



Continuing the Progress...



...Adding to the Success



# Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016



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**City of Norfolk, Virginia  
Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended  
June 30, 2016**

**Prepared by:  
The Department of Finance**

**Christine Garczynski  
Director of Finance**



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# Continuing the Progress...

## **Downtown Regional Core Carries Great Value and its Health and Vitality Benefits Citywide Initiatives**

Norfolk's downtown has greatly changed since the 1966 photograph taken by Virginian-Pilot photographer Perry Breon. As the traditional center of shipping and port activities in the Hampton Roads region, Norfolk's downtown waterfront was revitalized after those activities were relocated to other parts of the City to accommodate larger vessels, such as Norfolk International Terminals. Now downtown serves as the business and financial center of the region, and the residential population continues to grow as unused commercial buildings are converted into lofts and condominiums. Additionally, Downtown offers a mix of cultural attractions and entertainment that together making it a vibrant, dynamic and authentic urban waterfront.

### **Reviving Historic Structures**

The central library, Slover, opened in January 2015. The library incorporated the renovation of a 115-year old Seaboard building, formerly a customs house, which has an interior cortile or central court surrounded by an arcade and a ring of enclosed rooms. The award-winning library combines the historic integrity of the Seaboard Building and the retrofitted Selden Arcade, with a seamless expansion to an architecturally significant six-story addition creating a state-of-the-art, highly efficient library complex.

### **"Arches of Light" Return to Granby Street**

Harry C. Mann photographed the famous arched lights on Granby Street about 1910. The arches first lit up Granby on September 1, 1909, according to a front-page story in The Virginian-Pilot that dubbed them "The Great White Way." The arches were once again lit on April 1, 2106, for the first time since 1925, as the "Arches of Light" glow over Granby Street in downtown Norfolk.

Granby Street played the role as the premiere shopping and gathering spot in the Hampton Roads region and numerous department stores, fine hotels and theaters once lined its sidewalks. With the opening of MacArthur Center, larger reinvestment in the aged buildings along Granby Street were revive as new retail and residential properties. This included Tidewater Community College that opened its Norfolk campus and central administrative offices on Granby Street, locating its library in the renovated former Smith & Welton department store building. Other former storefronts have been repopulated by trendy restaurants and bars, and the street is the new hub for the sophisticated segment of the Hampton Roads region's nightlife.

## **...Adding to the Success**

Cover Photos: 1<sup>st</sup> row left to right: 1966 photo of *Downtown Norfolk near the Harbor*, by Perry Breon, image courtesy of The Virginian-Pilot; 2008 photo of Seaboard Building, Image courtesy of Slover Library; 1910 photo of Arched Lights on Granby Street, by Harry Mann image courtesy of The Virginian-Pilot; 2<sup>nd</sup> row left to right: 2016 photo of *Downtown Norfolk near the Harbor*, Image courtesy of The Virginian-Pilot; 2016 photo of Slover Library, Image courtesy of Slover Library; 2016 photo of Arched Lights on Granby Street, Image courtesy of Visit Norfolk Today.



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## **CITY OF NORFOLK, VIRGINIA**

### **Code of Ethics**

The City of Norfolk conducts its business fairly, impartially, ethically and in compliance with all laws and regulations. The City is committed to conducting its business with integrity underlying all relationships, including those with citizens, customers, suppliers, communities and among employees. The highest standards of ethical conduct are required of City employees in performing their responsibilities. Employees will not engage in conduct or activity that may raise questions as to the City's honesty, impartiality or reputation, or otherwise negatively reflect on the City.

### **Values**

Accountability, Integrity, Innovation and Respect

### **Acknowledgments**

This report has been accomplished through the efficient and dedicated services of the staff of the Department of Finance and contributing departments. The contributions of all are invaluable and clearly reflect the high standards set by the City of Norfolk.

