1,330,514	22,960,134	27,079,049
Total liabilities	3,693,552	1,738,554	29,184,973	34,617,079
<b>Deferred Inflows of Resources (note 5)</b>	879,173	522,367	65,477	1,467,017
<b>Net Position</b>				
Net investment in capital assets	6,595,491	38,970,394	6,618	45,572,503
Unrestricted (deficit)	2,950,064	3,514,429	(2,795,208)	3,669,285
<b>Total net position</b>	9,545,555	42,484,823	(2,788,590)	49,241,788
<b>Total liabilities, deferred inflows and net position</b>	\$ 14,118,280	44,745,744	26,461,860	85,325,884

Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
 Internal Service Funds  
 Year Ended June 30, 2015

	Information Technology	City Garage	Self- Insurance	Total
<b>OPERATING REVENUES</b>				
Billings to departments	\$ 9,045,012	13,253,365	7,915,854	30,214,231
Billings to outside agencies and component units	659,923	1,538,343	-	2,198,266
Rental fees	219,282	-	-	219,282
Miscellaneous	-	15,545	-	15,545
Recovered costs	9,813	168,619	925,569	1,104,001
Total operating revenues	9,934,030	14,975,872	8,841,423	33,751,325
<b>OPERATING EXPENSES</b>				
Cost of materials billed	-	4,527,795	-	4,527,795
Purchases for resale	-	2,147,083	-	2,147,083
General and administrative	497,843	101,913	2,872	602,628
Other salaries and wages	3,207,052	2,078,055	231,962	5,517,069
Other fringe benefits	920,433	718,896	61,525	1,700,854
Self-insurance losses	-	-	4,656,118	4,656,118
Indemnity and medical claims	-	-	1,964,840	1,964,840
Other repairs and supplies	3,596,016	826,726	48,176	4,470,918
Equipment rental	20,358	6,947	1,709	29,014
Other contractual services	947,154	61,090	104,546	1,112,790
Depreciation and amortization	2,472,930	6,890,612	44,854	9,408,396
Insurance premiums	-	-	1,416,304	1,416,304
Total operating expenses	11,661,786	17,359,117	8,532,906	37,553,809
<b>Operating income (loss)</b>	<b>(1,727,756)</b>	<b>(2,383,245)</b>	<b>308,517</b>	<b>(3,802,484)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	18,568	13,161	122,583	154,312
Gain on sale of equipment	-	283,033	-	283,033
Loss on sale of equipment	-	(394,210)	-	(394,210)
Total nonoperating revenues (expenses)	18,568	(98,016)	122,583	43,135
<b>Income (loss) before transfers and contributions</b>	<b>(1,709,188)</b>	<b>(2,481,261)</b>	<b>431,100</b>	<b>(3,759,349)</b>
Transfers out	(690,593)	(13,161)	-	(703,754)
Capital contributions	2,040,343	4,851,373	-	6,891,716
<b>Change in net position</b>	<b>(359,438)</b>	<b>2,356,951</b>	<b>431,100</b>	<b>2,428,613</b>
<b>Total net position - beginning, as restated</b>	<b>9,904,993</b>	<b>40,127,872</b>	<b>(3,219,690)</b>	<b>46,813,175</b>
<b>Total net position - ending</b>	<b>\$ 9,545,555</b>	<b>42,484,823</b>	<b>(2,788,590)</b>	<b>49,241,788</b>

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2015

	Information Technology	City Garage	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 9,916,339	14,848,185	8,841,423	33,605,947
Payments to suppliers	(4,679,971)	(7,788,980)	(8,027,455)	(20,496,406)
Payments to employees	(4,341,552)	(2,911,692)	(311,870)	(7,565,114)
Net cash provided by (used in) operating activities	894,816	4,147,513	502,098	5,544,427
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	(690,593)	(13,161)	-	(703,754)
Net cash provided by (used in) noncapital financing activities	(690,593)	(13,161)	-	(703,754)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(236,372)	(3,502,036)	-	(3,738,408)
Proceeds from sale of capital assets	-	(111,177)	-	(111,177)
Net cash provided by (used in) capital and related financing activities	(236,372)	(3,613,213)	-	(3,849,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	18,568	13,161	132,325	164,054
Net cash provided by investing activities	18,568	13,161	132,325	164,054
Net increase (decrease) in cash and temporary investments	(13,581)	534,300	634,423	1,155,142
<b>Cash and temporary investments beginning of year</b>	<b>6,403,270</b>	<b>4,301,785</b>	<b>23,113,258</b>	<b>33,818,313</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 6,389,689</b>	<b>4,836,085</b>	<b>23,747,681</b>	<b>34,973,455</b>

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

Operating income (loss)	\$ (1,727,756)	(2,383,245)	308,517	(3,802,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,472,930	6,890,612	44,854	9,408,396
Pension expense	(213,235)	(126,695)	(15,880)	(355,810)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	(17,691)	(127,687)	-	(145,378)
Prepaid expenses	(170,335)	(42,815)	(108,881)	(322,031)
Inventory of materials and supplies	-	45,877	-	45,877
Accounts payable	551,886	(120,488)	(314,949)	116,449
Accrued expenses and other liabilities	(152)	6,136	(407)	5,577
Liability for self-insurance losses	-	-	590,940	590,940
Accrued vacation, sick pay and overtime leave	(831)	5,818	(2,096)	2,891
Total adjustments	2,622,572	6,530,758	193,581	9,346,911
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 894,816</b>	<b>4,147,513</b>	<b>502,098</b>	<b>5,544,427</b>

**Supplemental information on significant noncash transactions:**

Contributions of capital assets:

Information Technology	\$ 2,040,343	
City Garage		4,851,373

# Fiduciary Fund

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

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**Chesapeake**  
VIRGINIA

Statement of Changes in Assets and Liabilities  
Special Welfare Fund  
Year Ended June 30, 2015

	Balances at July 1, 2014	Additions	Deductions	Balances at June 30, 2015
<b>ASSETS</b>				
Cash and temporary investments	\$ 956	23,130	18,890	5,196
Total current assets	\$ 956	23,130	18,890	5,196
<b>LIABILITIES</b>				
Due to children under foster care	\$ 956	23,130	18,890	5,196
Total liabilities	\$ 956	23,130	18,890	5,196

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**Chesapeake**  
VIRGINIA

# Chesapeake Public Schools Component Unit

## *Major Governmental funds*

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

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

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

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

## *Fiduciary Funds:*

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

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



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**Chesapeake**  
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA  
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-1

Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments	\$ 46,050,323	2,432,435	4,293,692	-	52,776,450
Receivables	1,156,455	7,964	6,180	-	1,170,599
Due from federal government	6,736,320	1,289,849	-	-	8,026,169
Due from Commonwealth of Virginia	12,059,007	-	-	-	12,059,007
Inventory	1,894,181	439,157	-	-	2,333,338
Restricted cash and temporary investments	-	-	-	20,794,515	20,794,515
<b>Total assets</b>	<b>\$ 67,896,286</b>	<b>4,169,405</b>	<b>4,299,872</b>	<b>20,794,515</b>	<b>97,160,078</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 39,713,598	456,255	934,626	3,086,456	44,190,935
Claims payable	6,410,507	-	-	-	6,410,507
Total liabilities	46,124,105	456,255	934,626	3,086,456	50,601,442
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - sales taxes	4,035,393	-	-	-	4,035,393
Unavailable revenues due to timing - federal	-	92,452	-	-	92,452
Total deferred inflows of resources	4,035,393	92,452	-	-	4,127,845
<b>Fund Balances</b>					
Nonspendable:					
Inventory	1,894,181	439,157	-	-	2,333,338
Restricted:					
Capital Projects	-	-	-	17,708,059	17,708,059
Food services	-	3,181,541	-	-	3,181,541
School textbook	-	-	3,365,246	-	3,365,246
Future health, dental and worker's compensation	13,596,236	-	-	-	13,596,236
Technology	345,454	-	-	-	345,454
Instruction	1,301,757	-	-	-	1,301,757
Assigned to:					
Instruction	599,160	-	-	-	599,160
Total fund balances	17,736,788	3,620,698	3,365,246	17,708,059	42,430,791
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 67,896,286</b>	<b>4,169,405</b>	<b>4,299,872</b>	<b>20,794,515</b>	
<b>Adjustments for the statement of net position:</b>					
Capital assets used in governmental activities are not current financial resource: and therefore are not reported in the governmental funds					236,655,734
Long-term liabilities are not reported as liabilities in the governmental funds					(51,627,844)
Net OPEB liabilities are not reported as liabilities in the governmental funds					(279,179,653)
Deferred outflows are not reported in the governmental funds					36,092,073
Net pension liabilities are not reported in the governmental funds					(371,949,000)
Deferred inflows are not reported in the governmental funds					(57,784,000)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					56,083
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds					4,127,845
<b>Net position of governmental activities</b>					<b>\$ (441,177,971)</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, 2015

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenues:					
City of Chesapeake	\$ 177,699,726	-	-	-	177,699,726
Commonwealth of Virginia	213,052,507	269,120	-	-	213,321,627
Federal government	23,155,424	7,475,980	-	-	30,631,404
Donated commodities from Federal government	-	949,452	-	-	949,452
Total intergovernmental	413,907,657	8,694,552	-	-	422,602,209
Charges for services	12,781,687	3,829,437	-	-	16,611,124
Interest	138,530	10,314	19,046	74,900	242,790
Miscellaneous	1,025,706	76,523	96,719	481,366	1,680,314
Total revenues	427,853,580	12,610,826	115,765	556,266	441,136,437
<b>EXPENDITURES</b>					
Education:					
Administration	8,684,628	-	-	-	8,684,628
Instruction	333,022,711	-	842,079	-	333,864,790
Attendance and health services	6,099,592	-	-	-	6,099,592
Pupil transportation	26,625,043	-	-	-	26,625,043
Operations and maintenance	42,677,924	-	-	-	42,677,924
School facilities services	449,021	-	-	-	449,021
School technology services	13,645,121	-	-	-	13,645,121
Total education	431,204,040	-	842,079	-	432,046,119
Food services	-	12,246,130	-	-	12,246,130
Debt service	2,074,255	-	-	-	2,074,255
Payment to primary government – return of interest income	138,530	-	-	74,900	213,430
Capital outlay	-	-	-	12,021,841	12,021,841
Total expenditures	433,416,825	12,246,130	842,079	12,096,741	458,601,775
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(5,563,245)	364,696	(726,314)	(11,540,475)	(17,465,338)
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment from primary government for capital outlay	-	-	72,136	6,685,981	6,758,117
Total other financing sources (uses)	-	-	72,136	6,685,981	6,758,117
<b>Net change in fund balance</b>	(5,563,245)	364,696	(654,178)	(4,854,494)	(10,707,221)
<b>Fund balance - beginning</b>	22,992,549	3,251,940	4,019,424	22,562,553	52,826,466
Increase (decrease) in reserve for inventory	307,484	4,062	-	-	311,546
<b>Fund balance - ending</b>	\$ 17,736,788	3,620,698	3,365,246	17,708,059	42,430,791

*(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, 2015

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**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	\$ (10,707,221)
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.	7,246,318
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.	(31,600)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,786,703
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.	53,126
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.	503,065
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	311,546
Changes in net OPEB obligations are reported only in the statement of activities	(1,039,032)
Changes in net pension liabilities are reported only in the statement of activities.	4,028,073
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences amount used exceeded the liabilities incurred by \$2,177,390 and self insurance amount paid exceeded claims incurred by \$682,727.	2,860,117
<b>Change in net position of governmental activities</b>	<b>\$ 5,011,095</b>

