



City of Norfolk, Virginia



2009 Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2009

A panoramic view of the Norfolk, Virginia skyline, featuring several high-rise buildings and a mix of architectural styles under a clear blue sky.

**City of Norfolk, Virginia
Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2009**

**Prepared by:
The Department of Finance and Business Services
Darrell V. Hill, Director of Finance
Tina N. Weston, CPA, Accounting Manager
Larry T. Baker, Accountant V**



**CITY OF NORFOLK, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2009
 TABLE OF CONTENTS**

INTRODUCTORY SECTION:

Municipal Officials
 Organization Chart
 Transmittal Letter

Certificate of Achievement for Excellence in Financial Reporting

<u>Exhibit</u>		<u>Page</u>
	FINANCIAL SECTION:	
	Independent Auditor’s Report	1
	Management’s Discussion and Analysis (Unaudited)	3
	 Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	17
2	Statement of Activities	18
	Fund Financial Statements:	
	Governmental Funds:	
A-1	Balance Sheet – Governmental Funds	19
A-2	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
A-3	Statement of Revenues, Expenditures and Changes in Fund Balances.....	21
A-4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
	Proprietary Funds:	
B-1	Statement of Net Assets	23
B-2	Statement of Revenues, Expenses and Changes in Net Assets.....	24
B-3	Statement of Cash Flows	25
	Fiduciary Funds:	
C-1	Statement of Fiduciary Net Assets.....	26
C-2	Statement of Changes in Fiduciary Net Assets – Pension Trust Fund.....	27
	Component Units:	
D-1	Statement of Net Assets	28
D-2	Statement of Activities	29
	 Notes to the Basic Financial Statements	 30



CITY OF NORFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Required Supplementary Information:	
	Schedule of Funding Progress for Pension and Other Post-Employment Benefit (OPEB) Plans (Unaudited)	86
E-1	Schedule of Revenue, Budget and Actual – General Fund (Unaudited)...	87
E-2	Schedule of Expenditures, Budget and Actual – General Fund (Unaudited).....	88
	Notes to Required Supplementary Information – Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited).....	89
	Other Supplementary Information:	
F-1	Combining Balance Sheet – Nonmajor Governmental Funds.....	90
F-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	92
G-1	Combining Balance Sheet – Agency Funds.....	94
G-2	Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	95
H-1	Combining Statement of Net Assets – Internal Service Funds.....	96
H-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	97
H-3	Combining Statement of Cash Flows – Internal Service Funds.....	98
I	Schedule of Expenditures of Federal Awards	99
	Notes to Schedule of Expenditures of Federal Awards.....	103
J-1	Schedule of Revenues and Expenditures – Budget and Actual - Special Revenue Funds.....	106
J-2	Schedule of Revenues and Expenditures – Budget and Actual - Internal Service Funds.....	111
J-3	Schedule of Expenditures – Budget and Actual – Capital Projects Fund....	112



**CITY OF NORFOLK, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2009
 TABLE OF CONTENTS**

<u>Table</u>		<u>Page</u>
	STATISTICAL SECTION (Unaudited)	
I	Financial Trends Information.....	114
	Schedule 1 – Net Assets by Category	
	Schedule 2 – Changes in Net Assets	
	Schedule 3 – Fund Balances – Governmental Funds	
	Schedule 4 – Changes in Fund Balances, Governmental Funds	
	Schedule 5 – Program Revenues by Function	
	Schedule 6 – Total Revenue by Source, Governmental Funds	
II	Revenue Capacity Information.....	121
	Schedule 1 – Assessed Valuations and Estimated Actual Values of Taxable Property	
	Schedule 2 – Direct Property Rates	
	Schedule 3 – Principal Property Taxpayers	
	Schedule 4 – Property Tax Levy and Collections	
III	Debt Capacity Information.....	124
	Schedule 1 – Ratios of Outstanding Debt by Type	
	Schedule 2 – Ratios of Net General Bonded Debt, Total Assessed Values and Net Bonded Debt per Capita	
	Schedule 3 – Computation of Direct Bonded Debt	
	Schedule 4 – Legal Debt Margin	
	Schedule 5 – Revenue Bonds Debt Service Coverage, Water Utility Fund	
	Schedule 6 – Revenue Bonds Debt Service Coverage, Parking Facilities Fund	
	Schedule 7 – Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt	
IV	Demographic and Economic Information.....	129
	Schedule 1 – Population Statistics	
	Schedule 2 – Ten Largest Employers	
	Schedule 3 – New Construction and Property Values	
	Schedule 4 – Annual Employment Average by Industry	
V	Operating Information.....	133
	Schedule 1 – Full-Time Equivalent Positions by Function/Program	
	Schedule 2 – Operating Indicators by Function/Program	
	Schedule 3 – Capital Assets and Infrastructure Statistics by Function/Program	
	OTHER REPORTS OF INDEPENDENT AUDITORS	
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	136
	Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular OMB A-133.....	138
	Schedule of Findings and Questioned Costs.....	140



CITY OF NORFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2009
Municipal Officials

Honorable City Council

President and Mayor
 Vice Mayor
 Member
 Member
 Member
 Member
 Member
 Member

Paul D. Fraim
 Anthony L. Burfoot
 Daun S. Hester
 Paul R. Riddick
 Theresa W. Whibley
 Donald L. Williams
 Barclay C. Winn
 W. Randy Wright

City Manager
Regina V.K. Williams

Assistant City Manager
 Assistant City Manager
 Acting Assistant City Manager

Anne Odell
 Stanley A. Stein
 Roderick S. Woolard

Director of Finance and Business Services

Darrell V. Hill

City Assessor
 City Attorney
 City Auditor
 City Clerk
 City Treasurer
 Commissioner of the Revenue
 Acting Director of Budget & Management
 Director of Civic Facilities
 Director of Communications & Public Relations
 Director of Economic Development
 Acting Director of Fire & Paramedical Services
 Director of Human Resources
 Director of Human Services
 Director of Information Technology
 Office of Intergovernmental Relations
 Director of Libraries
 Director of Maritime Center (Nauticus)
 Director of Planning & Community Development
 Director of Public Health
 Director of Public Works
 Director of Utilities
 Police Chief
 Registrar of Voters

Deborah K. Bunn, CAE
 Bernard A. Pishko, Esquire
 John H. Sanderlin, Jr., CPA
 Breckenridge R. Daughtrey
 Thomas W. Moss, Jr.
 Sharon M. McDonald
 Ronald H. Williams, Jr.
 John S. Rhamstine
 Terry L. Bishirjian
 Roderick S. Woolard
 Jeffrey Wise
 Nancy N. Olivo
 Thomas Pristow
 Hap M. Cluff
 William Bryan Pennington, Jr.
 Norman L. Maas
 Hank Lynch
 Frank Duke, AICP
 Demetria Lindsay
 John M. Keifer, P.E.
 Kristen M. Lentz, P.E.
 Bruce P. Marquis
 Elisa J. Long



**CITY OF NORFOLK, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2009
 Municipal Officials**

JUDICIAL

Fourth Judicial Circuit Court

Chief Judge
 Judge
 Judge
 Judge
 Judge
 Judge
 Judge
 Judge
 Judge
 Clerk

Everett A. Martin, Jr.
 Karen J. Burrell
 Junius P. Fulton, III
 Charles D. Griffith, Jr.
 Jerome James
 Mary Jane Hall
 Charles E. Poston
 Norman A. Thomas
 Alfred M. Tripp
 George E. Schaefer

Norfolk General District Courts

Chief Judge, Civil Division
 Judge, Civil Division
 Judge, Civil Division
 Judge, Criminal Division
 Judge, Traffic Division
 Judge, Traffic Division
 Judge,
 Clerk

Ray W. Dezern, Jr.
 Gwendolyn J. Jackson
 Louis A. Sherman
 Bruce A. Wilcox
 James S. Mathews
 S. Clark Daugherty
 Joseph A. Migliozi
 Thomas E. Baldwin

Norfolk Juvenile and Domestic Relations District Court

Chief Judge
 Judge
 Judge
 Judge
 Judge
 Judge
 Clerk

Jerrauld C. Jones
 M. Randolph Carlson, II
 Lauri D. Hogge
 Joseph P. Massey
 William P. Williams
 Michelle J. Atkins
 Debra A. Hill

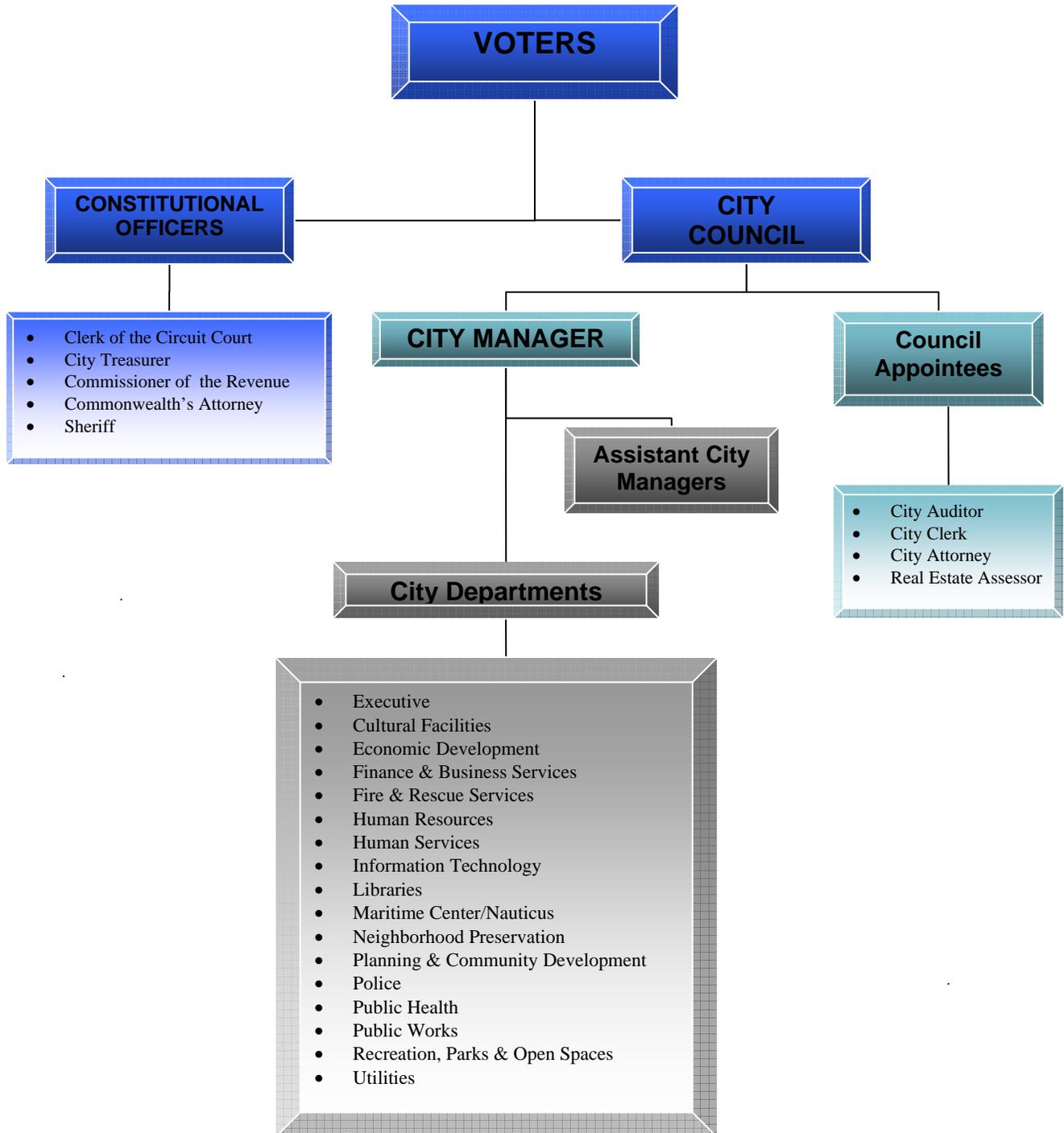
Other Judicial Officials

Sheriff
 Commonwealth Attorney

Robert J. McCabe
 Gregory D. Underwood

**CITY OF NORFOLK, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2009**

**ORGANIZATIONAL
 CHART**





City of Norfolk

Office of the City Manager

December 22, 2009

To the Honorable Council and
Citizens of Norfolk, Virginia:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Norfolk (the “City”) for the fiscal year ended June 30, 2009, is hereby submitted. At the close of each fiscal year, State law and the City’s charter require the City to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”). This report fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based upon a comprehensive internal control framework designed both to protect the City’s assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

KPMG, a firm of licensed certified public accountants, has issued an unqualified opinion on the City’s financial statements for the fiscal year ended June 30, 2009. The independent auditor’s report is located in the financial section of the CAFR.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The independent audit of the financial statements of the City was also part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Other Reports of Independent Auditors section of this report.

Profile of the City

Norfolk is the business, financial, medical, cultural and educational center of southeast Virginia and home to an estimated 236,000 residents. Its 66 square miles lie at the mouths of the James, Elizabeth and Nansemond Rivers and the Chesapeake Bay, and are adjacent to the cities of Chesapeake, Portsmouth and Virginia Beach. The waterways have been central to Norfolk's identity and an on-going source of its financial



stability, thanks to a major international port, most significant international military facilities and related businesses. Miles of bay, lake and riverfront provide ample recreational opportunities and are the centerpiece of dozens of neighborhoods. Norfolk has tapped into the nationwide demand for waterfront property by revitalizing older neighborhoods and creating new ones.

Profile of the Government

Norfolk was officially incorporated as a city in 1845. It is organized under a Charter, granted by the General Assembly of Virginia in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon it. City Council members represent five wards, two super wards, and an at large elected Mayor. The Vice Mayor is elected by the City Council from among its members.

Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out policies of the City Council, directs business, and appoints the heads of departments and other employees of the City, except those otherwise specifically covered by statutory provisions.

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently from a county government. There are no overlapping jurisdictions; consequently citizens of a Virginia city are not subject to overlapping debt or taxation. Cities in Virginia are prohibited from annexation to adjust their boundaries.



Transmittal Letter

The City provides a full range of services including: police protection; fire and paramedical services; public health and social services; planning and zoning management; neighborhood preservation and code enforcement; environmental storm water management; local street maintenance; traffic control; design and construction of city buildings and infrastructure; parks and cemeteries operations and maintenance; recreation and library services; solid waste disposal and recycling; general administrative services; water and wastewater utilities; and construction and operation of parking facilities. The City budget allocates State and Federal pass through funds for education, public health, and other programs.

The City is financially accountable for a legally separate school district and the Norfolk Community Services Board (City Council appoints the board members). Additional information on these legally separate entities can be found in Note I of the notes to the basic financial statements contained within this document.

Budget Process

The annual operating budget is proposed by the City Manager and adopted by Council at least 30 days before the close of the previous fiscal year. The budget is prepared by fund (e.g., general, special revenue, enterprise), function (e.g., public safety), and department (e.g., police). Department heads may transfer funds within a departmental budget with approval from the City Manager or the Office of the Budget and Management. The City Manager is authorized to transfer excess resources between any fund, department, or activity without further approval by City Council. The State mandates a balanced budget and the budget is regularly reviewed and periodically operational adjustments are made as needed.

Local Economy

While all economies continue to feel the effects of the global recession, many areas of the local economy remained healthy, supported in part by a strong and consistent military presence. The region is still experiencing fairly broad based job growth, but the rate has slowed and unemployment has risen. Unemployment for the region rose to 6.6 percent in October while the local unemployment rate rose to 8.1 percent which is below the national rate of 9.5 percent.



Transmittal Letter

The presence and role of the military in Norfolk remains a positive force and continues to have a significant and stabilizing impact on the local economy. The City is home to the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. According to information released by the U.S. Navy in October, 2009, the Navy's direct economic impact on the region rose



by more than \$765 million, from approximately \$13.9 billion in fiscal year 2007 to more than \$14.6 billion in fiscal year 2008. Approximately 84,000 active-duty Navy military personnel were in Hampton Roads in 2008, of which approximately 66 percent were assigned to Norfolk. In addition, there were approximately 31,000 Navy civilian employees in Hampton Roads, of which 52 percent were located in Norfolk in fiscal year 2008.

The City also serves as a gateway between world commerce centers and the industrial heartland of the United States. With one of the world's largest natural deep-water harbors and a temperate climate, the City hosts the Norfolk International Terminals (NIT), one of the largest general cargo ports on the east coast. Over 17.5 million tons of cargo were shipped from the region's three main marine cargo terminals in 2008, a decrease of 1.7 percent. The port will continue to be attractive to shippers in 2010 when Norfolk Southern, a major Fortune 500 company headquartered in Norfolk, completes its \$313 million Heartland Corridor project which will reduce more than 200 miles off existing routes to the Midwest. A 2008 study by the College of William and Mary's Mason School of Business estimated the port's economic impact in Hampton Roads to be \$12.3 billion in business revenue plus \$4.8 billion in compensation paid to approximately 100,000 workers. With containerized cargo expected to triple in the next 20 years, a 300-acre expansion scheduled for 2012 will make the port the largest intermodal center in the country. The port's economic impact comes from port operations and companies that utilize the port.

The City's major healthcare complexes provide premier services to all of southeastern Virginia and northeastern North Carolina. The region's first and only dedicated heart hospital, Sentara Heart Hospital, was completed in 2006 and was ranked 26th in the nation in 2009 by U.S. News and World Report.



Transmittal Letter

Two university research parks are complete (Center for Materials Research and the Innovation Research Park) and both include applied research space for collaborative projects with the private sector. The City hosts several institutions of higher education including Old Dominion University, Norfolk State University, Eastern Virginia Medical School, Virginia Wesleyan College and Tidewater Community College. All are currently expanding.

Other industries located in Norfolk include financial and insurance institutions; professional and technical services; shipping companies (including the North American headquarters of two international firms); ship builders and repairers; and retail operations. Recently completed projects include the \$45 million Belmont at Freemason Harbor rental residential development; the \$35 million Residence Inn, the first extended-stay hotel product in downtown; the \$40 million 201 Twenty-One mixed use development; the \$28 million Harbor Heights mixed use development; and the \$36 million The River House Apartments that includes 197 units. Some of the major expansions include the \$80 million Riverside Terrace/Westport townhomes and condominiums, the \$12 million expansion for a second office building at the new Commander Corporate Center; the \$108 million Courts Complex that will serve as a combined Hall of Justice.

East Beach, Norfolk's new urbanist community on the Chesapeake Bay, was named one of the top five most visionary sustainable land developments in the United States by Sustainable Land Development International. Norfolk continues to expand the downtown to the west to meet the medical/research complex and has developed plans and is guiding continued private development of Fort Norfolk, a former waterfront warehouse district.

Nearby, the Midtown Office Building, an 180,500 square foot Class A office building with 350 parking spaces is progressing. This \$35 million project will consolidate the STOP Organization's offices in 100,000 square feet and TIVEST, the developer, will locate its headquarters there as well.

Norfolk's downtown harbor is accessible to pedestrians and features a mix of tourism, business and residential uses. Town Point Park, located downtown on the harbor, has been a destination for the region and has hosted dozens of festivals, concerts and other events for more than 25 years. The City undertook an \$11.5 million make over of the park and reopened in July 2009. The mix of downtown residential, cultural, recreational and entertainment options has also helped Norfolk attract and retain businesses. Class



Transmittal Letter

A Office space is at a premium with vacancy rates at 8.7 percent and several companies have relocated their headquarters to Norfolk from other parts of the country.

Economic development initiatives are focused on the attraction, expansion and retention of businesses that play to the city's strengths, maritime, higher education, medical and research facilities, neighborhood and community revitalization and commercial corridor development. Under the City's plan to promote the highest and best use for scarce land, property assessed values increased 244 percent in the past decade with commercial growth of 8.42% since 2008. The impact was felt throughout the City, with a citywide increase in property valuations of 2.59 percent. In July 2009, the assessed value of 56,580 residential parcels was \$13.125 billion, an increase of \$85,839,400 over July 2008.



Norfolk offers a mix of cultural attractions and entertainment for residents, workers and tourists. Home to the Virginia Symphony, the Virginia Opera, the internationally acclaimed Virginia Arts Festival, and the Chrysler Museum, described by The New York Times as a collection "...any museum in the world would kill for..." Norfolk is the cultural capital of Virginia and reinforces Norfolk's stature as the regional hub. Recent investments to the City's cultural attractions include the Virginia Arts Festival headquarters and improvements to the Virginia Zoological Park for the Trail of the Tiger exhibit.

Long-Term Financial Planning

The General Fund's unreserved, undesignated fund balance at June 30, 2009, was 5.0 percent of budgeted expenditures. Total unreserved fund balance was 6.14 percent of budgeted expenditures. Part of the City's strategic planning process involves the development of a five-year operating budgetary forecast that projects growth of major tax and fee revenues as well as major expenditures. That forecast serves as a planning tool when the City Manager presents the proposed annual budget to City Council. In conjunction with the five-year operating budget forecast, the City's debt affordability policies guide the development of the five-year Capital Improvement Plan.



Transmittal Letter

Major Initiatives

The City of Norfolk has many unique initiatives underway to support the City Council's vision to be "a national leader in the quality of life offered to all its residents." These initiatives help sustain Norfolk as a physically attractive, socially supportive, and financially sound city.

Light rail - Norfolk is one of the smallest cities in the country to gain funding for a 7.5 mile starter light rail system connecting major downtown business centers to the eastern most city limit. The route will travel through some of the areas with highest traffic congestion and bring riders within walking distance of most major downtown attractions. The approximate \$325 million system is funded through a combination of federal, state and local sources and will be operated by the Hampton Roads Transit – which now operates the region's buses and ferries.

Public Amenities

- Upgraded Attractions - Using public funds to leverage private donations, the City is in the planning stages of the Slover Library Complex, which is being designed to be the most technologically advanced library in the country; renovating the Seaboard Library; completed the geothermal projects at the Larchmont and Little Creek libraries; is designing a new Skateboard Park; renovating the Northside Park; completed improvements to the Linear Park; and received transfer of ownership of the USS Wisconsin from the US Navy.
- Recreation Centers - Construction of the new Norview recreation center is complete. The Lambert's Point recreation center is nearing completion and the Southside Aquatic Facility is being designed.

Ending Homelessness - Since launching a plan to end homelessness in 2005, the City has increased permanent supportive housing units for the homeless, including units dedicated to men and women with long-standing mental health problems; connected hundreds of homeless men and women to City, non-profit and business resources; and partnered with the faith community to mentor individuals trying to make the transition from homelessness to self-sufficiency.

Downtown - Recognizing that a thriving downtown requires not only buildings but residents, Norfolk uses a variety of tools to encourage private developers to expand residential offerings – ranging from townhomes to lofts and apartments in stand alone and mixed-use developments. Recently five residential and mixed use projects have



Transmittal Letter

been completed representing private sector investment aggregating near \$175 million and four new projects are underway totaling more than \$130 million. Other businesses to support a residential population are following suit. The City's newest projects include the \$170 million Wells Fargo Center, a high rise office tower complex with retail, luxury apartments and a 1,800-space parking garage; the \$150 million Westin Norfolk Hotel and Conference Center with residential condominiums and parking garage; and the \$70 million Fort Norfolk Plaza Medical Office building and garage.

Project Focus and Neighborhood Revitalization - In addition to codes and citywide neighborhood preservation programs, Norfolk launched a pilot program, Project Focus, to combat long-standing and deteriorating conditions in three neighborhoods. The program brings public safety, waste management, code enforcement, social services, health and other city resources together to work with residents to identify and provide solutions for issues such as crime, code violations, parking issues and lack of recreational opportunities for young people.

Going Green - The City has made a commitment to incorporate sustainable, "green," fiscally prudent practices in running city operations and in the design of new buildings. Currently under construction, the new Third Police Precinct will be a Leadership in Energy and Environmental Design (LEED) certified green building. Other initiatives to reduce the carbon footprint include projects using geothermal heating and cooling, reflective roof membrane and coating for the Circuit Court, Fleet Maintenance and City Hall buildings, developing pool covers to reduce energy costs at aquatics centers and changing to low energy traffic signals. In addition, the City is endeavoring to further enhance its recycling efforts through a competitive process to expand this environmentally beneficial business function.

Recent Awards

The City of Norfolk has been recognized and has received awards from a variety of national and regional organizations. Some of these awards include:

- The Department of Utilities received the Association of State Dam Safety Officials' 2009 National Rehabilitation Project of the Year Award for construction on the Lake Burnt Mills Dam. The project included the reconstruction of the spillway and embankments, new intake structure and outlet pipe, along with constructing a new access road and parking lot;
- The Norfolk Public Library received the Outstanding Public Relations Project award for the African American History Month promotional materials and the



Transmittal Letter

Outstanding Facility award for the Mary D. Pretlow Anchor Branch Library from the Virginia Public Library Director's Association;

- The #1 Ranking for Top 10 Digital Cities;
- The City received the Government Finance Officers Association of the United States and Canada's Distinguished Budget Presentation Award for its FY2010 budget;
- Non-Profit KaBOOM named Norfolk a 2009 "Playful City USA" community. KaBOOM, dedicated to bringing play back into children's lives, selected Norfolk for creating and implementing programs that positively impact childhood wellness, public safety and quality of life; and
- The Arbor Day Foundation named Norfolk "Tree City USA" for 2008. This is the 22nd year that Norfolk has received this national recognition. The City's ongoing forestry efforts assist in providing our citizens with a high quality of life while furthering our environmental stewardship.

Certificate of Achievement

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 of Norfolk for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2008. This was the 23rd consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this CAFR continues to meet the program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Norfolk
Virginia

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

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



Handwritten signature of Jeffrey R. Enos in black ink.

President

Handwritten signature of Jeffrey R. Enos in black ink.
Executive Director

Transmittal Letter

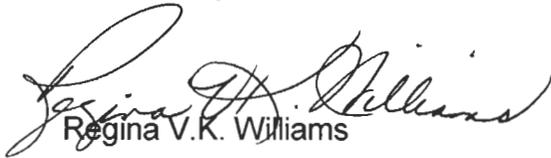
Honorable City Council

Acknowledgements

The preparation of this report is a collaborative effort lead by the Department of Finance and Business Services. Many employees especially the City Controller Bureau staff, and the enterprise controllers and fund accountants of various City activities, devoted significant hours to the effort and we express our appreciation to all members who assisted in and contributed to its preparation.

Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,



Regina V.K. Williams

City Manager



Darrell V. Hill

Director of Finance & Business Services



Transmittal Letter



**CITY OF NORFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2009**

FINANCIAL SECTION

~ Independent Auditor's Report ~

~ Management's Discussion and Analysis ~

~ Basic Financial Statements ~

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

**Required Supplementary Information
(Pension and OPEB Funding Progress and
Budgetary Comparison Schedules)**



Financial Section

INDEPENDENT AUDITOR'S REPORT





KPMG LLP
Suite 2100
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Honorable Members of City Council
City of Norfolk, Virginia:

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 Norfolk, Virginia (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis and the other required supplementary information included at schedules E-1 through E-2 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed as supplementary information and compliance section information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 22, 2009

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

(Unaudited)



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2009 by \$700,072,384 (net assets). Of this amount, \$106,934,279 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets decreased by \$39,003,364 and unrestricted net assets decreased by \$56,369,041.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$175,135,328, a decrease of \$59,228,909 in comparison with the prior year. This decrease was primarily attributable to a combination of capital outlays of \$104,369,309 and debt principal and interest payments of \$69,952,206 during the year.
- At the end of the current fiscal year, the total unreserved fund balance for the general fund was \$50,784,442 or 6.14 percent of the general fund budget.
- The City's total outstanding bonded indebtedness increased by \$36,860,569 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and the Norfolk Community Services Board ("CSB"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 28 - 29 of this report.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 19 - 22 of this report.

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for its Water Utility, Wastewater Utility, and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Maintenance and Storehouse operations. Because both of these services predominantly benefit governmental functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parking Facilities operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 23 - 25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the Commonwealth of Virginia agency fund and another agency fund. Fiduciary funds are

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 26 - 27 of this report.

Notes to the financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 84 - 87 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 90 - 93 of this report.

Government-wide Financial Analysis

Over time, net assets may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$700,072,384.

By far, the largest portion of the City's net assets, \$489,435,014 is its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any outstanding debt related to acquiring the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, approximately 14.81 percent represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$106,934,279 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009**

Summary of the City of Norfolk's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 265,480,338	\$ 332,622,875	\$ 129,092,498	\$ 139,159,421	\$ 394,572,836	\$ 471,782,296
Capital Assets	842,405,691	827,222,677	787,317,481	737,541,174	1,629,723,172	\$ 1,564,763,851
Total Assets	1,107,886,029	1,159,845,552	916,409,979	876,700,595	2,024,296,008	2,036,546,147
Long-Term Liabilities	675,899,591	668,105,265	576,632,016	546,309,678	\$ 1,252,531,607	\$ 1,214,414,943
Other Liabilities	52,448,203	68,760,430	19,243,814	14,295,026	71,692,017	\$ 83,055,456
Total Liabilities	728,347,794	736,865,695	595,875,830	560,604,704	1,324,223,624	1,297,470,399
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	252,127,785	325,172,979	237,307,229	241,203,359	489,435,014	\$ 566,376,338
Restricted	64,397,008	6,890,090	39,306,083	2,506,000	103,703,091	\$ 9,396,090
Unrestricted	63,013,442	90,916,788	43,920,837	72,386,532	106,934,279	\$ 163,303,320
Total Net Assets	\$ 379,538,235	\$ 422,979,857	\$ 320,534,149	\$ 316,095,891	\$ 700,072,384	\$ 739,075,748

For governmental activities, total net assets decreased by \$43,441,622 or 10.3 percent overall during the current fiscal year. Factors that contributed to a change in total governmental net assets include cash funding of capital projects, balances carried forward and closed out encumbrances.

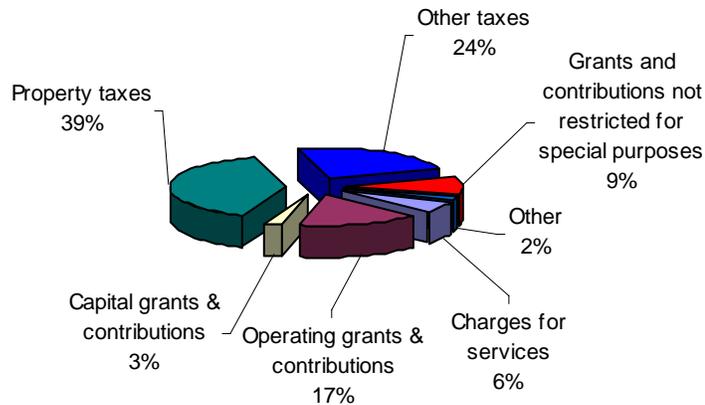
For business-type activities, net assets increased by \$4,438,258 or 1.4 percent during the fiscal year. Of this amount, \$3,034,079, \$594,576 and \$809,603 are changes attributed to the Water Utility, the Wastewater Utility and the Parking Facilities funds, respectively.