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



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

**Honorable City Council**

President and Mayor

Vice Mayor

Member

Member

Member

Member

Member

Member

Member

Member

Kenneth Alexander  
Theresa W. Whibley, M.D.  
Martin A. Thomas, Jr  
Paul R. Riddick  
Thomas R. Smigiel  
Angelia Williams Graves  
Mamie Johnson  
Andria P. McClellan

**City Manager**  
**Marcus D. Jones**

Deputy Manager

Deputy Manager

Deputy Manager

Deputy Manager

City Attorney

City Auditor

City Clerk

Acting City Real Estate Assessor

City Treasurer

Commissioner of the Revenue

Registrar of Voters

Community Services Board

Acting Director of Budget & Strategic Planning

Director of Communications

Director of Cultural Facilities, Arts & Entertainment

Director of Finance

Director of Economic Development

Director of Emergency Preparedness & Response

Director of Fire & Paramedical Rescue

Director of General Services

Director of Human Resources

Director of Human Services

Director of Communications & Information Technology

Director of Libraries

Director of Maritime Center (Nauticus)

Director of Planning & Community Development

Director of Recreation, Parks & Open Space

Director of Public Health

Director of Public Works

Director of Utilities

Director of Zoological Park

Police of Chief

Wynter Benda  
Peter Chapman  
Sabrina Joy-Hogg  
Ronald H. Williams, Jr.  
Bernard A. Pishko, Esquire  
John H. Sanderlin, Jr., CPA  
R. Breckenridge Daughtry  
William Marchand  
Anthony L. Burfoot  
C. Evans Poston, Jr.  
Elisa J. Long  
Sarah Fuller  
Sabrina Joy-Hogg  
Robert Batcher  
John S. Rhamstine  
Christine Garczynski  
Chuck Rigney  
James Redick  
Jeffrey Wise  
David S. Freeman, AICP  
Capri Stanley-Smith, CCP, PHR  
Stephen Hawks  
Steven DeBerry  
Sonal Rastogi  
Stephen Kirkland  
George Homewood  
Darrell Crittendon  
Demetria Lindsay, M.D.  
David L. Ricks, P.E.  
Kristen M. Lentz, P.E.  
Gregory Bockheim  
Michael Goldsmith



**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2016**  
**Municipal Officials**

**JUDICIAL**

**Fourth Judicial Circuit Court**

Chief Judge	John R. Doyle, III
Judge	Junius P. Fulton, III
Judge	Mary Jane Hall
Judge	Jerrauld C. Jones
Judge	Everett A. Martin, Jr.
Judge	David W. Lannetti
Judge	Joseph A. Migliozzi, Jr.
Judge	Michelle J. Atkins
Clerk	George E. Schaefer, III

**Norfolk General District Court**

Chief Judge	Joan E. Mahoney
Judge	Bruce A. Wilcox
Judge	S. Clark Daugherty
Judge	Michael Charles Rosenblum
Clerk	Thomas E. Baldwin