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

*Schedule S-3*

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2015

	<b>OPEB</b>	
	<b>Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ -	4,978,639
Investments, at fair value		
Money market trust	11,904,540	-
<b>Total assets</b>	<b>\$ 11,904,540</b>	<b>4,978,639</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Due to students	\$ -	4,978,639
Total liabilities	-	4,978,639
<b>Net position:</b>		
Held in trust for other postemployment benefits	11,904,540	-
Total net position	11,904,540	-
<b>Total liabilities and net position</b>	<b>\$ 11,904,540</b>	<b>4,978,639</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, 2015

	<b>OPEB</b>
	<b>Trust Fund</b>
<b>ADDITIONS</b>	
Contributions from employer (note 11)	\$ 6,637,601
Contributions from plan members (note 11)	3,303,549
Investment income:	
Interest and dividends	260,841
<b>Total additions</b>	<b>10,201,991</b>
<b>DEDUCTIONS</b>	
Administrative expenses	14,306
Benefits and refunds paid on behalf of plan members and beneficiaries	9,941,150
<b>Total deductions</b>	<b>9,955,456</b>
<b>Change in net position</b>	<b>246,535</b>
<b>Held in trust for other postemployment benefits - beginning of year</b>	<b>11,658,005</b>
<b>Held in trust for other postemployment benefits - end of year</b>	<b>\$ 11,904,540</b>

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

*Schedule S-4*

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Schools General Fund  
 Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental revenues:				
City of Chesapeake	\$ 179,391,561	179,391,561	177,699,726	(1,691,835)
Commonwealth of Virginia	212,264,913	212,394,792	213,052,507	657,715
Federal government	27,646,032	27,507,181	23,155,424	(4,351,757)
Charges for services	2,260,800	2,260,800	12,781,687	10,520,887
Interest	-	-	138,530	138,530
Miscellaneous	657,135	666,107	1,025,706	359,599
Total revenues	422,220,441	422,220,441	427,853,580	5,633,139
<b>EXPENDITURES</b>				
Education:				
Administration	8,030,392	8,392,098	8,684,628	292,530
Instruction	324,092,522	327,328,874	333,022,711	5,693,837
Attendance and health services	6,034,640	5,834,640	6,099,592	264,952
Pupil transportation	24,681,010	25,449,863	26,625,043	1,175,180
Operations and maintenance	42,477,201	41,565,981	42,677,924	1,111,943
School facilities services	502,194	439,194	449,021	9,827
School technology services	14,398,227	13,377,691	13,645,121	267,430
Total education	420,216,186	422,388,341	431,204,040	8,815,699
Debt service:				
Principal	1,786,703	1,786,703	1,786,703	-
Interest	287,552	287,552	287,552	-
Total debt service	2,074,255	2,074,255	2,074,255	-
Payment to primary government – return of interest income	-	-	138,530	138,530
Total expenditures	422,290,441	424,462,596	433,416,825	8,954,229
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (70,000)</b>	<b>(2,242,155)</b>	<b>(5,563,245)</b>	<b>(3,321,090)</b>
<b>Fund balance - beginning</b>			22,992,549	
<b>Increase (decrease) in reserve for inventory</b>			307,484	
<b>Fund balance - ending</b>			<u>\$ 17,736,788</u>	

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

*Schedule S-5*

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Schools Food Services Fund  
 Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth of Virginia	\$ 152,000	152,000	269,120	117,120
Federal government	7,077,500	7,077,500	7,475,980	398,480
Charges for services	5,724,000	5,724,000	3,829,437	(1,894,563)
Interest	13,500	13,500	10,314	(3,186)
Miscellaneous	60,275	60,275	76,523	16,248
Total revenues	<u>13,027,275</u>	<u>13,027,275</u>	<u>11,661,374</u>	<u>(1,365,901)</u>
<b>EXPENDITURES</b>				
Operating costs:				
Purchases for resale	4,495,000	4,320,500	3,462,994	(857,506)
Food service salaries and fringe benefits	7,078,341	7,078,341	6,188,965	(889,376)
General and administrative	1,323,309	1,498,010	1,454,737	(43,273)
Other repairs and supplies	222,500	257,500	171,938	(85,562)
Capital outlay	87,000	52,000	10,128	(41,872)
Other expenditures	21,125	21,125	7,916	(13,209)
Total expenditures	<u>13,227,275</u>	<u>13,227,476</u>	<u>11,296,678</u>	<u>(1,930,798)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (200,000)</b>	<b>(200,201)</b>	<b>364,696</b>	<b>564,897</b>
<b>Fund balance - beginning</b>			<b>3,251,940</b>	
<b>Increase (decrease) in reserve for inventory</b>			<b>4,062</b>	
<b>Fund balance - ending</b>			<b>\$ <u>3,620,698</u></b>	

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

*Schedule S-6*

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Schools Textbooks Fund  
 Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Interest	\$ 35,000	35,000	19,046	(15,954)
Miscellaneous	5,000	5,000	96,719	91,719
<b>Total revenues</b>	<b>40,000</b>	<b>40,000</b>	<b>115,765</b>	<b>75,765</b>
<b>EXPENDITURES</b>				
Instruction				
Textbooks	2,654,236	2,730,512	424,372	(2,306,140)
Expendable workbooks	94,109	94,109	417,707	323,598
<b>Total expenditures</b>	<b>2,748,345</b>	<b>2,824,621</b>	<b>842,079</b>	<b>(1,982,542)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (2,708,345)</b>	<b>(2,784,621)</b>	<b>(726,314)</b>	<b>2,058,307</b>
Other financing sources (uses):				
Transfer from primary government			72,136	
Total other financing sources (uses)			<u>72,136</u>	
<b>Net change in fund balance</b>			<b>(654,178)</b>	
<b>Fund balance - beginning</b>			<b>4,019,424</b>	
<b>Fund balance - ending</b>			<b>\$ <u>3,365,246</u></b>	

## Other Component Units

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



Combining Balance Sheet and Statement of Net Position  
 Other Component Units  
 June 30, 2015

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Assets</b>		
Cash and temporary investments	\$ 4,511,145	7,630
Inventory of materials and supplies	237,702	-
Receivables, net of allowance for uncollectible amounts	6,839	-
Prepaid expenses	123,305	-
Total current assets	4,878,991	7,630
<b>Total assets</b>	<b>\$ 4,878,991</b>	<b>7,630</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 157,508	-
Other liabilities	12	-
Total current liabilities	157,520	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
<b>Total liabilities</b>	<b>157,520</b>	<b>944,407</b>
<b>Fund Balance</b>		
Nonspendable:		
Inventory	237,702	-
Committed:		
Biology testing	37,680	-
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	2,352,361	-
<b>Net Position</b>		
Unrestricted (deficit)	-	(936,777)
<b>Total fund balance and net position</b>	<b>4,721,471</b>	<b>(936,777)</b>
<b>Total liabilities, fund balance, and net position</b>	<b>\$ 4,878,991</b>	<b>7,630</b>
<b>Reconciliation to Net Position:</b>		
Total fund balance	\$ 4,721,471	
Capital assets - net of depreciation	2,765,718	
Deferred outflows	260,540	
Net pension liability	(1,499,812)	
Deferred inflows	(472,228)	
<b>Net Position</b>	<b>\$ 5,775,689</b>	

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Chesapeake Mosquito Control Commission  
 Year Ended June 30, 2015

	<b>Chesapeake Mosquito Control Commission</b>
<b>REVENUES</b>	
Property taxes	\$ 3,984,316
Investment income	12,048
Other	81,946
Total revenues	4,078,310
<b>EXPENDITURES</b>	
Other salaries and wages	1,828,913
Other fringe benefits	851,543
Other repairs and supplies	700,933
Insurance premiums	222,535
Capital outlay	11,793
Other	371,671
Total expenditures	3,987,388
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>90,922</b>
<b>Fund balance - beginning</b>	<b>4,630,549</b>
<b>Fund balance - ending</b>	<b>\$ 4,721,471</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	\$ 90,922
Pension expense	114,534
Depreciation expense	(172,396)
Capital outlay expenditures	11,793
<b>Change in Net Position</b>	<b>\$ 44,853</b>

Statement of Revenue, Expenditures and Changes in Fund Net Position  
 Chesapeake Port Authority  
 Year Ended June 30, 2015

	<b>Chesapeake Port Authority</b>
<b>OPERATING REVENUE</b>	
Other income	\$ 35,905
<b>Total operating revenues</b>	<b>35,905</b>
<b>OPERATING EXPENSES</b>	
General and administrative	5,147
Other expenses	41,351
<b>Total operating expenditures</b>	<b>46,498</b>
<b>Operating income (loss)</b>	<b>(10,593)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Appropriations from the City	9,953
<b>Total nonoperating revenues (expenses)</b>	<b>9,953</b>
<b>Change in net position</b>	<b>(640)</b>
<b>Net position - beginning</b>	<b>(936,137)</b>
<b>Net position - ending</b>	<b>\$ (936,777)</b>

Statement of Cash Flows  
 Chesapeake Port Authority  
 Year Ended June 30, 2015

	<b>Chesapeake Port Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 35,985
Payments to suppliers	(52,930)
Net cash provided by (used in) operating activities	(16,945)
<b>CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	
Appropriation from City	9,953
Net cash provided by (used in) noncapital financing activities	9,953
Net increase (decrease) in cash and temporary investments	(6,992)
<b>Cash and temporary investments beginning of year</b>	<b>14,622</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 7,630</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (10,593)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts receivable	80
Accounts payable	(6,432)
Total adjustments	(6,352)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (16,945)</b>

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**Chesapeake**  
VIRGINIA

# STATISTICAL SECTION

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

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Net Position by Component  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2006	2007	2008	2009
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 649,736,620	666,474,648	684,361,590	701,163,988
Restricted for:				
Capital projects	6,604,716	8,818,429	8,353,966	6,797,052
Debt service	7,585,894	9,498,240	6,836,388	7,032,992
Other purposes:				
Expendable	32,080,786	39,740,870	44,031,261	48,053,608
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	175,198,047	193,675,640	199,553,990	186,150,360
<b>Total governmental activities net position</b>	<b>\$ 871,218,858</b>	<b>918,220,622</b>	<b>943,149,990</b>	<b>949,210,795</b>
<b>Business-Type Activities</b>				
Net investment in capital assets	\$ 254,349,571	263,256,688	275,037,856	287,074,512
Restricted for:				
Capital projects	3,260,963	3,053,741	2,919,414	3,110,328
Debt service	5,532,370	4,987,244	4,995,386	6,095,925
Other purposes:				
Expendable	46,287,418	55,711,887	66,957,564	71,224,863
Nonexpendable	1,619,932	2,492,078	1,956,411	1,161,632
Unrestricted	176,817,979	196,167,718	201,510,401	187,311,992
<b>Total business-type activities net position</b>	<b>\$ 311,050,254</b>	<b>329,501,638</b>	<b>351,866,631</b>	<b>368,667,260</b>
<b>Primary Government</b>				
Net investment in capital assets	\$ 904,086,191	929,731,336	959,399,446	988,238,500
Restricted for:				
Capital projects	9,865,679	11,872,170	11,273,380	9,907,380
Debt service	13,118,264	14,485,484	11,831,774	13,128,917
Other purposes:				
Expendable	78,368,204	95,452,757	95,452,179	119,278,471
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	176,817,979	196,167,718	201,510,401	187,311,992
<b>Total primary government net position</b>	<b>\$ 1,182,269,112</b>	<b>1,247,722,260</b>	<b>1,279,479,975</b>	<b>1,317,878,055</b>
<b>Component Units</b>				
Net investment in capital assets	\$ 84,249,220	97,490,222	124,861,846	144,813,085
Restricted for:				
Capital projects	5,669,625	32,955,766	23,851,420	36,422,441
Other purposes:				
Expendable	-	-	2,010,154	1,994,027
Unrestricted	(13,520,512)	(8,265,134)	(52,681,911)	(91,627,322)
<b>Total component units net position</b>	<b>\$ 76,398,333</b>	<b>122,180,854</b>	<b>98,041,509</b>	<b>91,602,231</b>