Key programmatic and functional elements of these changes in government wide net assets are demonstrated on the following page:

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

	Changes in the City of Norfolk's Net Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 40,435,148	\$ 40,198,559	\$ 117,627,453	\$ 119,582,149	\$ 158,062,601	\$ 159,780,708
Operating Grants & Contributions	112,419,343	112,960,555	-	-	112,419,343	112,960,555
Capital Grants & Contributions	16,933,100	-	503,658	219,018	17,436,758	219,018
General Revenues						
Property Taxes	260,640,532	240,488,270	-	-	260,640,532	240,488,270
Other Taxes	157,926,664	162,573,293	-	-	157,926,664	162,573,293
Grants and Contributions not restricted for specific purposes	60,512,536	69,352,075	-	-	60,512,536	69,352,075
Other	12,388,927	17,250,107	3,775,841	6,134,674	16,164,768	23,384,781
Total Revenues	661,256,250	642,822,859	121,906,952	125,935,841	783,163,202	768,758,700
Expenses:						
General Government	111,628,653	113,141,978	-	-	111,628,653	113,141,978
Judicial Administration	52,209,177	48,593,034	-	-	52,209,177	48,593,034
Public Safety	120,703,126	126,608,878	-	-	120,703,126	126,608,878
Public Works	134,273,985	118,887,770	-	-	134,273,985	118,887,770
Health and Public Assistance	93,494,792	95,233,711	-	-	93,494,792	95,233,711
Culture and Recreation	63,437,272	56,889,946	-	-	63,437,272	56,889,946
Community Development	10,866,691	15,345,403	-	-	10,866,691	15,345,403
Education	104,511,131	101,094,910	-	-	104,511,131	101,094,910
Interest on Long-Term Debt	23,788,236	21,457,483	-	-	23,788,236	21,457,483
Water Utility	-	-	66,990,131	64,876,844	66,990,131	64,876,844
Wastewater Utility	-	-	21,227,261	18,614,267	21,227,261	18,614,267
Parking	-	-	19,036,111	21,539,174	19,036,111	21,539,174
Total Expenses	714,913,063	697,253,113	107,253,503	105,030,285	822,166,566	802,283,398
Increase (decrease) in Net Assets before Transfers	(53,656,813)	(54,430,254)	14,653,449	20,905,556	(39,003,364)	(33,524,698)
Transfers	10,215,191	10,212,029	(10,215,191)	(10,212,029)	-	-
Increase (decrease) in Net Assets	(43,441,622)	(44,218,225)	4,438,258	10,693,527	(39,003,364)	(33,524,698)
Net Assets Beginning of Year	422,979,857	467,198,082	316,095,891	305,402,364	739,075,748	772,600,446
Net Assets End of Year	\$ 379,538,235	\$ 422,979,857	\$ 320,534,149	\$ 316,095,891	\$ 700,072,384	\$ 739,075,748

Governmental Activities: Revenues by Source



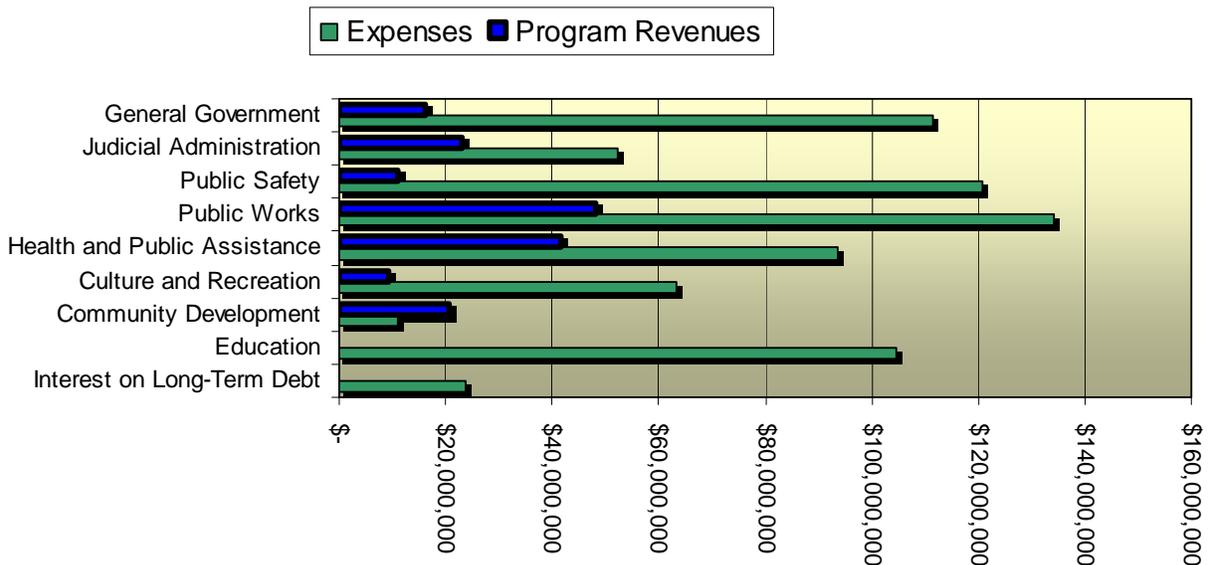
**CITY OF NORFOLK, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009**

Governmental Activities – Property taxes and other tax revenues increased 3.85 percent to \$418,567,196 and comprise 63.30 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$112,419,343. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and federal agencies. For the 2009 fiscal year, the City reported \$60,512,536 in grants and contributions not restricted for specific programs which represents a decrease of \$8,839,539 or 12.75 percent over the prior year. This decrease is due to reduced funding for state and federal grant programs. Specifically, the Comprehensive Services Act (a state funded program), received \$3,118,541 less than the prior year. Federally funded programs with funding decreases included Ryan White AIDS Grant (decrease of \$1,638,620) and NRHA Homebuyer Assistance (decrease of \$532,834). Additionally, interest and investment earnings decreased \$2,517,779 or 47.44 percent over the prior year which is the result of the decrease in grants & contributions as well as interest rate declines.

Depreciation expense for governmental activities of \$73,577,016 was recorded.

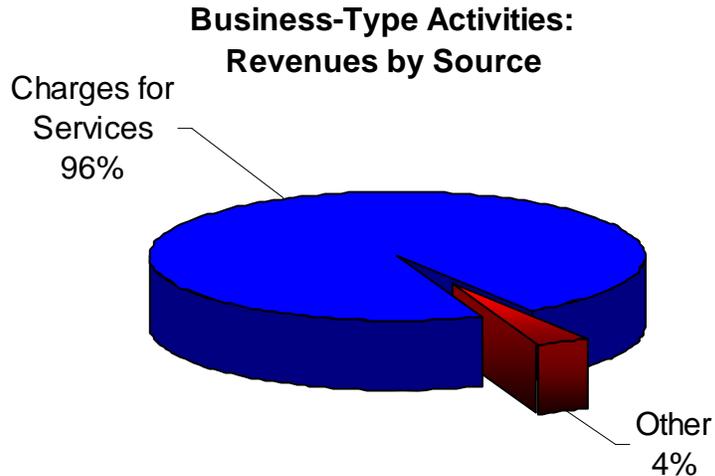
**Governmental Activities
Expenses and Program Revenues**



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Business-type Activities – Business-type activities increased the City's net assets by \$4,438,258. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities decreased by 1.63 percent. Water utility charges for services increased \$213,918 and wastewater utility charges for services decreased \$1,791,589, respectively, as a result of rate increases offset by a decrease in water consumption of 12.9 percent. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates were increased by \$0.12/100 cubic feet and \$0.11/100 cubic feet, respectively.
- Parking revenues decreased \$377,025 or 1.85 percent from the prior year. The decrease was primarily the result of a decrease in monthly parkers to less expensive facilities as a result of the decline in the economy as well as a decrease in attendance at major events & festivals which resulted in a decrease in parking garage usage.



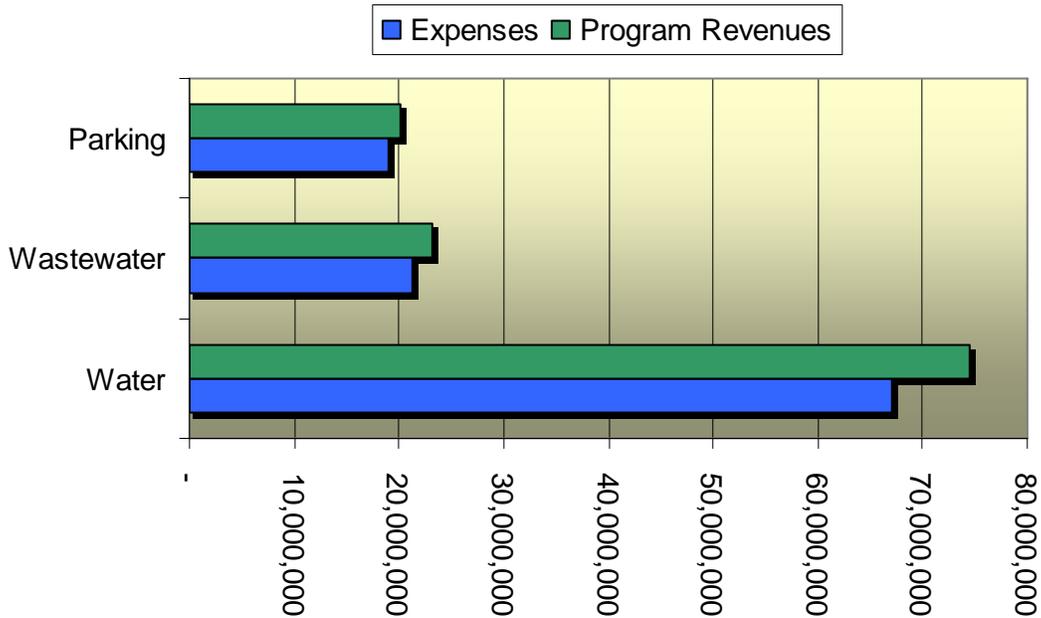
Operating expenses for Business type activities increased overall by \$2,056,923 or 2.53 percent which was primarily the result of increase utility costs and increase personnel expenditures.

The Water Utility fund increased operating expenses \$1,487,804 primarily a result of an increase in chemical costs. Chemicals increased 44 percent from the previous year.

Overall, operating expenses in the Wastewater Utility fund were level from the prior year. Plant operations and depreciation increased while the provision for bad debt, administrative and other expenses decreased.

**CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009**

**Business Type Activities -
Expenses and Program Revenues**



Financial Analysis of the Government's Funds

As previously noted, 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. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$175,135,328, a decrease of \$59,228,909 or 25.3 percent. Of the total ending fund balance, \$85,877,315 or 49.0 percent is reserved. The reserved fund balance is that portion of the fund balance that is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders (\$78,887,108), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$6,470,648) and 3) for a variety of other restricted purposes (\$519,559). The

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

remaining \$89,258,013 or 51.0 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City undesignated, unreserved fund balance is equal to five percent of the general government's and School Board's annual operating budgets, or \$41,364,015. The City designated \$9,420,427 of its fund balance for future expenditures and for its self-insured workers' compensation and general liability programs.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues below projections by \$18,365,382. Total expenditures were less than appropriations by \$15,870,896.

General fund financial and budgetary highlights of the 2009 fiscal year include:

- Other local tax collections were less than budgetary projections by \$9,781,987. A significant portion of this shortfall was created from weaker collections from sales, communication and restaurant food taxes as a result of the economic downturn;
- As a result of the decline in interest rates, interest earned on investments was less than budgetary projections by \$4,288,886;
- Miscellaneous revenue exceeded budgetary projections by \$2,286,899 as a result of higher than expected collections.
- Aid from the Commonwealth for public assistance exceeded budgetary projections by \$2,121,947 as a result of an increase in reimbursement from the State;
- Aid from the Commonwealth for education was less than budgetary projections by \$7,170,039 due to a one time revenue deferral allowed by the Commonwealth. Approximately \$6,100,000 will be carried over to FY10 to fund projected budget shortages; and
- Federal categorical aid in support of the school system exceeded budgetary projections by \$1,077,798.
- Expenditure savings included savings of \$6,071,443 in education as a result of a slow down in spending due to the State permitting funds to be carried over into the next fiscal year as well as a reduction in departmental support expenses of \$5,106,645 as a result of a city-wide savings strategy due to the economic downturn. Additional savings in expenditures of \$5,081,755 occurred in the debt service budget due to timing of bond payments as well as bonds that were authorized but not issued.
- Expenditure increases were slightly offset by increases of \$3,527,510 in Police for overtime costs.

There were no supplemental appropriations or amendments of the total 2009 general fund budget.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The Capital Projects fund, another major governmental fund, expended \$104,369,309 on major capital improvements during the fiscal year. The fund had a total fund balance of \$76,925,646. In the 2009 fiscal year, the City sold \$46,792,333 in general obligation bonds to fund these expenditures.

The Debt Service fund does not have any assets, liabilities or net assets at fiscal year end. During the year \$69,952,206 were transferred in from various funds to pay for an equal amount of debt service requirements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, amounted to \$489,435,014. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, etc) machinery, and equipment. Infrastructure assets represent 24.85 percent of total general governmental assets.

Some of the major capital asset events during the current fiscal year include:

- Continued construction on the City's 7.4 mile light rail project;
- Acquisition of \$16 million of property to support strategic development projects to include Southside initiatives and rights-of-way for light rail development;
- Investment of \$10 million during the year for improvements to Town Point Park;
- Expenditures of \$3 million overall in total school-related capital projects;
- \$9 million of various neighborhood conservation efforts continued in the City;
- Investment of nearly \$5 million in improvements to neighborhood streets throughout the city;
- Investment of well over \$5 million during the year for renovations to the courts; and
- \$8.2 million for the Zoo Master Plan which mainly includes the creation of new exhibits.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Summary of the City of Norfolk's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 60,663,365	\$ 40,351,264	\$ 48,429,029	\$ 48,287,029	\$ 109,092,394	\$ 88,638,293
Buildings & equipment	414,380,257	398,558,052	652,224,978	632,012,058	\$ 1,066,605,235	\$ 1,030,570,110
Improvements other than buildings	17,205,426	16,418,778	4,073,488	4,203,933	\$ 21,278,914	\$ 20,622,711
Construction in progress	140,855,973	114,761,897	82,589,986	53,038,154	\$ 223,445,959	\$ 167,800,051
Infrastructure	209,300,671	257,132,686	-	-	\$ 209,300,671	\$ 257,132,686
Total	<u>\$ 842,405,692</u>	<u>\$ 827,222,677</u>	<u>\$ 787,317,481</u>	<u>\$ 737,541,174</u>	<u>\$ 1,629,723,173</u>	<u>\$ 1,564,763,851</u>

Additional information on the City's capital assets can be found in Note VII on pages 50 - 51 of this report.

Long-term Debt – At June 30, 2009 the City (including the enterprise funds) had total bonded debt outstanding of \$1,152,909,638. Of this amount, \$736,163,200 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009**

A summary of the City's outstanding bonded debt is as follows:

City of Norfolk's Bonded Debt

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 577,936,007	\$ 571,138,165	\$158,227,193	\$ 124,092,071	\$ 736,163,200	\$ 695,230,236
Revenue bonds	-	-	416,746,438	420,818,833	416,746,438	420,818,833
Total	<u>\$ 577,936,007</u>	<u>\$ 571,138,165</u>	<u>\$574,973,631</u>	<u>\$ 544,910,904</u>	<u>\$1,152,909,638</u>	<u>\$1,116,049,069</u>

The City's total debt outstanding increased by \$36,860,569 (3.3 percent) during the current fiscal year. The City issues debt, in part, based on its cash flow capital needs which is the primary factor for this increase.

The development of the City's 5-year Capital Improvement Program and its related debt are guided by various debt affordability practices. These practices limit total tax supported (not supported by specific fees or charges) debt as follows:

- Bonded debt service requirements will not exceed ten percent of general governmental expenditures; and
- Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

Business type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

Credit ratings for the City's general obligation and water revenue bond programs are as follows:

Bonding Program	Fitch Ratings	Standard & Poor's	Moody's Investors Service
General Obligation	AA	AA	A1
Water Revenue	AA	AA+	A1

The City's parking and wastewater systems do not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt the City may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$1,939,578,939 which is significantly in excess of the City's general obligation debt outstanding.

Additional information on the City's long-term debt can be found in Note VIII on pages 52- 61 of this report.

**CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009**

Economic Factors and Next Year's Budgets and Rates

- Taxable assessments for commercial and housing property markets are projected to grow overall in the 2010 fiscal year by 2.4 percent;
- Other local taxes have not experienced a significant downturn and some are predicted to slightly increase. The following reflects major other tax revenue projections:
 - Sales taxes – 6.5 percent decrease;
 - Business license taxes – no change;
 - Restaurant food taxes – no change;
 - Hotel and motel tax – 2.7 percent decrease; and
- Rate increases for both the Water and Wastewater utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2010.

The City appropriated \$470,000 of its General Fund balance for use in the fiscal year 2010 budget for non-recurring types of expenditures.

There were no changes in tax rates for the 2010 fiscal year with the exception of a \$.02 decrease in real estate taxes for the downtown improvement district. The following represents changes in fees implemented with the budget for the 2010 fiscal year:

Description	FY 2010 Approved	FY 2009 Approved
Wastewater Fees	\$3.01/100 cubic feet	\$2.89/100 cubic feet
Water Fees	\$3.74/100 cubic feet	\$3.61/100 cubic feet
Stormwater Fees – Residential	\$8.19/month	\$8.09/month
Stormwater Fees – Commercial	\$5.61/month per 2,000 sq. ft.	\$5.54/month per 2,000 sq. ft.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Business Services, 810 Union Street, Suite 600, Norfolk, Virginia, 23510.

BASIC FINANCIAL STATEMENTS



Statement of Net Assets
June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and short term investments	\$ 169,525,968	\$ 47,236,013	\$ 216,761,981	\$ 41,807,127
Restricted cash held with fiscal agent	97,460	6,254,543	6,352,003	31,029
Investments	9,957	-	9,957	1,115,880
Receivables, net				
Taxes	52,235,141	-	52,235,141	-
Accounts	7,012,165	18,045,357	25,057,522	1,620,770
Notes	23,230	-	23,230	-
Accrued investment income	8,788	6,108	14,896	17,816
Other	-	115,446	115,446	-
Internal balances	4,568,587	(4,568,587)	-	659,605
Due from other governments	29,417,846	-	29,417,846	26,992,464
Due from component units	15,998	-	15,998	-
Inventories	2,388,877	2,094,406	4,483,283	697,923
Restricted cash and investments	-	59,909,212	59,909,212	-
Other assets	176,321	-	176,321	164,461
Non-depreciable capital assets	201,519,337	131,019,015	332,538,352	5,432,106
Depreciable capital assets, net	640,886,354	656,298,466	1,297,184,820	65,373,822
Total assets	<u>1,107,886,029</u>	<u>916,409,979</u>	<u>2,024,296,008</u>	<u>143,913,003</u>
LIABILITIES				
Vouchers payable	25,317,654	8,310,072	33,627,726	11,697,235
Employees withholdings	920,692	-	920,692	-
Contract retainage	1,578,642	3,400,325	4,978,967	216,679
Accrued interest	6,951,857	3,212,584	10,164,441	-
Accrued payroll	4,983,849	452,668	5,436,517	25,579,390
Accrued expenses	7,060	-	7,060	-
Due to other agencies	-	-	-	1,885,742
Due to other governments	7,778,650	-	7,778,650	-
Due to other primary gov/component units	659,605	-	659,605	-
Other current liabilities	3,692,059	1,213,118	4,905,177	-
Unearned revenue	558,135	-	558,135	6,113,704
Liabilities payable from restricted assets	-	2,655,047	2,655,047	-
Long-term liabilities				
Due within one year	88,837,461	71,946,284	160,783,745	9,785,608
Due in more than one year	587,062,130	504,685,732	1,091,747,862	8,534,990
Total liabilities	<u>728,347,794</u>	<u>595,875,830</u>	<u>1,324,223,624</u>	<u>63,813,348</u>
NET ASSETS				
Invested in capital assets, net of related debt	252,127,785	237,307,229	489,435,014	70,805,928
Restricted for:				
Perpetual care - nonexpendable	6,474,531	-	6,474,531	-
Capital projects	57,437,477	39,306,083	96,743,560	973,888
Retirees' life insurance-future expenditures	485,000	-	485,000	-
Other programs	-	-	-	824,306
Unrestricted	63,013,442	43,920,837	106,934,279	7,495,533
Total net assets	<u>\$ 379,538,235</u>	<u>\$ 320,534,149</u>	<u>\$ 700,072,384</u>	<u>\$ 80,099,655</u>

CITY OF NORFOLK, VIRGINIA

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 111,628,653	\$ 1,799,773	\$ 14,242,115	\$ -	\$ (95,586,765)	\$ -	\$ (95,586,765)	\$ -
Judicial administration	52,209,177	934,595	22,239,258	-	(29,035,324)	-	(29,035,324)	-
Public safety	120,703,126	2,796,906	8,238,646	-	(109,667,574)	-	(109,667,574)	-
Public works	134,273,985	26,999,097	21,156,505	-	(86,118,383)	-	(86,118,383)	-
Health and public assistance	93,494,792	133,895	41,560,632	-	(51,800,265)	-	(51,800,265)	-
Culture and recreation	63,437,272	6,232,276	2,916,005	-	(54,288,991)	-	(54,288,991)	-
Community development	10,866,691	1,538,606	2,066,182	16,933,100	9,671,197	-	9,671,197	-
Education	104,511,131	-	-	-	(104,511,131)	-	(104,511,131)	-
Interest on long-term debt	23,788,236	-	-	-	(23,788,236)	-	(23,788,236)	-
Total governmental activities	<u>714,913,063</u>	<u>40,435,148</u>	<u>112,419,343</u>	<u>16,933,100</u>	<u>(545,125,472)</u>	<u>-</u>	<u>(545,125,472)</u>	<u>-</u>
Business-type activities:								
Water	66,990,131	74,453,906	-	503,658	-	7,967,433	7,967,433	-
Wastewater	21,227,261	23,125,447	-	-	-	1,898,186	1,898,186	-
Parking facilities	19,036,111	20,048,100	-	-	-	1,011,989	1,011,989	-
Total business-type activities	<u>107,253,503</u>	<u>117,627,453</u>	<u>-</u>	<u>503,658</u>	<u>-</u>	<u>10,877,608</u>	<u>10,877,608</u>	<u>-</u>
Total primary government	<u>\$ 822,166,566</u>	<u>\$ 158,062,601</u>	<u>\$ 112,419,343</u>	<u>\$ 17,436,758</u>	<u>\$ (545,125,472)</u>	<u>\$ 10,877,608</u>	<u>\$ (534,247,864)</u>	<u>\$ -</u>
Component units:								
Norfolk Public Schools	\$ 387,392,289	\$ 5,781,110	\$ 229,557,400	\$ 7,114,562	-	-	-	\$ (144,939,217)
Community Services Board	24,267,843	7,780,203	13,349,141	-	-	-	-	(3,138,499)
Total component units	<u>\$ 411,660,132</u>	<u>\$ 13,561,313</u>	<u>\$ 242,906,541</u>	<u>\$ 7,114,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,077,716)</u>
General revenues:								
Taxes:								
General property taxes - real estate and personal property					260,640,532	-	260,640,532	-
Consumers' utility taxes					44,141,697	-	44,141,697	-
Sales and use taxes					29,483,735	-	29,483,735	-
Restaurant food taxes					28,078,279	-	28,078,279	-
Business license taxes					27,692,126	-	27,692,126	-
Hotel/Motel taxes					7,791,878	-	7,791,878	-
Cigarette taxes					7,332,650	-	7,332,650	-
Admissions taxes					3,670,627	-	3,670,627	-
Motor vehicle licenses					4,005,383	-	4,005,383	-
Franchise, recordation and other miscellaneous local taxes					5,730,289	-	5,730,289	-
Interest and investment earnings					2,789,334	925,284	3,714,618	1,674,051
Grants and contributions not restricted to specific programs					60,512,536	-	60,512,536	-
Miscellaneous					9,599,593	2,850,557	12,450,150	220,025
Commonwealth of Virginia					-	-	-	30,102,433
Gain (loss) from sale of assets					-	-	-	3,681
Local government					-	-	-	108,562,131
Transfers					10,215,191	(10,215,191)	-	-
Total general revenues and transfers					<u>501,683,850</u>	<u>(6,439,350)</u>	<u>495,244,500</u>	<u>140,562,321</u>
Changes in net assets					<u>(43,441,622)</u>	<u>4,438,258</u>	<u>(39,003,364)</u>	<u>(7,515,395)</u>
Net assets - beginning					<u>422,979,857</u>	<u>316,095,891</u>	<u>739,075,748</u>	<u>87,841,346</u>
Adjustment to beginning net assets - implementation of GASB 49					<u>-</u>	<u>-</u>	<u>0</u>	<u>(226,296)</u>
Net assets - ending					<u>\$ 379,538,235</u>	<u>\$ 320,534,149</u>	<u>\$ 700,072,384</u>	<u>\$ 80,099,655</u>

CITY OF NORFOLK, VIRGINIA
Balance Sheet - Governmental Funds
June 30, 2009

Exhibit A-1

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
ASSETS					
Cash and short term investments	\$ 22,299,019	\$ 116,994,068	\$ -	\$ 28,018,332	\$ 167,311,419
Investments	-	-	-	9,957	9,957
Receivables, net					
Taxes	52,235,141	-	-	-	52,235,141
Accounts	2,186,894	-	-	4,791,711	6,978,605
Notes	23,230	-	-	-	23,230
Accrued investment income	8,788	-	-	-	8,788
Due from other funds	15,526,495	8,520,851	-	21,870,049	45,917,395
Due from other governments	24,167,204	-	-	5,250,642	29,417,846
Prepays	-	-	-	15,965	15,965
Deposit with contractors	-	84,395	-	13,065	97,460
Other assets	-	-	-	160,356	160,356
Total assets	<u>\$ 116,446,771</u>	<u>\$ 125,599,314</u>	<u>\$ -</u>	<u>\$ 60,130,077</u>	<u>\$ 302,176,162</u>
LIABILITIES					
Vouchers payable	\$ 9,329,359	\$ 13,430,377	\$ -	\$ 2,250,586	\$ 25,010,322
Employee withholdings	920,692	-	-	-	920,692
Contract retainage	-	1,425,742	-	152,900	1,578,642
Accrued payroll	4,622,767	-	-	290,717	4,913,484
Accrued expenses	-	-	-	7,060	7,060
Due to other funds	1,103,750	33,043,062	-	8,931,450	43,078,262
Due to other governments	-	-	-	7,778,650	7,778,650
Due to component units	30,274	629,331	-	-	659,605
Deferred revenue	38,585,306	120,000	-	816,859	39,522,165
Other liabilities	3,228,653	25,156	-	318,143	3,571,952
Total liabilities	<u>57,820,801</u>	<u>48,673,668</u>	<u>-</u>	<u>20,546,365</u>	<u>127,040,834</u>
FUND BALANCES					
Reserved for:					
Encumbrances	7,356,528	50,986,977	-	20,543,603	78,887,108
Perpetual care	-	-	-	6,470,648	6,470,648
Capital projects	-	-	-	34,559	34,559
Retirees' life insurance - future expenditures	485,000	-	-	-	485,000
Unreserved, reported in:					
General Fund - Designated for future expenditures	9,420,427	25,938,669	-	-	35,359,096
General Fund - Undesignated	41,364,015	-	-	-	41,364,015
Special Revenue Funds	-	-	-	12,534,902	12,534,902
Total fund balances	<u>58,625,970</u>	<u>76,925,646</u>	<u>-</u>	<u>39,583,712</u>	<u>175,135,328</u>
Total liabilities and fund balances	<u>\$ 116,446,771</u>	<u>\$ 125,599,314</u>	<u>\$ -</u>	<u>\$ 60,130,077</u>	<u>\$ 302,176,162</u>

CITY OF NORFOLK, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Exhibit A-2

Fund balances--total governmental funds	\$	175,135,328
---	----	-------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds :

	Cost of capital assets	2,092,886,197
	Contributed Capital Assets	16,933,100
	Accumulated depreciation	<u>(1,272,918,738)</u>
		836,900,559

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds :

	Adjustment for deferred revenue	38,844,030
--	---------------------------------	------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds :

	Bonds and notes payable	(578,936,007)
	Unamortized Bond premium	(9,807,006)
	Capital leases	(1,529,811)
	Retirement contribution	(25,196,244)
	Other post employment benefits	(7,203,494)
	Compensated absences	(16,260,733)
	Workers' compensation and claims liability	(34,507,189)
	Other	(1,663,136)
	Accrued interest payable	<u>(6,951,857)</u>
		(682,055,477)

Internal service funds		10,713,795
------------------------	--	------------

Net assets of governmental activities	<u>\$</u>	<u>379,538,235</u>
---------------------------------------	-----------	--------------------

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

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
REVENUES					
General property taxes	\$ 249,021,469	\$ -	\$ -	\$ 2,982,200	\$ 252,003,669
Other local taxes	149,143,513	-	-	8,783,151	157,926,664
Permits and licenses	4,011,771	-	-	-	4,011,771
Fines and forfeitures	1,259,775	-	-	-	1,259,775
Use of money and property	6,468,854	1,264,961	-	598,739	8,332,554
Charges for services	20,382,047	-	-	19,963,418	40,345,465
Miscellaneous	6,323,499	3,218,696	-	3,369,075	12,911,270
Recovered costs	8,952,032	-	-	-	8,952,032
Intergovernmental	123,889,498	-	-	25,884,455	149,773,953
Total revenues	<u>569,452,458</u>	<u>4,483,657</u>	<u>-</u>	<u>61,581,038</u>	<u>635,517,153</u>
EXPENDITURES					
Current operating:					
General government	102,304,247	-	-	121,220	102,425,467
Judicial administration	47,316,777	-	-	3,030,330	50,347,107
Public safety	107,927,615	-	-	10,145,664	118,073,279
Public works	38,806,007	-	-	17,340,092	56,146,099
Health and public assistance	65,330,416	-	-	26,317,592	91,648,008
Culture and recreation	41,805,449	-	-	10,443,236	52,248,685
Community development	6,579,369	-	-	3,319,391	9,898,760
Education	104,511,131	-	-	-	104,511,131
Debt service:					
Principal	-	-	47,607,092	485,000	48,092,092
Interest and other charges	-	-	22,345,114	1,320,837	23,665,951
Capital outlay	-	104,369,309	-	522,800	104,892,109
Total expenditures	<u>514,581,011</u>	<u>104,369,309</u>	<u>69,952,206</u>	<u>73,046,162</u>	<u>761,948,688</u>
Excess (deficiency) of revenues over expenditures	<u>54,871,447</u>	<u>(99,885,652)</u>	<u>(69,952,206)</u>	<u>(11,465,124)</u>	<u>(126,431,535)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of refunding bonds	-	-	16,000,392	-	16,000,392
Issuance of debt	8,487,667	46,792,333	-	-	55,280,000
Payment to bond refunding escrow agent	-	-	(16,000,392)	-	(16,000,392)
Premium on bonds	-	1,707,435	-	-	1,707,435
Transfers in	12,948,230	6,753,585	69,952,206	15,986,531	105,640,552
Transfers out	(85,652,562)	(132,530)	-	(9,640,269)	(95,425,361)
Total other financing sources and uses	<u>(64,216,665)</u>	<u>55,120,823</u>	<u>69,952,206</u>	<u>6,346,262</u>	<u>67,202,626</u>
Net changes in fund balances	<u>(9,345,218)</u>	<u>(44,764,829)</u>	<u>-</u>	<u>(5,118,862)</u>	<u>(59,228,909)</u>
Fund balances--beginning	67,971,188	121,690,475	-	44,702,574	234,364,237
Fund balances--ending	<u>\$ 58,625,970</u>	<u>\$ 76,925,646</u>	<u>\$ -</u>	<u>\$ 39,583,712</u>	<u>\$ 175,135,328</u>

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2009**

Net change in fund balances--total governmental funds			\$ (59,228,909)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.			
	Add capital acquisitions net of disposals	71,813,343	
	Contributed Capital Assets	16,933,100	
	Subtract depreciation expense	(73,241,731)	15,504,712
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.			8,675,945
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Asset.			
	Add debt repayment	48,092,092	
	Additional principal payment on QZAB bonds	50,296	
	General obligation bond proceeds	<u>(55,280,000)</u>	(7,137,612)
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			
	Change in non-capital long-term liabilities (Note VIII)	(3,605,393)	
	Principal pay down on capital leases	1,755,630	
	Principal pay down on note payables	1,000,000	
	Accrued interest payable	(33,428)	
	Premium on refunding debt	<u>339,769</u>	(543,422)
Internal service funds are used by management to charge the costs of of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activity.			(712,336)
Change in net assets of Governmental activities			<u><u>\$ (43,441,622)</u></u>