**Norfolk Juvenile and Domestic Relations District Court**

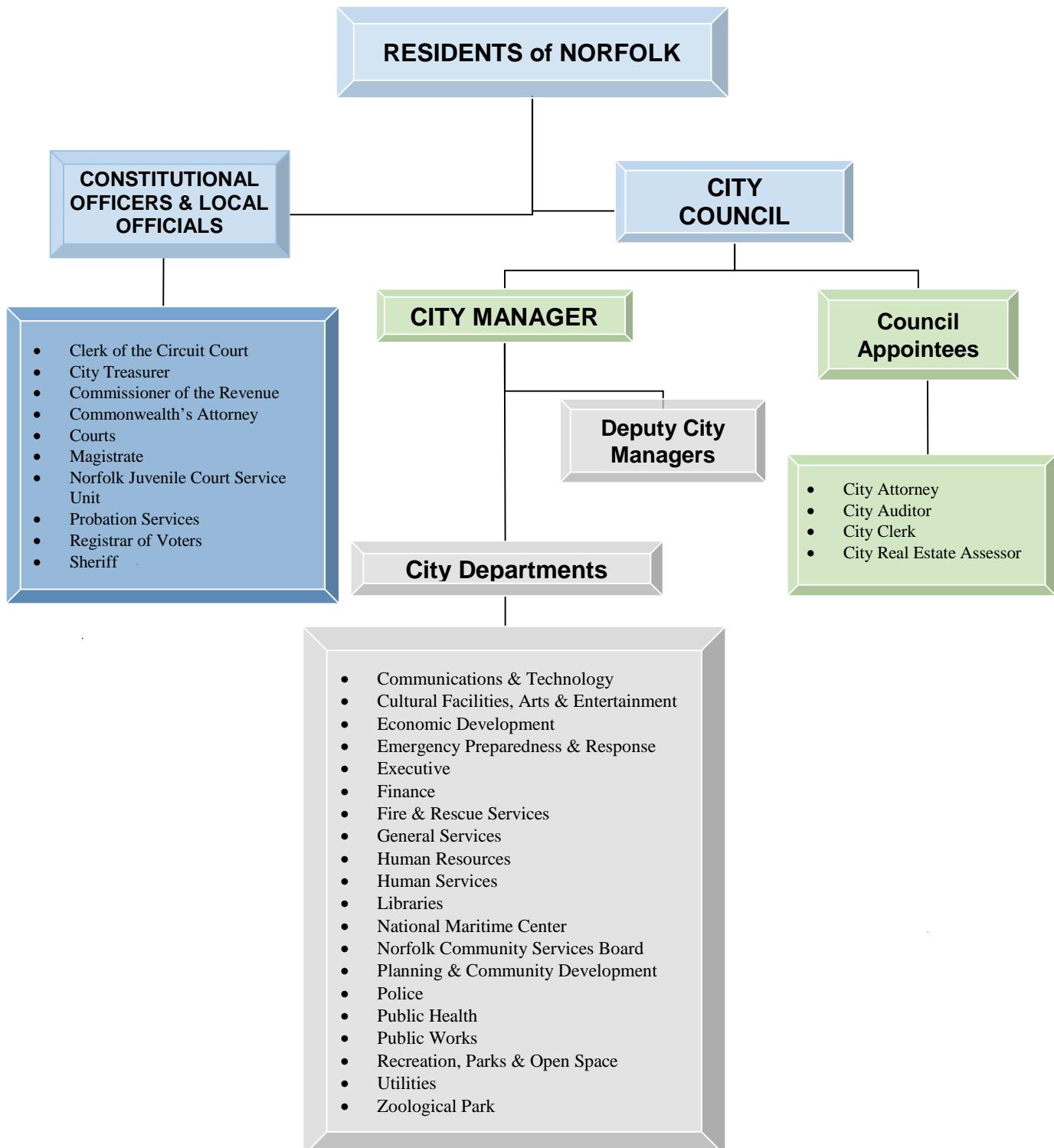
Chief Judge	Joseph P. Massey
Judge	M. Randolph Carlson, II
Judge	Lauri D. Hogge
Judge	William P. Williams
Judge	Lynn M. Simmons
Clerk	Debra A. Hill

**Other Judicial Officials**

Commonwealth's Attorney	Gregory D. Underwood
Sheriff	Robert J. McCabe

**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2016**

**ORGANIZATIONAL  
CHART**



December 22, 2016

To the Honorable Council and  
Residents of Norfolk, Virginia:

The Comprehensive Annual Financial Report (CAFR) of the City of Norfolk (the City) for the fiscal year that ended June 30, 2016, is hereby submitted. The *Code of Virginia* and the Charter of the City of Norfolk require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with *Government Auditing Standards* by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of various funds and component units of the City. Extensive disclosures have been included to enable the reader to gain a comprehensive understanding of the City's financial activities.

Important information regarding the financial statements and audit is discussed under the Financial Information located on page 10.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The independent audit of the financial statements of the City was also part of a broader, federally mandated "Single Audit" to meet the special needs of federal grantor agencies. The Single Audit reports on compliance with requirements applicable to each major program and internal controls over compliance in accordance with U.S. Office of Management and Budget Uniform Guidance. These reports are available in the Other Reports of Independent Auditors section of this report.