Table 1

Fiscal Years					
2010	2011	2012	2013	2014	2015
711,456,653	735,161,026	762,765,688	715,309,724	725,639,898	751,215,126
6,733,774	7,208,270	7,541,231	7,945,218	7,730,629	9,289,916
5,977,598	5,585,278	2,974,020	3,051,674	1,104,771	524,780
61,966,212	64,874,383	66,019,778	65,320,915	71,603,633	73,178,331
12,795	12,795	12,795	12,795	12,795	12,795
172,115,671	197,640,231	180,953,477	194,955,789	212,685,592	100,085,810
958,262,703	1,010,481,983	1,020,266,989	986,596,115	1,018,777,318	934,306,758
274,620,304	282,334,648	286,255,165	338,956,191	363,131,229	380,994,500
1,421,019	2,969,658	1,765,682	4,909,101	4,192,551	10,285,096
8,400,300	11,051,969	10,331,849	40,167,626	36,168,752	33,995,534
90,743,786	99,837,905	116,409,613	112,058,449	133,882,562	135,829,971
(1,229,016)	(1,185,861)	(1,543,594)	(1,170,944)	(18,150,568)	(28,147,438)
373,956,393	395,008,319	413,218,715	494,920,423	519,224,526	532,957,663
986,076,957	1,017,495,674	1,049,020,853	1,054,265,915	1,088,771,127	1,132,209,626
8,154,793	10,177,928	9,306,913	12,854,319	11,923,180	19,575,012
14,377,898	16,637,247	13,305,869	43,219,300	37,273,523	34,520,314
152,709,998	164,712,288	182,429,391	177,379,364	205,486,195	209,008,302
12,795	12,795	12,795	12,795	12,795	12,795
170,886,655	196,454,370	179,409,883	193,784,845	194,535,024	71,938,372
1,332,219,096	1,405,490,302	1,433,485,704	1,481,516,538	1,538,001,844	1,467,264,421
155,905,524	177,640,500	218,780,868	226,212,630	231,613,876	240,465,301
44,293,952	22,133,039	15,625,180	27,122,536	22,562,553	17,708,059
2,334,502	1,234,356	38,848,921	36,950,588	27,909,453	22,386,799
(143,537,497)	(189,089,275)	(286,045,269)	(303,617,981)	(298,929,160)	(692,664,717)
58,996,481	11,918,620	(12,790,300)	(13,332,227)	(16,843,278)	(412,104,558)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2006	2007	2008	2009
<b>Program Revenues</b>				
Governmental activities:				
Charges for Services:				
General government	\$ 11,164,814	11,622,631	11,413,581	15,214,785
Public safety	5,975,514	6,128,427	6,025,679	5,749,819
Public works	1,331,973	1,285,196	1,460,197	1,661,573
Parks and recreation	74,469	74,480	79,588	1,040,947
Public welfare	2,635,982	2,715,215	3,466,956	3,240,175
Operating grants and contributions	90,120,716	91,298,815	99,583,775	94,712,370
Capital grants and contributions	27,830,644	13,814,033	11,219,370	21,872,574
Total governmental activities program revenues	<u>\$ 139,134,112</u>	<u>126,938,797</u>	<u>133,249,146</u>	<u>143,492,243</u>
Business-type activities:				
Charges for Services:				
Public Utilities	\$ 42,572,239	47,743,685	52,591,554	56,097,409
Chesapeake Transportation System	7,074,711	7,375,691	7,217,160	6,910,173
Stormwater Management	4,713,008	6,645,062	10,580,469	13,036,755
Northwest River Park	128,933	120,954	108,187	-
Jordan Bridge	1,538,705	1,591,275	1,501,230	527,523
Recreation	694,222	711,779	716,131	-
Operating grants and contributions	1,858,181	2,878,949	2,591,258	1,871,101
Capital grants and contributions	10,928,051	13,419,662	15,845,647	10,661,753
Total business-type program revenues	<u>\$ 69,508,050</u>	<u>80,487,057</u>	<u>91,151,636</u>	<u>89,104,714</u>
Total primary government program revenues	<u>\$ 208,642,162</u>	<u>207,425,854</u>	<u>224,400,782</u>	<u>232,596,957</u>
Component Units				
Charges for Services:				
Public Schools	\$ 7,870,493	8,398,845	8,227,885	7,426,524
Chesapeake Port Authority	-	-	-	-
Chesapeake Airport Authority	361,632	371,644	391,022	394,838
Elizabeth River Properties of Chesapeake, Inc.	-	-	64,151	78,675
Operating grants and contributions	76,851,214	86,696,917	87,790,467	85,261,245
Capital grants and contributions	1,343,384	1,922,839	1,907,684	1,895,524
Total component unit program revenues	<u>\$ 86,426,723</u>	<u>97,390,245</u>	<u>98,381,209</u>	<u>95,056,806</u>
Total primary government and component units program revenues	<u>\$ 295,068,885</u>	<u>304,816,099</u>	<u>322,781,991</u>	<u>327,653,763</u>

Table 2

Fiscal Years					
2010	2011	2012	2013	2014	2015
14,634,265	15,176,526	15,655,753	19,070,413	17,991,011	17,221,747
6,066,443	7,170,555	8,004,960	4,552,411	4,930,678	6,065,257
2,533,979	1,819,486	572,422	491,789	579,655	423,362
1,058,795	1,203,236	1,185,891	1,119,617	1,199,110	1,179,898
3,758,146	3,907,048	3,634,765	3,876,330	4,730,175	6,036,692
93,882,445	112,543,495	114,361,618	95,148,851	94,884,033	94,843,600
10,319,478	2,840,507	2,971,533	7,941,256	4,135,767	7,297,723
132,253,551	144,660,853	146,386,942	132,200,667	128,450,429	133,068,279
55,733,051	66,688,401	63,871,301	59,999,277	66,585,995	69,235,499
7,097,481	8,151,134	10,488,113	10,310,889	10,475,725	11,101,413
14,194,442	14,767,660	14,833,052	14,973,046	15,183,909	15,644,842
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,145,292	1,185,967	1,309,146	1,501,314	1,132,388	1,210,881
3,597,675	3,102,397	2,662,708	32,250,518	7,412,395	7,932,525
81,767,941	93,895,559	93,164,320	119,035,044	100,790,412	105,125,160
214,021,492	238,556,412	239,551,262	251,235,711	229,240,841	238,193,439
7,245,368	7,243,389	7,097,754	7,628,806	14,692,607	16,611,124
-	38,550	36,210	39,400	42,135	35,905
431,858	435,781	424,813	434,049	429,444	427,789
88,050	96,100	100,730	97,283	110,753	124,003
89,515,940	100,528,447	112,735,654	93,629,158	99,476,140	93,982,567
955,420	1,125,139	1,541,294	1,204,851	1,311,294	1,190,330
98,236,636	109,467,406	121,936,455	103,033,547	116,062,373	112,371,718
312,258,128	348,023,818	361,487,717	354,269,258	345,303,214	350,565,157

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 101,278,295	117,954,878	135,964,547	143,489,932
Public safety	77,947,397	82,617,025	93,861,996	91,889,008
Public works	40,314,100	44,270,405	52,669,486	47,649,415
Parks and recreation	6,417,776	6,747,501	7,553,891	9,066,099
Public welfare	38,702,645	40,178,450	43,104,880	44,005,141
Education	157,328,449	209,181,274	212,504,699	226,520,024
Interest on long term debt	19,785,611	20,504,113	20,048,717	18,948,390
Depreciation and amortization - net unallocated portion	21,445,311	22,485,199	22,321,802	22,760,633
Total governmental activities	<u>\$ 463,219,584</u>	<u>543,938,845</u>	<u>588,030,018</u>	<u>604,328,642</u>
Business-type activities:				
Public Utilities	\$ 41,565,116	45,326,237	49,066,651	51,901,055
Chesapeake Transportation System	9,353,137	10,069,048	9,353,126	9,945,582
Stormwater Management	3,244,651	3,504,445	6,200,482	7,140,754
Northwest River Park	110,101	108,625	114,018	-
Jordan Bridge	1,082,663	1,149,121	1,368,308	2,074,693
Recreation	665,589	666,376	681,384	-
Total business-type activities	<u>\$ 56,021,257</u>	<u>60,823,852</u>	<u>66,783,969</u>	<u>71,062,084</u>
Total primary government	<u>\$ 519,240,841</u>	<u>604,762,697</u>	<u>654,813,988</u>	<u>675,390,726</u>
Component units				
Public Schools	\$ 374,191,792	413,008,600	495,669,077	500,750,043
Chesapeake Mosquito Control Commission	4,137,568	4,558,222	4,595,989	4,833,609
Economic Development Authority	5,105,041	5,120,015	3,529,822	2,380,983
Chesapeake Port Authority	12,984	14,672	15,404	12,479
Chesapeake Airport Authority	1,202,651	1,421,866	1,295,891	1,396,948
Elizabeth River Properties of Chesapeake, Inc.	-	-	70,361	107,633
Total component units	<u>\$ 384,650,036</u>	<u>424,123,375</u>	<u>505,176,544</u>	<u>509,481,695</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (324,085,472)	(417,000,048)	(454,780,872)	(460,836,399)
Business-type activities	13,486,793	19,663,205	24,367,667	18,042,630
Total primary government net expense	<u>\$ (310,598,679)</u>	<u>(397,336,843)</u>	<u>(430,413,205)</u>	<u>(442,793,769)</u>
Total component units net expense	<u>\$ (298,223,313)</u>	<u>(326,733,130)</u>	<u>(406,795,335)</u>	<u>(414,424,889)</u>

Table 2, Continued

Fiscal Years					
2010	2011	2012	2013	2014	2015
143,639,154	138,721,838	144,974,198	149,330,767	152,704,171	129,569,793
87,113,239	90,494,294	100,787,254	83,454,031	93,375,929	91,413,819
48,092,037	40,170,140	47,637,435	40,647,017	38,746,709	58,920,091
7,795,681	8,344,251	7,804,170	9,693,509	2,516,007	2,439,039
42,497,064	44,417,008	44,804,508	40,991,944	42,027,655	44,174,172
213,633,155	179,064,673	203,047,686	208,985,915	189,942,276	191,962,233
19,234,044	19,801,226	17,885,365	15,821,682	15,001,553	13,597,584
22,734,730	21,783,568	20,169,069	19,429,215	18,824,944	16,215,291
584,739,104	542,796,998	587,109,685	568,354,080	553,139,244	548,292,022
53,143,253	54,051,300	56,133,023	54,559,573	57,339,899	59,665,753
11,183,690	9,728,730	10,587,608	11,981,231	10,430,045	8,973,844
8,838,137	8,903,174	7,761,421	9,256,065	8,755,098	11,578,159
-	-	-	-	-	-
181,365	-	-	-	-	-
-	-	-	-	-	-
73,346,445	72,683,204	74,482,052	75,796,869	76,525,042	80,217,756
658,085,549	615,480,202	661,591,737	644,150,949	629,664,286	628,509,778
486,073,626	474,747,371	472,886,416	449,879,147	444,265,205	442,852,339
4,717,522	4,087,128	4,630,205	4,520,768	4,018,404	4,033,457
2,232,533	1,521,383	2,364,300	883,000	789,713	686,818
8,619	38,752	44,866	50,187	53,350	46,498
1,656,760	1,297,329	1,324,282	1,285,463	1,359,188	1,583,143
110,503	116,800	145,536	188,512	179,427	190,881
494,799,563	481,808,763	481,395,605	456,807,077	450,665,287	449,393,136
(452,485,553)	(398,136,145)	(440,722,743)	(436,153,413)	(424,688,815)	(415,223,743)
8,421,496	21,212,355	18,682,268	43,238,175	24,265,370	24,907,404
(444,064,057)	(376,923,790)	(422,040,475)	(392,915,238)	(400,423,445)	(390,316,339)
(396,562,927)	(372,341,357)	(359,459,150)	(353,773,530)	(334,602,914)	(337,021,418)