CITY OF NORFOLK, VIRGINIA

Exhibit B-1

Statement of Fund Net Assets - Proprietary Funds
June 30, 2009

	Business-Type Activities				Governmental Activities- Internal Service Funds
	Water	Waste- Water	Parking Facilities	Totals	
ASSETS					
Current assets:					
Cash and short term investments	\$ 29,216,859	\$ 10,057	\$ 18,009,097	\$ 47,236,013	\$ 2,214,549
Restricted cash held with fiscal agent	114,904	204,568	5,935,071	6,254,543	-
Receivables, net					
Accounts	9,157,426	1,954,988	1,367,881	12,480,295	33,560
Unbilled accounts	4,226,869	987,990	350,203	5,565,062	-
Accrued investment income	6,108	-	-	6,108	-
Other	115,000	446	-	115,446	-
Internal balances	-	-	-	-	2,052,021
Due from component unit	-	-	-	-	15,998
Inventories	1,627,194	46,488	420,724	2,094,406	2,388,877
Other assets	-	-	-	-	-
Restricted cash and investments	38,053,761	16,935,099	4,920,352	59,909,212	-
Total current assets	<u>82,518,121</u>	<u>20,139,636</u>	<u>31,003,328</u>	<u>133,661,085</u>	<u>6,705,005</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	34,325,172	17,837,455	78,856,388	131,019,015	415,000
Buildings and equipment	548,398,331	205,715,552	136,354,683	890,468,566	10,656,683
Accumulated depreciation	(144,750,965)	(45,625,222)	(43,793,913)	(234,170,100)	(5,566,551)
Capital assets, net	<u>437,972,538</u>	<u>177,927,785</u>	<u>171,417,158</u>	<u>787,317,481</u>	<u>5,505,132</u>
Total assets	<u>520,490,659</u>	<u>198,067,421</u>	<u>202,420,486</u>	<u>920,978,566</u>	<u>12,210,137</u>
LIABILITIES					
Current liabilities:					
Vouchers payable	3,075,416	2,999,729	2,234,927	8,310,072	307,439
Contract retainage	794,072	680,196	1,926,057	3,400,325	-
Accrued interest	112,682	1,123,189	1,976,713	3,212,584	-
Accrued payroll	281,198	96,204	75,266	452,668	70,365
Internal balances	3,369,643	932,888	266,056	4,568,587	322,567
Obligations for employees retirement system	1,696,500	528,888	409,080	2,634,468	448,272
Current portion of bonds payable	12,232,578	7,010,615	48,457,133	67,700,326	-
Liabilities payable from restricted assets	2,655,047	-	-	2,655,047	-
Compensated absences	656,331	191,775	123,384	971,490	244,948
Claims and judgments liability	640,000	-	-	640,000	-
Other current liabilities	520,744	204,304	488,070	1,213,118	5,082
Total current liabilities	<u>26,034,211</u>	<u>13,767,788</u>	<u>55,956,686</u>	<u>95,758,685</u>	<u>1,398,673</u>
Noncurrent liabilities:					
General obligation bonds payable	6,594,840	92,599,574	5,412,510	104,606,924	-
Revenue bonds payable	300,897,242	13,092,438	83,982,027	397,971,707	-
Compensated absences	341,367	149,161	179,029	669,557	97,669
Other long-term liabilities	1,106,000	167,397	164,147	1,437,544	-
Total noncurrent liabilities	<u>308,939,449</u>	<u>106,008,570</u>	<u>89,737,713</u>	<u>504,685,732</u>	<u>97,669</u>
Total liabilities	<u>334,973,660</u>	<u>119,776,358</u>	<u>145,694,399</u>	<u>600,444,417</u>	<u>1,496,342</u>
NET ASSETS					
Invested in capital assets, net of related debt	135,262,265	65,225,158	36,819,806	237,307,229	5,500,050
Restricted - capital projects	14,769,879	16,935,099	7,601,105	39,306,083	-
Unrestricted	35,484,855	(3,869,194)	12,305,176	43,920,837	5,213,745
Total net assets	<u>\$ 185,516,999</u>	<u>\$ 78,291,063</u>	<u>\$ 56,726,087</u>	<u>\$ 320,534,149</u>	<u>\$ 10,713,795</u>

CITY OF NORFOLK, VIRGINIA

Exhibit B-2

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

	Business-Type Activities			Totals	Governmental
	Water	Waste- Water	Parking Facilities		Activities Internal Service Funds
Operating revenues:					
Charges for services	\$ 74,453,906	\$ 23,125,447	\$ 20,048,100	\$ 117,627,453	\$ 14,117,880
Miscellaneous	2,666,962	183,595	-	2,850,557	101,374
Total operating revenues	<u>77,120,868</u>	<u>23,309,042</u>	<u>20,048,100</u>	<u>120,478,010</u>	<u>14,219,254</u>
Operating expenses:					
Personal services	13,972,816	4,687,564	8,035,974	26,696,354	3,476,046
Cost of goods sold	-	-	-	-	8,724,450
Plant operations	6,844,241	2,491,899	1,020,356	10,356,496	279,678
Chemicals	4,963,652	120,473	-	5,084,125	-
Provision for bad debts	419,459	385,961	-	805,420	496,567
Depreciation	11,335,890	4,361,725	3,830,472	19,528,087	335,285
Retirement and OPEB contribution	2,240,845	702,191	513,011	3,456,047	564,006
Administrative expenses	1,710,050	1,459,623	322,457	3,492,130	-
Other	10,656,564	2,450,452	870,416	13,977,432	1,029,570
Total operating expenses	<u>52,143,517</u>	<u>16,659,888</u>	<u>14,592,686</u>	<u>83,396,091</u>	<u>14,905,602</u>
Operating income (loss), net	<u>24,977,351</u>	<u>6,649,154</u>	<u>5,455,414</u>	<u>37,081,919</u>	<u>(686,348)</u>
Nonoperating revenues (expenses):					
Interest income, net of interest capitalized	899,684	12,795	12,805	925,284	10,052
Interest expense and fiscal charges	(14,826,222)	(4,484,588)	(4,434,666)	(23,745,476)	-
Loss on sale or disposal of capital assets	(20,392)	(82,785)	(8,759)	(111,936)	(36,040)
Total nonoperating revenues (expenses)	<u>(13,946,930)</u>	<u>(4,554,578)</u>	<u>(4,430,620)</u>	<u>(22,932,128)</u>	<u>(25,988)</u>
Net income (loss) before contributions and transfers	11,030,421	2,094,576	1,024,794	14,149,791	(712,336)
Capital contribution	503,658	-	-	503,658	-
Transfers out	(8,500,000)	(1,500,000)	(215,191)	(10,215,191)	-
Changes in net assets	3,034,079	594,576	809,603	4,438,258	(712,336)
Total net assets - beginning	<u>182,482,920</u>	<u>77,696,487</u>	<u>55,916,484</u>	<u>316,095,891</u>	<u>11,426,131</u>
Total net assets - ending	<u>\$ 185,516,999</u>	<u>\$ 78,291,063</u>	<u>\$ 56,726,087</u>	<u>\$ 320,534,149</u>	<u>\$ 10,713,795</u>

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

	Business-Type Activities			Total	Governmental
	Water	Waste- Water	Parking Facilities		Activities-- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 75,869,912	\$ 24,313,987	\$ 19,687,728	\$ 119,871,627	\$ 14,105,227
Payments to suppliers	(12,102,164)	(2,592,630)	(476,825)	(15,171,619)	(9,432,217)
Payments to employees	(15,686,553)	(5,253,720)	(8,512,797)	(29,453,070)	(3,891,246)
Other payments	(14,711,524)	(3,966,205)	(779,598)	(19,457,327)	(987,235)
Net cash and short term investments provided by (used in) operating activities	<u>33,369,671</u>	<u>12,501,432</u>	<u>9,918,508</u>	<u>55,789,611</u>	<u>(205,471)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Internal activity	1,271,964	(5,764,205)	(4,767,255)	(9,259,496)	(1,932,780)
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	(215,191)	(10,215,191)	-
Net cash used in noncapital financing activities	<u>(7,228,036)</u>	<u>(7,264,205)</u>	<u>(4,982,446)</u>	<u>(19,474,687)</u>	<u>(1,932,780)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital debt	3,700,816	8,453,906	45,808,420	57,963,142	-
Capital contributions	503,658	-	-	503,658	-
Purchases of capital assets	(11,748,215)	(17,490,384)	(35,178,521)	(64,417,120)	(49,628)
Refunding of debt principal	(3,708,424)	(1,520,440)	(1,230,744)	(6,459,608)	-
Principal paid on capital debt	(11,807,732)	(6,150,117)	(3,482,958)	(21,440,807)	(2,620)
Interest paid on capital debt	(15,877,862)	(2,427,825)	(3,768,096)	(22,073,783)	-
Net cash provided by (used in) capital and related financing activities	<u>(38,937,759)</u>	<u>(19,134,860)</u>	<u>2,148,101</u>	<u>(55,924,518)</u>	<u>(52,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	14,810,423	19,633,090	1,312,800	35,756,313	-
Purchase of investments	(9,395,450)	(8,526,895)	(1,065,586)	(18,987,931)	-
Interest and dividends	1,014,374	12,795	14,384	1,041,553	10,052
Net cash provided by investing activities	<u>6,429,347</u>	<u>11,118,990</u>	<u>261,598</u>	<u>17,809,935</u>	<u>10,052</u>
Net increase (decrease) in cash and short term investments	(6,366,777)	(2,778,643)	7,345,761	(1,799,659)	(2,180,447)
Cash and short term investments - beginning of the year	<u>35,698,540</u>	<u>2,993,268</u>	<u>16,598,407</u>	<u>55,290,215</u>	<u>4,394,996</u>
Cash and short term investments - end of the year	<u>\$ 29,331,763</u>	<u>\$ 214,625</u>	<u>\$ 23,944,168</u>	<u>\$ 53,490,556</u>	<u>\$ 2,214,549</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:					
Operating income (loss)	\$ 24,977,351	\$ 6,649,154	\$ 5,455,414	\$ 37,081,919	\$ (686,348)
Adjustments to reconcile operating income (loss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense	11,335,890	4,361,725	3,830,472	19,528,087	335,285
Provision for bad debt	419,459	385,961	-	805,420	496,567
Change in assets and liabilities:					
Receivables, net	(1,365,956)	1,004,945	(360,372)	(721,383)	(114,027)
Other receivables	115,000	-	-	115,000	-
Inventories	89,019	-	10,337	99,356	(129,039)
Other assets	-	-	343,716	343,716	-
Vouchers payable	(383,290)	19,742	533,195	169,647	(256,714)
Accrued payroll	635,148	175,855	160,322	971,325	12,116
Other liabilities	(2,452,950)	(95,950)	(54,576)	(2,603,476)	136,689
Net cash and short term investments provided by (used in) operating activities	<u>\$ 33,369,671</u>	<u>\$ 12,501,432</u>	<u>\$ 9,918,508</u>	<u>\$ 55,789,611</u>	<u>\$ (205,471)</u>
Reconciliation of Cash and Short Term Investments to the Statement of Net Assets:					
Cash and short term investments	\$ 29,216,859	\$ 10,057	\$ 18,009,097	\$ 47,236,013	\$ 2,214,549
Restricted cash with fiscal agent	<u>114,904</u>	<u>204,568</u>	<u>5,935,071</u>	<u>6,254,543</u>	<u>-</u>
Total cash and short term investments per statement of net assets	<u>\$ 29,331,763</u>	<u>\$ 214,625</u>	<u>\$ 23,944,168</u>	<u>\$ 53,490,556</u>	<u>\$ 2,214,549</u>
Noncash investing, capital, and financing activities:					
Loss on sale or disposal of capital assets	\$ (20,392)	\$ (82,785)	\$ (8,759)	\$ (111,936)	\$ (36,040)
Acquisition of capital assets through change in contract retainage	\$ 142,971	\$ 192,926	\$ 1,704,279	\$ 2,040,176	\$ -
Acquisition of capital assets through vouchers payable	\$ 1,405,011	\$ 1,554,022	\$ (1,993,697)	\$ 965,336	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 897,276	\$ 201,953	\$ -	\$ 1,099,229	\$ -

CITY OF NORFOLK, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2009

Exhibit C-1

	Pension Trust Employees' Retirement System	Agency Funds
ASSETS		
Cash and short term investments	\$ 12,085,854	\$ 3,405,518
Investments, fair value		
United States Government Securities	7,557,780	-
Fixed income	249,299,088	-
Balanced commingled funds	495,645,001	-
Receivables:		
Accounts, net of allowance for uncollectible accounts	55,855	13,795
Retirement contribution	28,278,984	-
Accrued investment income	1,364,103	-
Due from broker for securities sold	30,589,851	
Other	-	129,846
Total assets	\$ 824,876,516	\$ 3,549,159
LIABILITIES		
Vouchers payable	\$ 351,055	\$ 68,292
Due to brokers for securities purchased	108,989,090	-
Other liabilities	-	3,480,867
Total liabilities	109,340,145	3,549,159
NET ASSETS		
Reserved for:		
Assets held in trust for pension benefits	715,536,371	-
Total net assets	\$ 715,536,371	\$ -

CITY OF NORFOLK, VIRGINIA
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund - Employees' Retirement System
For the Year Ended June 30, 2009

Exhibit C-2

	2009
Changes to net assets attributed to:	
Investment income (loss):	
Net depreciation in fair value	
of investments	\$ (159,535,165)
Interest	24,733,841
Dividends	5,413,369
Other	7,703
	(129,380,252)
Less investment expense	(1,804,735)
Net investment loss	(131,184,987)
Employer contributions	28,278,984
Total	(102,906,003)
Benefit payments and expenses:	
Refunds of contributions	22,394
Benefits paid to plan members and beneficiaries	61,024,897
Administrative costs	707,784
Total	61,755,075
Net decrease	(164,661,078)
Net assets held in trust for pension benefits:	
Beginning of year	880,197,449
End of year	\$ 715,536,371

CITY OF NORFOLK, VIRGINIA
Statement of Net Assets - Component Units
June 30, 2009

Exhibit D-1

	Norfolk Public Schools	Norfolk Community Services Board	Total
ASSETS			
Cash and short term investments	\$ 32,406,039	\$ 9,401,088	\$ 41,807,127
Restricted cash held with fiscal agent	-	31,029	31,029
Investments	-	1,115,880	1,115,880
Receivables:			
Accounts, net of allowance for uncollectible accounts	224,898	1,395,872	1,620,770
Accrued investment income	-	17,816	17,816
Due from primary government	629,331	30,274	659,605
Due from other governments	26,992,464	-	26,992,464
Inventories	697,923	-	697,923
Other assets	-	164,461	164,461
Capital assets, net	69,644,383	1,161,545	70,805,928
Total assets	<u>130,595,038</u>	<u>13,317,965</u>	<u>143,913,003</u>
LIABILITIES			
Vouchers payable	11,128,953	568,282	11,697,235
Contract retainage	216,679	-	216,679
Accrued payroll	25,149,562	429,828	25,579,390
Unearned revenue	6,113,704	-	6,113,704
Due to other agencies	1,885,742	-	1,885,742
Current vested compensated absences	7,529,878	675,762	8,205,640
Other current liabilities	469,236	1,110,732	1,579,968
Long-term vested compensated absences	2,509,959	409,957	2,919,916
Long-term post employment benefits	3,822,574	-	3,822,574
Long-Term claims and judgments liability	1,792,500	-	1,792,500
Total liabilities	<u>60,618,787</u>	<u>3,194,561</u>	<u>63,813,348</u>
NET ASSETS			
Invested in capital assets, net of related debt	69,644,383	1,161,545	70,805,928
Restricted for:			
Capital projects	973,888	-	973,888
Other programs	28,605	795,701	824,306
Unrestricted	(670,625)	8,166,158	7,495,533
Total net assets	<u>\$ 69,976,251</u>	<u>\$ 10,123,404</u>	<u>\$ 80,099,655</u>

CITY OF NORFOLK, VIRGINIA
Statement of Activities - Component Units
For the Year Ended June 30, 2009

Exhibit D-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grant	Capital Grant	Norfolk Public Schools	Community Services Board	Totals
			Contributions	Contributions			
Norfolk Public Schools:							
Instructional	\$ 282,801,569	\$ 2,894,648	\$ 218,005,712	\$ -	\$ (61,901,209)	\$ -	\$ (61,901,209)
Administration, attendance and health	13,414,243	-	-	-	(13,414,243)	-	(13,414,243)
Pupil transportation	11,181,087	-	-	-	(11,181,087)	-	(11,181,087)
Operation and maintenance	38,954,012	-	-	-	(38,954,012)	-	(38,954,012)
Information technology	8,971,559	-	-	-	(8,971,559)	-	(8,971,559)
School facilities	17,151,503	-	-	7,114,562	(10,036,941)	-	(10,036,941)
Food services	14,918,316	2,886,462	11,551,688	-	(480,166)	-	(480,166)
Total Norfolk Public Schools	<u>387,392,289</u>	<u>5,781,110</u>	<u>229,557,400</u>	<u>7,114,562</u>	<u>(144,939,217)</u>	<u>-</u>	<u>(144,939,217)</u>
Community Services Board:							
Health and public assistance	24,267,843	7,780,203	13,349,141	-	-	(3,138,499)	(3,138,499)
Total component units	<u>\$ 411,660,132</u>	<u>\$ 13,561,313</u>	<u>\$ 242,906,541</u>	<u>\$ 7,114,562</u>	<u>(144,939,217)</u>	<u>-</u>	<u>(148,077,716)</u>
General revenues:							
Gain on sale of capital assets					-	3,681	3,681
Interest and investment earnings					1,499,185	174,866	1,674,051
Local government					104,511,131	4,051,000	108,562,131
Miscellaneous					199,578	20,447	220,025
Commonwealth of Virginia					30,102,433	-	30,102,433
Total general revenues					<u>136,312,327</u>	<u>4,249,994</u>	<u>140,562,321</u>
Changes in net assets					(8,626,890)	1,111,495	(7,515,395)
Net assets--beginning					78,829,437	9,011,909	87,841,346
Adjustment to beginning net assets Implementation of GASB 59					(226,296)	-	(226,296)
Net assets--ending					<u>\$ 69,976,251</u>	<u>\$ 10,123,404</u>	<u>\$ 80,099,655</u>

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**



CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

		<u>Page</u>
I	Summary of Significant Accounting Policies	33
A	Financial Reporting Entity Information.....	33
B	Government-wide and Fund Financial Statements.....	34
C	Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	36
D	Budgets and Budgetary Accounting	37
E	Deposits and Investments.....	38
F	Restricted Assets.....	39
G	Notes Receivable.....	39
H	Interfund Transactions.....	40
I	Inventories.....	40
J	Capital Assets.....	40
K	Compensated Absences.....	41
L	Net Assets/Fund Balances.....	42
M	Estimates.....	42
II	Deposits and Investments	42
III	Property Taxes	46
IV	Accounts Receivable	47
A	Unbilled Accounts Receivable	47
B	Allowances for Uncollectible Accounts Receivable	48
V	Notes Receivable	48
VI	Due From Other Governments	49
VII	Changes in Capital Assets	50
VIII	Long-Term Obligations	52
A	General Obligation and Revenue Bonds	52
B	General Obligation Bonds.....	54
C	Revenue Bonds.....	55

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VIII	Long-Term Obligations (continued)	
D	Other Notes and Loans.....	56
E	Advanced Refundings.....	56
F	Lease Obligations.....	57
G	Landfill Liability.....	58
H	Compensated Absences.....	59
I	Debt Limit.....	59
J	Bonds Authorized and Unissued.....	60
K	Changes in Long-Term Obligations.....	60
IX	Other Liabilities	61
X	Pension Plans	62
A	Employees' Retirement System of the City of Norfolk (System)	62
B	School Board – Retirement Plans	64
C	State Employees – Virginia Retirement System (VRS)	66
XI	Deferred Compensation Plan	68
XII	Other Post-employment Benefits (OPEB)	69
XIII	Interfund Receivable and Payable Balances	72
XIV	Interfund Transfers	73
XV	Recovered Costs	75
XVI	Other Liabilities	75
XVII	Supplemental Appropriations	75
XVIII	Deferred Revenue	76
A	Special Revenue Funds.....	76
B	Deferred Capital Projects Funding.....	76
C	Deferred property tax revenue.....	76

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XIX	Commitments and Contingencies	77
A	Capital Projects	77
B	Contingent Liabilities	77
C	Litigation.....	77
D	Pollution Remediation Obligation.....	77
XX	Surety Bonds and Insurance	78
XXI	Self and Purchased Insurance Programs	79
XXII	Jointly Governed Organizations	80
A	Hampton Roads Regional Jail Authority (HRRJA)	80
B	Hampton Roads Planning District Commission (the Commission)	80
C	Tidewater Transportation District Commission (TTDC)	80
XXIII	Joint Venture	81
	Southeastern Public Service Authority (SPSA)	81
XXIV	Related Organizations	82
A	Norfolk Redevelopment and Housing Authority (NRHA).....	82
B	Norfolk Airport Authority	82
C	The Economic Development Authority of the City of Norfolk (EDA).....	83
D	The Chrysler Museum, Inc. (the Museum).....	83
E	The Hospital Authority of Norfolk (HAN).....	83
XXV	Subsequent Event	84
XXVI	Accounting Pronouncements Issued But Not Yet Implemented	84

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity Information

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 235,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

Blended Component Unit: *The Employees' Retirement System of the City of Norfolk (ERS)* has a nine-member Board of Trustees. Seven members are appointed by the City Council. The City Manager and Director of Finance are ex-officio members. The ERS is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees and certain employees of the Constitutional Officers covered by the Virginia Supplemental Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: Although legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board) which has seven members is the operating body that establishes the educational and financial programs and policies for the City's public school system. School Board members are appointed by the City Council. The City levies taxes for its operation, issues bonds or enters into capital leases for its capital requirements and approves its annual operating budget. The School Board for the City of Norfolk is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants fund and agency funds.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City Council. Its purpose is to provide mental health, mental retardation, and substance abuse services to residents of the City of Norfolk. The CSB is composed of 15 members appointed by City Council. City Council approves the CSB's annual operating budget.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board
810 Union Street, City Hall Building Room 309
Norfolk, Virginia 23510

The School Board for the City of Norfolk
800 East City Hall Avenue
P.O. Box 1357
Norfolk, Virginia 23501-1357

The Norfolk Community Services Board
Board Administration
248 West Bute Street
Norfolk, Virginia 23510-1404

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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 support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds and proprietary funds.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board.

The City reports the following major proprietary funds:

- The *Water Fund* accounts for the activities of the City's water system, treatment plant and distribution systems.
- The *Wastewater Fund* accounts for the activities of the City's sewage pumping stations and collection systems.
- The *Parking Facilities Fund* accounts for the activities of the City's owned parking facilities.

Additionally, the City reports the following other fund types:

- *Internal Service Funds* account for the City's storehouse operations and fleet management services provided to other departments or agencies of the City on a cost reimbursement basis.
- The *Pension Trust Fund* accounts for the activities of the Employee's Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *Permanent Fund* is used to report resources that are legally restricted to the extent that only the interest may be used to support the City's cemetery operations.
- The *Agency Funds* are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets = liabilities).

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. Fiduciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. In compliance with Section 2.9, Uniform Financial Reporting Manual for Virginia Counties and Municipalities, property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred revenue. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be financed by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental funds susceptible to accrual include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Environmental storm water billings
- Revenue from the Commonwealth
 - Shared expenses
 - Categorical aid
- Revenue from the federal government

Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Therefore, all taxes are general revenue.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 and expenses of the City's Water, Wastewater and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility fund, Wastewater Utility fund, Parking Facilities fund, Storm Water special revenue fund, Nauticus special revenue fund, Maritime Facility special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations center/E911 special revenue fund, Golf special revenue fund, Towing special revenue fund and internal service funds. Project length budgets are appropriated for the Capital Projects and Grants funds. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups) such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations, as well as on a line item basis over individual objects (budgetary accounts). The City Manager is authorized to transfer funds between departments and funds without further approvals by City Council.

The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibit E include the revenues and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with accounting principles generally accepted in the United States (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the general fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with accounting principles generally accepted in the United States of America.

With the exception of capital projects and grants fund appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short term investments with original maturities of one year or less from the date of acquisition.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the LGIP is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by State statute.

Investments of the City as well as its component units are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Investments that do not have an established market are reported at estimated fair value, primarily net asset value determined based on the fair value of the underlying securities. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result 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 statements of cash flows, all highly liquid debt instruments and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other governments.

G. Notes Receivable

Notes receivable reported in the governmental funds represent assets that are offset by deferred revenue in the fund financial statements since funds do not meet the availability criteria. Payments on these balances will be recognized as revenue as they are received.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

H. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. Since internal service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide financial statements. A discrete presentation of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General fund in the fund financial statements.

I. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, i.e., the "purchase method." Reported inventories in the governmental funds are offset by a fund balance reserve, indicating they are not currently available expendable resources. Proprietary funds expense inventories when consumed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at historical cost less accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the government-wide statement of governmental activities. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated fixed assets are recorded at their estimated fair value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets purchased by enterprise and internal service funds are stated at cost, less accumulated depreciation.

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:

	Governmental Funds	Enterprise Funds	Internal Service Funds
	(In years)		
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and other water/wastewater equipment	-	10-30	-
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20

K. Compensated Absences

It is the City and School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

service since the City does not pay it when the employee separates from service. The entire unpaid liability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave at retirement. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

L. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Reservations of fund balances are used to indicate that portion that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of unreserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. Deposits and Investments

Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and permanent funds. Each fund's portion of the pool is disclosed in the statement of net assets and balance sheet as cash and short term investments. The cash and investments of the Pension Trust and permanent funds are held separately from the pooled City funds.

In accordance with its investment policy, all deposits of the City and its component units are held in City Council designated official depositories and are collateralized in

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

accordance with the Virginia Security for Public Deposits Act (“the Act”), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool’s collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Custodial Credit Risk - Investments

For an 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 investment or collateral securities that are in the possession of an outside party.

The City’s equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City’s name by the City’s custodial banks. The policy for the Pension Trust fund is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City and its other component units have no formal policy regarding custodial credit risk for investments.

Interest Rate Risk

The City’s Pension Trust fund uses a “Duration” policy to manage its interest rate risk. The duration policy is a measure of a debt investment’s exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment’s full price.

Other than for the assets of the City’s Pension fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Segmented Time Distribution (as of June 30, 2009)

Primary Government

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Debt	\$ 60,113,374	\$ 20,917,669	\$ 22,183,814	\$ 3,803,609	\$ 6,934,450	\$ 6,273,831
Futures and Swaps	2,829,866	1,449,771	731,837	146,183	2,075	500,000
ABS	12,352,343	-	586,071	1,945,847	6,828	9,813,598
Treasury and Agencies	25,351,582	5,590,031	12,089,314	109,040	3,036,100	4,527,097
Mortgages	152,760,208	-	-	67,063	170,304	152,522,841
Certificates of Deposit	17,646,000	17,646,000	-	-	-	-
Common Stock	278	-	-	-	-	278
Municipal Bonds	9,539,527	-	-	-	-	9,539,527
Convertible Preferred	4,249,338	-	-	-	-	4,249,338
Fixed Income Funds	64,660,473	-	-	-	-	20,767,055
Domestic Equity Funds	291,694,924	-	-	-	-	-
International Equity Funds	134,539,987	-	-	-	-	-
Money Market Investments in Cash & Cash Equivalents	183,679,441	183,679,441	-	-	-	-
Total	\$ 959,417,341	\$ 229,282,912	\$ 35,591,036	\$ 6,071,742	\$ 10,149,757	\$ 208,193,565

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Assets (Primary Government) and Statement of Fiduciary Net Assets for the City is as follows:

Per Exhibit 1 (Primary Government):	
Cash and short term investments	\$ 216,761,981
Restricted cash held with fiscal agents	6,352,003
Investments	9,957
Restricted cash and investments	<u>59,909,212</u>
Total	<u>\$ 283,033,153</u>
Per Exhibit C-1 (Fiduciary):	
Cash and short term investments	15,491,372
Investments	<u>752,501,869</u>
Total	<u>\$ 767,993,241</u>
Total Primary Government and Fiduciary	<u>\$ 1,051,026,394</u>
Less: Actual cash	91,609,053
Deposits and investments reported above	<u><u>\$ 959,417,341</u></u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust Fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's, Fitch Ratings, and Standard and Poor's (S&P), are not permitted. The City's Pension Trust Fund invests in certain derivatives including real estate mortgage investment conduits, collateralized mortgage obligations, futures and swaps. Those securities are included in reported investments in the Retirement System financial statements. Investments in derivatives with a cost of \$21,342,022 and a market value of \$20,388,837 were held at June 30, 2009. The City's rated debt investments as of June 30, 2009 were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

The Primary Government's Rated Debt Investment

Ratings (S&P)	Corporate Debt	Futures and Swaps	ABS	Treasury and Agencies	Mortgages	Certificates of Deposit	Municipal Bonds	Money Market Mutual Funds
AAA	\$ 9,781,228	\$ 205,050	\$ 6,828	\$ 25,028,408	\$ 138,317,706	\$ -	\$ 6,654,659	\$ -
AAAm	-	-	-	-	-	-	-	183,679,441
AA+	301,211	(907,084)	-	-	6,327,474	-	-	-
AA	-	196,238	-	-	-	-	-	-
AA-	3,836,826	63,650,171	-	-	2,147,411	-	-	-
A+	3,589,972	(60,609,944)	-	-	752,625	-	-	-
A	2,587,058	698,297	1,216,128	-	322,914	-	-	-
A-	206,817	1,362,737	-	-	-	480,000	2,381,919	-
BBB+	2,163,753	(397,022)	278,525	-	1,125,662	-	182,078	-
BBB	975,286	(800,000)	-	323,174	-	-	-	-
BBB-	2,790,002	-	-	-	-	-	-	-
BB+	197,263	-	-	-	-	-	-	-
BB-	1,188,347	936,180	-	-	-	-	-	-
B and Below	-	(635,334)	139,517	-	1,771,665	-	-	-
Not Rated	32,495,611	(869,423)	10,711,345	-	1,994,751	17,166,000	320,871	-
Total	\$ 60,113,374	\$ 2,829,866	\$ 12,352,343	\$ 25,351,582	\$ 152,760,208	\$ 17,646,000	\$ 9,539,527	\$ 183,679,441

The City's Pension Trust fund held \$291,694,924 and \$134,539,987 in domestic and international equity funds, respectively, and an additional \$4,249,338 and \$64,660,473 in Convertible Preferred and Fixed Income Funds which are unrated securities.

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust funds, no more than 20% of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Baa (1,2, and 3) or BBB (+ or -). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20% in these ratings and the purchase of bonds rated below Baa3 or BBB-.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Other than for the assets of the City's Pension fund, neither the City nor its component units have a formal investment policy regarding the amount it may invest in any one issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. City's Pension Trust Fund's exposure to foreign currency risk is presented as follows:

<u>Currency</u>	<u>Fixed-Income</u>
Australian Dollar	\$ 209,820
Brazilian Real	3,776,768
Canadian Dollar	251,784
China Yuan Renminbi	2,077,222
Euro	776,336
Japanese Yen	83,928
Mexican Peso	1,237,941
Great Britain Pound	(629,461)
	<u>\$ 7,784,338</u>

Neither the City nor its component units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The City's component units did not have any exposure to foreign currency risk at year end.