## Profile of the City

Norfolk was established in August 1682 after a 1680 British Act ordered the establishment of a port town of 50 acres in each Virginia county. Norfolk was granted borough status in 1736 and was officially incorporated as a city in 1845. Norfolk derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia (the Commonwealth) in 1918, which authorizes a council-manager form of government. It is authorized to exercise all powers conferred upon the City by the Commonwealth of Virginia in the state constitution, state laws and the City Charter. The City Council is comprised of eight members, who formulate policies for the administration of the City. Seven members are elected through a ward system and the Mayor is elected at-large. On July 1, 2016, Kenny Alexander was sworn in as Norfolk's 99th mayor. He succeeds Paul Fraim, who announced in 2015 that he would not seek reelection, after serving as mayor for 22 years and on the City Council for 30. The Vice Mayor is elected by the City Council. On July 1, 2016, Dr. Theresa Whibley was elected Vice Mayor.



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 procedures and appoints, with the power to remove, the heads of executive departments and other employees of the City except those otherwise specifically covered by statutory provisions. Effective December 1, 2016, City Council announced that Douglas Smith will serve as Interim City Manager while Council seeks a permanent replacement for Marcus Jones, who is leaving Norfolk to become city manager of Charlotte, N.C.

The City provides a full range of general governmental services for its residents. These services include 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, construction and maintenance of public buildings and infrastructure; parks and cemeteries operations and maintenance; recreation and library services; collection and disposal of refuse and recycling; water and wastewater utilities; construction and operation of parking facilities; arts, entertainment and cultural affairs; and general administrative services. The City budget appropriates all funds including City, state and federal pass-through funds for education, social service, correctional facilities and judicial activities.

Cities in Virginia have sole jurisdiction over the entire area within their boundaries and operate independently from any municipal government. City jurisdictions do not overlap with any other municipal jurisdiction and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation. Further, cities in Virginia are prohibited from annexation to adjust their boundaries.

## **Financial Information**

All the financial activities of the financial reporting entity are included within this report. In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Norfolk), as well as its component units. The City has included the financial data of two discrete component units which are legally separate entities: the School Board for the City of Norfolk and the Economic Development Authority (EDA). The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Employees' Retirement System of the City is a blended component unit, and although legally separate, it is considered a part of the City's operations, and therefore data from this entity is combined with financial information from the City. Additional information on these component units can be found in Note I of the Notes to the Basic Financial Statements contained within this document.