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Position  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 260,070,410	290,780,794	306,455,101	308,040,890
Local sales and use taxes	34,355,722	35,952,042	35,091,242	32,772,077
Business license taxes	23,853,491	24,170,737	24,381,697	23,960,628
Consumer utility taxes	20,203,462	21,166,147	23,556,638	10,016,340
Other taxes	41,289,606	41,880,370	41,183,079	47,569,929
Grants and contributions not restricted to specific programs	33,769,560	32,178,481	31,527,350	31,439,703
Unrestricted investment earnings	8,312,030	13,435,389	11,268,317	7,444,350
Miscellaneous	3,906,011	3,101,211	4,103,726	3,516,856
Transfers	489,971	1,336,063	2,143,668	370,150
<b>Total general activities revenues &amp; transfers</b>	<b>\$ 426,250,263</b>	<b>464,001,234</b>	<b>479,710,818</b>	<b>465,130,923</b>
Business-type activities:				
Unrestricted investment earnings	\$ 112,432	124,242	140,994	64,430
Transfers	(489,971)	(1,336,063)	(2,143,668)	(370,150)
<b>Total business-type activities revenues &amp; transfers</b>	<b>\$ (377,539)</b>	<b>(1,211,821)</b>	<b>(2,002,674)</b>	<b>(305,720)</b>
<b>Total primary government revenues &amp; transfers</b>	<b>\$ 425,872,724</b>	<b>462,789,413</b>	<b>477,708,144</b>	<b>464,825,203</b>
Component Units:				
Payment from City	\$ 150,652,116	202,519,335	204,566,937	218,635,536
Grants and contributions not restricted to specific programs	149,142,199	166,996,775	170,014,139	183,774,094
Unrestricted investment earnings	1,204,100	2,410,518	4,065,837	1,764,666
Miscellaneous	936,605	589,023	2,747,274	3,811,315
<b>Total component units</b>	<b>\$ 301,935,020</b>	<b>372,515,651</b>	<b>381,394,187</b>	<b>407,985,611</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 102,164,791	47,001,186	24,929,946	4,294,524
Business-type activities	13,109,254	18,451,384	22,364,993	17,736,910
<b>Total primary government net change in net position</b>	<b>\$ 115,274,045</b>	<b>65,452,570</b>	<b>47,294,939</b>	<b>22,031,434</b>
<b>Total component units net change in net position</b>	<b>\$ 3,711,707</b>	<b>45,782,521</b>	<b>(25,401,148)</b>	<b>(6,439,278)</b>

Table 2, Continued

Fiscal Years					
2010	2011	2012	2013	2014	2015
307,213,245	298,873,974	293,799,799	288,743,868	298,879,122	305,738,657
31,888,444	32,065,910	33,751,538	34,451,337	35,389,855	37,236,136
22,022,114	23,030,916	24,752,986	24,268,792	25,068,518	25,684,602
10,115,683	10,312,035	10,027,978	10,258,697	10,450,356	10,624,686
48,297,304	49,341,676	50,533,368	50,956,443	50,985,268	52,988,967
31,520,409	31,510,142	31,646,114	31,739,924	31,725,721	31,873,268
3,881,599	2,281,828	2,400,850	162,669	1,538,560	1,688,206
3,465,033	2,778,515	3,123,243	2,961,604	2,871,351	3,718,394
3,133,630	160,429	471,873	5,295,381	(38,733)	190,553
461,537,461	450,355,425	450,507,749	448,838,715	456,870,018	469,743,469
1,269	-	-	-	-	-
(3,133,630)	(160,429)	(471,873)	(5,295,381)	38,733	(190,553)
(3,132,361)	(160,429)	(471,873)	(5,295,381)	38,733	(190,553)
458,405,100	450,194,996	450,035,876	443,543,334	456,908,751	469,552,916
205,717,540	171,309,720	195,333,708	201,293,387	182,260,318	184,457,843
155,771,193	152,297,184	137,894,439	151,059,807	147,665,810	155,306,935
1,105,263	591,149	333,931	86,192	168,006	242,790
1,363,181	1,065,443	1,188,152	792,217	1,046,806	1,146,129
363,957,177	325,263,496	334,750,230	353,231,603	331,140,940	341,153,697
9,051,908	52,219,280	9,785,006	12,685,302	32,181,203	54,519,726
5,289,135	21,051,926	18,210,395	37,942,794	24,304,103	24,716,851
14,341,043	73,271,206	27,995,401	50,628,096	56,485,306	79,236,577
(32,605,750)	(47,077,861)	(24,708,920)	(541,927)	(3,461,974)	4,132,279

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**Chesapeake**  
VIRGINIA

## CITY OF CHESAPEAKE, VIRGINIA

Table 3

Fund Balances, Governmental Funds  
Last Ten Fiscal Years - Unaudited

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

	Fiscal Years				
	2011	2012	2013	2014	2015
<b>General Fund <sup>2</sup></b>					
Nonspendable	\$ 1,215,836	1,128,589	1,173,244	1,189,121	1,433,615
Restricted for cash flow emergencies	30,710,709	30,923,382	30,923,382	31,310,247	31,981,331
Restricted other	3,758,367	1,011,910	833,686	700,071	468,823
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 for one time projects	-	-	-	-	34,275,685
Committed other	28,300,785	21,354,919	19,799,695	19,669,549	21,351,556
Assigned	9,217,166	1,288,513	4,364,542	1,677,416	5,416,979
Unassigned	19,406,510	33,445,706	40,797,644	52,230,084	63,962,662
Total general fund	138,201,457	134,922,330	143,661,504	152,868,361	158,890,651
<b>All Other Governmental Funds <sup>1</sup></b>					
Nonspendable	232,310	215,768	203,387	593,670	422,548
Restricted	43,324,930	38,624,448	34,357,794	40,383,450	39,598,073
Committed	37,283,577	35,592,442	27,181,725	25,246,730	54,059,196
Assigned	131,466,032	108,523,321	116,794,758	107,129,606	77,828,467
Unassigned	(30,855)	(21,229)	(146,211)	-	-
Total all other governmental funds	212,275,994	182,934,750	178,391,453	173,353,456	171,908,284
<b>Total Governmental Funds</b>	<b>\$ 350,477,451</b>	<b>317,857,080</b>	<b>322,052,957</b>	<b>326,221,817</b>	<b>330,798,935</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

	2006	2007	2008	2009
<b>REVENUES</b>				
General property taxes	\$ 254,570,961	287,428,178	303,752,471	305,829,730
Other local taxes	115,380,212	117,811,881	118,584,264	114,318,974
Licenses, permits, and fees	7,422,144	8,267,568	8,320,450	7,803,173
Fines and forfeitures	3,587,702	3,284,658	3,571,138	2,335,259
Investment income	7,628,030	12,277,373	10,159,705	6,904,289
Revenues from use of property	692,489	752,247	821,971	848,257
Charges for services	13,094,005	14,430,213	15,356,589	16,237,073
Miscellaneous local revenues	1,181,755	2,111,967	2,579,045	4,352,154
Recovered costs	3,039,786	2,235,212	2,452,331	2,548,192
Program income	179,969	196,657	140,431	277,191
Revenues from local developers	2,360,155	1,539,730	1,088,464	705,995
Intergovernmental revenues:				
Commonwealth of Virginia	99,075,408	101,746,899	106,204,101	101,886,059
Federal government	19,257,416	16,213,096	19,646,487	17,117,982
Federal government - American Reinvestment and Recovery Act	-	-	-	3,188,902
Mosquito Control Commission	300,000,000	300,000	300,000	-
Chesapeake Public Schools	3,461,393	3,050,079	4,456,580	2,229,109
Total revenues	531,231,425	571,645,758	597,434,027	586,582,339
<b>EXPENDITURES</b>				
Current:				
General government	99,715,504	104,994,583	114,701,994	118,517,768
Public safety	76,643,995	83,176,840	91,538,720	88,970,424
Public works	42,423,515	47,655,696	52,950,476	52,872,322
Parks and recreation	6,373,828	6,910,347	7,827,906	8,889,221
Public welfare	37,860,700	39,744,863	41,520,684	43,289,297
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.			1,040,243	50,282
Education - Payments to Public Schools	150,652,116	202,519,335	204,566,937	218,635,536
General government - Payments to Mosquito Control Commission	-	-	-	-
Capital outlay	51,450,380	44,627,098	37,665,536	32,194,102
Debt service:				
Principal	29,135,993	30,420,147	33,226,719	35,766,343
Interest	19,369,437	21,508,440	20,321,152	19,497,740
Total expenditures	513,625,468	581,557,349	605,360,367	618,683,035
<b>Excess (deficiency) of revenues over (under) expenditures</b>	17,605,957	(9,911,591)	(7,926,340)	(32,100,696)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	70,582,784	110,177,288	112,215,093	105,080,053
Proceeds from equipment capital leases	531,918	-	-	-
General obligation bonds issued	15,865,000	-	-	23,015,000
General obligation refunding bonds issued	-	-	-	17,255,000
Transfers to other funds	(70,584,457)	(110,345,316)	(117,513,581)	(105,121,391)
Payment to refunded bond escrow agent	-	-	-	(17,774,815)
Premiums on general obligation bonds issued	59,276	-	-	732,755
VPSA bond proceeds	26,935,000	28,080,000	9,490,000	34,285,000
Premiums on VPSA bonds	1,072,963	927,672	513,048	2,715,026
Total other financing sources (uses)	44,462,484	28,839,644	4,704,560	60,186,628
<b>Net change in fund balances</b>	\$ 62,068,441	18,928,053	(3,221,780)	28,085,932
<b>Debt service as a percentage of noncapital expenditures</b> <sup>1</sup>	10.50%	9.67%	9.43%	9.42%