Community Services Board

At June 30, 2009, the CSB's investments of \$1,115,880 consisted solely of certificates of deposits. These certificates of deposit had an initial maturity date greater than 90 days after the purchase and, therefore did not meet the definition of cash equivalents. The certificates of deposit had maturity dates ranging from July 2009 to February 2018; however subsequent to June 30, 2009 the certificates of deposit were redeemed with no material penalties. The proceeds were transferred into the LGIP.

At June 30, 2009 the CSB had \$9,401,088 of cash and cash equivalents, invested primarily in the LGIP.

School Board

At June 30, 2009, the School Board has investments of \$31,006,213 in a AAA rated money market mutual fund and cash and cash equivalents of \$1,399,826.

III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2009, on each \$100 of assessed value, were \$1.11 for real property, an additional \$.18 for the Downtown Service District, \$4.25 for personal property, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for airplanes, \$.50 for pleasure boats and \$1.50 for business boats. Disabled veterans pay a discounted rate of \$3.00 for personal property.

The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

IV. Accounts Receivable

A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2009:

Water utility fund	\$	4,226,869
Wastewater utility fund		987,990
Parking facilities fund		350,203
	<u>\$</u>	<u>5,565,062</u>

The associated revenue is included in charges for services. All amounts were billed in July 2009.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2009 are as follows:

Primary Government:

General Fund:	
Taxes	\$ 19,453,046
Accounts	<u>11,686,053</u>
	31,139,099
Storm Water special revenue fund	469,600
Water Utility fund	3,413,019
Wastewater Utility fund	<u>1,303,206</u>
Total - Primary Government	<u>\$ 36,324,924</u>

Component Units:

Norfolk Public Schools	\$ 233,172
Community Services Board	<u>59,511</u>
Total - Component Units	<u>\$ 292,683</u>

V. Notes Receivable

Notes receivable, at June 30, 2009 are as follows:

Primary Government: General Fund

WHRO (Hampton Roads Educational Telecommunications Association, Inc.)	<u>\$23,230</u>
---	-----------------

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VI. Due From Other Governments

Amounts due from other governments, at June 30, 2009 are as follows:

	General Fund	Total Primary Government	Component Unit
			School Board
Commonwealth of Virginia:			
Shared expenses	\$ 5,335,602	\$ 5,335,602	\$ -
Categorical aid	96,513	96,513	-
Noncategorical aid	18,735,089	18,735,089	-
Special revenue grants	-	858,245	19,359,570
Total - Commonwealth	24,167,204	25,025,449	19,359,570
Federal Government:			
Special revenue grants	-	4,392,397	7,632,894
Total - Federal	-	4,392,397	7,632,894
Total - Due from other governments	\$ 24,167,204	\$ 29,417,846	\$ 26,992,464

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VII. Changes in Capital Assets

A summary of changes in capital assets, at June 30, 2009 follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 40,351,264	\$ 20,312,101	\$ -	\$ 60,663,365
Construction in progress	114,761,897	51,529,457	(25,435,381)	140,855,973
Total non-depreciable assets	<u>155,113,161</u>	<u>71,841,558</u>	<u>(25,435,381)</u>	<u>201,519,338</u>
Depreciable assets:				
Buildings	577,210,739	30,043,786	-	607,254,525
Improvements other than buildings	28,642,495	1,544,541	-	30,187,036
Equipment	123,785,814	6,322,673	(1,992,141)	128,116,346
Infrastructure	1,154,314,965	5,483,296	(5,984,525)	1,153,813,736
Total depreciable assets	<u>1,883,954,013</u>	<u>43,394,296</u>	<u>(7,976,666)</u>	<u>1,919,371,643</u>
Less accumulated depreciation:				
Buildings	(233,352,562)	(13,250,240)	-	(246,602,802)
Improvements other than buildings	(12,223,717)	(757,893)	-	(12,981,610)
Equipment	(69,085,939)	(8,636,386)	3,334,513	(74,387,812)
Infrastructure	(897,182,279)	(50,932,497)	3,601,711	(944,513,065)
Total accumulated depreciation	<u>(1,211,844,497)</u>	<u>(73,577,016)</u>	<u>6,936,224</u>	<u>(1,278,485,289)</u>
Depreciable assets, net	<u>672,109,516</u>	<u>(30,182,720)</u>	<u>(1,040,442)</u>	<u>640,886,354</u>
Total governmental activities capital assets, net	<u>\$ 827,222,677</u>	<u>\$ 41,658,838</u>	<u>\$ (26,475,823)</u>	<u>\$ 842,405,692</u>
Business-Type activities:				
Non-depreciable capital assets:				
Land	\$ 48,287,029	\$ 142,000	\$ -	\$ 48,429,029
Construction in progress	53,038,154	68,624,701	(39,072,869)	82,589,986
Total non-depreciable assets	<u>101,325,183</u>	<u>68,766,701</u>	<u>(39,072,869)</u>	<u>131,019,015</u>
Depreciable assets:				
Land improvements	7,101,351	-	-	7,101,351
Buildings	317,576,727	571,062	(6,643)	318,141,146
Equipment	528,276,706	39,197,895	(2,248,532)	565,226,069
Totals depreciable assets	<u>852,954,784</u>	<u>39,768,957</u>	<u>(2,255,175)</u>	<u>890,468,566</u>
Less accumulated depreciation:				
Land improvements	(2,897,418)	(130,445)	-	(3,027,863)
Buildings	(73,189,084)	(6,796,898)	-	(79,985,982)
Equipment	(140,652,291)	(12,600,744)	2,096,780	(151,156,255)
Total accumulated depreciation	<u>(216,738,793)</u>	<u>(19,528,087)</u>	<u>2,096,780</u>	<u>(234,170,100)</u>
Depreciable assets, net	<u>636,215,991</u>	<u>20,240,870</u>	<u>(158,395)</u>	<u>656,298,466</u>
Business-Type activities capital assets, net	<u>\$ 737,541,174</u>	<u>\$ 89,007,571</u>	<u>\$ (39,231,264)</u>	<u>\$ 787,317,481</u>
Component units activities:				
Non-depreciable capital assets:				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in progress	-	4,944,606	-	4,944,606
Total non-depreciable assets	<u>487,500</u>	<u>4,944,606</u>	<u>-</u>	<u>5,432,106</u>
Depreciable assets:				
Buildings	5,194,094	-	-	5,194,094
Improvements other than buildings	755,566	16,630	-	772,196
Building improvements	82,029,374	3,393,903	(13,734)	85,409,543
Equipment	33,087,909	1,320,420	(2,771,767)	31,636,562
Total depreciable assets	<u>121,066,943</u>	<u>4,730,953</u>	<u>(2,785,501)</u>	<u>123,012,395</u>
Less accumulated depreciation:				
Buildings	(2,064,285)	(259,705)	-	(2,323,990)
Building improvements	(24,311,618)	(8,659,734)	2,997	(32,968,355)
Equipment and other	(22,209,223)	(2,432,456)	2,295,451	(22,346,228)
Total accumulated depreciation	<u>(48,585,126)</u>	<u>(11,351,895)</u>	<u>2,298,448</u>	<u>(57,638,573)</u>
Depreciable assets, net	<u>72,481,817</u>	<u>(6,620,942)</u>	<u>(487,053)</u>	<u>65,373,822</u>
Component units activities capital assets, net	<u>\$ 72,969,317</u>	<u>\$ (1,676,336)</u>	<u>\$ (487,053)</u>	<u>\$ 70,805,928</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Depreciation expense was charged to governmental and business-type activities as follows:

General government	\$	7,138,310
Judicial administration		1,140,169
Public safety		3,433,935
Public works, which includes the depreciation of infrastructure assets		53,226,861
Health and sanitation		256,283
Culture and recreation		6,894,522
Community development		1,151,651
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets.		335,285
Total depreciation expense	\$	<u>73,577,016</u>
Business-type activities:		
Water utility fund	\$	11,335,890
Wastewater utility fund		4,361,725
Parking fund		3,830,472
Total depreciation expense	\$	<u>19,528,087</u>
Component unit activities		
Community Services Board	\$	242,021
Schools		11,109,874
Total depreciation expense	\$	<u>11,351,895</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2009:

	<u>Interest Expense</u>	<u>Interest Revenue</u>	<u>Net Capitalized</u>
Water utility fund	\$ 1,151,110	\$ (253,834)	\$ 897,276
Wastewater utility fund	653,613	(451,660)	201,953
	<u>\$ 1,804,723</u>	<u>\$ (705,494)</u>	<u>\$ 1,099,229</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VIII. Long-Term Obligations

A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 1997 the City established Water revenue and Parking revenue bond programs, respectively. The Wastewater revenue bond program was established in fiscal year 2008.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2009 follows:

	General Obligation Bonds	Enterprise Funds			Total
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	
General obligation bonds outstanding at July 1, 2008	\$ 571,138,165 *	\$ 13,297,600	\$ 103,106,883	\$ 7,687,588	\$ 124,092,071
Bonds retired	(48,142,389)	(3,757,732)	(6,150,117)	(1,252,958)	(11,160,807)
Bonds refunded	(16,000,392)	(3,708,424)	(1,520,440)	(1,230,744)	(6,459,608)
Bonds transferred	-	-	-	-	-
Bonds issued	70,940,623	3,700,816	2,246,301	45,808,420	51,755,537
Bonds outstanding at June 30, 2009	577,936,007	9,532,260	97,682,627	51,012,306	158,227,193
Unamortized (discount) premium	9,807,006	(124,842)	1,502,562	297,337	1,675,057
General obligation bonds outstanding at June 30, 2009, adjusted for unamortized (discount) premium	<u>\$ 587,743,013</u>	<u>\$ 9,407,418</u>	<u>\$ 99,185,189</u>	<u>\$ 51,309,643</u>	<u>\$ 159,902,250</u>
Revenue bonds outstanding at July 1, 2008		\$ 320,825,000	\$ 7,359,833	\$ 92,634,000	\$ 420,818,833
Bonds retired		(8,050,000)	-	(2,230,000)	(10,280,000)
Bonds issued		-	6,207,605	-	6,207,605
Bonds outstanding at June 30, 2009		312,775,000	13,567,438	90,404,000	416,746,438
Less: Unamortized (discount) premium		(2,457,758)	(50,000)	(3,861,973)	(6,369,731)
Revenue bonds outstanding at June 30, 2009, adjusted for unamortized (discount) premium		<u>\$ 310,317,242</u>	<u>\$ 13,517,438</u>	<u>\$ 86,542,027</u>	<u>\$ 410,376,707</u>

* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000. Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenue pledge to support the bonds' debt device. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

General obligation and revenue bonds outstanding at June 30, 2009 are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Business-type Activities				Balance Outstanding
				Public Improvement Allocation	Water Utility Allocation	Wastewater Utility Allocation	Parking Facilities Allocation	
Series 1989 Property Acquisition	7/1/1989	\$ 1,500,000	6.76%	\$ 1,500,000				\$ 1,500,000
Series 1997 QRB	4/15/1997	4,000,000	5.50 - 5.75%	1,600,000				1,600,000
Series 1998 Capital Improvement	6/15/1998	44,330,000	5.00%	1,964,549		500,451		2,465,000
Series 1998 Refunding	6/15/1998	49,190,000	5.00%	3,925,074	1,320,556	391,107	438,263	6,075,000
Series 1998 QRB	9/15/1998	2,560,000	4.70 - 5.10%	1,295,000				1,295,000
Series 1999 Capital Improvement	7/1/1999	11,700,000	4.75 - 5.00%	585,000				585,000
Series 1999 QRB	7/1/1999	4,000,000	4.90 - 5.30%	2,200,000				2,200,000
Series 1999 QZAB	8/19/1999	7,000,000	none	1,615,380				1,615,380
Series 2000 Capital Improvement	7/15/2000	18,025,000	5.00%	1,800,000				1,800,000
Series 2000 QRB	7/15/2000	3,995,000	5.125 - 5.65%	2,395,000				2,395,000
Series 2000 QZAB	11/22/2000	3,637,170	none	1,398,912				1,398,912
Series 2001 QZAB	12/27/2001	1,062,830	none	429,430				429,430
Series 2002 Capital Improvement	2/13/2002	27,000,000	2.00 - 5.00%	3,833,410		738,710		4,572,120
Series 2002 QRB	2/13/2002	7,955,000	4.10 - 5.50%	5,155,000				5,155,000
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	12,959,880	2,213,020	3,180,151	279,829	18,632,880
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.38%	3,400,000				3,400,000
Series 2002B Capital Improvement	11/1/2002	34,600,000	4.00 - 5.25%	17,300,000				17,300,000
Series 2002B Refunding	11/1/2002	39,890,000	4.00 - 5.25%	13,052,962	840,102	1,540,763	746,173	16,180,000
Series 2003 VRA	4/8/2003	9,423,794	3.50%			7,934,013		7,934,013
Series 2003 Capital Improvement	11/15/2003	57,110,000	3.00 - 5.00%	42,000,144		824,856		42,825,000
Series 2003 Refunding	11/15/2003	12,265,000	3.00 - 5.00%	2,740,833		249,167		2,990,000
Series 2004 Refunding	3/16/2004	96,395,000	4.00 - 5.00%	35,365,003	1,457,766	5,498,778	658,453	42,980,000
Series 2004 HUD	6/30/2004	13,000,000	4.32 - 5.97%	13,000,000				13,000,000
Series 2004 Property Acquisition	7/29/2004	1,775,000	7.00%	1,392,642				1,392,642
Series 2004 VRA	9/17/2004	11,100,000	3.10%			10,020,346		10,020,346
Series 2005 Capital Improvement	3/16/2005	59,320,000	3.00 - 5.00%	45,910,000		1,650,000		47,560,000
Series 2005 Refunding	3/16/2005	35,035,000	3.00 - 5.00%	29,260,072		5,649,928		34,910,000
Series 2006 VRA	3/14/2006	11,500,000	3.00%			10,164,977		10,164,977
Series 2006B VRA	9/28/2006	14,250,000	none			13,537,500		13,537,500
Series 2006 Capital Improvement	11/15/2006	99,225,000	4.00 - 5.00%	76,049,332		9,254,500	3,081,168	88,385,000
Series 2006 Refunding	11/15/2006	15,830,000	4.00 - 5.00%	15,372,761		347,239		15,720,000
			variable with interest rate cap of 5% (expires 4/1/2010)					
Series 2007 VRDB (AMT)	3/29/2007	32,365,000		31,880,000				31,880,000
Series 2008A&B Refunding	2/13/2008	17,160,000	3.00 - 4.625%	15,305,000				15,305,000
Series 2008C Capital Improvement	6/30/2008	153,605,000	4.70 - 5.00%	122,310,000		24,765,000		147,075,000
Series 2009A Capital Improvement	5/21/2009	55,280,000	2.00 - 4.375%	55,280,000				55,280,000
Series 2009B Refunding	5/21/2009	21,895,000	3.00 - 5.00%	15,660,623	3,700,816	1,435,141	1,098,420	21,895,000
Series 2009C Bond Anticipation Note	5/21/2009	44,710,000	1.25%	-			44,710,000	44,710,000
Total General Obligation Bonds				\$ 577,936,007	\$ 9,532,260	\$ 97,682,627	\$ 51,012,306	\$ 736,163,200

Business-type Activities					
Dated	Interest Rate	Water Utility	Parking Facilities	Wastewater Utility	Balance Outstanding
11/1/1993	2.80 - 5.375%	\$ 46,665,000	\$ -	\$ -	\$ 46,665,000
8/15/1995	4.75 - 7.00%	87,535,000	-	-	87,535,000
11/1/1998	4.00 - 5.125%	68,150,000	-	-	68,150,000
2/15/1999	4.00 - 5.00%	-	14,220,000	-	14,220,000
10/15/2001	4.00 - 5.00%	30,425,000	-	-	30,425,000
10/1/2000	5.50 - 5.50%	-	15,155,000	-	15,155,000
7/11/2003	4.50%	-	619,000	-	619,000
7/11/2003	4.50%	-	150,000	-	150,000
10/28/2004	Variable	-	6,300,000	-	6,300,000
10/28/2004	2.50 - 5.00%	-	29,510,000	-	29,510,000
3/23/2005	3.50 - 5.00%	21,585,000	-	-	21,585,000
6/15/2005	4.00 - 5.00%	-	24,450,000	-	24,450,000
11/9/2007	0.00%	-	-	13,567,438	13,567,438
4/23/2008	3.00 - 5.00%	58,415,000	-	-	58,415,000
		\$ 312,775,000	\$ 90,404,000	\$ 13,567,438	\$ 416,746,438

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The Parking System's Series 2004 Variable Rate Demand Bonds are remarketed weekly and have averaged 0.13% over the one-month London Interbank Offered Rate (LIBOR) since inception.

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and are generally anticipated to be 0.10% higher than the Securities Industry and Financial Market Association (SIFMA) Index.

B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 45,992,487	\$ 25,205,869	\$ 55,295,326	\$ 4,585,940
2011	50,260,793	23,621,067	10,666,015	3,829,654
2012	47,077,014	21,425,741	9,465,435	3,377,396
2013	41,633,179	19,418,577	7,538,846	2,966,899
2014	35,430,641	17,630,295	6,236,253	2,702,506
2015-2019	156,389,747	65,266,584	27,316,820	10,048,449
2020-2024	120,825,174	33,131,655	25,403,630	5,515,333
2025-2029	59,746,972	11,246,528	16,304,867	1,295,478
2030-2034	13,115,000	3,342,490	-	-
2035-2038	7,465,000	645,238	-	-
Total	\$ 577,936,007	\$ 220,934,044	\$ 158,227,193	\$ 34,321,655

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

Year Ending June 30,	Water Utility Fund		Wastewater Utility Fund		Parking Facilities Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,812,578	\$ 437,694	\$ 6,585,615	\$ 3,484,577	\$ 45,897,133	\$ 663,669
2011	2,822,993	304,804	6,666,467	3,296,094	1,176,555	228,757
2012	2,058,267	163,900	6,582,923	3,032,814	824,245	180,682
2013	739,589	82,154	6,364,278	2,757,234	434,979	127,511
2014	551,047	41,165	5,369,723	2,526,572	315,483	134,768
2015-2019	547,786	13,695	25,774,532	9,627,134	994,502	407,620
2020-2024	-	-	24,547,750	5,315,485	855,880	199,848
2025-2029	-	-	15,791,339	1,262,741	513,529	32,737
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
	<u>\$ 9,532,260</u>	<u>\$ 1,043,412</u>	<u>\$ 97,682,627</u>	<u>\$ 31,302,651</u>	<u>\$ 51,012,306</u>	<u>\$ 1,975,592</u>

C. Revenue Bonds

The water revenue bond covenants require that each year's water utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

The parking revenue bond covenants require that each year's parking facilities fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Center garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

The wastewater revenue bond covenants require that each year's wastewater utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the wastewater revenue bond, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases which are treated as capital leases under

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

generally accepted accounting principles, but excluding any general obligation bonds issued to finance wastewater system property.

The detailed requirements to amortize water, parking, and wastewater revenue bonds are as follows:

Year Ending June 30,	Water Revenue		Parking Revenue		Wastewater Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 9,420,000	\$ 15,929,680	\$ 2,560,000	\$ 4,437,658	\$ 425,000	\$ -
2011	9,875,000	15,467,723	2,635,000	4,349,050	657,122	-
2012	10,375,000	14,973,521	2,755,000	4,220,648	657,122	-
2013	10,900,000	14,446,373	2,840,000	4,086,138	657,122	-
2014	11,455,000	13,889,785	2,884,000	3,947,125	657,122	-
2015-2019	67,105,000	59,623,713	16,225,000	17,637,056	3,285,609	-
2020-2024	87,705,000	39,029,981	20,750,000	13,435,262	3,285,609	-
2025-2029	62,315,000	17,369,170	25,020,000	7,761,496	3,285,609	-
2030-2034	24,670,000	7,216,575	13,645,000	1,700,804	657,123	-
2035-2039	18,955,000	2,132,822	1,090,000	47,491	-	-
Total	\$ 312,775,000	\$ 200,079,343	\$ 90,404,000	\$ 61,622,728	\$ 13,567,438	\$ -

D. Other Notes and Loans

The City issued a \$2,000,000 note for the acquisition of land from The Catholic Diocese of Richmond on December 18, 2007. The \$1,000,000 balance of the note will be paid according to the following schedule:

Year Ending June 30,	Principal	Interest
2010	\$ 1,000,000	\$ -
Total	\$ 1,000,000	\$ -

E. Advanced Refundings

On May 13, 2009, the City sold \$21,895,000 of general obligation bonds which were used to defease \$17,060,000 of the City's Series 1998 General Obligation Bonds and \$5,400,000 of the City's Series 2002 General Obligation Bonds. The advance refunding will reduce the City's total debt service payments for bonds and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,505,606.

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

At June 30, 2009 the following defeased bonds from advance refunding are still outstanding:

Defeased In	Original Issue	Amount
2005	1999	\$ 4,680,000
2005	2000	6,300,000
2005	2002	4,050,000
2006	1999	1,170,000
2006	2000	2,700,000
2006	2002	4,050,000
2006	2002B	6,920,000
2009	1998	17,060,000
2009	2002	5,400,000
		\$ 52,330,000

Defeased In	Original Issue	Parking Revenue Bonds
2002	2000B	\$ 2,705,000
		\$ 2,705,000

F. Lease Obligations

Capital Leases:

The City leases certain computer, automotive, solid waste automation and other heavy equipment. The remaining debt service requirements, including interest at rates varying from 2.46% to 4.09%, will be retired by funds from the general fund on the aforementioned contracts.

Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$2,911,423 for the year ended June 30, 2009.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Future year lease obligations are listed below:

Year Ending June 30,	Capital Lease Obligations	Operating Lease Obligations
2010	\$ 1,175,524	\$ 2,889,924
2011	398,865	2,758,162
2012	-	2,302,194
2013	-	1,860,248
2014	-	1,686,024
Thereafter	-	1,962,941
Total minimum lease payments	1,574,389	\$ 13,459,493
Less interest	(39,496)	
	1,534,893	
Less current portion	(1,178,402)	
	\$ 356,491	

G. Landfill Liability

The City closed its Campostella landfill site on June 30, 1992. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 30 years after closure. The \$1,178,136 reported as an obligation for landfill closure and post-closure costs at June 30, 2009 reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability above for groundwater corrective action as required by state law.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

H. Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government:	
Governmental activities:	
General fund	\$ 15,542,691
Non-major governmental and internal service funds	<u>1,060,659</u>
Total governmental	<u>\$ 16,603,350</u>
Enterprise funds:	
Water utility fund	\$ 997,698
Wastewater utility fund	340,936
Parking fund	<u>302,413</u>
Total enterprise funds	<u>\$ 1,641,047</u>
Component Unit - School Board	<u>\$ 10,039,837</u>
Component Unit - CSB	<u>\$ 1,085,719</u>

I. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2009 the City's debt limit is \$1,939,578,939 of which \$1,201,405,739 is available for creation of additional debt. There are no overlapping tax jurisdictions.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

J. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2009 are as follows:

Projects	Total
General Obligation Bonds Authorized and Unissued:	
Capital Fund Projects	
General Capital Improvement Projects	\$ 145,543,297
Towing and Recovery Capital Improvement Projects	2,150,000
Storm Water Capital Improvement	7,050,660
Capital Fund Projects Total	154,743,957
Wastewater Utility Fund Projects	22,035,748
G.O. Bonds Authorized and Unissued	176,779,705
 Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects	32,775,000
Parking Facilities Fund Projects	84,817,000
Revenue Bonds Authorized and Unissued	117,592,000
 Total Bonds Authorized and Unissued	 \$ 294,371,705

K. Changes in Long-Term Obligations

A summary of fiscal year 2009 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
GOVERNMENTAL ACTIVITIES:					
Bonds, Notes Payable and Capital Leases:					
General obligation debt	\$ 590,711,712	\$ 72,925,428	\$ 75,894,127	\$ 587,743,013	\$ 45,992,487
Notes	2,000,000	-	1,000,000	1,000,000	1,000,000
Capital leases	3,285,441	-	1,755,630	1,529,811	1,175,523
Total Bonds, Notes and Capital Leases	595,997,153	72,925,428	78,649,757	590,272,824	48,168,010
Other Liabilities:					
Vested compensated absences	15,570,842	11,244,492	10,554,601	16,260,733	10,550,000
Retirement system contribution	23,585,256	25,196,244	23,585,256	25,196,244	25,196,244
Other post-employment benefits	5,439,766	6,147,637	4,383,909	7,203,494	-
Retiree's life insurance	560,000	-	75,000	485,000	75,000
Self-insurance	25,059,306	14,134,010	4,686,127	34,507,189	4,086,109
Landfill closure and post-closure costs	1,243,692	-	65,556	1,178,136	66,000
Total Other Liabilities	71,458,862	56,722,383	43,350,449	84,830,796	39,973,353
Governmental Activities					
Long-term liabilities	667,456,015	129,647,811	122,000,206	675,103,620	88,141,363
Internal Service Funds:					
Capital leases	7,703	-	2,621	5,082	2,878
Retirement system contribution	308,160	448,272	308,160	448,272	448,272
Vested compensated absences	333,387	227,962	218,732	342,617	244,948
Total Internal Service Funds	649,250	676,234	529,513	795,971	696,098
Total Governmental Activities	\$ 668,105,265	\$ 130,324,045	\$ 122,529,719	\$ 675,899,591	\$ 88,837,461

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Bonds and Notes Payable:					
Water	\$ 332,316,004	\$ 3,700,816	\$ 16,292,160	\$ 319,724,660	\$ 12,232,578
Wastewater	110,212,804	8,453,906	5,964,083	112,702,627	7,010,615
Parking Facilities	96,047,545	45,808,420	4,004,295	137,851,670	48,457,133
Total Bonds and Notes Payable	<u>\$ 538,576,353</u>	<u>\$ 57,963,142</u>	<u>\$ 26,260,538</u>	<u>\$ 570,278,957</u>	<u>\$ 67,700,326</u>
Other Liabilities:					
Vested compensated absences	\$ 1,539,336	\$ 1,261,876	\$ 1,160,165	\$ 1,641,047	\$ 971,490
Retirement system contribution	1,774,140	2,634,468	1,774,140	2,634,468	2,634,468
Other post employment benefits	602,234	680,769	485,460	797,544	-
Claims and judgements	3,817,615	-	2,537,615	1,280,000	640,000
Total Other Liabilities	<u>7,733,325</u>	<u>4,577,113</u>	<u>5,957,380</u>	<u>6,353,059</u>	<u>4,245,958</u>
Total Business-Type Activities	<u>\$ 546,309,678</u>	<u>\$ 62,540,255</u>	<u>\$ 32,217,918</u>	<u>\$ 576,632,016</u>	<u>\$ 71,946,284</u>
<u>COMPONENT UNIT ACTIVITIES:</u>					
Other Liabilities:					
Vested Compensated Absences					
Community Services Board	1,141,541	\$ 826,489	\$ 882,311	\$ 1,085,719	\$ 675,762
Norfolk Public Schools	9,593,219	9,454,083	9,007,465	10,039,837	7,529,878
Other post employment benefits					
Norfolk Public Schools	2,255,000	1,567,574	-	3,822,574	-
Pension Liability:					
Community Services Board	960,617	1,110,732	960,617	1,110,732	1,110,732
Pollution Remediation:					
Norfolk Public Schools	226,296	272,504	226,296	272,504	272,504
Workers' Compensation Claims					
Norfolk Public Schools	1,626,399	1,149,986	818,695	1,957,690	169,707
Claims Liability					
Norfolk Public Schools	45,125	192,809	206,392	31,542	27,025
Component Unit-type activities					
long-term liabilities	<u>\$ 15,848,197</u>	<u>\$ 14,574,177</u>	<u>\$ 12,101,776</u>	<u>\$ 18,320,598</u>	<u>\$ 9,785,608</u>

IX. Other Liabilities

Pursuant to a water services contract between the City of Norfolk and two wholesale customers, the Water Utilities fund conducts a rate true-up every two years to bring the projected rates developed at the start of the two-year period to the actual cost incurred during the period. In fiscal year 2009 the Water Utilities fund recorded a liability of \$1,280,000 to reflect the true-up result. The amount due within one year is \$640,000 and the long term portion is \$640,000. The amount will be reimbursed to the wholesale customers by crediting each of their monthly billings during fiscal years 2010 and 2011.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

X. Pension Plans

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (X.A); a Virginia Retirement System (VRS) plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (X.B); and a VRS plan for the benefit of state employees in constitutional offices (X. C). In addition, the School Board has a defined contribution plan.

A. Employees' Retirement System of the City of Norfolk (System):

Plan Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers' employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service. Cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The System and its benefits are established by Section 37 of the Code of the City of Norfolk, Virginia as amended. The ERS is included as a Pension Trust fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA 23510.

Funding Policy

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The contribution requirement of \$28,278,984 for the year ended June 30, 2009 was based on 16.16 percent of covered payroll for general employees and for public safety employees. This contribution requirement is recorded in the City's *Statement of Net Assets* as a liability payable to the pension fund and will be made in fiscal year 2010.

Annual Pension Cost

For 2009, the System's annual pension cost was equal to the City's required and actual (to be made in 2010) contribution. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal method. The amortization method used is level dollar open except for public safety retirement enhancement program which is amortized over a 20-year period commencing July 1, 2005. Significant actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses), (b) projected average salary increases of 5.24% for general employees and 5.67% for public safety

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

employees and (c) an assumed inflation rate of 3.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2009 was 19.29 years.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 28,278,984	100%	\$ -
June 30, 2008	\$ 25,667,556	100%	\$ -
June 30, 2007	\$ 25,135,944	100%	\$ -

Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

CITY - EMPLOYEES' RETIREMENT SYSTEM

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2005	\$854,100,000	\$883,900,000	\$29,800,000	96.6%	\$160,200,000	18.6%
June 30, 2006	\$881,000,000	\$939,100,000	\$58,100,000	93.8%	\$159,300,000	36.5%
June 30, 2007	\$925,800,000	\$972,200,000	\$46,400,000	95.2%	\$168,100,000	27.6%
June 30, 2008	\$937,800,000	\$1,009,100,000	\$71,300,000	92.9%	\$175,400,000	40.6%
June 30, 2009	\$885,600,000	\$1,029,600,000	\$144,000,000	86.0%	\$179,600,000	80.2%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

B. School Board – Retirement Plans

Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at varetire.org/Pdf/2008AnnuRept.pdf or obtained by writing VRS at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Title 51.1 of the Code of Virginia (1950) requires plan members, as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's professional and nonprofessional employees' contribution rates for the fiscal year ended June 30, 2009 were 8.81% and 6.95% of annual covered payroll, respectively (not including assumed 5%.) The School Board's contributions to the VRS for the years ended June 30, 2009, 2008, and 2007 for professional employees were \$34,869,207, \$37,858,170, and \$32,978,467, respectively, such amounts comprising 100% of the required contributions for the three year period.

Annual Pension Cost – Agent Multiple-Employer Plan

For 2009, the School Board's annual pension costs of \$2,167,495 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

actuarial assumptions at June 30, 2008 included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.6% and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The amortization method is open and the remaining amortization period is 20 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 2,167,495	100%	\$ -
June 30, 2008	2,454,422	100%	\$ -
June 30, 2007	2,220,834	100%	\$ -

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 91.71% funded. The actuarial accrued liability for benefits was \$72,573,728, and the actuarial value of assets was \$66,558,849 resulting in an unfunded actuarial accrued liability (UAAL) of \$6,014,879. The covered payroll (annual payroll of active employees covered by the plan) was \$17,520,165 and the ratio of the UAAL to the covered payroll was 34.33%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2004	\$ 52,765,749	\$ 54,345,074	\$ 1,579,325	97.1%	\$ 13,647,900	11.6%
June 30, 2005	\$ 52,906,114	\$ 61,150,786	\$ 8,244,672	86.5%	\$ 14,211,173	58.0%
June 30, 2006	\$ 55,282,776	\$ 60,006,661	\$ 4,723,885	92.1%	\$ 14,246,198	33.2%
June 30, 2007	\$ 61,180,012	\$ 66,118,525	\$ 4,938,513	92.5%	\$ 15,236,207	32.4%
June 30, 2008	\$ 66,558,849	\$ 72,573,728	\$ 6,014,880	91.7%	\$ 17,520,165	34.3%

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

School Board – Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2009, that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia Statute. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

The Virginia Retirement System is the administrator of the plan and Great West Retirement Services and State Street Bank were the trustees during the fiscal year. Great West Retirement Services received \$9,262 and State Street Bank received \$12,966 in fixed plan contributions. Contributions for the year ended June 30, 2009, were fixed contributions of \$22,228.