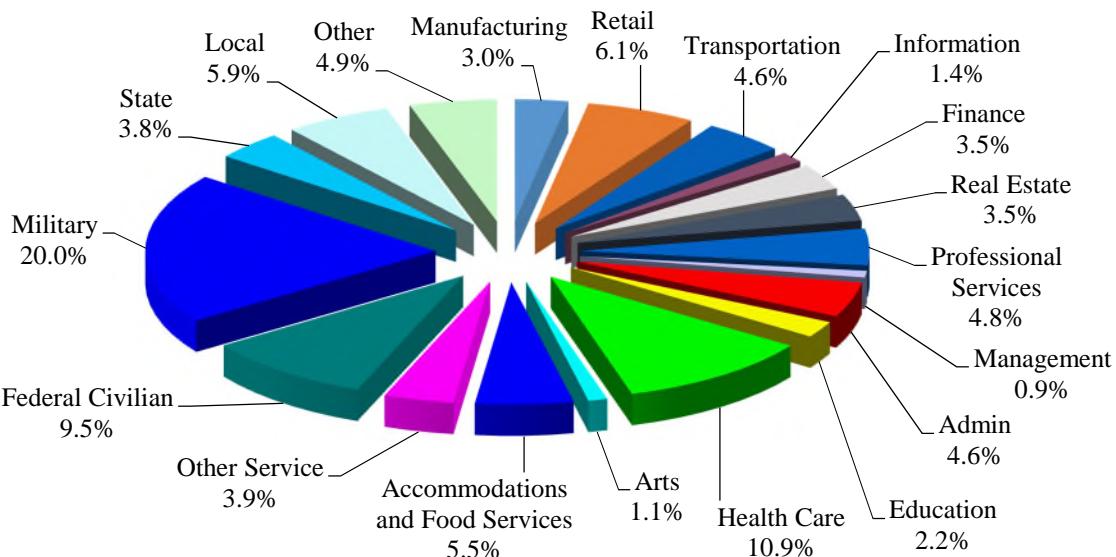
## **Budget Process**

The Commonwealth of Virginia and the City Charter mandate a balanced budget. The City's annual operating budget is proposed by the City Manager, in accordance with the City Charter, at least 60 days before the end of each fiscal year, and is adopted by City Council at least 30 days before the close of the previous fiscal year. The budget is prepared by fund (e.g., general, special revenue, capital projects), function (e.g., public safety) and department (e.g., police). The City Manager or a designee is authorized to transfer resources between any fund, department or activity without further approval by City Council. The budget is regularly reviewed and operational adjustments are made as needed. The development of the fiscal year 2016 and 2017 budgets included thorough analysis of each budget action through a two-year lens to better assist the City in future fiscal planning. The fiscal year 2016 and 2017 budgets continued the focus of building a data-driven organization that provides effective and efficient programs and services with a focus on the priorities of: public safety, education, neighborhoods, economic vitality and workforce development. Both fiscal year budgets were structurally balanced and reinforced the commitment to further strengthen the City's long-term financial sustainability.

## **Local Economic Condition and Outlook**

The City has a stable economic base anchored by the world's largest naval station and the Port of Virginia, one of the busiest ports on the east coast. Norfolk is a leader in health care, education and finance within the Hampton Roads region. While Norfolk's economy is grounded by its maritime assets and is the core of a military region, it is also home to an economy with diverse corporate strength. As shown in the following chart, except for the military, no one sector comprises more than 11 percent of total employment. This diversity is especially important to act as a mitigating factor against the Federal Government's reduction in defense spending. In addition, the City continues to promote comprehensive urban revitalization, foster job growth and expand economic opportunities to enhance diversification while capitalizing on Norfolk's competitive advantage. Since 2012, the City has announced approximately \$2.0 billion in new development, business and pending public/private projects. The City recognizes that expanding its business and industrial tax base will ease the burden on homeowners and it is committed to promoting economic development throughout the City.

## Norfolk Employment by Sector



Source: Bureau of Economic Analysis, total full-time and part-time employment by North American Industry Classification System industry, for 2015; Total employment – 211,869.

With 211,869 jobs, Norfolk serves its role well as the region's urban job center and has the highest job density in the region. The City provides urban assets by serving as the region's downtown commercial core and by supplying its only rail transit system, the Tide, to support residents and employees.

Norfolk's vibrancy and favorable economic climate has spurred the development of a number of new businesses over the last year, as well as encouraged the expansion of existing businesses. Additionally, Norfolk's reputation as an entrepreneurial hub is fast-growing. This spirit of hard work is evident throughout the City, as residents, businesses, and military personnel and their families revitalize old spaces, create new businesses and infuse energy into emerging industries.

### Military

The City is home to the world's largest naval complex, Norfolk Naval Station, which has been in Norfolk since 1917. Additionally, Norfolk is headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was nearly \$10.75 billion in fiscal year 2015, an increase of about \$770 million from the previous year. Comprised of a total annual payroll of \$8.9 billion, the balance is consumed on goods and services, including contracts for ship construction, maintenance, utilities, supplies and transportation. The region is home port to



approximately 65 ships and home to 39 aircraft squadrons with about 75 homeported operating units in the City. More than half of the region's navy personnel work at Norfolk Naval Station, which is home to aircraft carriers, submarines and destroyers. The world's largest naval base employs nearly 44,000 sailors, approximately 13,000 civilian workers and approximately 7,000 contractors. The military assigns to and reassigned from its various locations within the region ships, squadrons and personnel on a regular basis, however the natural deep water harbors and existing infrastructure make future defense consolidation within Norfolk and the region a strong possibility.