<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					
2010	2011	2012	2013	2014	2015
304,947,151	296,632,594	293,402,936	290,256,858	295,012,634	303,776,731
112,323,545	114,750,537	119,065,871	119,935,269	121,893,999	126,534,391
7,575,603	7,972,072	8,307,084	8,091,767	8,526,755	8,744,557
2,028,178	2,261,473	2,675,066	3,000,462	2,689,990	2,585,943
3,591,409	2,050,170	2,252,138	220,723	1,417,282	1,533,894
804,015	778,597	898,374	895,198	946,050	876,770
18,153,264	18,828,633	17,862,425	17,754,480	18,047,555	19,459,056
3,173,343	1,794,641	2,129,706	2,400,427	4,542,690	3,080,064
2,272,195	1,809,704	2,036,718	1,736,917	1,853,213	2,790,430
206,739	124,629	158,692	69,815	649,715	138,654
831,779	412,363	585,076	669,054	809,803	1,617,834
95,205,573	103,376,371	106,086,317	103,681,099	105,987,373	108,369,232
19,485,307	31,301,818	35,562,794	19,525,713	15,611,161	15,175,831
9,012,210	7,508,761	2,262,536	1,769,751	1,853,891	888,431
-	-	-	-	-	-
960,855	541,907	269,357	119,662	146,377	213,430
580,571,166	590,144,270	593,555,090	570,127,195	579,988,488	595,785,248
117,475,619	115,688,136	118,108,161	114,270,761	116,553,224	112,021,828
87,356,259	89,830,242	97,250,186	90,042,746	89,357,145	94,467,782
54,166,903	48,602,743	49,987,411	53,610,904	50,867,236	60,880,687
8,364,559	8,397,383	8,251,131	8,237,407	8,705,783	9,767,667
42,255,922	44,026,969	44,353,875	41,062,109	41,755,349	44,677,723
53,368	43,133	33,625	-	-	-
205,717,540	171,309,720	195,333,708	201,293,387	182,260,318	184,457,843
-	-	347,408	-	-	-
42,246,435	56,570,778	67,227,782	26,928,990	27,565,329	29,755,807
37,413,352	27,821,247	40,084,951	42,023,919	56,969,642	41,354,583
17,129,985	29,811,366	18,612,948	16,496,449	15,151,883	14,093,015
612,179,942	592,101,717	639,591,186	593,966,672	589,185,909	591,476,935
(31,608,776)	(1,957,447)	(46,036,096)	(23,839,477)	(9,197,421)	4,308,313
113,218,228	109,787,305	95,800,084	97,153,386	82,474,033	95,845,901
4,490,443	-	-	-	-	(383,863)
2,555,000	52,845,000	-	-	-	-
-	-	76,840,000	-	13,175,000	-
(109,862,086)	(116,595,421)	(95,643,209)	(99,773,872)	(82,721,065)	(95,193,233)
-	-	(84,369,830)	-	-	-
-	770,237	5,786,007	-	438,313	-
12,280,000	-	14,170,000	26,690,000	-	-
978,896	-	832,673	3,997,373	-	-
23,660,481	46,807,121	13,415,725	28,066,887	13,366,281	268,805
(7,948,295)	44,849,674	(32,620,371)	4,227,410	4,168,860	4,577,118
9.57%	10.76%	10.26%	10.32%	12.84%	9.87%

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

	Fiscal Years				
	2006	2007	2008	2009	2010
Real Property Assessed Value <sup>1</sup>	\$ 17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480
Real Property Estimated Actual Value <sup>1</sup>	17,451,186,558	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480
Personal Property Assessed Value <sup>1</sup>	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961
Personal Property Estimated Actual Value <sup>1</sup>	1,685,278,225	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961
Total Assessed Value	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441
Total Direct Tax Rate <sup>2</sup>	1.46	1.30	1.24	1.22	1.23
Estimated Actual Value	19,136,464,783	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2011	2012	2013	2014	2015
Real Property Assessed Value <sup>1</sup>	\$ 24,341,395,672	23,821,885,769	23,197,467,449	23,391,965,862	23,905,386,600
Real Property Estimated Actual Value <sup>1</sup>	24,341,395,672	23,821,885,769	23,197,467,449	23,391,965,862	23,905,386,600
Personal Property Assessed Value <sup>1</sup>	1,787,140,740	1,821,013,997	1,880,111,642	1,965,284,896	2,003,412,774
Personal Property Estimated Actual Value <sup>1</sup>	1,787,140,740	1,821,013,997	1,880,111,642	1,965,284,896	2,003,412,774
Total Assessed Value	26,128,536,412	25,642,899,766	25,077,579,091	25,357,250,758	25,908,799,374
Total Direct Tax Rate <sup>2</sup>	1.24	1.25	1.26	1.27	1.27
Estimated Actual Value	26,128,536,412	25,642,899,766	25,077,579,091	25,357,250,758	25,908,799,374
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									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real Estate <sup>1,2</sup>	\$	1.21	1.09	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Motor Vehicles		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles <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		0.01	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>5</sup>		1.21	1.09	1.04	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>6</sup>	\$	1.46	1.30	1.24	1.22	1.23	1.24	1.25	1.26	1.27	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> Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

<sup>6</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 2015		Fiscal Year 2006	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 693,372,187	2.90%	\$ 585,863,817	3.36%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	90,250,800	0.38%	100,745,600	0.58%
Verizon South Inc	Telecommunications Utility	65,646,249	0.27%	-	0.00%
Wal-Mart Stores East LP	Shopping Center	64,849,400	0.27%	-	0.00%
Chesapeake Mall LLC	Shopping Mall	57,764,400	0.24%	81,482,800	0.47%
CP Venture Two LLC	Shopping Center, Bank, Restaurant	55,260,200	0.23%	49,737,400	0.29%
Woodlake Co Limited Partnership	Apartment Complex	52,552,900	0.22%	48,751,300	0.28%
Chesapeake CVSD LN Apt Prop Own	Apartment Complex	51,078,800	0.21%	-	0.00%
Virginia Natural Gas	Natural Gas Utility	47,996,066	0.20%	-	0.00%
USMC Four Inc	Apartment Complex	46,848,000	0.20%	-	0.00%
Empirian Chesapeake LLC	Apartment Complex	-	0.00%	56,258,900	0.32%
JLP Chesapeake LLC	Retail	-	0.00%	37,860,700	0.22%
Crossways Associates LLC	Office Buildings	-	0.00%	32,382,300	0.19%
CPRE 1 Bay LLC	Apartment Complex	-	0.00%	32,016,200	0.18%
Dollar Tree Distribution Inc	Distribution Center	-	0.00%	27,545,000	0.16%
Total Top Ten Principal Taxpayers <sup>1</sup>		\$ 1,225,619,002	5.13%	\$ 1,052,644,017	6.03%
Total Assessed Valuation <sup>2</sup>		\$ 23,905,386,600		\$ 17,451,186,558	

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

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

	Fiscal Years				
	2011	2012	2013	2014	2015
Real Property <sup>1</sup>	\$ 244,714,892	239,592,086	232,728,788	234,953,853	240,400,500
Motor Vehicles	54,526,861	57,005,425	58,046,052	60,253,531	61,865,858
Motor Carriers	772,340	832,321	1,078,933	1,096,643	1,231,613
Recreation Vehicles	435,204	428,150	434,856	468,503	495,862
Boats <sup>2</sup>	15,348	38	16,577	25,467	19,677
Business	11,110,574	10,871,320	10,823,401	11,393,593	11,588,129
Motor Homes	158,567	150,445	145,410	133,526	133,987
Machinery & Tools	2,656,780	2,525,561	2,807,478	2,840,962	2,697,358
Farm	124,308	125,153	137,745	136,734	145,217
Airplanes	49,359	44,540	40,719	51,540	45,349

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

Source: City of Chesapeake Commissioner of the Revenue

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**Chesapeake**  
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies and Collections  
Last Ten Fiscal Years - Unaudited

Fiscal Years	Original Levy	Adjusted Levy <sup>4</sup>	Collected in Initial Period <sup>1,2,3</sup>	Percent of Levy Collected Within Fiscal Year of Levy	Collections in Subsequent Years <sup>1</sup>	Cumulative Tax Collections	Cumulative Collections as a Percent of Adjusted Tax Levy
2006	\$ 281,317,257	285,378,750	270,230,570	96%	14,406,375	284,636,945	100%
2007	313,521,798	316,965,021	302,736,730	97%	14,922,853	317,659,583	100%
2008	333,265,029	335,672,237	320,625,461	96%	16,109,475	336,734,936	100%
2009	333,315,537	333,586,467	321,158,867	96%	13,131,934	334,290,801	100%
2010	335,044,180	335,000,692	322,313,673	96%	13,734,621	336,048,294	100%
2011	325,454,707	325,119,953	293,876,393	90%	15,200,840	309,077,233	95%
2012	322,131,965	322,915,229	307,325,140	95%	14,397,563	321,722,703	100%
2013	317,138,129	319,869,584	303,370,705	96%	13,746,142	317,116,847	99%
2014	322,052,626	323,402,643	309,803,612	96%	12,606,354	322,409,966	100%
2015	329,262,203	331,891,086	315,733,576	96%	-	315,733,576	95%

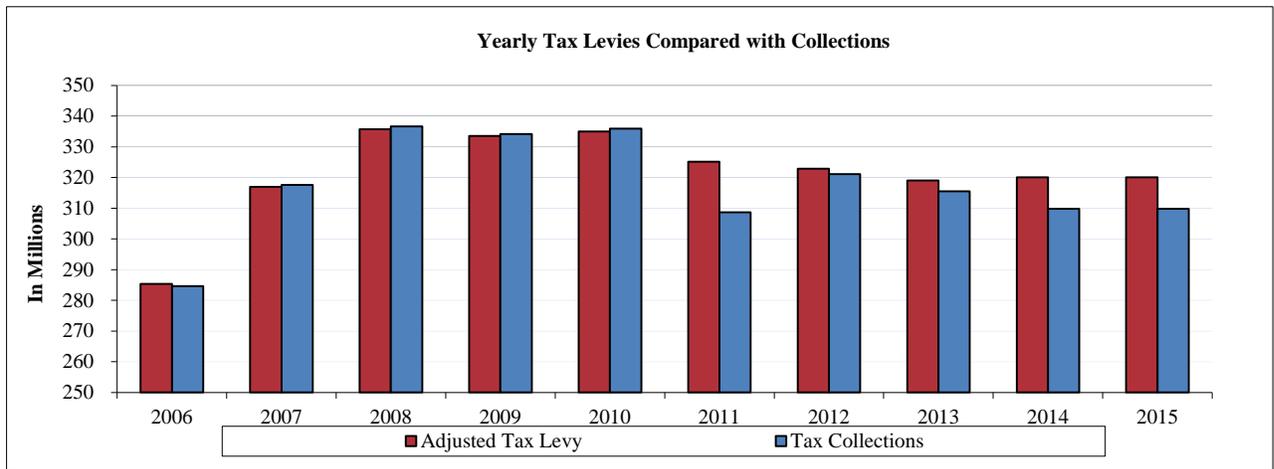
<sup>1</sup> Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit.