C. State Employees – Virginia Retirement System (VRS):

Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the City of Norfolk. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2008 was 9.53% of annual covered payroll. Contributions to the VRS for the year ended June 30, 2009 were \$3,490,287 equal to the required contribution.

Annual Pension Cost

For 2009, the City's annual pension cost of \$3,490,287 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2008 actuarial valuations using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 7.5% investment rate of return; (b) projected salary increases that range between 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 20 years.

Trend information for the City VRS plan is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 3,490,287	100%	\$ -
June 30, 2008	\$ 2,375,759	100%	\$ -
June 30, 2007	\$ 2,305,090	100%	\$ -

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

CITY - VRS EMPLOYEES						
Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<u>Date</u>	<u>Assets</u>	<u>(AAL)</u>	<u>(UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Payroll</u>
June 30, 2004	\$ 30,349,720	\$ 26,612,472	\$ (3,737,248)	114.0%	\$ 21,369,062	-17.5%
June 30, 2005	\$ 32,467,638	\$ 32,346,396	\$ (121,242)	100.4%	\$ 22,898,124	-0.5%
June 30, 2006	\$ 35,756,786	\$ 36,121,461	\$ 364,675	99.0%	\$ 23,344,075	1.6%
June 30, 2007	\$ 41,467,595	\$ 40,237,331	\$ (1,230,264)	103.1%	\$ 24,931,958	-4.9%
June 30, 2008	\$ 47,154,626	\$ 52,000,548	\$ 4,845,922	90.7%	\$ 25,854,549	18.7%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

XI. 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. The deferral may be up to 25% of gross income up to a maximum of \$16,500 per year. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XII. Other Post-employment Benefits (OPEB)

Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with state statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 62, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the Schools' benefits offices based on the participation guidelines established by the Norfolk City Council and Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued.

Funding Policy

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. Currently, the City and Schools pay a set amount towards the monthly premium for participating retirees. This set contribution amount is an explicit subsidy of \$25 per month for the City and \$75 per month for the Schools per participating retiree. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

Annual OPEB Cost and Net OPEB Obligation

The City's and School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Using the most recent OPEB plan valuation date of July 1, 2008, the following table shows the components of the City's and School's annual OPEB costs projected for the current fiscal year, the amounts contributed to the Plan and the changes in the net OPEB obligation (amounts in millions):

	City	Schools	Total
Actuarial liability:			
Active employees	\$22.1	\$34.4	\$ 56.5
Retirees	22.5	17.0	39.5
Total actuarial liability	44.6	51.4	96.0
Less: plan assets	0.0	0.0	0.0
Unfunded actuarial accrued liability (UAAL)	\$44.6	51.4	\$96.0

	City	Schools	Total
Net OPEB obligation as of June 30, 2007	\$ -	\$ -	\$ -
Annual required contribution (ARC) for FY2008	6.04	4.82	\$10.86
Adjustment to ARC	-	-	-
Annual OPEB cost	\$6.04	\$4.82	\$10.86
Less: contributions made	2.26	2.56	4.82
Net OPEB obligation as of June 30, 2008	\$3.78	\$2.26	\$ 6.04
ARC for FY2009			
Normal cost	\$4.96	\$2.05	\$ 7.01
UAAL amortization	1.53	1.76	3.29
Interest	0.30	0.18	0.48
Total ARC for FY2009	\$6.79	3.99	\$10.78
Interest on net OPEB obligation	.18	.11	.29
Adjustment to ARC	(.14)	(.08)	(.22)
Annual OPEB cost	6.83	4.02	10.85
Less: contributions made	2.61	2.46	5.07
Increase in net OPEB obligation	\$4.22	\$1.56	\$5.78
Net OPEB obligation as of June 30, 2009	\$8.00	\$3.82	\$11.82

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the OPEB Plan was unfunded. The actuarial accrued liability for benefits was \$96.0 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$96.0 million. The covered payroll of active City and School employees covered by the plan was \$362.3 million, and the ratio of the UAAL to the covered payroll was 26.5 percent. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The schedule of funding progress which presents multi-year trend information about the actuarial value of the OPEB plan assets and the actuarial accrued liability for OPEB benefits is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>
CITY EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 43,566,000	\$ 43,566,000	0.0%	\$ 170,956,000	25.5%
July 1, 2008	\$ -	\$ 44,572,743	\$ 44,572,743	0.0%	\$ 168,196,094	26.5%
SCHOOL EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 59,700,000	\$ 59,700,000	0.0%	\$ 232,465,000	25.7%
July 1, 2008	\$ -	\$ 51,451,816	\$ 51,451,816	0.0%	\$ 194,139,309	26.5%
TOTAL						
July 1, 2007	\$ -	\$ 103,266,000	\$ 103,266,000	0.0%	\$ 403,421,000	25.6%
July 1, 2008	\$ -	\$ 96,024,559	\$ 96,024,559	0.0%	\$ 362,335,403	26.5%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2008 with results projected for the fiscal year ended June 30, 2009. The entry age normal actuarial cost method was used with a level percent closed amortization method over 30 years. A discount rate, reflecting the value of future tax dollars, of 4.7% Annual rates of health care inflation and salary increases used were 10% and 4.5%, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2009 is as follows:
 Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Payroll Agency	\$ 10,942
	Capital Projects fund	10,741,801
	Community Development fund	10,768
	Nauticus fund	69,560
	Grants fund	828,430
	Golf fund	226,214
	Fleet Management fund	30,585
	Storehouse fund	234,108
	Water Utility fund	3,265,101
	Wastewater Fund	57,069
	Parking Fund	51,917
	Total General fund	<u>\$ 15,526,495</u>
Capital Projects fund	General fund	\$ 33,497
	Fleet Management fund	57,874
	Grants fund	17,610
	Wastewater fund	860,715
	Stormwater fund	7,551,155
	Total Capital Projects fund	<u>\$ 8,520,851</u>
Nonmajor governmental funds	General fund	\$ 1,057,998
	Capital Projects fund	20,416,969
	Grants fund	5,886
	Cemetaries	150,000
	Towing & Recovery Operations fund	24,005
	Parking fund	215,191
	Total Nonmajor governmental funds	<u>\$ 21,870,049</u>
	Total Governmental Funds	<u>\$ 45,917,395</u>
 <u>Payable Fund</u>	 <u>Receivable Fund</u>	
Water Utility fund	General Fund	\$ 3,265,101
	Fleet Maintenance fund	43,642
	Storehouse fund	137,175
	Capital Projects fund	(104,609)
	Wastewater Fund	28,334
	Total Water Utility fund	<u>\$ 3,369,643</u>
Wastewater fund	General Fund	\$ 57,069
	Fleet Maintenance fund	43,795
	Capital Projects fund	860,684
	Grants Special Revenue fund	(326)
	Water Utility fund	(28,334)
	Total Wastewater fund	<u>\$ 932,888</u>
Parking fund	General Fund	\$ 51,917
	Payroll Agency fund	\$ (1,052)
	Maritime Facility fund	215,191
	Total Parking fund	<u>\$ 266,056</u>
	Total Enterprise funds	<u>\$ 4,568,587</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

<p><u>Receivable Fund</u> Internal service funds</p>	<p><u>Payable Fund</u> General fund Capital Projects fund Grants fund Stormwater fund Wastewater fund Water Utility fund Total Internal Service funds</p>	<p>\$ 261 1,779,652 11,196 36,300 43,795 180,817 <u>\$ 2,052,021</u></p>
<p><u>Payable Fund</u> Internal service funds</p>	<p><u>Receivable fund</u> General fund Capital Projects fund Total Internal Service funds</p>	<p>\$ 264,693 57,874 <u>\$ 322,567</u></p>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

XIV. Interfund Transfers

The following interfund transfers occurred during fiscal year 2009:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General fund	\$ 12,948,230	\$ 85,652,562
Debt Service fund	69,952,206	-
Capital Projects fund	6,753,585	132,530
Nonmajor governmental funds	15,986,531	9,640,269
Enterprise:		
Water Utility fund	-	8,500,000
Wastewater Utility fund	-	1,500,000
Parking Facilities fund	-	215,191
	<u>\$ 105,640,552</u>	<u>\$ 105,640,552</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$12,948,230 include \$8,500,000 from the wastewater utility fund, \$1,500,000 from the wastewater fund which represents a return on investment back to the general fund, \$132,530 from capital projects fund which represent interest earned on investments, \$815,700 from grants fund which represents reimbursement for fire, police and rescue services and \$2,000,000 from tax increment fund which represents declaration of surplus real property taxes.

The general fund transfers out of \$85,652,562 represents a transfer of \$67,427,136 to the debt service fund to fund general obligation debt; \$2,909,666 to the capital projects fund as a contribution for annual capital improvement plan budget; \$10,356,286 to the grants fund in support of grant projects; \$2,437,772 to the Nauticus fund, \$817,156 to

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

the cemeteries fund, \$1,627,767 to the Emergency Operations/E-911 fund, and \$76,779 to the golf fund.

Debt service transfers of \$69,952,206 include \$2,313,820 from the Storm Water fund, \$211,250 from the Public Amenities fund and \$67,427,136 from the General fund to fund the current year's debt service payments.

The Capital Projects fund transferred \$132,530 to the General fund which represents interest earned on investments.

The Storm Water special revenue fund transferred \$2,313,820 to the Debt Service fund to cover its debt service cost.

The Public Amenities special revenue fund transferred \$2,843,919 to the Capital Projects fund in support of the fund's capital related projects and \$211,250 to cover its debt service cost.

The nonexpendable special revenue fund transferred \$305,580 to the Cemeteries fund in support of the city's cemeteries.

The Grants special revenue fund transferred \$815,700 to the General fund in support of the fund's fire, police and rescue services.

The Tax Increment special revenue fund transferred \$2,000,000 to the General Fund which represents declaration of surplus real property taxes and \$1,000,000 to the Capital Projects fund in support of related capital projects.

The Cemeteries special revenue fund transferred \$150,000 to the Grants special revenue type fund for support.

The Water and Wastewater funds transferred \$8,500,000 and \$1,500,000 to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$215,191 to the Maritime Facility fund to cover parking costs of cruise customers.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XV. Recovered Costs

Recovered cost in the General fund:	
Debt service recoveries	\$ 215,462
Retirement Bureau	483,661
Information Systems recoveries	1,569,428
HRT subsidy	1,700,429
Other	1,867,129
Administrative cost recoveries from enterprise funds	3,115,923
Total recovered costs in the General fund	<u><u>\$ 8,952,032</u></u>

XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following:

Governmental Funds:

General fund - miscellaneous	\$ 740,308
General fund - accrued expenditures	2,488,345
Capital Projects fund - miscellaneous	25,156
Grants fund - miscellaneous	318,143
	<u><u>\$ 3,571,952</u></u>

Enterprise Funds:

Water Utility fund - miscellaneous	520,744
Wastewater Utility fund - miscellaneous	204,304
Parking Facilities fund - miscellaneous	488,070
	<u><u>\$ 1,213,118</u></u>

Fiduciary Funds:

Other Agency fund	\$ 3,472,197
Commonwealth of Virginia	8,670
	<u><u>\$ 3,480,867</u></u>

XVII. Supplemental Appropriations

There were no supplemental appropriations made to the general fund operating budgets during fiscal year 2009.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XVIII. Deferred Revenue

Deferred revenue, as represented in the fund financial statements at June 30, 2009 totals \$39,522,165 and is comprised of the following:

A. Special Revenue Funds

In the special revenue fund, unearned revenue totaled \$816,859. In the community development fund, the unearned revenue represents deferred payment rehabilitation loans of \$558,135 as of June 30, 2009. Unearned revenue in the storm water special revenue fund, representing deferred billings that have been earned but are not available for funding current expenditures at June 30, 2009, totals \$258,724.

B. Deferred capital projects funding

In the capital projects fund deferred revenue of \$120,000 represents monies accepted from a third party using an advancement method for payment. The reimbursement is recorded when expenditures are incurred in accordance with the third party agreement. If expenditures are not incurred, the funds will revert back to the third party. This deferred revenue was reclassified to revenue for the government wide statements to offset the expenditure that was recognized as a pollution remediation obligation.

C. Deferred property tax revenue

Unearned revenue in the general fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2009 is \$38,585,306.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XIX Commitments and Contingencies

A. Capital projects

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2009 are as follows:

Water utility development projects	\$ 17,391,000
Wastewater utility development projects	8,073,890
Parking facilities development projects	<u>16,996,474</u>
Total	<u>\$ 42,461,364</u>

Commitments for completion of capital projects in the Governmental Activities, authorized at June 30, 2009 are \$50,986,977. See Exhibit J-3 Capital Improvement Program Schedule of Expenditures for listing of projects.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Litigation

From time to time the City and its component units are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

D. Pollution Remediation Obligation

GASB Statement 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

During the fiscal year the City recognized a liability of \$120,000 for pollution remediation obligations associated with pollution at the Berkley Avenue Warehouse project. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates. The potential for a change to the estimate is minimal. The City has received reimbursement of \$120,000 from the previous owner of the property to offset the costs associated with the pollution remediation.

During the fiscal year the School Board recognized a Liability for \$272,504 for pollution remediation obligations associated with asbestos, mold, caulk, drainage of oil, and aerosol can/drum removal from Transportation, Risk Management, and School Facilities. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the sites and applying usual and customary cost code rates.

XX. Surety Bonds and Insurance

<u>Surety</u>	<u>Official</u>	<u>Amount</u>
Commonwealth of Virginia	Sharon McDonald, Commissioner of the Revenue	\$ 3,000
	Thomas W. Moss, Jr., City Treasurer	1,500,000
	Robert J. McCabe, Sheriff	30,000
	George E. Schaefer, Clerk of the Circuit Court	<u>2,235,000</u>
	Total Commonwealth of Virginia	<u>\$ 3,768,000</u>
Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commissioner of the Revenue, Commonwealth's Attorney, and Clerk of the Circuit Court Performance of Duty Bond	<u>\$ 500,000</u>
City of Norfolk	Travelers Insurance Co. All City employees	<u>\$10,000,000</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theft and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self- insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2009 was \$6,739,497.

The City currently reports all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates, but excluded in the liability estimates. At June 30, 2009 these liabilities were \$34,507,189 of which \$4,086,109 represents the current portion anticipated to be paid within a year. Estimated liabilities for fiscal year 2009 were determined by an independent actuary and are reported using a present value discount rate of five percent.

Changes in the City's claims liability amount in the fiscal years 2008 through 2009 are as follows:

	Estimated Outstanding Losses Beginning of Fiscal Year	Claims Incurred Estimated	Claims Paid	Estimated Outstanding Losses End of Fiscal Year
2008	25,066,660	12,313,224	12,305,870	25,059,306
2009	25,059,306	14,134,010	4,686,127	34,507,189

The City in its General fund has designated \$840,162 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the program and its projected expected loss with no present value adjustment at June 30, 2009 was \$1,957,690. It also provides payments for its risks of loss through a combination of purchased insurance policies and

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City's fund balance designation.

XXII. Jointly Governed Organizations

A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of HRRJA can be obtained from HRRJA.

B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of the Commission can be obtained from the Commission.

C. Tidewater Transportation District Commission (TTDC)

A political subdivision of the Commonwealth of Virginia formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia. TTDC provides public

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TTDC rests with professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of TTDC can be obtained from TTDC.

XXIII. Joint Venture

Southeastern Public Service Authority (SPSA)

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. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of the SPSA can be obtained from SPSA.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XXIV. Related Organizations

A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. NRHA develops its operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom store, in the MacArthur Center regional shopping mall. The construction of the Nordstrom store was financed with a loan partially secured by ground rental and store rental payments. The loan was further secured by a pledge of the City, subject to an appropriation of City Council, to fund any deficits in meeting annual debt service requirements. At the conclusion of a ten-year restriction, this loan was refinanced by the City in January 2008. Prior to the financing, primarily due to the financial relationship created by the loan, NRHA was considered to be a component unit of the City.

B. Norfolk Airport Authority

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Section 144(q) of the City Charter; the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

C. The Economic Development Authority of the City of Norfolk (EDA)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to borrowers.

D. The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum at Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

E. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

XXV. Subsequent Event

General Obligation Variable Rate Demand Bonds, Series 2007

Taking advantage of a provision in the American Recovery and Reinvestment Act of 2009 (ARRA) that provides a holiday from the alternative minimum tax (AMT) for bonds issued in 2009 and 2010, the City permanently converted the General Obligation Variable Rate Demand Bonds, Series 2007 from AMT to non-AMT tax status on Thursday, August 27, 2009.

The converted bonds were remarketed at an initial interest rate of 0.39% by Morgan Keegan. The final maturity, amortization and liquidity facility remain in place.

Wastewater System Revenue Bond, Series 2009

On November 17, 2009, the City issued \$7,500,000 in Wastewater System Revenue Bonds, utilizing a federally subsidized interest rate loan program administered by the Virginia Resource Authority Loan (VRA). The bonds were sold at a true interest cost of 0.00%.

XXVI. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 requires that all intangible assets including easements, water rights, timber rights, patents, trademarks and computer software not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, GASB 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. GASB 51 is effective for periods beginning after June 15, 2009, and generally requires its provisions to be applied retroactively.
- GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments to manage specific risks or to make investments. A key provision of this statement is that derivative instruments covered in its scope with limited exception, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments used for investment purposes are reported within the investment revenue classification. Alternatively, changes in fair value of derivative instruments that are classified as

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

hedging derivative instruments are reported in the statement of net assets as deferred inflows or outflows. Effectiveness of the instruments is to be analyzed. Objectives, terms and risks of hedging derivative instruments are required disclosures. Disclosures also will include a summary of derivative instrument activity that provides an indication of the fair value amounts reported on the financial statements. The improvements under GASB 53, which becomes effective for periods beginning after June 15, 2009, should allow users of a government's financial statements to more fully understand resources available to provide services.

- *GASB Statement 54: Fund Balance Reporting and Governmental Fund type Definitions.* GASB 54 more clearly defines the classifications of fund balance for more consistent application, and also clarifies the definition of existing governmental fund types. The new classifications of fund balance will comprise a hierarchy based on the extent to which the government is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance will be reported in the following categories: nonspendable, restricted, committed, assigned and unassigned, depending on the relative strength of the constraints that control how the resources are spent. Disclosures are required about the processes through which constraints are imposed on amounts in the committed and assigned categories. Disclosures must also include the governments policies that determine the type of fund balance categories spent. There is also guidance in the statement regarding classification of stabilization amounts on the financial statements and related note disclosures. The changes to fund balance required by GASB 54 are effective for periods beginning after June 15, 2010, with reclassifications of fund balance applied retroactively for all periods presented.

**REQUIRED SUPPLEMENTARY
INFORMATION**
*(OTHER THAN MANAGEMENT'S
DISCUSSION & ANALYSIS)*

(Unaudited)



CITY OF NORFOLK, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>
<u>Retirement Plans:</u>						
CITY - EMPLOYEES' RETIREMENT SYSTEM						
June 30, 2005	\$ 854,100,000	\$ 883,900,000	\$ 29,800,000	96.6%	\$ 160,200,000	18.6%
June 30, 2006	\$ 881,000,000	\$ 939,100,000	\$ 58,100,000	93.8%	\$ 159,300,000	36.5%
June 30, 2007	\$ 925,800,000	\$ 972,200,000	\$ 46,400,000	95.2%	\$ 168,100,000	27.6%
June 30, 2008	\$ 937,800,000	\$ 1,009,100,000	\$ 71,300,000	92.9%	\$ 175,400,000	40.6%
June 30, 2009	\$ 885,600,000	\$ 1,029,600,000	\$ 144,000,000	86.0%	\$ 179,600,000	80.2%
CITY - VRS EMPLOYEES						
June 30, 2004	\$ 30,349,720	\$ 26,612,472	\$ (3,737,248)	114.0%	\$ 21,369,062	-17.5%
June 30, 2005	\$ 32,467,638	\$ 32,346,396	\$ (121,242)	100.4%	\$ 22,898,124	-0.5%
June 30, 2006	\$ 35,756,786	\$ 36,121,461	\$ 364,675	99.0%	\$ 23,344,075	1.6%
June 30, 2007	\$ 41,467,595	\$ 40,237,331	\$ (1,230,264)	103.1%	\$ 24,931,958	-4.9%
June 30, 2008	\$ 47,154,626	\$ 52,000,548	\$ 4,845,922	90.7%	\$ 25,854,549	18.7%
SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES						
June 30, 2004	\$ 52,765,749	\$ 54,345,074	\$ 1,579,325	97.1%	\$ 13,647,900	11.6%
June 30, 2005	\$ 52,906,114	\$ 61,150,786	\$ 8,244,672	86.5%	\$ 14,211,173	58.0%
June 30, 2006	\$ 55,282,776	\$ 60,006,661	\$ 4,723,885	92.1%	\$ 14,246,198	33.2%
June 30, 2007	\$ 61,180,012	\$ 66,118,525	\$ 4,938,513	92.5%	\$ 15,236,207	32.4%
June 30, 2008	\$ 66,558,849	\$ 72,573,728	\$ 6,014,880	91.7%	\$ 17,520,165	34.3%
<u>Other Post-employment Benefits (OPEB):</u>						
CITY EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 43,566,000	\$ 43,566,000	0.0%	\$ 170,956,000	25.5%
July 1, 2008	\$ -	\$ 44,572,743	\$ 44,572,743	0.0%	\$ 168,196,094	26.5%
SCHOOL EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 59,700,000	\$ 59,700,000	0.0%	\$ 232,465,000	25.7%
July 1, 2008	\$ -	\$ 51,451,816	\$ 51,451,816	0.0%	\$ 194,139,309	26.5%
TOTAL						
July 1, 2007	\$ -	\$ 103,266,000	\$ 103,266,000	0.0%	\$ 403,421,000	25.6%
July 1, 2008	\$ -	\$ 96,024,559	\$ 96,024,559	0.0%	\$ 362,335,403	26.5%

CITY OF NORFOLK, VIRGINIA

Exhibit E-1

**Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	\$ 250,017,800	\$ 250,017,800	\$ 249,021,469	\$ (996,331)
Other local taxes	158,925,500	158,925,500	149,143,513	(9,781,987)
Permits, privilege fees, licenses	4,124,300	4,124,300	4,011,771	(112,529)
Fines and forfeitures	1,635,000	1,635,000	1,259,775	(375,225)
Use of money and property	10,958,000	10,958,000	6,675,785	(4,282,215)
Charges for services	24,032,700	24,032,700	24,745,337	712,637
Miscellaneous revenue	4,036,600	4,036,600	6,323,499	2,286,899
Recovered costs	9,648,300	9,648,300	8,959,632	(688,668)
Non-categorical aid - Virginia	33,861,800	33,861,800	33,498,664	(363,136)
Shared expense - Virginia	22,000,000	22,000,000	21,359,234	(640,766)
Categorical aid - Virginia	282,037,300	282,037,300	276,702,911	(5,334,389)
Categorical aid - Federal	6,291,500	6,291,500	7,369,298	1,077,798
Other sources and transfers	19,711,500	19,711,500	19,844,030	132,530
Total revenue budget	\$ 827,280,300	\$ 827,280,300	\$ 808,914,918	\$ (18,365,382)

CITY OF NORFOLK, VIRGINIA

Exhibit E-2

Schedule of Expenditures, Budget and Actual (Unaudited)

General Fund

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 4,653,800	\$ 4,688,687	\$ 4,647,441	\$ 41,246
Executive	2,066,800	2,064,297	1,925,456	138,841
Department of Law	3,930,200	3,904,314	3,837,367	66,947
Finance	23,529,900	24,118,881	24,498,917	(380,036)
Department of Human Resources	4,131,700	4,039,053	3,907,982	131,071
Courts, Sheriff and Detention	45,614,200	46,365,438	47,219,000	(853,562)
Department of Public Health	6,054,200	5,819,160	5,724,176	94,984
Department of Human Services	60,672,900	60,019,259	60,006,153	13,106
Department of Public Works	42,906,400	41,879,800	41,446,500	433,300
Neighborhood & Leisure Services	23,918,700	23,481,962	22,325,544	1,156,418
Education	330,190,900	330,190,900	324,119,457	6,071,443
Norfolk Public Libraries	8,688,700	8,570,038	8,672,898	(102,860)
Elections	612,300	722,617	767,109	(44,492)
Department of Planning	4,912,000	4,865,613	4,426,660	438,953
Department of Civic Facilities	6,460,300	6,689,728	6,847,956	(158,228)
Departmental support	23,145,800	24,181,987	19,075,342	5,106,645
Outside agencies	37,822,600	38,023,451	35,146,266	2,877,185
Department of Police	61,547,500	61,515,601	65,043,111	(3,527,510)
Department of Fire and Rescue	38,149,700	38,069,700	38,719,999	(650,299)
Debt service	77,829,200	77,829,200	72,747,445	5,081,755
Office of Community Empowerment	600,000	570,517	434,573	135,944
Budget and Management	846,300	820,835	660,294	160,541
Economic Development	2,137,400	2,117,765	2,117,583	182
Intergovernmental Programs	562,100	543,111	543,888	(777)
Communications and Public Relations	1,613,600	1,648,366	1,790,737	(142,371)
Department of Information Technology	10,716,600	10,584,540	10,681,014	(96,474)
Office of Grants Management	231,300	241,216	291,622	(50,406)
Virginia Zoological Park	3,537,600	3,519,643	3,599,405	(79,762)
Office of Homelessness	197,600	194,621	185,509	9,112
Total expenditure budget	\$ 827,280,300	\$ 827,280,300	\$ 811,409,404	\$ 15,870,896

CITY OF NORFOLK, VIRGINIA
Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)
June 30, 2009

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 808,914,918
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(219,618,430)
The effects of accounting for transfer from fund balance	(6,895,800)
General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(12,948,230)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 569,452,458
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 811,409,404
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(219,608,326)
Equipment purchased with bond proceeds	8,487,667
The effects of accounting for the FY-08 5% budget reserve	(827,904)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	772,732
General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(85,652,562)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	\$ 514,581,011

There were no material violations of the annual appropriated budget for the General fund for the fiscal year

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

**~ Nonmajor Governmental Funds ~
~ Agency Funds ~
~ Internal Service Funds ~**

OTHER SCHEDULES

~ Schedule of Expenditures of Federal Awards ~

~ Notes to Schedule of Expenditures of Federal Awards ~

**~ Schedule of Revenues and Expenditures – Budget and
Actual – Special Revenue Funds ~**

**Schedule of Revenues and Expenditures – Budget and
Actual – Internal Service Funds ~**

**Schedule of Revenues and Expenditures – Budget and
Actual – Capital Projects Fund ~**



Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The individual special revenue funds are:

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

National Maritime Center (Nauticus) Fund: To account for the operation of the National Maritime Center and Battleship Wisconsin tours.

National Maritime Facilities Fund: To account for the operation of the National Maritime Facilities and Cruise Terminal.

Cemeteries Fund: To account for the operation of the City of Norfolk's cemeteries.

Golf Fund: To account for the operation of the City of Norfolk's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Land Acquisition Fund: To provide resources to assemble land that is in the public interest.

Emergency Operations Center/911 Fund: To account for the operation of the City of Norfolk's emergency operations center/911.



Nonmajor Governmental Funds (Con't.)

Tax Increment Financing Fund: To account for debt service requirements for the Section 108 Loan and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.

Permanent Fund

The Permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City owned cemeteries.



CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

Special Revenue Funds							
	Storm Water	Towing	Grants	Community Development	Nauticus	Maritime Facility	Cemeteries
ASSETS							
Cash and short term investments	\$ 4,486,158	\$ 754,110	\$ 8,897,193	\$ 722,262	\$ 24,760	\$ 352,294	\$ 366,964
Investments	-	-	9,957	-	-	-	-
Receivables, net	1,568,430	4,095	1,044,103	675,070	327,709	399,433	70,506
Due from other funds	4,572,178	55,018	10,020,085	18,954	-	579,244	380,404
Due from other governments	-	-	5,250,642	-	-	-	-
Prepays	-	15,965	-	-	-	-	-
Other	-	-	-	-	-	-	-
Deposit with contractors	-	-	13,065	-	-	-	-
Total assets	<u>\$ 10,626,766</u>	<u>\$ 829,188</u>	<u>\$ 25,235,045</u>	<u>\$ 1,416,286</u>	<u>\$ 352,469</u>	<u>\$ 1,330,971</u>	<u>\$ 817,874</u>
LIABILITIES							
Vouchers payable	\$ 383,481	\$ 20,128	\$ 1,016,159	\$ 460,181	\$ 217,882	\$ 30,546	\$ 63,414
Contract retainage	-	-	152,900	-	-	-	-
Accrued payroll	72,318	8,845	55,303	4,065	51,440	3,271	-
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	7,587,455	24,005	863,448	10,768	69,560	-	150,000
Due to other governments	-	-	7,395,513	383,137	-	-	-
Unearned revenue	258,724	-	-	558,135	-	-	-
Other liabilities	-	26,350	422	-	-	-	117,871
Total liabilities	<u>8,301,978</u>	<u>79,328</u>	<u>9,483,745</u>	<u>1,416,286</u>	<u>338,882</u>	<u>33,817</u>	<u>331,285</u>
FUND BALANCES							
Reserved for:							
Encumbrances	553,631	30,636	15,751,300	3,199,438	68,204	25,811	73,630
Perpetual care	-	-	-	-	-	-	-
Capital projects	34,559	-	-	-	-	-	-
Unreserved:							
Undesignated	1,736,598	719,224	-	(3,199,438)	(54,617)	1,271,343	412,959
Total fund balances	<u>2,324,788</u>	<u>749,860</u>	<u>15,751,300</u>	<u>-</u>	<u>13,587</u>	<u>1,297,154</u>	<u>486,589</u>
Total liabilities and fund balances	<u>\$ 10,626,766</u>	<u>\$ 829,188</u>	<u>\$ 25,235,045</u>	<u>\$ 1,416,286</u>	<u>\$ 352,469</u>	<u>\$ 1,330,971</u>	<u>\$ 817,874</u>

CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

Exhibit F-1

	Special Revenue Funds					Permanent Funds	Nonmajor Governmental Funds
	Golf	Public Amenities	Land Acquisition	EOC/ 911	Tax Increment	Total Special Revenue	Non- Expendable trust
\$ 174,990	\$ 2,016,589	\$ 1,051,980	\$ 1,254,318	\$ 1,620,051	\$ 21,721,669	\$ 6,296,663	\$ 28,018,332
-	-	-	-	-	9,957	-	9,957
-	492,925	-	195,811	-	4,778,082	13,629	4,791,711
76,779	2,090,871	1,090,731	1,306,407	1,679,378	21,870,049	-	21,870,049
-	-	-	-	-	5,250,642	-	5,250,642
-	-	-	-	-	15,965	-	15,965
-	-	-	-	-	-	160,356	160,356
-	-	-	-	-	13,065	-	13,065
<u>\$ 251,769</u>	<u>\$ 4,600,385</u>	<u>\$ 2,142,711</u>	<u>\$ 2,756,536</u>	<u>\$ 3,299,429</u>	<u>\$ 53,659,429</u>	<u>\$ 6,470,648</u>	<u>\$ 60,130,077</u>
\$ 25,555	\$ -	\$ -	\$ 33,240	\$ -	\$ 2,250,586	\$ -	\$ 2,250,586
-	-	-	-	-	152,900	-	152,900
-	-	-	95,475	-	290,717	-	290,717
-	-	-	7,060	-	7,060	-	7,060
226,214	-	-	-	-	8,931,450	-	8,931,450
-	-	-	-	-	7,778,650	-	7,778,650
-	-	-	-	-	816,859	-	816,859
-	-	173,500	-	-	318,143	-	318,143
<u>251,769</u>	<u>-</u>	<u>173,500</u>	<u>135,775</u>	<u>-</u>	<u>20,546,365</u>	<u>-</u>	<u>20,546,365</u>
18,233	120,000	-	702,720	-	20,543,603	-	20,543,603
-	-	-	-	-	-	6,470,648	6,470,648
-	-	-	-	-	34,559	-	34,559
(18,233)	4,480,385	1,969,211	1,918,041	3,299,429	12,534,902	-	12,534,902
-	4,600,385	1,969,211	2,620,761	3,299,429	33,113,064	6,470,648	39,583,712
<u>\$ 251,769</u>	<u>\$ 4,600,385</u>	<u>\$ 2,142,711</u>	<u>\$ 2,756,536</u>	<u>\$ 3,299,429</u>	<u>\$ 53,659,429</u>	<u>\$ 6,470,648</u>	<u>\$ 60,130,077</u>

City of Norfolk, Virginia

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2009**

	Special Revenue Funds					
	Storm Water	Towing	Grants	Community Development	Nauticus	Maritime Facility
REVENUES						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-	-
Use of money and property	34,027	13,541	7,635	-	50,601	207,466
Charges for services	10,523,177	1,605,787	1,386,931	1,538,606	1,244,261	1,163,089
Miscellaneous	-	83,940	1,793,525	158,651	107,457	-
Intergovernmental:						
Commonwealth of Virginia	-	-	10,372,870	-	-	-
Federal government	-	-	9,833,773	5,336,853	277,342	-
Total revenue	10,557,204	1,703,268	23,394,734	7,034,110	1,679,661	1,370,555
EXPENDITURES						
General government	-	-	121,220	-	-	-
Judicial administration	-	-	3,030,330	-	-	-
Public safety	-	-	3,091,910	-	-	-
Public works	8,390,498	1,908,155	7,041,439	-	-	-
Health and public assistance	-	-	22,602,873	3,714,719	-	-
Cultural and recreation	-	-	1,181,935	-	4,099,734	1,119,344
Community development	-	-	-	3,319,391	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	485,000
Interest and other charges	-	-	-	-	-	583,151
Total expenditures	8,390,498	1,908,155	37,069,707	7,034,110	4,099,734	2,187,495
Excess (deficiency) of revenue over (under) expenditures	2,166,706	(204,887)	(13,674,973)	-	(2,420,073)	(816,940)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	10,506,286	-	2,437,772	215,191
Transfers out	(2,313,820)	-	(815,700)	-	-	-
Total other financing sources and uses	(2,313,820)	-	9,690,586	-	2,437,772	215,191
Net change in fund balances	(147,114)	(204,887)	(3,984,387)	-	17,699	(601,749)
Fund balances--beginning	2,471,902	954,747	19,735,687	-	(4,112)	1,898,903
Fund balances--ending	\$ 2,324,788	\$ 749,860	\$ 15,751,300	\$ -	\$ 13,587	\$ 1,297,154

City of Norfolk, Virginia

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2009**

Exhibit F-2

Special Revenue Funds							Permanent Funds	Total Nonmajor Governmental Funds
Cemeteries	Golf	Public Amenities	Land Acquisition	EOC/ 911	Tax Increment	Total Special Revenue	Non-Expendable Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,982,200	\$ 2,982,200	\$ -	\$ 2,982,200
-	-	5,175,449	-	3,607,702	-	8,783,151	-	8,783,151
-	85,652	-	-	-	123	399,045	199,694	598,739
1,196,018	1,121,601	-	-	1,920	-	19,781,390	182,028	19,963,418
-	-	-	-	1,225,502	-	3,369,075	-	3,369,075
-	-	-	-	-	-	10,372,870	-	10,372,870
-	-	-	-	63,617	-	15,511,585	-	15,511,585
<u>1,196,018</u>	<u>1,207,253</u>	<u>5,175,449</u>	<u>-</u>	<u>4,898,741</u>	<u>2,982,323</u>	<u>61,199,316</u>	<u>381,722</u>	<u>61,581,038</u>
-	-	-	-	-	-	121,220	-	121,220
-	-	-	-	-	-	3,030,330	-	3,030,330
-	-	-	-	7,053,754	-	10,145,664	-	10,145,664
-	-	-	-	-	-	17,340,092	-	17,340,092
-	-	-	-	-	-	26,317,592	-	26,317,592
2,120,118	1,516,105	406,000	-	-	-	10,443,236	-	10,443,236
-	-	-	-	-	-	3,319,391	-	3,319,391
-	-	-	522,800	-	-	522,800	-	522,800
-	-	-	-	-	-	485,000	-	485,000
-	-	-	-	-	737,686	1,320,837	-	1,320,837
<u>2,120,118</u>	<u>1,516,105</u>	<u>406,000</u>	<u>522,800</u>	<u>7,053,754</u>	<u>737,686</u>	<u>73,046,162</u>	<u>-</u>	<u>73,046,162</u>
(924,100)	(308,852)	4,769,449	(522,800)	(2,155,013)	2,244,637	(11,846,846)	381,722	(11,465,124)
1,122,736	76,779	-	-	1,627,767	-	15,986,531	-	15,986,531
(150,000)	-	(3,055,169)	-	-	(3,000,000)	(9,334,689)	(305,580)	(9,640,269)
<u>972,736</u>	<u>76,779</u>	<u>(3,055,169)</u>	<u>-</u>	<u>1,627,767</u>	<u>(3,000,000)</u>	<u>6,651,842</u>	<u>(305,580)</u>	<u>6,346,262</u>
48,636	(232,073)	1,714,280	(522,800)	(527,246)	(755,363)	(5,195,004)	76,142	(5,118,862)
<u>437,953</u>	<u>232,073</u>	<u>2,886,105</u>	<u>2,492,011</u>	<u>3,148,007</u>	<u>4,054,792</u>	<u>38,308,068</u>	<u>6,394,506</u>	<u>44,702,574</u>
<u>\$ 486,589</u>	<u>\$ -</u>	<u>\$ 4,600,385</u>	<u>\$ 1,969,211</u>	<u>\$ 2,620,761</u>	<u>\$ 3,299,429</u>	<u>\$ 33,113,064</u>	<u>\$ 6,470,648</u>	<u>\$ 39,583,712</u>

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund – Other; to account for other monies held for private organizations and other funds.

Agency Fund – Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.



Combining Balance Sheet - Agency Funds
June 30, 2009

	<u>Other</u>	<u>Commonwealth of Virginia</u>	<u>Total</u>
ASSETS			
Cash and short term investments	\$ 3,396,848	\$ 8,670	\$ 3,405,518
Receivables, net of allowance for uncollectible accounts	13,795	-	13,795
Other	129,846	-	129,846
Total assets	<u>\$ 3,540,489</u>	<u>\$ 8,670</u>	<u>\$ 3,549,159</u>
LIABILITIES			
Vouchers payable	\$ 68,292	\$ -	\$ 68,292
Due to other agencies	3,472,197	8,670	3,480,867
Total liabilities	<u>\$ 3,540,489</u>	<u>\$ 8,670</u>	<u>\$ 3,549,159</u>

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009**

	Other			Balance June, 30,2009
	Balance July, 1,2008	Additions	Deductions	
ASSETS				
Cash and short term investments	\$ 9,239,734	\$ 13,078,923	\$ 18,921,809	\$ 3,396,848
Accounts receivable	1,045	13,011	261	13,795
Other receivables	523,305	1,074,147	1,467,606	129,846
Total assets	<u>\$ 9,764,084</u>	<u>\$ 14,166,081</u>	<u>\$ 20,389,676</u>	<u>\$ 3,540,489</u>
LIABILITIES				
Vouchers payable	\$ 26,215	\$ 1,478,096	\$ 1,436,019	\$ 68,292
Due to other agencies	9,737,869	13,235,605	19,501,277	3,472,197
Total liabilities	<u>\$ 9,764,084</u>	<u>\$ 14,713,701</u>	<u>\$ 20,937,296</u>	<u>\$ 3,540,489</u>
Commonwealth of Virginia				
	Commonwealth of Virginia			Balance June, 30,2009
	Balance July, 1,2008	Additions	Deductions	
ASSETS				
Cash and short term investments	\$ 18,114	\$ 14,187,430	\$ 14,196,874	\$ 8,670
Total assets	<u>\$ 18,114</u>	<u>\$ 14,187,430</u>	<u>\$ 14,196,874</u>	<u>\$ 8,670</u>
LIABILITIES				
Due to the Commonwealth of Virginia	\$ 18,114	\$ 14,187,430	\$ 14,196,874	\$ 8,670
Total liabilities	<u>\$ 18,114</u>	<u>\$ 14,187,430</u>	<u>\$ 14,196,874</u>	<u>\$ 8,670</u>
Total				
	Total			Balance June, 30,2009
	Balance July, 1,2008	Additions	Deductions	
ASSETS				
Cash and short term investments	\$ 9,257,848	\$ 27,266,353	\$ 33,118,683	\$ 3,405,518
Accounts receivable	1,045	13,011	261	13,795
Other receivables	523,305	1,074,147	1,467,606	129,846
Total assets	<u>\$ 9,782,198</u>	<u>\$ 28,353,511</u>	<u>\$ 34,586,550</u>	<u>\$ 3,549,159</u>
LIABILITIES				
Vouchers payable	\$ 26,215	\$ 1,478,096	\$ 1,436,019	\$ 68,292
Due to other agencies	9,755,983	27,423,035	33,698,151	3,480,867
Total liabilities	<u>\$ 9,782,198</u>	<u>\$ 28,901,131</u>	<u>\$ 35,134,170</u>	<u>\$ 3,549,159</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund; to acquire and issue to the operating departments materials, parts, and supplies which are used in the same form as purchased.

Fleet Management Fund; to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.



CITY OF NORFOLK, VIRGINIA
Combining Statement of Net Assets - Internal Service Funds
June 30, 2009

Exhibit H-1

	Storehouse	Fleet Management	Total
ASSETS			
Current assets:			
Cash and short term investments	\$ 36	\$ 2,214,513	\$ 2,214,549
Receivables, net	2,323	31,237	33,560
Due from other funds	137,175	1,914,846	2,052,021
Due from component unit	-	15,998	15,998
Inventories	1,944,866	444,011	2,388,877
Total current assets	<u>2,084,400</u>	<u>4,620,605</u>	<u>6,705,005</u>
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	29,410	5,060,722	5,090,132
Total noncurrent assets	<u>29,410</u>	<u>5,475,722</u>	<u>5,505,132</u>
Total assets	<u>2,113,810</u>	<u>10,096,327</u>	<u>12,210,137</u>
LIABILITIES			
Current liabilities:			
Vouchers payable	2	307,437	307,439
Due to other funds	234,108	88,459	322,567
Compensated absences	32,667	212,281	244,948
Accrued payroll	9,733	60,632	70,365
Obligations for employees' retirement	62,832	385,440	448,272
Other liabilities	-	5,082	5,082
Total current liabilities	<u>339,342</u>	<u>1,059,331</u>	<u>1,398,673</u>
Noncurrent liabilities:			
Compensated absences	6,691	90,978	97,669
Total noncurrent liabilities	<u>6,691</u>	<u>90,978</u>	<u>97,669</u>
Total liabilities	<u>346,033</u>	<u>1,150,309</u>	<u>1,496,342</u>
NET ASSETS			
Invested in capital assets, net			
of related debt	29,410	5,470,640	5,500,050
Unrestricted	1,738,367	3,475,378	5,213,745
Total net assets	<u>\$ 1,767,777</u>	<u>\$ 8,946,018</u>	<u>\$ 10,713,795</u>

CITY OF NORFOLK, VIRGINIA
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets - Internal Service Funds
For the Year Ended June 30, 2009

Exhibit H-2

	Storehouse	Fleet Management	Total
OPERATING REVENUES			
Charges for services	\$ 3,560,209	\$ 10,557,671	\$ 14,117,880
Miscellaneous	-	101,374	101,374
Total operating revenues	<u>3,560,209</u>	<u>10,659,045</u>	<u>14,219,254</u>
OPERATING EXPENSES			
Personal services	476,511	2,999,535	3,476,046
Cost of goods sold	2,866,402	5,858,048	8,724,450
Plant operations	13,765	265,913	279,678
Depreciation	4,872	330,413	335,285
Retirement and OPEB contributions	78,821	485,185	564,006
Provision for bad debts	-	496,567	496,567
Other	47,207	982,363	1,029,570
Total operating expenses	<u>3,487,578</u>	<u>11,418,024</u>	<u>14,905,602</u>
Operating income (loss)	<u>72,631</u>	<u>(758,979)</u>	<u>(686,348)</u>
NONOPERATING REVENUE			
Interest and investment income	74	9,978	10,052
Loss on disposal of assets	-	(36,040)	(36,040)
Total nonoperating revenue	<u>74</u>	<u>(26,062)</u>	<u>(25,988)</u>
Net income (loss)	<u>72,705</u>	<u>(785,041)</u>	<u>(712,336)</u>
Change in net assets	72,705	(785,041)	(712,336)
Net assets--beginning	1,695,072	9,731,059	11,426,131
Net assets--ending	<u>\$ 1,767,777</u>	<u>\$ 8,946,018</u>	<u>\$ 10,713,795</u>

CITY OF NORFOLK, VIRGINIA
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2009

Exhibit H-3

	Storehouse	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,561,239	\$ 10,543,988	\$ 14,105,227
Payments to suppliers	(3,045,460)	(6,386,757)	(9,432,217)
Payments to employees	(538,323)	(3,352,923)	(3,891,246)
Other payments	(4,872)	(982,363)	(987,235)
Net cash used in operating activities	<u>(27,416)</u>	<u>(178,055)</u>	<u>(205,471)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Internal activity	<u>27,334</u>	<u>(1,960,114)</u>	<u>(1,932,780)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(49,628)	(49,628)
Principal paid on capital debt	-	(2,620)	(2,620)
Net cash used by capital and related financing activities	<u>-</u>	<u>(52,248)</u>	<u>(52,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	<u>74</u>	<u>9,978</u>	<u>10,052</u>
Net cash provided by investing activities	<u>74</u>	<u>9,978</u>	<u>10,052</u>
Net decrease in cash and short term investments	(8)	(2,180,439)	(2,180,447)
Cash and short term investments - beginning of the year	<u>44</u>	<u>4,394,952</u>	<u>4,394,996</u>
Cash and short term investments - end of the year	<u>\$ 36</u>	<u>\$ 2,214,513</u>	<u>\$ 2,214,549</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 72,631	\$ (758,979)	\$ (686,348)
Adjustments to reconcile operating income to net cash used in operating activities:			
Depreciation expense	4,872	330,413	335,285
Provision for bad debts	-	496,567	496,567
Loss on disposal of assets	-	-	-
Change in assets and liabilities:			
Receivables, net	1,030	(115,057)	(114,027)
Inventories	(74,682)	(54,357)	(129,039)
Vouchers payable	(48,275)	(208,439)	(256,714)
Accrued payroll	151	11,965	12,116
Other liabilities	16,857	119,832	136,689
Net cash used in operating activities	<u>\$ (27,416)</u>	<u>\$ (178,055)</u>	<u>\$ (205,471)</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>ARRA Expenditures</u>
Recipient State Agency/Grant program			
<u>Department of Agriculture:</u>			
Direct Payments:			
USDA Summer Food Service Program (SFSP)	10.559	259,780	-
Food Stamp Program - Administration	10.561	4,495,416	-
Pass-through Payments:			
State Department of Agriculture:			
National School Breakfast Program	10.553	2,494,533	-
National School Lunch Program	10.555	7,732,014	-
National School Lunch Program (Commodities)	10.556	1,084,757	-
Fruit and Vegetable Program	10.582	163,467	-
<u>Department of Housing and Urban Development:</u>			
Direct Payments:			
Community Development Block Grant	14.218	5,336,853	-
For Kids, Inc. Haven Family Services	14.231	54,387	-
Salvation Army	14.231	50,401	-
Ecumenical Family Shelter	14.231	74,895	-
St Columbia	14.231	21,416	-
YWCA Shelter Program	14.231	17,603	-
YWCA Women in Crisis	14.231	51,786	-
		270,488	
Supportive Housing Program	14.235	257,437	-
Shelter Plus Care Program	14.238	397,555	-
Home Administration	14.239	151,125	-
Home CHDO Investment Plan	14.239	94,795	-
Home Loan Program	14.239	51,474	-
Home - Norfolk Now	14.239	393,968	-
NRHA - Homebuyer Assistance	14.239	837,809	-
Equity Secure - Rehabilitation	14.239	514,659	-
		2,043,830	
<u>Department of Justice:</u>			
Direct Payments:			
Community Oriented Policing Services:			
Bulletproof Vests Grant	16.607	26,760	-
Asset Forfeiture - Special Police Grant	16.700	122,287	-
COPS	16.710	506,124	-
Pass-Through Payments:			
Department of Criminal Justice Services:			
Justice Assistance Grant	16.523	155,783	-
Juvenile Accountability Incentive	16.523	49,081	-
Edward Byrne Memorial Grant	16.523	55,275	-
		260,139	
VSTOP Prosecutorial Project	16.540	37,635	-
Adult Drug Court	16.579	31,625	-
Recruit and Retain Criminal Jus Prof	16.579	11,023	-
Crime and Delinquency Prevention	16.579	43,239	-
Truancy Prevention	16.579	20,899	-
		106,786	
Project Safe Neighborhoods	16.609	82,190	-
Criminal Justice Information Quality Improvement	16.738	17,058	-

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures	ARRA Expenditures
<u>Department of Labor:</u>			
Direct Payments:			
VETS - Homeless Veterans Program	17.805	7,000	-
ARRA - Workforce Investment Act - Youth Activities	17.259		78,595
<u>Department of Transportation:</u>			
Pass-Through Payments:			
Selective Enforcement	20.511	27,005	-
Virginia Port Authority	20.801	56,000	-
<u>Environmental Protection Agency:</u>			
Pass-Through Payments:			
Virginia Resources Authority - Revolving Loan	66.458	5,173,004	-
<u>Department of Homeland Security</u>			
Direct Payments:			
FEMA - Flood Mitigation	97.029	31,701	-
Disaster Grants - Public Assistance	97.036	63,617	-
FEMA - Assistance to Firefighters	97.044	21,331	-
Port Security Grant	97.056	42,152	-
Pass-Through Payments:			
Terrorism Prevention	97.004	29,190	-
Law Enforcement Terrorism Prevention	97.004	88,615	-
		117,805	
FEMA Flood Mitigation	97.029	49,664	-
Buffer Zone	97.078	49,496	-
<u>Department of Education:</u>			
Direct Payments:			
Department of Defense	84.010	22,922	-
School Assistance in Federally Affected Areas	84.041	6,061,893	-
Pass-Through Payments:			
Department of Education:			
Education Consolidation and Improvement Act of 1981:			
Adult Literacy	84.002	300,377	-
Title I:			
Educationally Deprived Children- Programs Operated by LEA's	84.010	13,867,761	-
Program for Neglected Children	84.013	24,927	-
Chapter I:			
Evenstart Program	84.213	377,692	-
Title VI:			
Negligent Delinquent Children	84.010	227,962	-
Elementary and Secondary Education Act (ESEA):			
Title VI-B:			
Assistance to States for Education of Handicapped			
Children:			
Special Education Flow Thru (Federal)	84.027	7,226,017	-
Special Education Services	84.027	4,540	-
		7,230,557	
Handicapped Preschool Incentive Grant	84.173	266,036	-
Title IV-B:			
Vocational Education:			
Consumer and Homemaking	84.048	980,877	-
Substitute Teachers	84.048	751	-
		981,628	

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient	CFDA	Federal	ARRA
Recipient State Agency/Grant program	<u>Number</u>	<u>Expenditures</u>	<u>Expenditures</u>
Special Projects:			
Drug Free Act	84.186	236,388	-
ESEA, Chapter II	84.298	1,990	-
McKinney Homeless Assistance	84.196	69,173	-
Enhancing Education with Tech Phase II	84.318	240,405	-
Enhancing Education with Tech	84.318	<u>149,861</u>	-
		390,266	
21st Century Community Learning Center	84.287	227,453	-
Reading First	84.357	1,024,901	-
Limited English	84.365	63,101	-
State Council of Higher Education	84.367	68,073	-
Teacher & Principal Training	84.367	<u>2,185,078</u>	-
		2,253,151	
Enhanced Reading Opportunity	84.215	853,142	-
ARRA - State Fiscal Stabilization Fund (Sheriff's Office)	84.397		5,426,397
Dept of Mental Health, Mental Retardation and Substance Abuse			
Mental Retardation Early Intervention	84.181	370,609	-
<u>Department of the Navy:</u>			
Direct Payments:			
USS Wisconsin Grant	12.700	277,342	-
Pass-Through Payments:			
NJROTC	12.000	255,832	-
Erate-Universal Service Funds	12.000	144,309	-
Medicaid - Special Education	12.000	<u>929,717</u>	-
		1,329,858	
<u>Department of Health and Human Services:</u>			
Direct Payments:			
HIV/AIDS Grant	93.914	4,916,974	-
Minority AIDS Initiative	93.914	<u>461,729</u>	-
		5,378,703	
NIC Pool Funds	99.000	425,202	-
Pass-Through Payments:			
Projects for Assistance in Transition to Homeless (PATH)	93.150	60,400	-
Youth & Family Services Grant	93.556	263,229	-
Temporary Assistance to Needy Families	93.558	3,749,639	-
Refugee and Entrant Assistance State Administered Prog	93.566	7,500	-
Local-Income Home Energy Assistance	93.568	206,638	-
Payments to States for Child Care Assistance	93.575	3,939,444	-
Child Development Care	93.596	3,010,510	-
Independent Living Program - Education and Training	93.599	18,927	-
Family Preservation	93.645	21,432	-
Foster Care - Title IV - E	93.658	2,933,713	-
ARRA - Foster Care - Title IV - E	93.658	-	173,024
Adoptive Assistance	93.659	687,478	-
ARRA - Adoptive Assistance	93.659	-	59,343
Social Services Block Grant	93.667	2,102,365	-
Independent Living Initiative Program	93.674	67,109	-
ARRA - Child Care and Development Block Grant	93.713	-	48,138
FAMIS Outreach Grants	93.767	321,168	-
Medical Assistance Program - Administrative	93.778	2,889,988	-

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>ARRA Expenditures</u>
Recipient State Agency/Grant program			
Mental Health Federal Block Grant	93.958	146,278	-
Substance Abuse Federal Black Grant	93.959	1,830,907	-
MHS Emergency Fund	93.889	2,800	-
<u>Other Federal Assistance:</u>			
Community Emergency Response Teams	N/A	13,792	-
Sheriff Social Security	N/A	10,800	-
Totals		<u>95,881,035</u>	<u>5,785,497</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board and Community Services Board component units.

Federal awards not received through direct programs 100% are passed through the departments and agencies of the Commonwealth of Virginia.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

3. Relationship to the Basic Financial Statements

Federal award revenue is reported in the City's basic financial statements as follows:

Governmental fund		\$ 30,432,258
Non-major governmental funds		15,511,585
Total revenues from federal government		45,943,843
Component Unit - School Board		
Total Federal Grants Awarded	45,728,638	
Direct Payments:		
Navy Junior ROTC	255,832	
Erate - Universal Service Funds	144,309	
Medicaid	929,717	
Total - Norfolk Public Schools		47,058,496
Component Unit - Community Services Board		3,065,986
CSA Pool - Medicaid Adjustment		425,203
Enterprise - VRA Loan - WasteWater Fund		5,173,004
Total federal financial assistance reported in basic financial statements		\$ 101,666,532
 Reconciliation to Exhibit A-3		
Revenues from federal government		\$ 45,943,843
Revenues from Commonwealth of Virginia		103,830,110
Total intergovernmental revenue		\$ 149,773,953

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree substantially with the amounts reported in the federal financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of expenditures of federal awards is prepared on the basis of accounting described in Note 2 above.

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

5. Sub-recipients

Federal funds passed through to subrecipients for the year ended June 30, 2009 were as follows:

<u>Federal Granting Agency / Grant Program / Sub-recipient</u>	<u>Amount</u>	
Department of Housing and Urban Development		
<u>Community Development Block Grant:</u>		
St Columbia Ecumenical Ministries	\$ 38,462	
Food bank of Southeastern Virginia	39,675	
The Planning Council	55,529	
The Salvation Army	86,635	
Park Place School	26,173	
YMCA of South Hampton Roads	64,217	
William A Hunton YMCA	36,496	
Tidewater AIDS Community Task Force	16,531	
Oakmont Community Development	21,250	
Candii Program Inc	45,135	
Excellence Girls Club	15,206	
Ecumenical Family Shelter	18,000	
American Red Cross	40,000	
Joy Ministries Evangelistic Association	20,000	
National Institute for Learning Development	3,478	
International Black Women's Congress	35,867	
Urban League of Hampton Roads	24,379	
Child and Family Services of Eastern Virginia	38,785	
The STOP Organization	312,597	
Barrett Haven	9,877	
NRHA	3,599,370	
Total Community Development Block Grant	\$ 4,547,662	
<u>NRHA - Homebuyer Assistance</u>		
NRHA	\$ 837,069	
<u>Equity Secure - Rehabilitation</u>		
NRHA	\$ 514,659	
<u>Home Program</u>		
NRHA	\$ 692,102	
Total Department of Housing and Urban Development	\$ 6,591,492	
Department of Justice		
<u>Juvenile Accountability Block Grant</u>		
Behavioral Intervention Incorporated	\$ 20,831	
Total Department of Justice	\$ 20,831	
Department of Health and Human Services		
<u>Temporary Assistance for Needy Families</u>		
Goodwill	396,137	
KRA	1,478,300	
Norfolk Community Services Board	134,764	
Virginia Tidewater Consortium	8,161	
Total Temporary Assistance for Needy Families	\$ 2,017,362	
<u>Foster Care Title IV-E</u>		
Norfolk State University	\$ 637,971	

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

<u>Federal Granting Agency / Grant Program / Sub-recipient</u>	<u>Amount</u>
<u>Adoptive Assistance</u>	
Catholic Charities	\$ 3,038
<u>Program Improvement Plan</u>	
Community Solutions, Inc	\$ 9,570
<u>Payments to States for Child Care Assistance</u>	
The Planning Council	\$ 8,328
<u>Child Care and Development Block Grant</u>	
The Planning Council	\$ 305,419
<u>Promoting Safe and Stable Families</u>	
Family Systems II	47,448
Institute for Family Centered Services	57,453
Child and Family Services of Eastern Virginia	117,641
Total Promoting Safe and Stable Families	\$ 222,542
<u>Social Services Block Grant</u>	
Senior Services of Southeastern Virginia	\$ 786,596
<u>HIV/AIDS Grant</u>	
Bayview Pharmacy	261,230
EVMS - Center for Comprehensive Care Of Immune Deficiency	1,008,749
Community Psychological Group	118,265
ACCESS	602,581
Hampton / Newport News CSB	16,269
Health and Home Support Services	172,948
International Black Women's Congress	101,845
Norfolk Community Health Center	421,097
Peninsula Institute of Community Health	317,869
Portsmouth Community Health Center	241,668
Tidewater AIDS Community Task Force	680,943
Urban League of Hampton Roads	77,444
Virginia Beach Department of Health	70,671
Williamsburg AIDS Network	27,278
Total HIV/AIDS Grant	\$ 4,118,857
Total Department of Health and Human Services	\$ 8,109,683
Total Payment to Sub-Recipients	\$ 14,722,006

**SCHEDULE OF REVENUES AND
EXPENDITURES
– BUDGET AND ACTUAL –**

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~



**Schedule of Revenues and Expenditures - Budget and Actual
Towing Recovery Operation's Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 13,541	\$ 13,541
Charges for services	1,741,500	1,605,787	(135,713)
Miscellaneous	206,000	83,940	(122,060)
Total revenue	<u>\$ 1,947,500</u>	<u>\$ 1,703,268</u>	<u>\$ (244,232)</u>
Expenditures:			
Towing recovery	\$ 1,947,500	\$ 1,844,431	\$ 103,069
Total expenditures	<u>\$ 1,947,500</u>	<u>\$ 1,844,431</u>	<u>\$ 103,069</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Storm Water Utility Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ 10,000	\$ 34,027	\$ 24,027
Charges for services	10,815,000	10,523,177	(291,823)
Total revenue	<u>\$ 10,825,000</u>	<u>\$ 10,557,204</u>	<u>\$ (267,796)</u>
Expenditures:			
Storm water	\$ 8,265,798	\$ 8,021,738	\$ 244,060
Transfer out	2,559,702	2,313,820	245,882
Total expenditures	<u>\$ 10,825,500</u>	<u>\$ 10,335,558</u>	<u>\$ 489,942</u>

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual
Nauticus Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 2,239,328	\$ 1,244,261	\$ (995,067)
Use of money and property	185,000	50,601	(134,399)
Intergovernmental - federal	-	277,342	277,342
Miscellaneous	133,000	107,457	(25,543)
Transfer in	2,437,772	2,437,772	-
Total revenue	<u>\$ 4,995,100</u>	<u>\$ 4,117,433</u>	<u>\$ (877,667)</u>
Expenditures:			
Operations	<u>\$ 4,995,100</u>	<u>\$ 4,130,492</u>	<u>\$ 864,608</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Maritime Facility Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 1,071,000	\$ 1,163,089	\$ 92,089
Use of money and property	275,000	207,466	(67,534)
Miscellaneous	15,000	-	(15,000)
Transfer in	1,753,600	215,191	(1,538,409)
Total revenue	<u>\$ 3,114,600</u>	<u>\$ 1,585,746</u>	<u>\$ (1,528,854)</u>
Expenditures:			
Operations	\$ 1,318,047	\$ 1,116,435	\$ 201,612
Debt service	1,796,553	1,068,151	728,402
Total expenditures	<u>\$ 3,114,600</u>	<u>\$ 2,184,586</u>	<u>\$ 930,014</u>

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual
Golf Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ 80,000	\$ 85,652	\$ 5,652
Charges for services	1,406,000	1,121,601	(284,399)
Transfer in	-	76,779	76,779
Total revenue	<u>\$ 1,486,000</u>	<u>\$ 1,284,032</u>	<u>\$ (201,968)</u>
Expenditures:			
Operations	\$ 1,486,000	\$ 1,514,387	\$ (28,387)
Total expenditures	<u>\$ 1,486,000</u>	<u>\$ 1,514,387</u>	<u>\$ (28,387)</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Emergency Operations Fund (EOC 911)
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Other local taxes	\$ 3,607,702	\$ 3,607,702	\$ -
Charges for services	1,000	1,920	920
Miscellaneous	1,223,085	1,225,502	2,417
Intergovernmental - federal	63,000	63,617	617
Rollover from last year	365,946	365,946	-
Transfer in	1,627,767	1,627,767	-
Total revenue	<u>\$ 6,888,500</u>	<u>\$ 6,892,454</u>	<u>\$ 3,954</u>
Expenditures:			
Operations	\$ 6,888,500	\$ 6,981,496	\$ (92,996)