While serving as a the stalwart industry in the foundation of the region's economy, over 8,000 service members transition out of the military annually in the Hampton Roads region, providing the City with a highly skilled labor force.

#### *The Port of Virginia and Shipping*

The City also serves as a gateway between world commerce centers and the Heartland Corridor, which offers efficient train routing between the Port of Virginia and the Midwest. With one of the world's largest natural deep-water harbors and a temperate climate, the Port of Virginia is an integral part of Norfolk's economy. Nearly 20 million tons of general cargo was shipped from the region's three main marine cargo terminals in calendar year 2015, an increase of 4.81 percent over 2014.

Located on 648 acres, Norfolk International Terminals (NIT) is the Port of Virginia's largest terminal and one of the largest general cargo ports on the east coast. On July 20, 2016, the Governor announced the Port of Virginia will be receiving a \$350,000,000 investment from the Commonwealth to expand the cargo capacity at NIT's South Berth to increase capacity by

46 percent, as well as improve the speed at which the cargo moves through the area.



## Transportation

Norfolk leads the way as the most multi-modal city in Hampton Roads.

### *Norfolk International Airport*

Norfolk International Airport is one of the most powerful economic generators in the Hampton Roads region. Designated as Virginia's first green airport, Norfolk International Airport is served by American Airlines, Delta, Southwest, United and their regional partners. Averaging 68 departures daily to major cities throughout the United States, the airport served over 3.0 million passengers on 70,000 flights, shipped nearly 60 million pounds of cargo and is presently ranked in the top 20 percent of the country's airports in terms of passengers served annually. Adjacent to the celebrated Norfolk Botanical Garden, which hosted LanternAsia in fiscal year 2016, Norfolk International Airport is surrounded by year-round beauty and is a role model for reconciling air facilities and a delicate ecological sanctuary.



### *Public Transportation*

The Tide, Virginia's first light rail system, celebrated its five year anniversary in August 2016. The Tide runs from the Eastern Virginia Medical Complex (near Fort Norfolk) to Newtown

Road at the Norfolk/Virginia Beach city line. The City is in the preliminary study stages of expansion to connect the existing 7.4 mile light rail to the region's largest employer – Norfolk Naval Station.



The City's Downtown bus transit center opened in January 2016. This \$5.25 million center with 14 working bus bays, and a climate-controlled waiting area has transformed the bus experience.



### *Passenger Rail*

The Amtrak Virginia passenger rail line began operation in December 2012 and connects Norfolk to Washington, D.C. via Petersburg and Richmond and continues north to Boston. The Commonwealth has completed funding for capacity improvements between Norfolk and Richmond to allow for two additional trains. Two trains should be in service by 2018.

### *Amtrak Station*



### *Transportation Initiatives*

A \$2.1 billion project underway on the Downtown Tunnel/Midtown Tunnel/MLK Extension is nearing completion. Both the Downtown Tunnel rehabilitation work and the second Midtown Tunnel opening was completed in August 2016. The old Midtown Tunnel renovation is underway and expected to be completed in late 2018.

The Commonwealth also funded the \$89 million Hampton Boulevard Grade Separation project, which was completed in fall 2015. This project removed the railroad crossing conflict affecting Hampton Boulevard by depressing the road below the existing railroad tracks to improve vehicular traffic to the port terminals and Navy base.

Construction is also underway on the I-564 intermodal connector project. This nearly \$176 million project is expected to alleviate congestion and improve transportation flow on City and naval station streets, and is expected to be completed in June 2017. This project is funded by the Commonwealth.

### *Education – Pre-K to 12*

Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program full-day preschool classrooms ensuring 3-year-olds and 4-year-olds enter school with critical early literacy and numeracy skills. Norfolk public schools have a low pupil-teacher ratio with class sizes below the national average.