<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

	2006	2007	2008	2009
General Obligation Bonds <sup>5</sup>	\$ 386,216,974	386,364,926	365,942,083	392,746,796
School Literary Loans	5,177,355	4,627,862	4,078,369	3,528,876
Installment Purchase Agreement	-	1,342,284	1,342,284	1,342,284
Section 108 Loans	1,995,000	1,715,000	1,415,000	1,095,000
Edinburgh Loan Payable	-	-	-	-
Supplemental Payments Agreement	24,205,000	23,160,000	22,065,000	20,925,000
Capital Leases to Component Unit	31,750,000	28,915,000	25,960,000	22,875,000
Capital Leases	12,170,380	12,590,549	8,903,865	5,173,336
<b>Total Governmental Activities<sup>1</sup></b>	<b>\$ 461,514,709</b>	<b>458,715,621</b>	<b>429,706,601</b>	<b>447,686,292</b>

	2006	2007	2008	2009
General Obligation Bonds <sup>2,5</sup>	\$ 132,943,657	127,952,342	123,202,703	118,352,808
Utility Notes Payable	460,000	345,000	230,000	115,000
Revenue Bonds <sup>5</sup>	21,388,950	21,399,431	21,024,910	20,625,391
Due to the Commonwealth of Virginia	71,078,118	68,520,358	68,163,966	67,321,762
<b>Total Business-Type Activities</b>	<b>225,870,725</b>	<b>218,217,131</b>	<b>212,621,579</b>	<b>206,414,961</b>
<b>Total Primary Government</b>	<b>\$ 687,385,434</b>	<b>676,932,752</b>	<b>642,328,180</b>	<b>654,101,253</b>

Percent of Personal Income<sup>3</sup> 8.87% 8.35% 7.29% 7.36%

All Debt Per Capita<sup>3,4</sup> 3,144 3,059 2,871 2,904

<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					
2010	2011	2012	2013 <sup>6</sup>	2014 <sup>6</sup>	2015 <sup>6</sup>
374,866,922	393,645,104	379,311,630	374,250,425	330,377,432	289,178,539
2,979,383	2,429,890	1,920,312	1,596,819	1,272,785	997,681
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
755,000	390,000	-	-	-	-
-	-	3,566,037	3,372,767	2,918,727	2,546,285
19,735,000	18,495,000	17,190,000	15,825,000	14,390,000	12,885,000
19,650,000	16,245,000	3,905,000	1,740,000	-	-
7,065,815	4,572,549	2,713,052	1,717,634	756,950	-
426,394,404	437,119,827	409,948,315	399,844,929	351,058,178	306,949,789
Business-Type Activities					
2010	2011	2012	2013 <sup>6</sup>	2014 <sup>6</sup>	2015 <sup>6</sup>
113,726,503	109,491,935	104,530,235	102,400,760	96,811,378	90,125,837
-	-	-	-	-	-
56,704,446	56,228,710	54,994,987	193,293,117	205,804,863	249,214,952
65,828,257	66,265,372	63,210,753	63,483,912	64,252,400	65,044,115
236,259,206	231,986,017	222,735,975	359,177,789	366,868,641	404,384,904
662,653,610	669,105,844	632,684,290	759,022,719	717,926,819	711,334,693
7.28%	6.99%	6.20%	7.39%	n/a	n/a
2,919	2,992	2,765	3,322	3,101	3,041

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

General Bonded Debt Outstanding								
Fiscal Year	Governmental Activities General Obligation Bonds <sup>1</sup>	Business-Type Activities General Obligation Bonds <sup>1,4</sup>	Total General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>
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>	330,337,432	96,811,377	427,188,809	1,272,785	1,342,284	429,803,878	1.69%	1,856
2015 <sup>5</sup>	289,178,539	90,125,837	379,304,376	997,681	1,342,284	381,644,341	1.47%	1,632

<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</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>
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
2015	295,259,842	23,905,386,600	1.24%	233,908	1,262

<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 - 2015).

<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>
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	823,228,739	68,534,817 <sup>3</sup>	8.33%
2015	827,830,607	52,540,073	6.35%

<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>
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	560,717,795	79,181,410 <sup>3</sup>	14.12%
2015	587,440,112	65,684,722	11.18%

<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, 2015 - 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	\$ 306,949,789		100.0%	306,949,789
Overlapping:				
None	-		0.0%	-
<b>TOTAL</b>	<b>\$ 306,949,789</b>		<b>100.0%</b>	<b>306,949,789</b>

<sup>1</sup> General Obligation Bonds are reported net of premiums and discounts.

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

*Table 16*

Fiscal 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
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%
2015	2,390,538,660	299,396,296	2,091,142,364	12.5%

<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>							
<b>Fiscal Year</b>	<b>Revenue <sup>1</sup></b>	<b>Operating Expenses <sup>2</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>SENIOR BONDS DEBT SERVICE REQUIREMENTS <sup>3</sup></b>			<b>Coverage <sup>4</sup></b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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
2015	70,193,594 <sup>5</sup>	40,046,910	30,146,684	815,000	1,887,618	2,702,618	11.15

<b>Chesapeake Expressway/Chesapeake Transportation System <sup>6</sup></b>							
<b>Fiscal Year</b>	<b>Toll Revenue</b>	<b>Operating Expenses <sup>2</sup></b>	<b>Net Toll Revenue Available for Debt Service</b>	<b>SENIOR BONDS DEBT SERVICE REQUIREMENTS <sup>7</sup></b>			<b>Coverage <sup>8</sup></b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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
2015	11,024,004	3,165,665	7,858,338	-	724,250	724,250	10.85

<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, 2014 and 2015.

<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 2006 to 2012, net toll revenues shall be sufficient in each fiscal year to equal 125% (or 1.25 times) annual debt service. Beginning in fiscal year 2013, net toll revenues shall be sufficient in each fiscal year to equal 130% (or 1.3 times) annual debt service.

Demographic and Economic Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <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>
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	10,274,744	44,562	38,591	5.8%	5.6%
2014	231,542	n/a	n/a	38,685	5.3%	5.3%
2015	233,908	n/a	n/a	38,678	5.0%	4.9%

n/a - Information not yet available

## Sources:

<sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (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 2015		Fiscal Year 2006	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools <sup>1</sup>	Government	5,649	5.07%	5,083	4.25%
City of Chesapeake <sup>3</sup>	Government	3,636	3.26%	3,605	3.01%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,130	1.91%	2,400	2.01%
Cox Communications	Hampton Roads headquarters/customer care center	1,250	1.12%	800	0.67%
Sentara Home Care Services	Home care nursing	1,200	1.08%	520	0.43%
Capital One	Credit intermediation and related activities	1,000	0.90%	-	0.00%
Dollar Tree Stores Inc	Corporate headquarters/distribution facility	850	0.76%	660	0.55%
QVC Chesapeake Inc	Phone center/order processing facility	690	0.62%	1,276	1.07%
Canon Information Technology Service Inc	Technical and consumer support	560	0.50%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration service center	520	0.47%	-	0.00%
Oceaneering International	Transportation equipment manufacturing	500	0.45%	-	0.00%
Tecnico Corporation	Support activities for water transportation	500	0.45%	-	0.00%
Bayview Physician Services PC	Other accounting services	490	0.44%	-	0.00%
General Dynamics Information Technology	Engineering and technical services	390	0.35%	-	0.00%
Caci Acquisition Inc	Professional, scientific and technical services	330	0.30%	-	0.00%
First Data Resources	Card processing center	320	0.29%	-	0.00%
Sutherland Global Services	Shared services center - insurance industry	320	0.29%	-	0.00%
Lifetouch National School Studios Inc	School photography processing plant	300	0.27%	665	0.56%
HSBC - Household International	Regional processing center for financial services	-	0.00%	1,200	1.00%
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%
Anteon Corporation	Engineering & technical services	-	0.00%	660	0.55%
HUDD Distribution Services	Logistics support	-	0.00%	627	0.52%
United States Coast Guard Finance Center	Financial services & data warehousing	-	0.00%	522	0.44%
ICT Groups	Technical support center	-	0.00%	500	0.42%
		20,635	18.53%	21,828	18.24%
Total Employment <sup>2</sup>		111,376		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

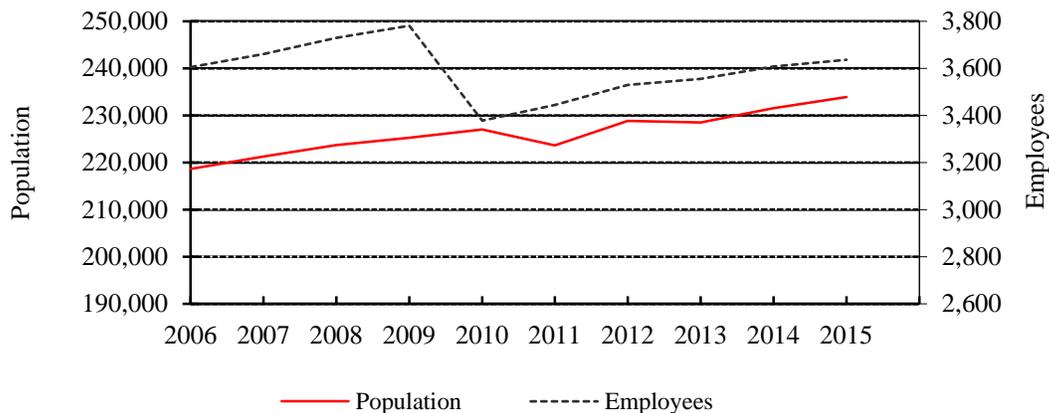
Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of the actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees, and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2006 through 2013 to tie to the approved Operating Budget documents.

Municipal Employment Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <sup>1</sup>	Total Employees <sup>2</sup>	Employees Per 1,000 Population
2006	218,638	3,605	16.5
2007	221,282	3,661	16.5
2008	223,743	3,730	16.7
2009	225,255	3,781	16.8
2010	226,995	3,378	14.9
2011	223,647	3,444	15.4
2012	228,835	3,530	15.4
2013	228,513	3,555	15.6
2014	231,542	3,608	15.6
2015	233,908	3,636	15.5

Sources: <sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2014)  
<sup>2</sup> Authorized full time equivalent positions per approved fiscal year Operating Budget for the year indicated

Population and Employee Figures



**Note:** With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees, and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2006 through 2014 to tie to the approved Operating Budget documents.

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**Chesapeake**  
VIRGINIA

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

Function/Program	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Management Services	45	46	46	45	43	42	42	42	41	43
Economic Development <sup>4,6</sup>	92	93	95	95	58	69	76	80	44	34
Finance	28	28	27	27	25	24	25	24	27	28
Information Technology	58	60	61	61	58	59	61	58	56	57
Human Resources	24	23	23	21	18	20	21	20	21	23
Budget	7	7	7	7	6	7	7	6	6	6
Agriculture	7	9	8	8	8	7	7	6	6	6
Development & Permits <sup>4</sup>	-	-	-	-	82	73	77	75	73	80
Other	153	153	157	157	151	149	236	240	252	247
Police	544	555	563	565	542	543	552	548	549	552
Sheriff <sup>2</sup>	388	388	400	413	405	407	406	398	400	400
Fire	427	435	445	445	439	428	438	443	443	446
Integrated Behavioral Health <sup>1</sup>	190	196	200	217	192	207	210	248	245	245
Community Programs <sup>4,8</sup>	60	60	66	69	19	24	24	23	10	11
Public Works <sup>3,4,5,9</sup>	513	514	524	505	420	420	446	451	451	463
Parks, Recreation & Tourism <sup>5,6,7</sup>	144	135	143	155	93	110	177	172	246	230
Library	123	136	133	138	84	119	122	123	123	125
Public Utilities	211	211	211	215	207	208	208	208	209	212
General Services <sup>5</sup>	155	165	168	169	113	134	-	-	-	-
Justice	68	73	82	88	82	84	84	84	84	84
Health & Human Services <sup>8,10</sup>	370	376	372	382	333	311	312	306	323	345
<b>Total</b>	<b>3,605</b>	<b>3,661</b>	<b>3,730</b>	<b>3,781</b>	<b>3,378</b>	<b>3,444</b>	<b>3,530</b>	<b>3,555</b>	<b>3,608</b>	<b>3,636</b>

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

<sup>1</sup> New positions were added to the Mental Health division of Integrated Behavioral Health (formerly Community Services) during fiscal year 2008

<sup>2</sup> Added twenty FTE positions to the Sheriff department in fiscal year 2009

<sup>3</sup> Eliminated twenty-two FTE positions from Public Works in fiscal year 2009

<sup>4</sup> The Development and Permits section of Public Works Engineering was merged with the Neighborhood Services division of Community Programs to form the new Department of Development and Permits in fiscal Year 2010

<sup>5</sup> The Department of General Services was absorbed into Parks and Recreation, Economic Development and Public Works in fiscal year 2012