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual
Cemeteries Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 1,694,344	\$ 1,196,018	\$ (498,326)
Transfer in	817,156	1,122,736	305,580
Total revenue	<u>\$ 2,511,500</u>	<u>\$ 2,318,754</u>	<u>\$ (192,746)</u>
Expenditures:			
Operations	<u>\$ 2,511,500</u>	<u>\$ 2,151,151</u>	<u>\$ 360,349</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Public Amenities Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Taxes-Hotel & Restaurant	\$ 5,569,500	\$ 5,175,449	\$ (394,051)
Rollover from last year	1,860,919	1,860,919	-
Total revenue	<u>\$ 7,430,419</u>	<u>\$ 7,036,368</u>	<u>\$ (394,051)</u>
Expenditures:			
Transfer out	\$ 2,843,919	\$ 2,843,919	\$ -
Challenge Grants	517,000	517,000	-
Debt Service	575,814	211,250	364,564
All purpose	3,493,686	-	3,493,686
Total expenditures	<u>\$ 7,430,419</u>	<u>\$ 3,572,169</u>	<u>\$ 3,858,250</u>

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual
Tax Increment Financing Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Taxes-real property	\$ 2,982,200	\$ 2,982,200	\$ -
Use of money and property	5,000	123	(4,877)
Rollover from last year	1,000,000	1,000,000	-
Total revenue	<u>\$ 3,987,200</u>	<u>\$ 3,982,323</u>	<u>\$ (4,877)</u>
Expenditures:			
Debt service	\$ 740,186	\$ 737,686	\$ 2,500
Transfer out	3,000,000	3,000,000	-
All-Purpose Appropriation	247,014	-	247,014
Total expenditures	<u>\$ 3,987,200</u>	<u>\$ 3,737,686</u>	<u>\$ 249,514</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Fleet Internal Service Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 165,000	9,978	\$ (155,022)
Charges for services	12,438,600	10,557,671	(1,880,929)
Other-miscellaneous	70,000	101,374	31,374
Total revenue	<u>\$ 12,673,600</u>	<u>\$ 10,669,023</u>	<u>\$ (2,004,577)</u>
Expenditures:			
Fleet	<u>\$ 12,673,600</u>	<u>\$ 10,770,033</u>	<u>\$ 1,903,567</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Storehouse Internal Service Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual *</u>	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 603,900	\$ 601,099	\$ (2,801)
Use of money and property	1,000	74	(926)
	<u>\$ 604,900</u>	<u>\$ 601,173</u>	<u>\$ (3,727)</u>
Expenditures:			
Storehouse	<u>\$ 604,900</u>	<u>\$ 476,801</u>	<u>\$ 128,099</u>

**The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.*

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ended June 30, 2009

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Community Development					
Neighborhood Project Development	\$ 13,985,000	\$ 13,130,640	\$ 1,836	\$ 13,132,476	\$ 852,524
Neighborhood Conservation/Revitalization	63,607,000	41,170,597	9,217,902	50,388,499	13,218,501
Broad Creek Renaissance	13,813,000	10,107,598	989,399	11,096,997	2,716,003
Neighborhood Streets Improvements	5,293,000	4,532,606	-	4,532,606	760,394
Neighborhood commercial Improvements	12,352,000	9,784,406	277,853	10,062,259	2,289,741
Create Special Service Areas	500,000	-	-	-	500,000
Other	876,000	696,252	26,640	722,892	153,108
Community Development Total	<u>110,426,000</u>	<u>79,422,099</u>	<u>10,513,630</u>	<u>89,935,729</u>	<u>20,490,271</u>
Cultural Facilities					
Attucks Theatre Renovations	2,485,000	2,431,300	22,712	2,454,012	30,988
Scope Chiller Replacements	2,760,000	2,759,394	606	2,760,000	-
Scope Improvements	12,940,000	9,761,067	2,362,642	12,123,709	816,291
Chrysler Museum Improvements	6,420,000	4,338,406	167,657	4,506,063	1,913,937
Civic Building Improvements	1,805,000	1,300,667	49,722	1,350,389	454,611
Conference Center	61,915,000	13,188,346	1,586,459	14,774,805	47,140,195
Harrison Opera House Improvements	405,000	402,509	1,582	404,091	909
MacArthur Memorial Improvements	1,577,000	560,674	13,397	574,071	1,002,929
Wells Theater Improvements	225,000	224,989	11	225,000	-
Nauticus/Maritime Center Improvements	2,595,000	2,080,000	500,000	2,580,000	15,000
USS Wisconsin Improvements	3,755,999	678,946	408,936	1,087,882	2,668,117
Other	4,374,500	2,244,823	1,616,942	3,861,765	512,735
Cultural Facilities Total	<u>101,257,499</u>	<u>39,971,121</u>	<u>6,730,666</u>	<u>46,701,787</u>	<u>54,555,712</u>
Economic Development					
Disposition/Upgrade City Property	78,619,026	28,298,404	15,929,237	44,227,641	34,391,385
Nauticus Cruise Development	41,095,870	40,312,925	430,411	40,743,336	352,534
Huntersville Redevelopment	1,000,000	51,032	19,850	70,882	929,118
Wachovia Center Development	5,375,000	22,196	-	22,196	5,352,804
Kroc Center Development	4,040,000	2,677,500	5,400	2,682,900	1,357,100
Other	1,846,319	1,108,843	725,127	1,833,970	12,349
Economic Development Total	<u>131,976,215</u>	<u>72,470,900</u>	<u>17,110,025</u>	<u>89,580,925</u>	<u>42,395,290</u>
General/Other					
Campostella Landfill Closure	1,400,000	904,213	500,000	1,404,213	(4,213)
Beach Erosion Control	19,643,500	14,102,409	4,643,174	18,745,583	897,917
Transfer to Debt Service	1,741,232	2,360,655	887,415	3,248,070	(1,506,838)
IFMS - Financial System Implementation	2,898,904	2,837,965	3,416	2,841,381	57,523
Waterway Dredging Projects	4,860,000	2,603,676	576,470	3,180,146	1,679,854
Other	11,022,700	23,150,436	2,196,002	25,346,438	(14,323,738)
General/Other Total	<u>41,566,336</u>	<u>45,959,354</u>	<u>8,806,477</u>	<u>54,765,831</u>	<u>(13,199,495)</u>
Public Buildings and Facilities					
Fire Station Emergency Generation Program	1,384,622	1,263,057	-	1,263,057	121,565
Infrastructure Improvements	2,786,500	2,505,518	91,147	2,596,665	189,835
Public Health Center - Bio Med Facility	2,233,537	2,371,579	-	2,371,579	(138,042)
Detention Home Project	7,428,681	7,424,110	-	7,424,110	4,571
Annual Roof Maintenance	4,801,000	3,967,195	555,047	4,522,242	278,758
Library Facilities - Anchor Branch	10,476,238	10,281,513	10,826	10,292,339	183,899
Police Precinct Replacement	24,442,000	9,555,573	334,900	9,890,473	14,551,527
Courts Renovations	38,575,000	1,614,606	5,257,549	6,872,155	31,702,845
Jail Renovations	2,063,200	1,830,835	-	1,830,835	232,365
Selden Arcade Renovations	9,631,883	7,168,667	61,289	7,229,956	2,401,927
City Hall Building Renovations	5,190,000	2,615,254	822,818	3,438,072	1,751,928
Chrysler Museum Renovations	1,075,000	1,075,000	-	1,075,000	-
Tow Yard Acquisition	1,300,000	-	-	-	1,300,000
Fire Facilities Replacement/Improvements	993,000	324,001	283,557	607,558	385,442
Police Training Facilities	5,306,000	4,624,373	664,108	5,288,481	17,519
Library Facilities - Kirn Main Branch	9,248,000	7,215,000	368	7,215,368	2,032,632
Other	5,060,955	1,463,472	941,054	2,404,526	2,656,429
Public Buildings and Facilities Total	<u>131,995,616</u>	<u>65,299,753</u>	<u>9,022,663</u>	<u>74,322,416</u>	<u>57,673,200</u>

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ended June 30, 2009

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Parks/Recreational Facilities					
Zoo Master Plan	24,140,000	10,512,605	8,219,189	18,731,794	5,408,206
Titustown Recreation Center Improvements	3,550,000	3,208,961	-	3,208,961	341,039
Botanical Gardens	2,014,000	2,055,017	(17,610)	2,037,407	(23,407)
Existing Recreation Center Improvements	8,927,850	4,830,707	2,018,019	6,848,726	2,079,124
Norview Recreation Center	7,949,500	6,327,887	1,118,227	7,446,114	503,386
Lambert's Point Golf Course	9,588,300	9,187,758	543	9,188,301	399,999
Lambert's Point Community & Recreational (7,667,000	639,835	4,350,750	4,990,585	2,676,415
Harbor Park Improvements	1,050,000	700,000	140,327	840,327	209,673
Athletic Field Renovations	1,984,000	983,418	334,934	1,318,352	665,648
Norfolk Fitness & Wellness Center Renovati	673,670	661,988	10	661,998	11,672
Broadcreek & Westside Neighborhood Parks	2,616,000	1,466,559	619,400	2,085,959	530,041
Town Point Park Improvements	11,525,000	1,130,402	10,028,177	11,158,579	366,421
Martin Luther King Park	123,000	116,020	-	116,020	6,980
Waterside Waterfront Renovations	587,500	46,100	76,840	122,940	464,560
Ingleside Gymnasium	121,000	-	-	-	121,000
Other	9,895,050	1,013,966	434,251	1,448,217	8,446,833
Parks/Recreational Facilities Total	92,411,870	42,881,223	27,323,057	70,204,280	22,207,590
Schools					
Norfolk Public School Allocation	1,596,813	1,596,813	-	1,596,813	-
Project Design Phase	5,757,830	5,757,830	-	5,757,830	-
Blair Middle School Replacement	7,071,710	7,037,710	-	7,037,710	34,000
Norfolk Public School Construction	5,698,631	3,175,025	11,234	3,186,259	2,512,372
Norfolk Public School Initiative	5,265,000	4,504,128	759,328	5,263,456	1,544
Norview Construction	26,679,400	26,679,399	-	26,679,399	1
Southside Middle School	2,250,000	-	-	-	2,250,000
High School Athletic Field	1,500,000	1,421,734	84,413	1,506,147	(6,147)
Coleman Place Elementary Replacement	21,567,641	19,795,320	313,170	20,108,490	1,459,151
Crossroads Elementary Replacement	4,648,525	-	41,060	41,060	4,607,465
Other	6,924,324	3,140,268	1,998,067	5,138,335	1,785,989
Schools Total	88,959,874	73,108,227	3,207,272	76,315,499	12,644,375
Storm Water					
Storm Water Quality Improvements	8,355,000	4,838,242	1,655,663	6,493,905	1,861,095
Storm Water Facility Improvements	1,650,000	823,105	458,454	1,281,559	368,441
Old Dominion University Master Plan	514,000	503,766	-	503,766	10,234
Drain Line Clean & Slip Lining	2,812,267	2,734,321	2,436	2,736,757	75,510
Neighborhood Flood Reduction	6,866,000	2,776,756	2,055,170	4,831,926	2,034,074
Bulkheading Master Project	3,278,733	2,934,197	-	2,934,197	344,536
Pump Station Improvements	100,000	100,000	-	100,000	-
Other	500,000	4,000	-	4,000	496,000
Storm Water Total	24,076,000	14,714,387	4,171,723	18,886,110	5,189,890
Transportation					
Old Dominion University Master Plan	8,528,600	8,547,864	-	8,547,864	(19,264)
VDOT Urban Support Program	9,950,702	7,485,359	60,915	7,546,274	2,404,428
Bridge Maintenance & Repair Program	20,044,351	13,596,084	2,831,951	16,428,035	3,616,316
Signal & Intersection Enhancements	10,303,500	7,067,932	580,378	7,648,310	2,655,190
Citywide Soundwall Program	9,036,260	3,310,906	3,501,460	6,812,366	2,223,894
Neighborhood Streets Improvements	45,800,666	21,410,247	5,082,059	26,492,306	19,308,360
Atlantic City Development	12,739,200	7,981,849	377,845	8,359,694	4,379,506
Citywide Boat Ramp Improvements	1,944,250	1,918,314	5,098	1,923,412	20,838
Other	14,585,000	2,590,012	5,044,090	7,634,102	6,950,898
Transportation Total	132,932,529	73,908,567	17,483,796	91,392,363	41,540,166
Grand Total	\$ 855,601,939	\$ 507,735,631	\$ 104,369,309	\$ 612,104,940	\$ 243,496,999

**STATISTICAL
SECTION
(Unaudited)**



CITY OF NORFOLK, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2009

STATISTICAL SECTION

This section of the City of Norfolk's comprehensive annual financial report provides detailed historical and economic information for users of the financial statements, notes to the financial statements, and required supplementary information for the purpose of assessing and evaluating the City's economic condition.

Financial Trends Information – These schedules provide information on the City's net assets, changes to net assets and fund balance for assessing the changes in financial position over time.

Revenue Capacity Information – These schedules provide information on the City's ability to generate revenue, specifically property tax revenue (the major source of revenue for governmental activities).

Debt Capacity Information – These schedules provide information on the City's outstanding debt, debt limitations and the ability to leverage and pay future debt.

Demographic and Economic Information – These schedules provide information about the environment in which the City operates.

Operating Information – These schedules provide operating information related to the City's infrastructure, assets and services provided by function.

Sources: Unless otherwise noted, the information in these statistical schedules is from the comprehensive annual financial reports for the relevant years. The City implemented GASB 34 in 2002; schedules presenting government wide information includes information beginning in that year.



(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 1
Net Assets by Category
Last Eight Fiscal Years
(Amounts in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
Invested in capital assets, net of related debt	\$ 537,356	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128
Restricted	72,938	35,753	55,786	6,788	6,605	6,731	6,890	64,397
Unrestricted	34,968	72,904	86,959	91,869	96,705	127,479	90,917	63,013
Subtotal governmental activities net assets	<u>645,262</u>	<u>579,108</u>	<u>554,738</u>	<u>502,234</u>	<u>494,702</u>	<u>467,198</u>	<u>422,980</u>	<u>379,538</u>
Business-Type activities:								
Invested in capital assets, net of related debt	128,521	195,799	223,018	237,044	259,198	268,503	241,203	237,307
Restricted	46,861	37,216	36,041	-	-	2,526	2,506	39,306
Unrestricted	85,619	39,277	20,293	48,563	43,383	34,373	72,387	43,921
Subtotal business-type activities net assets	<u>261,001</u>	<u>272,292</u>	<u>279,352</u>	<u>285,607</u>	<u>302,581</u>	<u>305,402</u>	<u>316,096</u>	<u>320,534</u>
Primary government:								
Invested in capital assets, net of related debt	665,877	666,250	635,011	640,621	650,590	601,491	566,376	489,435
Restricted	119,799	72,969	91,827	6,788	6,605	9,257	9,396	103,703
Unrestricted	120,587	112,181	107,252	140,432	140,088	161,852	163,304	106,934
Total primary government net asset:	<u>\$ 906,263</u>	<u>\$ 851,400</u>	<u>\$ 834,090</u>	<u>\$ 787,841</u>	<u>\$ 797,283</u>	<u>\$ 772,600</u>	<u>\$ 739,076</u>	<u>\$ 700,072</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 2
Changes in Net Assets
Last Eight Fiscal Years
(Amounts in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Program Revenues								
Governmental activities:								
Charges for services								
General government	\$ 108	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800
Judicial administration	10	191	402	498	200	778	931	935
Public safety	2,410	6,282	6,727	11,608	13,041	2,708	2,307	2,797
Public works	13,896	16,394	16,829	9,081	10,121	24,181	27,156	26,999
Health and public assistance	119	159	154	130	134	101	166	134
Culture and recreation	1,763	5,907	6,668	7,034	6,198	6,126	6,710	6,232
Community development	6	7	11	5	1,063	907	760	1,539
Capital grant contributions	-	-	-	-	-	-	-	16,933
Operating grants and contributions	93,270	123,596	105,466	116,399	116,827	115,779	112,960	112,419
Total governmental activities program revenue	111,582	152,985	136,808	145,530	148,814	153,030	153,159	169,788
Business-type activities:								
Charges for Services								
Water	59,318	63,785	60,964	61,002	74,218	69,816	74,240	74,454
Wastewater	13,389	14,615	18,633	21,329	22,375	22,314	24,917	23,125
Parking facilities	18,355	18,574	21,354	21,059	20,911	21,599	20,425	20,048
Capital grants and contributions	355	254	205	-	78	731	219	504
Total business-type activities program revenues	91,417	97,228	101,156	103,390	117,582	114,460	119,801	118,131
Total primary government program revenues	202,999	250,213	237,964	248,920	266,396	267,490	272,960	287,919
Expenses								
Governmental activities:								
General government	48,062	83,311	86,081	74,344	94,763	113,279	113,142	111,629
Judicial administration	8,987	10,856	36,635	40,319	42,494	46,944	48,593	52,209
Public safety	122,252	117,488	99,975	107,531	106,705	111,803	126,609	120,703
Public works	96,894	103,319	124,833	144,438	109,907	119,176	118,888	134,274
Health and public assistance	62,062	70,665	77,668	84,173	91,443	93,775	95,234	93,495
Culture and recreation	46,945	44,758	42,495	46,267	44,933	52,965	56,890	63,438
Community development	17,218	19,806	10,471	16,974	14,930	14,772	15,345	10,867
Education	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511
Interest on long-term debt	18,536	18,088	17,461	18,516	19,565	19,618	21,457	23,788
Intergovernmental	7,932	8,061	6,140	-	-	-	-	-
Total government activities expenses:	512,771	565,206	591,779	624,427	617,335	669,927	697,253	714,914
Business-type activities:								
Water	53,712	54,382	60,069	60,207	62,009	60,511	64,877	66,990
Wastewater	11,379	10,963	11,754	11,957	15,448	17,377	18,614	21,227
Parking facilities	14,298	15,834	16,869	18,640	18,356	18,861	21,539	19,036
Total business-type activities expenses	79,389	81,179	88,692	90,804	95,813	96,749	105,030	107,253
Total primary government expenses	592,160	646,385	680,471	715,231	713,148	766,676	802,283	822,167
Net (Expense) Revenue								
Governmental activities	(401,189)	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)
Business-type activities	12,028	16,049	12,464	12,586	21,769	17,711	14,771	10,878
Total primary government net expense	\$ (389,161)	\$ (396,172)	\$ (442,507)	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 2-1
Changes in Net Assets
Last Eight Fiscal Years
(Amounts in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Real Estate and personal property	\$ 158,871	\$ 168,731	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640
Consumption utility	-	-	-	43,387	43,337	42,586	46,582	44,142
Sales and use	-	-	-	29,497	30,652	32,402	31,791	29,484
Restaurant food	-	-	-	26,669	27,277	28,578	28,758	28,079
Business licenses	-	-	-	22,015	24,412	25,268	26,343	27,692
Cigarette	-	-	-	6,948	6,819	6,957	7,577	7,333
Motor vehicle licenses	-	-	-	2,605	3,576	3,529	3,498	4,005
Franchise, admission, recordation and other miscellaneous local	-	-	-	19,356	21,544	19,800	18,025	17,192
Other *	127,262	132,847	140,675	-	-	-	-	-
Interest and investment earnings	5,566	3,018	2,377	4,916	7,306	6,536	5,307	2,789
Grants and contributions not restricted to specific programs	60,367	60,472	77,601	68,219	68,133	66,524	69,352	60,513
Miscellaneous	12,003	7,986	18,504	8,496	15,851	4,845	11,881	9,600
Gain on disposal of assets	625	4,025	-	-	3,249	65	62	-
Transfers between governmental and business-type activities	8,000	8,500	10,000	10,000	11,868	10,988	10,212	10,215
Total governmental activities	<u>372,694</u>	<u>385,579</u>	<u>430,603</u>	<u>435,264</u>	<u>481,811</u>	<u>489,393</u>	<u>499,876</u>	<u>501,684</u>
Business-type activities:								
Interest and investment earnings	941	816	609	864	3,161	2,739	3,046	925
Grants and contributions not restricted to specific programs	-	-	-	-	-	333	-	-
Unrealized Gain (Loss) on investments	-	25	(640)	-	-	-	-	-
Miscellaneous	3,660	2,780	4,624	3,657	3,911	3,554	3,088	2,850
Gain (Loss) on disposal of assets	415	121	-	(852)	-	(6)	-	-
Transfers between governmental and business-type activities	(8,000)	(8,500)	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)
Total business-type activities	<u>(2,984)</u>	<u>(4,758)</u>	<u>(5,407)</u>	<u>(6,331)</u>	<u>(4,796)</u>	<u>(4,368)</u>	<u>(4,078)</u>	<u>(6,440)</u>
Total primary governmental activities	<u>369,710</u>	<u>380,821</u>	<u>425,196</u>	<u>428,933</u>	<u>477,015</u>	<u>485,025</u>	<u>495,798</u>	<u>495,244</u>
Change in Net Assets								
Governmental activities	(28,495)	(26,642)	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)
Business-type activities	9,044	11,291	7,057	6,255	16,973	13,343	10,693	4,438
Total Primary Government changes in net assets	<u>\$ (19,451)</u>	<u>\$ (15,351)</u>	<u>\$ (17,311)</u>	<u>\$ (37,378)</u>	<u>\$ 30,263</u>	<u>\$ (14,161)</u>	<u>\$ (33,525)</u>	<u>\$ (39,004)</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.
2. *All taxes listed except real estate taxes were reported as "other" on the CAFR prior to fiscal year 2005.

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund:										
Reserved	\$ 12,309	\$ 12,142	\$ 14,913	\$ 8,317	\$ 8,152	\$ 14,172	\$ 16,057	\$ 17,223	\$ 11,669	\$ 7,842
Unreserved	39,836	60,569	53,053	49,789	53,948	54,007	66,619	71,056	56,302	50,784
Total general fund	<u>52,145</u>	<u>72,711</u>	<u>67,966</u>	<u>58,106</u>	<u>62,100</u>	<u>68,179</u>	<u>82,676</u>	<u>88,279</u>	<u>67,971</u>	<u>58,626</u>
Capital projects fund:										
Reserved	22,685	23,294	40,849	51,259	80,034	82,373	20,885	48,894	57,186	50,987
Unreserved	2,616	11,755	1,009	7,200	14,132	3,394	-	15,424	64,504	25,939
Total capital projects fund	<u>25,301</u>	<u>35,049</u>	<u>41,858</u>	<u>58,459</u>	<u>94,166</u>	<u>85,767</u>	<u>20,885</u>	<u>64,318</u>	<u>121,690</u>	<u>76,926</u>
All Other governmental funds:										
Reserved	17,877	19,577	17,177	8,089	10,509	27,161	19,075	20,123	30,716	27,049
Unreserved	(16,669)	(17,230)	1,254	14,833	14,058	3,992	17,131	24,211	13,987	12,535
Total Other governmental funds	<u>1,208</u>	<u>2,347</u>	<u>18,431</u>	<u>22,922</u>	<u>24,567</u>	<u>31,153</u>	<u>36,206</u>	<u>44,334</u>	<u>44,703</u>	<u>39,584</u>
Total fund balance, governmental fund	<u>\$ 78,654</u>	<u>\$ 110,107</u>	<u>\$ 128,255</u>	<u>\$ 139,487</u>	<u>\$ 180,833</u>	<u>\$ 185,099</u>	<u>\$ 139,767</u>	<u>\$ 196,931</u>	<u>\$ 234,364</u>	<u>\$ 175,136</u>

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
General property taxes	\$ 152,062	\$ 153,366	\$ 159,512	\$ 168,893	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003
Other local taxes	119,107	126,537	127,262	132,847	140,675	150,477	157,616	159,119	162,573	157,927
Licenses and permits	2,943	2,601	2,700	2,973	3,204	3,542	4,088	4,071	4,055	4,012
Fines and forfeitures	1,661	1,684	1,541	1,569	1,627	1,763	1,461	1,605	1,317	1,260
Use of money and property	10,275	11,361	11,247	8,791	8,333	10,232	10,498	11,105	10,560	8,332
Charges for services	18,836	18,745	18,312	29,390	31,342	29,129	32,772	37,071	40,159	40,345
Miscellaneous	13,990	13,681	12,337	24,785	17,339	18,951	33,494	11,691	17,923	12,911
Recovered costs	12,338	14,135	10,008	9,556	12,297	14,188	12,667	8,408	8,622	8,952
Intergovernmental	133,526	122,677	133,332	131,071	160,118	147,045	149,757	156,637	156,862	149,774
							-			
Total Revenue	464,738	464,787	476,251	509,875	553,296	568,620	614,141	625,106	643,361	635,516
Expenditures:										
Current										
General government	50,770	50,671	44,126	64,639	76,127	67,434	92,062	102,031	110,974	102,426
Judicial administration	8,969	7,987	8,790	9,280	35,603	38,110	41,795	45,173	47,331	50,347
Public safety	96,542	101,523	115,912	123,202	94,979	102,278	105,634	108,565	116,208	118,073
Public works	36,792	36,817	56,124	57,162	80,613	64,497	46,959	49,161	60,370	56,146
Health and public assistance	72,609	56,967	61,601	68,140	76,221	83,451	91,535	93,397	95,159	91,648
Culture and recreation	45,088	46,032	40,849	40,149	40,081	40,290	42,995	46,397	51,071	52,248
Education	79,033	80,883	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511
Community development	22,970	22,549	16,945	17,673	8,048	12,716	13,552	11,158	10,745	9,899
Debt Services:										
Principal retirement	29,493	32,065	31,177	32,450	32,731	47,407	37,660	35,872	40,260	48,092
Interest and other charges	18,906	19,056	17,460	15,998	16,820	18,061	18,802	18,917	20,468	23,666
Intergovernmental	5,950	7,807	7,932	8,061	6,140	-	-	-	-	-
Capital outlay	17,912	27,488	30,516	37,770	45,026	85,144	91,632	94,595	114,007	104,892
Total Expenditures	485,034	489,845	515,315	563,378	602,409	651,253	675,221	702,861	767,688	761,948
(Deficiency) of revenues (under) expenditures	(20,296)	(25,058)	(39,064)	(53,503)	(49,113)	(82,633)	(61,080)	(77,755)	(124,327)	(126,432)
Other Financing Sources (Uses):										
Proceeds of refunding bonds	-	-	-	31,123	83,219	30,389	-	15,480	-	16,000
Proceeds of capital leases	4,975	6,667	2,184	7,503	4,430	4,702	4,828	-	-	-
Proceeds of debt (general obligation bonds and notes)	22,544	25,470	56,179	47,695	69,685	70,840	-	121,705	145,663	55,280
Payment to refunded bonds escrow agent	-	-	(30,452)	(31,123)	(83,219)	(30,389)	-	(15,480)	-	(16,000)
Premium on bonds issued	-	-	-	-	389	2,259	-	2,070	5,785	1,707
Miscellaneous	-	-	-	(2,989)	(7)	-	(122)	66	62	-
Proceeds from sale or disposal of fixed assets	1,207	12,968	-	4,025	1,062	-	-	-	-	-
Operating transfers in	69,276	76,514	72,913	78,637	75,587	82,354	97,185	89,254	109,901	105,641
Operating transfers (out)	(59,826)	(64,718)	(64,913)	(70,137)	(65,587)	(72,354)	(86,142)	(78,176)	(99,653)	(95,425)
Total other financing sources (uses)	38,176	56,901	35,911	64,734	85,559	87,801	15,749	134,919	161,758	67,203
Net change in fund balances	\$ 17,880	\$ 31,843	\$ (3,153)	\$ 11,231	\$ 36,446	\$ 5,168	\$ (45,331)	\$ 57,164	\$ 37,431	\$ (59,229)
Debt service as a percentage of noncapital expenditures	10.36%	11.06%	10.03%	9.22%	8.89%	11.56%	9.67%	9.01%	9.29%	10.92%

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 5
Program Revenues by Function
Last Eight Fiscal Years
(Amounts in thousands)

Function/Program	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:								
General government	\$ 11,272	\$ 43,823	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042
Judicial administration	4,466	4,482	17,960	19,423	19,605	27,904	28,707	23,173
Public safety	22,128	23,941	12,832	19,822	20,674	8,137	5,244	11,036
Public works	31,670	34,082	40,783	28,440	30,438	44,769	47,407	48,156
Health and public assistance	34,127	34,453	36,733	39,064	39,930	42,261	40,567	41,695
Culture and recreation	6,097	10,225	10,221	9,956	9,603	9,655	10,359	9,148
Education	1,822	1,979	2,334	3,281	3,762	3,690	3,168	20,538
Subtotal governmental activities program revenue	<u>111,582</u>	<u>152,985</u>	<u>136,808</u>	<u>145,530</u>	<u>148,814</u>	<u>153,030</u>	<u>153,159</u>	<u>169,788</u>
Business-type activities:								
Water	59,389	64,039	61,126	61,002	74,277	70,411	74,416	74,958
Wastewater	13,673	14,615	18,676	21,329	22,394	22,450	24,960	23,125
Parking facilities	18,355	18,574	21,354	21,059	20,911	21,599	20,425	20,048
Subtotal business-type activities program revenues	<u>91,417</u>	<u>97,228</u>	<u>101,156</u>	<u>103,390</u>	<u>117,582</u>	<u>114,460</u>	<u>119,801</u>	<u>118,131</u>
Total primary government program revenues	<u>\$ 202,999</u>	<u>\$ 250,213</u>	<u>\$ 237,964</u>	<u>\$ 248,920</u>	<u>\$ 266,396</u>	<u>\$ 267,490</u>	<u>\$ 272,960</u>	<u>\$ 287,919</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 6
Total Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Misc	Recovered Costs	Inter-Governmental Revenues	Total
2000	\$ 152,062	\$ 119,107	\$ 2,943	\$ 1,661	\$ 10,275	\$ 18,836	\$ 13,990	\$ 12,338	\$ 133,526	\$ 464,738
2001	153,366	126,537	2,601	1,684	11,361	18,745	13,681	14,135	122,677	464,787
2002	159,512	127,262	2,700	1,541	11,247	18,312	12,337	10,008	133,332	476,251
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,692	8,408	156,636	625,106
2008	241,290	162,573	4,055	1,317	10,651	40,070	17,923	8,622	156,862	643,363
2009	252,004	157,926	4,012	1,260	8,333	40,345	12,911	8,952	149,774	635,517
Change 2000-2009	65.7%	32.6%	36.3%	-24.1%	-18.9%	114.2%	-7.7%	-27.4%	12.2%	36.7%

City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Sales and Use Taxes	Consumer's Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
2000	\$ 24,321	\$ 34,224	\$ 18,095	\$ 3,391	\$ 3,940	\$ 17,066	\$ 18,070	\$ 119,107
2001	25,496	38,988	18,352	3,479	4,122	18,759	17,341	126,537
2002	25,267	37,922	18,644	3,554	4,280	19,288	18,307	127,262
2003	25,854	37,930	18,472	3,462	4,220	21,680	21,229	132,847
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926
Change 2000-2009	21.2%	29.0%	53.0%	18.1%	86.1%	64.5%	-4.9%	32.6%

Note:

1. This table presents additional details on other local taxes presented in the Table above.

(UNAUDITED)

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 1
Assessed Valuations and Estimated Actual Values of Taxable Property
Last Ten Years
(in thousands)

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2000	\$ 8,098,113	\$ 1,023,626	\$ 203,300	\$ 9,325,039	\$ 15,668,692
2001	8,458,281	1,040,929	228,874	9,728,084	16,119,540
2002	8,882,064	1,102,983	219,845	10,204,892	16,794,801
2003	9,356,760	1,085,027	300,481	10,742,268	17,864,127
2004	10,029,639	1,170,117	283,544	11,483,300	19,424,095
2005	10,960,812	1,167,673	310,519	12,439,004	21,576,347
2006	12,691,527	1,324,320	316,471	14,332,318	25,196,622
2007	15,607,512	1,375,798	322,971	17,306,281	27,820,206
2008	18,401,851	2,503,662	322,195	21,227,708	28,427,502
2009	19,395,789	2,031,277	266,709	21,693,775	29,928,632

Notes:

1. Real property and personal property includes both general and public service corporations.
2. Other property includes machinery and tools, mobile homes, airplanes and boats.
3. Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor. Property value information does not include property of public service corporations or vacant land.