<sup>6</sup> Conference Center and Conventions & Tourism was moved from Economic Development to form the Department of Parks, Recreation and Tourism during fiscal year 2014

<sup>7</sup> A contractor was hired by the City to manage the Conference Center in April 2014

<sup>8</sup> Community Programs became a division of the Human Services Department in fiscal year 2014

<sup>9</sup> Public Works added seven FTE positions within the Stormwater division in fiscal year 2015

<sup>10</sup> Seasonal positions were added in fiscal year 2015 in Human Services to replace temporary workers in order to comply with State requirements that only City employees may access their systems

**Note:** Fiscal year 2010 does not include data for part-time employees.

**CITY OF CHESAPEAKE, VIRGINIA**

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

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Government</b>					
Building Permits Issued	6,481	5,547	4,843	3,947	3,481
Building Inspections Conducted	14,600	11,022	9,452	7,251	7,417
Electrical Permits Issued	4,775	4,156	3,578	3,028	4,926
Electrical Inspections Performed	12,260	12,636	11,339	8,411	7,857
Plumbing Permits Issued	2,280	1,898	1,738	1,418	1,490
Plumbing Inspections Performed	9,724	8,788	7,441	4,569	5,849
Mechanical/Gas Permits Issued	6,163	5,147	4,655	4,021	4,688
Mechanical/Gas Inspections Performed	18,447	12,769	10,241	7,028	8,339
Code Compliance Inspections	20,270	20,570	25,568	19,899	21,580
<b>Police</b>					
Calls for Police Service	131,669	126,458	159,180	156,618	136,811
Part I Law Violations	9,183	8,005	8,270	8,640	9,338
Total Criminal Charges (primary and secondary)	n/a	n/a	16,083	18,190	17,685
Total Traffic Charges (moving/ non-moving/excludes DUI)	63,609	55,715	31,547	34,841	38,555
DUI Arrests	1,159	925	721	830	735
<b>Fire</b>					
Calls answered for Fire Protection Services	23,911	24,504	25,152	24,839	25,051
<b>Public Works</b>					
Refuse Collected (tons per year)	118,899	116,794	114,145	110,931	111,348
Street Resurfacing (miles)	44.99	54.58	35.56	36.87	41.99
Potholes Repaired	5,200	3,376	3,047	4,717	7,249
<b>Water</b>					
Active Service Accounts	59,880	60,390	60,923	61,243	61,713
Daily Average Consumption in Gallons (in mgd) <sup>1</sup>	16.53	16.20	16.19	16.96	16.88
Daily Average Water Provided by Chesapeake (in mgd)	9.73	10.67	10.69	11.14	10.66
Daily Average Water Purchased from other localities (in mgd)	6.08	5.46	5.50	5.82	6.22
<b>Wastewater</b>					
Active Service Accounts	58,046	58,579	59,126	59,437	59,909
<b>Parks and Recreation</b>					
Youth Athletics - Participants	8,414	7,793	7,002	6,261	5,819
Youth Athletics - Teams	648	601	537	506	481
Youth Athletics - Coaches	1,359	1,200	1,062	915	834
Adult Athletics - Participants	4,445	4,064	3,924	4,095	3,999
Adult Athletics - Teams	235	228	227	237	228
Special Programs Athletics - Programs	9	10	7	6	3
Leisure Classes - Youth Participants	2,073	1,908	1,580	2,372	1,901
Leisure Classes - Adult Participants	779	769	614	1,301	855
Leisure Classes - Community Program Participants <sup>2</sup>	42,623	45,247	63,892	3,346	3,386
Special Events - PR&T Sponsored Attendance	34,250	31,750	26,915	27,775	28,095
Community Center Attendance <sup>3</sup>	199,587	172,544	188,276	189,700	202,884
Community Center ID Sales	8,974	9,528	7,604	8,314	8,086
Community Center Rentals	1,769	1,392	1,157	1,328	1,340
Senior Program Participants	n/a	12,732	15,982	21,742	23,478
Therapeutic Program Participants	n/a	2,044	2,760	2,014	2,113
<b>Library</b>					
Items Checked Out	1,956,559	1,912,077	2,010,415	2,365,984	2,526,633
Interlibrary Loans - Borrowed	1,072	974	1,269	1,189	1,151
Interlibrary Loans - Loans	2,696	2,146	2,467	2,841	2,298
Library Collection	677,933	691,482	699,943	598,224	566,744
Patron Visits	1,589,297	1,622,831	1,491,973	1,623,514	1,520,528
Website Visits	692,305	654,106	779,001	394,623	433,480
Registered Patrons	188,999	207,190	227,348	161,373	139,821
Total Programming	2,417	2,541	2,987	3,205	3,237
Total Programming - Participants	70,343	96,476	78,256	66,313	71,425
Typewriter Use	774	471	540	409	641
Public Computer Use	517,870	600,024	596,540	651,984	682,863
Bookmobile - Patrons <sup>4</sup>	12,761	15,516	16,219	15,348	14,390
Bookmobile - Number of Stops <sup>4</sup>	1,201	1,307	1,331	1,291	1,324
Bookmobile - Miles Driven <sup>4</sup>	6,364	7,811	8,240	7,415	7,510
<b>Schools</b>					
Student Enrollment	40,121	39,465	39,026	38,868	38,864

**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 programs.

<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)

<sup>6</sup> Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.

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

Function/Program	Fiscal Year				
	2011	2012	2013	2014	2015
<b>General Government</b>					
Building Permits Issued	3,973	4,199	3,940	3,602	3,900
Building Inspections Conducted	8,085	8,744	9,933	10,301	9,414
Electrical Permits Issued	3,194	2,911	2,994	3,000	2,846
Electrical Inspections Performed	8,842	7,968	9,151	7,810	8,586
Plumbing Permits Issued	1,530	1,402	1,260	1,389	1,722
Plumbing Inspections Performed	5,639	5,261	5,724	5,743	6,298
Mechanical/Gas Permits Issued	4,390	4,268	5,016	5,339	5,279
Mechanical/Gas Inspections Performed	8,039	7,821	8,678	10,040	9,767
Code Compliance Inspections	17,183	16,612	14,397	13,775	16,500
<b>Police</b>					
Calls for Police Service	120,216	126,508	124,261	128,733	130,371
Part I Law Violations	8,534	7,914	7,122	7,431	7,375
Total Criminal Charges (primary and secondary)	16,148	16,773	17,078	15,681	14,358
Total Traffic Charges (moving/ non-moving/excludes DUI)	38,810	35,666	35,976	35,011	35,310
DUI Arrests <sup>5</sup>	951	1,216	1,187	1,004	622
<b>Fire</b>					
Calls answered for Fire Protection Services	24,916	25,268	26,508	26,784	27,838
<b>Public Works</b>					
Refuse Collected (tons per year)	93,171	94,184	91,908	91,313	95,950
Street Resurfacing (miles)	32.76	44.33	50.00	29.21	38.10
Potholes Repaired	9,980	8,367	11,110	10,777	13,463
<b>Water</b>					
Active Service Accounts	62,029	62,333	62,504	63,090	63,491
Daily Average Consumption in Gallons (in mgd) <sup>1</sup>	17.20	16.30	15.57	16.44	15.27
Daily Average Water Provided by Chesapeake (in mgd)	11.10	10.10	11.27	11.42	9.06
Daily Average Water Purchased from other localities (in mgd)	6.10	6.19	5.81	6.43	6.21
<b>Wastewater</b>					
Active Service Accounts	60,154	60,449	60,831	61,426	61,822
<b>Parks and Recreation</b>					
Youth Athletics - Participants	5,140	4,884	4,279	4,401	4,314
Youth Athletics - Teams	433	413	370	406	379
Youth Athletics - Coaches	727	664	612	487	674
Adult Athletics - Participants	3,639	3,070	2,560	2,256	2,363
Adult Athletics - Teams	218	189	172	151	162
Special Programs Athletics - Programs	1	2	3	6	4
Leisure Classes - Youth Participants	1,249	1,159	1,196	1,371	1,025
Leisure Classes - Adult Participants	703	787	712	718	619
Leisure Classes - Community Program Participants <sup>2</sup>	3,277	3,644	3,773	4,434	1,955
Special Events - PR&T Sponsored Attendance	34,328	20,525	29,375	31,025	44,525
Community Center Attendance <sup>3</sup>	361,059	425,108	407,456	409,178	410,657
Community Center ID Sales	9,518	7,060	6,474	6,561	6,499
Community Center Rentals	1,637	2,092	2,054	1,929	1,590
Senior Program Participants	18,337	21,664	19,855	16,475	15,030
Therapeutic Program Participants	2,563	1,094	1,707	2,968	3,493
<b>Library</b>					
Items Checked Out	2,600,964	2,561,515	2,352,046	2,208,274	2,021,708
Interlibrary Loans - Borrowed	605	311	216	259	252
Interlibrary Loans - Loans	1,350	878	246	293	145
Library Collection	575,462	580,046	534,037	493,340	471,183
Patron Visits	1,392,890	1,410,177	1,287,912	1,255,427	1,176,510
Website Visits	433,889	472,836	453,106	406,741	408,087
Registered Patrons	130,989	154,252	162,903	158,952	163,502
Total Programming	3,138	3,054	3,928	4,332	4,220
Total Programming - Participants	64,416	58,945	78,575	100,217	133,221
Typewriter Use	681	660	880	371	144
Public Computer Use	636,072	565,386	541,384	437,362	462,942
Bookmobile - Patrons <sup>4</sup>	6,176	9,645	10,232	11,605	6,718
Bookmobile - Number of Stops <sup>4</sup>	448	492	515	576	862
Bookmobile - Miles Driven <sup>4</sup>	2,186	2,339	1,982	1,444	1,478
<b>Schools</b>					
Student Enrollment	38,668	38,421	38,591	38,685	38,678

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 programs.<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)<sup>6</sup> Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.