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 2
Direct Property Rates
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	1.11
Business improvement District	0.20	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25
Mobile homes	1.40	1.40	1.40	1.40	1.40	1.40	1.35	1.27	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	N/A	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	90%	90%	88%	88%	86%	65%	76%	76%	93%	N/A

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 1999 through 2008.
3. The most recent Virginia Assessment/Sales ratio study is for 2004.

N/A - Not available

(UNAUDITED)

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 3
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2000			2009		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Virginia Power Co.	\$ 164,546,454	2	2.03%	\$ 213,915,347	1	1.10%
MacArthur Shopping Center LLC (Taubman Co.)	137,996,050	3	1.70%	173,032,800	2	0.89%
Verizon Virginia, Inc.	-	-	-	127,474,415	3	0.66%
Norfolk Southern Corporation	70,908,837	4	0.88%	101,237,252	4	0.52%
Bank of America	60,103,430	6	0.74%	91,022,200	5	0.47%
Ford Motor Company	45,788,020	7	0.57%	81,588,900	6	0.42%
Military Circle Ltd. Partnership	67,679,080	5	0.84%	66,464,200	7	0.34%
Cox Virginia Telecom	-	-	-	62,969,166	8	0.32%
Dominion Tower Ltd. Partnership	44,444,490	8	0.55%	59,223,100	9	0.31%
North Pines Associates	-	-	-	51,557,000	10	0.27%
Bell Atlantic Virginia, Inc.	202,355,549	1	2.50%			
Total	<u>\$ 233,775,279</u>		<u>2.89%</u>	<u>\$1,028,484,380</u>		<u>5.30%</u>
Total Assessed Value	\$ 8,098,113,173			\$ 19,397,795,455		

Note:

1. Information obtained from the City's Real Estate Assessor's Office.

(UNAUDITED)

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 4
Property Tax Levy and Collections
Last Ten Years
(in thousands)

Year	Total Tax Levy	Current Collections	Percentage of Current Collections to Tax Levy	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy
2000	\$ 158,268	\$ 145,772	92.10%	\$ 14,865	\$ 160,637	101.50%
2001	164,289	151,921	92.47%	13,501	165,422	100.69%
2002	171,755	158,914	92.52%	12,883	171,797	100.02%
2003	179,220	164,482	91.78%	18,724	183,206	102.22%
2004	191,397	178,200	93.10%	15,821	194,021	101.37%
2005	209,202	191,254	91.42%	8,549	199,803	95.51%
2006	227,796	203,804	89.47%	8,526	212,330	93.21%
2007	254,703	239,288	93.95%	10,097	249,385	97.91%
2008	258,016	238,728	92.52%	14,905	253,633	98.30%
2009	261,535	244,947	93.66%	13,647	258,594	98.88%

Notes:

1. Delinquent tax collections are reported in the year collected.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 1
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amount in Thousands)

Fiscal Year	General Obligation Bonds *	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
Governmental Activities							
2000	\$ 360,345	\$ 3,157	\$ -	\$ 363,502	\$ 1,551	6.48%	N/A
2001	353,917	2,755	-	356,672	1,524	6.98%	N/A
2002	348,296	2,297	-	350,593	1,501	7.30%	1.84
2003	361,656	1,726	-	363,382	1,554	7.45%	1.59
2004	398,606	1,110	-	399,716	1,699	7.18%	1.39
2005	421,008	250	-	421,258	1,792	7.25%	1.19
2006	382,773	239	-	383,012	1,604	8.21%	1.29
2007	469,498	227	-	469,725	1,992	7.10%	0.99
2008	571,138	2,000	-	573,138	2,438	N/A	0.74
2009	577,936	1,000	-	578,936	N/A	N/A	0.55
Business Type Activities							
2000	\$ 128,007	\$ -	\$ 347,620	\$ 475,627	\$ 2,029	4.95%	N/A
2001	114,528	-	357,240	471,768	2,016	5.27%	N/A
2002	112,050	-	360,635	472,685	2,023	5.42%	0.55
2003	99,220	-	370,855	470,075	2,010	5.76%	0.58
2004	87,636	-	365,464	453,100	1,926	6.33%	0.62
2005	91,520	-	382,689	474,209	2,017	6.44%	0.60
2006	93,099	-	374,159	467,258	1,956	6.73%	0.65
2007	107,311	-	364,834	472,145	2,003	7.07%	0.65
2008	124,092	-	420,819	544,911	2,318	N/A	0.58
2009	158,227	-	416,746	574,973	N/A	N/A	0.56
Total Primary Governmental Activities							
2000	\$ 488,353	\$ 3,157	\$ 347,620	\$ 839,129	\$ 3,580	2.81%	N/A
2001	468,445	2,755	357,240	828,440	3,540	3.00%	N/A
2002	460,346	2,297	360,635	823,278	3,524	3.11%	1.10
2003	460,876	1,726	370,855	833,457	3,563	3.25%	1.02
2004	486,242	1,110	365,464	852,816	3,626	3.36%	0.98
2005	512,528	250	382,689	895,467	3,809	3.41%	0.88
2006	475,872	239	374,159	850,270	3,560	3.70%	0.94
2007	576,809	227	364,834	941,870	3,995	3.54%	0.82
2008	695,230	2,000	420,819	1,118,049	4,756	N/A	0.66
2009	736,163	1,000	416,746	1,153,909	N/A	N/A	0.61

Notes:

* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000. Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenues pledged to support the bond's debt service. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

N/A - not available

1. Population is detailed in Debt Capacity Information Schedule 2.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 2
Ratio of Net General Bonded Debt
Total Assessed Value and Net Bonded Debt Per Capita
Last Ten Years

Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
2000	\$ 488,353	\$ 128,007	\$ 360,346	\$ 9,325,039	234,403	3.86%	\$ 1,537
2001	468,445	114,528	353,917	9,728,084	234,000	3.64%	1,512
2002	460,346	112,050	348,296	10,204,892	233,600	3.41%	1,491
2003	460,876	99,220	361,656	10,742,268	233,900	3.37%	1,546
2004	486,242	87,636	398,606	11,483,300	235,200	3.47%	1,695
2005	512,528	91,520	421,008	12,439,004	235,071	3.38%	1,791
2006	475,872	93,099	382,773	14,332,318	238,832	2.67%	1,603
2007	576,809	107,311	469,498	17,306,281	235,747	2.71%	1,992
2008	695,230	124,092	571,138	21,227,708	235,092	2.69%	2,429
2009	736,163	158,227	577,936	21,695,781	N/A	2.66%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2009.

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2009

Jurisdiction	Net Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 577,936	100%	\$ 577,936

Notes:

1. Enterprise Funds are excluded.
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 4
Legal Debt Margin
June 30

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total assessed value of real property	\$ 8,098,113,173	\$ 8,458,280,938	\$ 8,882,063,788	\$ 9,356,759,552	\$ 10,029,638,801	\$ 10,960,812,421	\$ 12,691,527,668	\$ 15,496,207,804	\$ 18,401,851,069	\$ 19,395,789,387
Overall debt limitation - 10% of assessed valuation	809,811,317	845,828,094	888,206,379	935,675,955	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939
Net debt applicable to debt limitation	491,197,246	471,745,246	463,645,861	464,176,270	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200
Legal Debt Margin Within 10% Limitation	\$ 318,614,071	\$ 374,082,848	\$ 424,560,518	\$ 471,499,685	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739
Net debt percentage of 10% limitation	60.66%	55.77%	52.20%	49.61%	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 5
Revenue Bonds Debt Service Coverage
Water Utility Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2000	\$ 64,456,322	\$ 28,198,244	\$ 36,258,078	\$ 4,475,000	\$ 13,616,718	\$ 18,091,718	2.00
2001	64,459,300	29,732,203	34,727,097	4,680,000	13,411,636	18,091,636	1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180	1.83
2003	67,760,029	30,867,286	36,892,743	5,700,000	14,600,283	20,300,283	1.82
2004	64,366,942	36,623,654	27,743,288	5,955,000	14,336,043	20,291,043	1.37
2005	69,183,154	37,584,692	31,598,462	6,250,000	14,041,059	20,291,059	1.56
2006	78,788,158	37,086,776	41,701,382	6,580,000	14,827,960	21,407,960	1.95
2007	76,013,563	35,050,694	40,962,869	7,310,000	14,379,821	21,689,821	1.89
2008	78,730,024	39,559,202	39,170,822	7,665,000	14,022,200	21,687,200	1.81
2009	78,020,552	40,807,627	37,212,925	8,050,000	16,411,343	24,461,343	1.52

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

City of Norfolk, Virginia
Debt Capacity Information
Schedule 6
Revenue Bonds Debt Service Coverage
Parking Facilities Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service Total	Coverage
2000	\$ 15,820,975	\$ 5,495,665	\$ 10,325,310	\$ 4,621,053	2.23
2001	17,246,291	5,706,458	11,539,833	4,964,744	2.32
2002	18,427,725	7,309,883	11,117,842	5,683,455	1.96
2003	18,879,428	7,481,301	11,398,127	5,404,816	2.11
2004	21,614,695	8,503,800	13,110,895	5,429,056	2.41
2005	21,329,936	9,984,289	11,345,647	5,444,772	2.08
2006	21,823,360	9,493,391	12,329,969	6,012,397	2.05
2007	22,348,513	9,359,808	12,988,705	6,478,189	2.00
2008	21,338,661	10,554,971	10,783,690	6,527,680	1.65
2009	20,060,905	10,762,214	9,298,691	6,528,970	1.42

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

The City of Norfolk's Wastewater Utility Fund issued revenue bonds in FY2008. Debt service and coverage calculations begin in FY2010.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity
Schedule 7
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2000	\$ 29,492,664	\$ 3,772,213	\$ 18,905,175	\$ 457,573	\$ 52,627,625	\$ 558,439,186	9.42%
2001	32,064,594	4,138,633	19,055,944	667,364	55,926,535	578,776,772	9.66%
2002	31,177,249	4,221,984	17,459,383	625,397	53,484,013	431,283,578	12.40%
2003	32,449,555	4,270,903	15,993,552	544,262	53,258,272	451,633,988	11.79%
2004	32,735,609	4,988,796	16,781,410	494,610	55,000,425	490,944,275	11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%

Notes:

1. Total general expenditures include the expenditures of the general fund and debt service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

**City of Norfolk, Virginia
Demographic and Economic Information
Schedule 1
Population Statistics
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
2000	234,403	\$ 5,510,786	\$ 23,547	92,428	3.3
2001	234,000	5,804,141	24,885	94,606	4.3
2002	233,600	6,090,818	25,597	98,883	5.5
2003	233,900	6,419,772	27,088	98,939	5.7
2004	235,200	6,786,186	28,684	99,029	5.5
2005	235,071	7,044,989	30,528	100,614	5.4
2006	238,832	7,513,420	31,459	97,533	4.1
2007	235,747	7,874,868	33,371	97,380	4.1
2008	235,092	N/A	N/A	101,457	5.3
2009	N/A	N/A	N/A	N/A	N/A

Note:

1. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2009.
2. Unemployment rate and civilian Labor Force from the Bureau of Labor Statistics 2008. Data not available for FY2009
3. Personal income, per capita personal income and civilian labor force estimates from U.S. Bureau of Economic Analysis. Data not available for 2008 or 2009
4. All data on an average annual calendar year.

N/A - Not available

(UNAUDITED)

**City of Norfolk, Virginia
Demographic and Economic Information
Schedule 2
Ten Largest Employers
In Norfolk Primary Metropolitan Statistical Area
Current Year and Nine Years Ago**

Employer	Rank	
	2009	2000
U.S. Department of Defense	1	1
Norfolk City School Board	2	2
Sentara Healthcare	3	3
City of Norfolk	4	4
Old Dominion University, Norfolk	5	7
Children's Hospital of the King's Daughters	6	8
Norfolk State University	7	10
Medical College of Hampton Roads	8	-
United States Postal Service	9	9
Norshipco	10	-
Ford Motor Company	-	6
Nationsbank	-	5
Total Employment	96,041	79,229

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2009 is the quarter ended December 31, 2008 as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2009 total employment data was not available therefore 2008 data was used.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees data for each employer was not available.

(UNAUDITED)

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 3
New Construction and Property Values

Year	Residential Construction			Non-Residential Construction		Commercial Personal Property	Commercial Real Property	Individual Personal Property	Residential Personal Property	Nontaxable Property
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)					
2000	187	307	\$ 32,609	45	\$ 138,473	\$ 625,137	\$ 2,159,299	\$ 599,471	\$ 5,477,479	\$ 6,807,306
2001	186	400	35,069	35	62,046	643,383	2,259,787	624,162	5,730,471	6,861,737
2002	290	462	44,498	53	51,451	678,095	2,337,440	642,454	6,121,946	7,014,866
2003	277	324	39,979	41	32,262	721,087	2,447,330	661,972	6,648,174	7,385,564
2004	506	601	75,801	71	14,658	727,413	2,620,673	722,212	7,428,994	7,924,803
2005	560	1,191	204,391	80	80,316	785,970	2,784,658	790,489	8,916,075	8,299,155
2006	531	1,058	133,053	60	165,989	805,696	3,050,029	833,858	11,532,778	8,974,261
2007	389	491	688,476	55	81,396	840,696	3,016,693	856,817	13,727,791	9,378,209
2008	277	815	101,212	35	102,714	1,016,218	3,391,457	760,331	13,215,299	10,044,197
2009	217	543	36,458	38	138,131	701,479	3,303,586	1,010,243	14,484,782	10,428,542

Notes:

1. The source of nonresidential and residential construction is the City's planning department. Nonresidential construction includes commercial buildings, Public buildings, schools, public utility buildings and miscellaneous structures.
2. Property values are based on data supplied by the the City's Commissioner of the Revenue and the City Assessor. Real property is assessed at fair market value.
3. Property value information does not include property of public service corporations. Real property assessments shown do not include assessments for vacant land.

(UNAUDITED)

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 4
Annual Employment Average by Industry
(in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Goods-Producing Industries:										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	0
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.0	6.1	6.3	6.2	5.7	6.1	6.1	6.1	6.2	6.0
Manufacturing	10.0	10.0	9.8	9.8	9.8	9.8	9.6	8.7	7.9	7.3
Service-Providing Industries:										
Wholesale trade	6.5	6.0	5.8	5.3	5.2	5.0	5.0	5.0	5.1	4.6
Retail trade	14.4	14.8	14.7	14.3	14.0	14.2	14.0	14.3	14.6	13.8
Transportation and warehousing	11.5	12.0	11.6	11.0	10.1	9.7	9.9	9.3	9.4	9.5
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Information	4.3	4.0	4.1	4.2	4.0	4.2	4.0	3.5	3.7	3.4
Finance and insurance	7.5	7.5	7.4	6.9	6.9	7.1	6.7	6.0	6.6	6.6
Real estate and rental and leasing	2.9	2.9	2.8	2.7	2.8	2.7	2.8	2.9	2.9	2.7
Professional and technical services	7.2	7.1	7.3	8.2	8.1	10.2	10.1	10.2	10.7	11.3
Management of companies and enterprises	4.3	4.0	4.1	4.0	3.8	3.6	3.7	2.7	2.4	2.5
Administrative, support, and waste services	7.4	7.1	7.6	7.7	7.8	7.5	7.5	7.4	7.4	7.6
Educational services	13.2	13.7	14.1	14.4	14.5	14.7	15.2	15.5	15.6	16.4
Health care and social assistance	17.3	17.1	17.8	18.3	18.9	19.2	19.6	20.1	20.6	21.3
Arts, entertainment and recreation	1.9	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.4	2.4
Accommodation and food services	9.7	10.1	10.3	10.4	10.7	11.1	10.9	11.1	10.6	10.3
Public administration	15.5	15.4	15.5	15.7	15.1	12.3	12.1	12.2	12.1	13.7
Other services	4.6	4.7	4.5	4.1	4.1	4.2	4.3	4.1	4.0	3.9
Total (adjusted for rounding)	144.8	145.4	146.6	146.2	144.4	144.6	144.6	142.4	143.0	144.1

Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. Asterisks indicate non-disclosable data.
4. This schedule includes data for the ten year period 1999 - 2008 as calendar year 2009 data was not available.

(UNAUDITED)

City of Norfolk, Virginia
Operating Information
Schedule 1
Full Time Equivalent (FTE) Positions by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:										
General government	480	488	494	438	396	457	450	477	264	481
Judicial administration	30	30	28	27	25	20	16	17	18	16
Public safety										
Police	794	837	858	857	875	858	839	1,031	887	861
Fire	483	478	485	490	491	507	499	508	508	641
Other	79	81	86	85	84	84	84	-	-	84
Public works	393	367	380	393	389	389	392	379	346	414
Health and public assistance	591	581	579	557	604	513	562	469	598	487
Culture and recreational	313	412	428	479	484	483	406	478	569	558
Community development	100	67	64	64	72	74	70	59	95	75
Business-type activities:										
Water	233	224	235	245	251	279	264	261	290	268
Wastewater	71	70	74	79	84	91	95	96	103	99
Parking facility	50	57	65	68	72	77	78	90	88	89
Total full-time equivalent positions	3,617	3,692	3,776	3,782	3,827	3,832	3,755	3,865	3,766	4,073

Notes:

1. Fiscal years 2000 through 2009's average FTE data obtained from City's human resources information system.

(UNAUDITED)

**City of Norfolk, Virginia
Operating Information
Schedule 2
Operating Indicators by Function/Program
Last Eight Fiscal Years**

Function/Program	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Police:								
Service calls	288,004	274,245	206,644	206,378	191,037	237,451	258,254	242,139
Arrests	27,199	24,909	25,923	22,799	22,235	22,222	24,050	26,583
Reports filed	34,587	35,116	34,087	34,167	29,600	31,986	31,220	32,477
Fire:								
Incidences (fires, EMS)	39,621	41,484	38,509	39,605	40,337	31,266	41,212	39,714
Highways and Streets:								
Streets resurfacing (miles)	120	115	131	83	77	70	80	66
Sanitation:								
Total solid waste collected and disposed (tons)	97,749	101,604	105,079	104,247	99,131	97,143	93,799	92,333
Water Utilities:								
Water delivered to water mains (gallons in thousands)	24,960,000	24,818,000	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000	22,974,000
Total water consumption (gallons in thousands)	22,323,287	23,128,234	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000	21,293,000
Percent of unmetered water	8.33%	8.81%	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%
Average daily delivery (gallons in thousands)	68,230	68,000	67,820	67,740	68,090	66,650	66,200	62,900
Maximum daily pumpage (gallons in thousands)	84,730	81,820	77,960	81,470	83,640	83,600	82,000	79,000
Minimum daily pumpage (gallons in thousands)	56,800	58,190	59,340	58,410	57,200	56,200	52,200	52,000

(UNAUDITED)

City of Norfolk, Virginia
Operating Information
Schedule 3
Capital Assets and Infrastructure Statistics by Function/Program
Last Eight Fiscal Years

Function/Program	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety:								
Police								
Stations	2	2	2	2	3	3	3	3
Fire								
Fire stations	15	15	15	15	14	14	14	14
Paramedic units	10	10	10	11	11	11	11	12
Transportation and Engineering:								
Streets (lane miles)	2,011	2,006	2,013	2,015	2,183	2,193	2,210	2,193
Sidewalks (miles)	968	968	968	968	968	968	968	968
Bridges	50	50	50	50	50	49	49	49
Public Recreation:								
Parks:								
Acreage	587	588	589	590	591	587	586	587
Regional parks	1	1	1	1	1	1	1	2
Neighborhood parks	121	121	121	121	121	85	85	71
Preserves and nature areas	1	1	1	1	1	1	1	1
Nature education centers	3	3	3	3	3	1	1	1
Playgrounds	45	45	45	45	45	79	123	100
Hiking trails (miles)	7	8	9	10	11	1	2	2
Recreation:								
Acreage	243	243	243	243	231	860	868	954
Recreational and senior centers	24	23	26	22	22	18	19	25
Swimming pools	4	4	4	6	6	6	8	6
Tennis Courts	143	143	146	152	152	101	134	148
Baseball/softball diamonds	36	36	36	36	36	63	99	86
Football/soccer fields	18	18	18	18	18	47	65	49
Field hockey	4	4	4	4	4	5	5	3
Basketball courts	42	42	42	42	42	229	179	204
Municipal beaches	3	3	3	3	3	3	3	3
Public Services:								
Traffic Engineering:								
Traffic signals	289	291	294	299	299	283	287	284
Traffic signs	9,376	9,825	10,021	6,044	7,936	7,363	6,752	4,436
Street lights	31,594	31,502	31,694	31,721	29,888	30,200	30,583	30,653
Water Utilities:								
Water fund capital assets (in thousands)	\$ 429,567	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655	\$ 436,488	\$ 437,973
Wastewater fund capital assets (in thousands)	96,175	103,208	110,360	120,685	134,152	147,020	163,068	177,928
Total water utilities assets (in thousands)	\$ 525,742	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901
Water customer accounts	63,633	63,885	63,343	64,905	65,548	65,000	65,549	64,433
Miles of water main in the system	815	817	817	817	825	827	829	832
Municipal Golf:								
Golf courses	1	1	1	1	2	3	3	3
Convention Center:								
Meeting rooms	4	4	4	7	7	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/ballroom space (square feet)	5,230	5,230	5,230	9,700	9,700	9,700	9,700	9,700
Parking Facilities:								
Parking lots/garages	30	30	28	28	28	21	23	23
Parking meters	301	482	579	600	660	718	669	614
Stormwater Management:								
Miles of storm sewers	351	351	351	351	351	357	357	357
Education:								
High schools	5	5	5	5	5	5	5	5
Middle schools	8	8	8	9	9	9	9	9
Elementary schools	35	35	35	35	35	35	35	35
Other educational facilities	13	13	13	11	11	11	11	9

OTHER REPORTS OF INDEPENDENT AUDITORS



COMPLIANCE SECTION





KPMG LLP
Suite 2100
999 Waterside Drive
Norfolk, VA 23510

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Audit Standards***

The Honorable Members of City Council
City of Norfolk, Virginia:

We have audited the 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 Norfolk (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with 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 the *Specifications for Audits of Counties, Cities and Towns* (the Specifications), issued by the Auditors of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies that are described in the accompanying schedule of findings and questioned costs at Findings 09-1 and 09-2. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

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

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

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

KPMG LLP

December 22, 2009



KPMG LLP
Suite 2100
999 Waterside Drive
Norfolk, VA 23510

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The Honorable Members of City Council
City of Norfolk, Virginia:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-3, 09-4 and 09-5.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below,



we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-3 and 09-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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

KPMG LLP

December 22, 2009

CITY OF NORFOLK

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

(1) Summary of Auditor's Results

- (a) The type of report issued on the financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **2009-1 and 2009-2**
- (c) Material weaknesses: **None**
- (d) Noncompliance which is material to the financial statements: **None**
- (e) Significant deficiencies in internal control over major programs: **Yes - 2009-3 and 2009-5**
Material weaknesses: **None**
- (f) The type of report issued on compliance for major programs: **Unqualified opinion**
- (g) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **Yes - 2009-3, 2009-4 and 2009-5**
- (h) Major programs:
 - Child Nutrition Cluster: CFDA Nos. 10.553, 10.555 and 10.559**
 - Special Education Cluster: CFDA Nos. 84.027 and 84.173**
 - Title I Grants to Local Educational Agencies, CFDA No. 84.010**
 - Improving Teacher Quality: CFDA No. 84.367**
 - State Fiscal Stabilization Grant: CFDA No. 84.397**
 - Foster Care – Title IV-E: CFDA No. 93.658**
 - Temporary Assistance for Needy Families: CFDA No. 93.558**
 - State Administrative Matching Grants for Food Stamp Program: CFDA No. 10.561**
 - Child Care Cluster: CFDA Nos. 93.575, 93.596 and 93.713**
 - Community Development Block Program: CFDA No. 14.218**
 - HIV Emergency Relief Project Grants: CFDA No. 93.914**
 - Adoptive Assistance: CFDA No. 93.659 and 93.713**
- (i) Dollar threshold used to determine Type A programs: **\$3,000,000**
- (j) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **No**

CITY OF NORFOLK

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

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Finding #09-1 Depth of Resources in Finance

Criteria

Over the past few years the complexity of accounting and financial reporting standards has been increasing. As a result, the City has experienced difficulty in completing its interim and year-end financial reporting process on a timely basis.

Condition Found

Certain functional areas, notably debt, do not have adequate staff accountants dedicated to ensure accurate and timely financial reporting.

Cause and Effect

For the past two years, the City has not completed the year-end financial reporting process within the originally established time frame, partially due to this increased complexity in accounting and reporting standards and partially due to staffing.

Recommendation

The City should evaluate the capacity to train existing staff accountant positions or hire additional staff to adequately manage the financial functions of the City and provide timely and accurate financial reporting.

Views of Responsible Officials

Management agrees with this finding. We will evaluate both our procedures and resources in all functional areas to ensure accurate and timely financial reporting. As part of this evaluation, we will ensure that we've aligned accountants on staff to those functions where it is deemed necessary and beneficial. Further, we will ensure that the appropriate training is provided.

Finding #09-2 Donated Capital Assets

Criteria

Under generally accepted accounting principles applicable to governmental entities, donated capital assets should be capitalized at the estimated fair market value.

Condition Found

Prior to the audit request, the City had not capitalized certain donated land and buildings in the government-wide financial statements with an estimated fair value of approximately \$14.7 million.

CITY OF NORFOLK

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

Cause and Effect

The City's finance department did not realize that the volume and type of parcels conveyed by the housing authority during the current fiscal year were significantly different than conveyances in past years which have not had material fair market values due to the nature of the property conveyed.

Recommendation

The City should implement controls to ensure donated property is properly recorded at estimated fair value.

Views of Responsible Officials

Management agrees with this finding. We will establish procedures and controls to ensure that all capital assets are appropriately recorded in the City's financial statements.

(3) Findings and Questioned Costs Related to Federal Awards

Finding#09-3: Subrecipient Monitoring

- **Community Development Block Grant Program: CFDA No. 14.218, Program Year 2009, U.S. Department of Housing and Urban Development**

Criteria

The City is required to obtain audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133 and review them for compliance.

Condition

Three subrecipients out of seven tested did not have the Community Development Block Grant Program included on the schedule of federal awards.

Perspective and Questioned Costs

There are no known questioned costs associated with this finding. There are a total of 28 subrecipients associated with this program. Amounts passed through to the three subrecipients were \$210,000.

Cause and Effect

The City was not aware of the requirement to review the schedule of federal awards upon receipt of the A-133 audited report from the subrecipient.

Recommendation

KPMG recommends that the City implement a process to review the subrecipient schedule of federal awards to ensure the federal funds awarded by the City are included in the schedule and subject to auditing procedures by the subrecipient's auditor.

CITY OF NORFOLK

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

Views of responsible officials

Management concurs with this finding. Management will ensure that the financial statements for all Community Development Block Grant (CDBG) sub-recipients are reviewed to verify the CDBG funding has been properly identified in the sub-recipient organization's SEFA. Further, management will establish a schedule of year-end dates for each sub-recipient and send out a notification reminding the organization of this financial reporting requirement.

Finding#09-4: Subrecipient Monitoring

- **Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2009, U.S. Department of Health and Human Services**

Criteria

In accordance with the compliance requirements for subrecipient monitoring included in OMB Circular A-133, the City is required to notify each subrecipient of the catalog of federal domestic assistance (CFDA) number in the subrecipient agreement.

Condition

The City did not include the CFDA number in any of its subrecipient agreements.

Perspective and Questioned Costs

There are no known questioned costs associated with this finding. There are a total of four subrecipients associated with this program.

Cause and Effect

The omission of the CFDA number was a management oversight.

Recommendation

KPMG recommends that the City implement a process to include the CFDA numbers in all of its subrecipient agreements.

Views of responsible officials

Management concurs with the finding. During the current fiscal year, the City notified all subrecipients of the associated catalog of federal domestic assistance (CFDA) number associated with their current agreement(s) with the Norfolk Department of Human Services. The notification provided the applicable CFDA number and the percentage of federal funding for the associated contract agreement. The City implemented a process to include the CFDA number and percentage of federal funding in future contracts and agreements.

CITY OF NORFOLK

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

Finding#09-5: Special Tests and Provisions – Child Support Non-Cooperation

**Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2009, U.S.
Department of Health and Human Services**

Criteria

In accordance with 45 CFR Section 264.30, once notified by the Division of Child Support Enforcement (DCSE) that an individual is not cooperating, the City is required to reduce or terminate assistance to the individual.

Condition Found

In our sample of 40 families tested for child non-cooperation, KPMG noted that 5 families received additional payments after the City was notified of the individual's non-cooperation with DCSE.

Perspective and Questioned Costs

Five families of forty selected for testwork received additional payments, totaling \$728. Therefore, known questioned costs associated with this finding are \$728. The total monthly assistance given to the forty families selected was \$11,098.

Cause and Effect

The requirement to stop benefit payments based on a DCSE referral was not clearly communicated to staff by Department of Health and Human Services management. Therefore, all staff were not aware of this requirement or how to handle the DCSE referrals, which led to inconsistencies in the process.

Recommendation

KPMG recommends that the City implement a process to ensure that all cases referred by DCSE are processed for benefits to be stopped in a timely manner and to ensure that all staff are aware of this requirement and how to handle these referrals. KPMG further recommends that a management review control be implemented to oversee this process.

Views of responsible officials

Management concurs with the finding. During the current year, the City implemented a process to monitor and manage benefit processing and terminations for all cases referred by DCSE in a timely manner. The City has provided refresher training for staff on the proper process to handle the DCSE referrals. The City has implemented a management review to oversee this process. Norfolk Department of Human Services has established claims with the State to recoup overpayments from families.

CITY OF NORFOLK

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

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

State Finding 09-1: Conflicts of Interest

In accordance with the Auditor of Public Accounts Audit Specifications for Counties, Cities and Towns, Chapter 3 Section 5, local government officials are required to file a statement of economic interest with the clerk of the governing body annually. In our testwork, two officials did not file the required statement timely. There are no known questioned costs associated with this finding. We recommend that the City implement a management control to oversee this process to ensure that statements are filed timely for all required officials.

State Finding 09-2: Terminated Users

Virginia Department of Social Services

In accordance with the Auditor of Public Accounts Audit Specifications for Counties, Cities and Towns, Chapter 3, Section 15, local governments are required to immediately remove access privileges from all systems when a user leaves the local social services department. In our testwork of ten terminated employees, six employees were not terminated from the system immediately. There are no known questioned costs associated with this finding. We recommend that the City implement a management review control over the access termination process to ensure that access is terminated immediately.

State Finding 09-3: Legality of Investments

Community Services Board

For a portion of 2009, the Community Services Board (CSB) was not in compliance with the Code of Virginia regulations regarding the investment of public funds. Throughout the course of the year, the CSB held investments in auction rate securities and an equity-based mutual fund. During the year, the CSB redeemed these investments, partially resolving the noncompliance. During 2009, the CSB also had investments in certificates of deposits, which were fully within FDIC limits and are allowable investments; however, the broker used to place these investments, UBS Paine Webber (UBS), is not a qualified public depository as defined by the Code of Virginia. Some of the certificates of deposit were redeemed and reinvested in compliance with the Code of Virginia in fiscal year 2009 and the remaining certificates of deposit were reinvested in July 2009.

CITY OF NORFOLK

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

State Finding 09-4: Special Welfare Accounts

Local agencies are required to credit special welfare accurately and timely to the special welfare account or the dedicated account of the appropriate individual. They are also required to reconcile the special welfare accounts to the treasurer's records on a monthly basis. KPMG noted delays between the date the City finance department received the deposits and the date the City Treasurer deposited the deposit to the special welfare trust account. KPMG also noted that special welfare accounts are being reconciled quarterly, rather than monthly, to the treasurer's records. We recommend that the City implement a control over the identification of the special welfare deposits so they can be timely deposited to the special welfare accounts and we recommend that the City change the frequency of its reconciliation process from quarterly to monthly.