## CITY OF CHESAPEAKE, VIRGINIA

Table 23

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
<b>Police</b>										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	194	214	193	194	235	203	198	222	206	213
<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	60	61	60	60	52	52	61	57	60
<b>Other Public Works</b>										
Storm Sewers (miles)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,150	1,200	1,650
Streets (miles)	2,310	2,314	2,329	2,346	2,354	2,364	2,361	2,700	2,366	2,372
Streetlights	22,023	22,287	22,634	23,432	23,763	23,874	23,759	23,706	23,790	24,045
<b>Water</b>										
Water Mains (miles)	795	804	818	824	821	828	829	832	833	840
Fire Hydrants	4,608	4,681	4,823	4,892	4,925	4,993	5,019	5,052	5,067	5,141
<b>Wastewater</b>										
Sanitary Sewers (miles)	1,019	1,034	1,048	1,053	1,053	1,057	1,060	1,062	1,065	1,072
Sewage Pumping Stations	255	259	262	262	263	264	262	262	269	271
<b>Parks and Recreation</b>										
Park Acreage	2,066	2,066	2,262	2,262	2,322	2,322	2,322	2,349	2,349	2,450
Parks and Play Areas	64	66	67	67	70	70	70	71	71	71
Athletic Fields/Tennis Courts	211	200	199	203	226	226	228	228	228	228
Community Centers	7	8	8	8	8	8	8	8	8	8
Specialized Centers	4	4	4	4	4	5	5	5	5	5
<b>Schools</b>										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	16	16	17	17	17	17	17	17	17	17
Educational Centers	3	3	3	3	2	3	3	3	2	2

Source: Various City Departments

# COMPLIANCE SECTION

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2015

Schedule U-1

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	CFDA Number	Expenditures
<b>Department of Agriculture:</b>			
Direct payments:			
Food and Nutrition Service:			
Summer Food Service Program for Children		10.559	\$ 140,717
Pass-through payments:			
Virginia Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program		10.561	1,947,428
Virginia Department of Education:			
School Breakfast Program		10.553	1,991,838
National School Lunch Program		10.555	5,218,799
Summer School Service Program For Children		10.559	357,795
USDA Farm to School Grant Program		10.575	31,677
Virginia Department of Agriculture and Consumer Services:			
Food Distribution - commodities value - Schools' Food Services		10.555	949,452
Food Distribution - commodities value - Detention Home		10.555	42,395
Virginia Department of Forestry:			
Department of Forestry and the US Forest Service		10.664	3,606
Urban Forestry 11UCF17		10.664	2,000
			<b>10,685,707</b>
<b>Department of Housing and Urban Development:</b>			
Direct payments:			
Community Development Block Grant Program:			
Program Year 2010		14.218	48,974
Program Year 2011		14.218	3,490
Program Year 2012		14.218	15,665
Program Year 2012	Heart of Compassion	14.218	7,698
Program Year 2013		14.218	92,547
Program Year 2013	Children's Harbor	14.218	4,907
Program Year 2013	For Kids, Inc.	14.218	7,671
Program Year 2013	CHRA	14.218	156,291
Program Year 2013	Habitat for Humanity	14.218	102,920
Program Year 2013	Tidewater Blurs Assc	14.218	25,200
Program Year 2014		14.218	20,079
Program Year 2014	Children's Harbor	14.218	44,818
Program Year 2014	For Kids, Inc.	14.218	86,819
Program Year 2014	CRHA	14.218	91,310
HOME Investment Partnerships Program:			
Program Year 2011	CRHA	14.239	57,202
Program Year 2012	CRHA	14.239	101,044
Program Year 2013	CRHA	14.239	66,114
Program Year 2014	CRHA	14.239	28,813
			<b>961,562</b>
<b>Department of Health and Human Services:</b>			
Pass-through payments:			
Department of Health and Human Services:			
Statewide BJA Adult Drug Court Grant		93.276	54,724
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	722,039
Virginia Department of Social Services:			
Promoting Safe and Stable Families		93.556	44,972
Temporary Assistance for Needy Families		93.558	1,620,938
Refugee and Entrant Assistance - State Administered Program		93.566	4,323
Low Income Home Energy Assistance		93.568	159,716
Child Care & Development Fund		93.596	210,434
Chafee Education and Training Vouchers Program (ETV)		93.599	2,022
Child Welfare Services-State Grants		93.645	10,540
Foster Care-Title IV-E		93.658	992,219
Adoption Assistance		93.659	835,487
Social Services Block Grant		93.667	1,000,905
Independent Living		93.674	19,380
State Children's Insurance Program		93.767	62,589
Medical Assistance Program (Medicaid: Title XIX)		93.778	2,195,604
Virginia Department of Education:			
Medical Assistance Program (Medicaid: Title XIX)		93.778	1,099,906
			<b>9,170,619</b>
			(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2015

*Schedule U-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	CFDA Number	Expenditures
<b>Department of Defense:</b>			
Direct payments - Navy:			
Department of Defense Impact Aid		12.558	497,802
Support for Student Achievement at Military Connected Schools/SPED		12.557	252,720
Community Economic Adj Asst for Compatible Use and Joint Land Use Studies		12.610	606,923
Pass-through payments:			
Department of Education:			
Payments to States in Lieu of Real Estate Taxes		12.112	58,274
			1,415,719
<b>Department of Justice:</b>			
Direct payments:			
Drug Control and System Improvement:			
Equitable Sharing Program - Prosecutor's Office		16.922	32,383
Asset Forfeiture Transfer - Office of Attorney General		16.578	291,417
Asset Forfeiture-OAG-VA Rules Camp		16.578	2,667
Forfeited Asset Sharing Program - Drug Enforcement		16.579	106,229
Office of Community Oriented Policing Services-2012 COPS Grant		16.710	194,639
Pass-through payments:			
Juvenile Accountability Block Grant (JABG)		16.523	18,000
Office of Victims of Crime-Nat'l Assc of VOCA Assistance Administrators		16.582	2,785
State Criminal Alien Assistance Program (SCAAP)		16.606	15,978
Bureau of Justice Assistance - Edward Byrne Grant Program:		16.738	85,264
			749,362
<b>Social Security Administration:</b>			
Direct payments:			
Social Security-Work Incentives Planning and Assistance Program		96.008	400
			400
<b>Department of the Interior:</b>			
Direct payments:			
Payment in Lieu of Taxes		15.226	25,246
U.S. Fish and Wildlife Service - Department of the Interior:			
ADA Accessible Canoe Launch		15.930	44,448
National Wildlife Refuge Sharing Fund		15.659	66,131
			135,825
<b>U.S. Department of Transportation:</b>			
Pass-through payments:			
Virginia Department of Transportation:			
Federal Highway Administration - Planning and Construction:			
Elbow Road Safety Improvement		20.205	18,878
Emergency Vehicle Pre-emption Device		20.205	80,486
Great Dismal Swamp Tr Ph 1		20.205	56,318
Military Hwy S. at Baugher Ave		20.205	597
Military Hwy S. at State St.		20.205	597
Portsmouth Blvd Phase 4		20.205	329,262
Rt. 104 Steel Bridge		20.205	846,274
Safe Roads to School Division Coordinator		20.205	89,963
Traffic Mgmt Center and System		20.205	188,153
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants:			
Selective Enforcement - Alcohol		20.607	32,109
Selective Enforcement Occupant Protection		20.616	9,960
			1,652,597
<b>Department of Homeland Security:</b>			
Pass-through payments:			
Virginia Department of Emergency Management:			
Urban Area Security Initiative Grant-2014		97.008	9,140
Hazardous Mitigation - Severe Rep Loss		97.029	675,395
Hazardous Mitigation Grant - 2013		97.039	4,521
Hazardous Mitigation Grant - 2014		97.039	338
VDEM SLEMPG 2013		97.042	28,905
Local Emergency Management Planning Grant - 2014		97.042	21,481
Local Emergency Management Planning Grant - 2015		97.042	66,567
Port Security Grant		97.056	8,721
SHSP Citizens Corp Grant		97.067	17,659
2014 SHSP Communication Cache		97.067	50
SHSP Incident Management Team		97.067	37,942
2012 CACHE Program		97.067	15,705
2013 CACHE Program		97.067	21,719
2014 SHSP MOB Emergency Water Supply		97.067	7,960
2014 UASI IMT Grant		97.067	70,382
			986,485

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Period Ended June 30, 2015

*Schedule U-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	CFDA Number	Expenditures
Department of Education:			
Direct payments:			
Impact Aid		84.041	3,420,439
Pass-through payments:			
Virginia Department of Education:			
Adult Education - State Grant Program		84.002	201,888
Title I, Part D - Program for Neglected & Delinquent Children		84.013	3,112
Title I Grants to Local Educational Agencies		84.010	5,596,697
Special Education - Grants to States		84.027	9,833,506
Special Education - Preschool Grants		84.173	179,117
Title II, Part A - Improving Teacher Quality State Grants		84.367	1,288,903
Vocational Education - Basic Grants to States		84.048	503,390
Title III, Part A - English Language Acquisition Grants		84.365	91,119
Advanced Placement Program		84.330	6,911
Part C Funds		84.181	222,765
			21,347,847
			\$ 47,106,123

Notes to Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

**(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	\$ 1,049,256
Capital Projects Fund	754,459
Special Revenue Funds:	
Virginia Public Assistance Fund	9,046,240
Grants Fund	1,969,708
Community Development Fund	1,276,543
Intergrated Behavioral Healthcare Fund	1,079,625
Enterprise Funds	800,806
<b>Total primary government</b>	<b>15,976,637</b>
Component unit - Public Schools:	
School Operating Fund	23,123,747
School Food Services Fund	8,549,561
<b>Total component unit - Public Schools</b>	<b>31,673,308</b>
<b>Total federal expenditures from intergovernmental revenue</b>	<b>47,649,945</b>
Other reconciling items	(543,824)
<b>Total federal expenditures per the Schedule of Expenditures of Federal Awards</b>	<b>\$ 47,106,121</b>

**(4) Subrecipients**

The Chesapeake Redevelopment and Housing Authority, Children’s Harbor, Heart of Compassion, For Kids, Habitat for Humanity and Building Trade Academy are the subrecipients for the federal awards of \$527,634 for the Community Development Block Grant Program and \$253,173 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, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2015. 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 purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

### **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  
December 8, 2015

**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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

## **Report on Internal Control over Compliance**

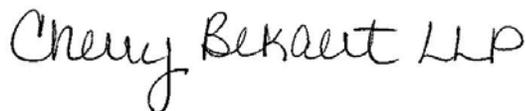
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

## **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.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia  
December 8, 2015

**City of Chesapeake, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2015**

**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>None noted</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>None noted</b>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<b>No</b>

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
U.S Department of Agriculture: Child Nutrition Cluster	10.553/10.555/10.559
U.S. Department of Health and Human Services Foster Care – Title IV-E	93.658
U.S. Department of Education: Title 1, Part A Cluster	84.010

Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,413,184</b>
The City of Chesapeake was qualified as a low risk auditee?	<b>Yes</b>

**2) Findings - Financial Statement Audit**

None

**3) Findings and Questioned Costs - Major Federal Awards**

None

#### 4) Findings and Questioned Costs – State Compliance

##### **2015-001 Social Services – Child Welfare Trust**

**Criteria:**

Section 63.320 of the Code of Virginia does not authorize local boards to open bank accounts for special welfare funds for foster children and other individuals. Instead, the local boards must follow the law provided in Section 63.2-314, which requires local boards to deposit all funds to the local treasuries of their respective county, city or local district.

**Statement of Condition:**

During the audit, it was found that the local Department of Social Services is the owner of a bank account used to maintain SSI dedicated funds. SSI dedicated funds are large past due SSI payments to blind or disabled children covering more than six months of benefits that must be paid directly into a separate “dedicated account” in a financial institution.

**Questioned Costs:**

No questioned costs were identified as a result of this finding.

**Perspective Information:**

There is one bank account maintained by the local Department of Social Services.

**Cause:**

The department was unaware of this requirement.

**Effect or Potential Effect:**

The City is noncompliant with state requirements.

**Recommendation:**

We recommend the local Department of Social Services transfer all rights of the mentioned bank account to the local treasurer’s office.

**Views of Responsible Officials:**

- **Contact Person:** Michelle Cowling, Director of Human Services
- **Corrective Action and Anticipated Completion Date:**

Upon receiving notification from the Social Security Administration that a payment will be sent for a foster child, the Treasurer’s office will be contacted to establish the dedicated account. We currently have one account at the Bank of Hampton Roads and the Treasurer will become the signatory on the account by Friday, December 4, 2015.

In the future, we will consult the Code of Virginia for guidance on establishing special welfare trust accounts for foster children.

#### 5) Resolution of Prior Year’s Findings

**2014-001**

Status: Corrected

**2014-002**

Status: Corrected

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**Chesapeake**  
VIRGINIA

*End of Comprehensive Annual Financial Report  
Of the City of Chesapeake, Virginia  
For the Fiscal Year Ended  
June 30, 2015*

**Chesapeake**  
VIRGINIA

*City of Chesapeake, Virginia*



**Chesapeake**  
VIRGINIA  
Public Safety Memorial

*Comprehensive Annual Financial Report  
For Fiscal Year Ended June 30, 2015*