Elevate Early Education, or E3, opened a new 12,545 square foot preschool in Park Place in January 2015. Norfolk is the only city in the Commonwealth with an E3 school. It serves approximately 100 children ages 1 to 5 from all income classes. This school was funded by \$10 million of philanthropic support. The goal is to have an innovative model with a replicable curriculum geared towards producing kindergarten readiness in preschoolers across the income spectrum.

The City is also home to the Governor's School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 360 students from six cities and two counties. Sponsored by the Virginia Department of Education and eight local public school divisions, the School consolidated its campus in downtown Norfolk in the historic 52,000 square foot Monroe Building on Granby Street.



School construction remains a priority as the City made a commitment to build or replace six schools starting in 2010. The first school replaced was Crossroads Elementary, which houses

Pre-Kindergarten – 8<sup>th</sup> grade. This school replaced the existing elementary school in 2012 to create a more efficient footprint on the same 10-acre site. In fiscal year 2014, City Council approved a \$0.04 real estate tax rate increase. Two cents of the increase is dedicated to the City's School Construction, Technology, and Infrastructure



(CTI) Program. This dedicated source allows the City to partially fund the design and construction needed for the remaining five schools (Campostella, Richard Bowling at Broad Creek, Ocean View, Larchmont, and Camp Allen). Construction was completed for a replacement Richard H. Bowling Jr. Elementary School in the Broad Creek area of the City, as well as a STEM (science, technology, engineering and mathematics) school serving students in kindergarten through grade 8 in the Campostella community. These two new schools opened in September 2016. Construction is underway on replacement elementary schools for Larchmont and Ocean View, with completion planned for early 2018. The City is working with the federal government on the replacement of the Camp Allen Elementary School. Camp Allen is located on Naval Station Norfolk, and is part of a federal initiative to upgrade schools on military bases and serving military dependents. U.S. Department of Defense dollars will pay 80 percent of the nearly \$28.7 million construction cost. Construction on the replacement school is anticipated to begin in 2016, and the first phase of the facility will open for students in early 2018.



### Higher Education

Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to five institutions of higher education including Old Dominion University, Norfolk State University, Virginia Wesleyan College, Eastern Virginia Medical School and Tidewater Community College. All of these institutions support a workforce development pipeline to help Norfolk residents with the skills they need to engage in growing and emerging industries. The two university institutional research parks are undergoing innovative initiatives including simulation, materials, spaceport, coastal and physical oceanography, as well as applied collaborative projects with the private sector. This research work has the potential to spur new economic growth, particularly as the pipeline between academia and industry continues to strengthen.

### Healthcare

The City's five major healthcare complexes provide premier services to all of southeastern Virginia, the eastern shore of Virginia and northeastern North Carolina. Sentara Norfolk General is home to the region's heart hospital and only Level 1 trauma center. Sentara Norfolk General Hospital embarked in 2016 on a \$199 million expansion and modernization project

to be completed 2020. The project will add floors to two existing wings, expand the emergency department, expand and modernize 18 operating rooms, replace a 48-bed ward-style Special Care Nursery with a state-of-the-art unit with private and semi-private rooms, and consolidate the hospital's 54 intensive care unit beds on two floors. Children's Hospital of The King's Daughters, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 206 beds, the hospital serves the medical and surgical needs of children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and northeastern North Carolina.

Sentara Leigh Hospital's \$126 million expansion was completed in 2016. The expansion project included two five-story patient towers, an orthopedic and rehabilitation center, and a two-story atrium lobby, as well as a new multi-story parking garage. Bon Secours DePaul Medical Center has undergone a substantial phased expansion over the past five years including a new comprehensive cancer care facility and medical office building on the campus.

### New Investments

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.

Described below are major investments of private investors, City sponsored or public-private projects.

### Residential Development

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.



Residential investment continues to grow throughout the City, particularly in downtown. Two new projects are currently under construction downtown: 450 Boush (a mixed-use project with 150 units and 10,000 square feet of retail), and the second phase of Rockefeller Apartments, a new building that will include 40 apartments. Downtown projects completed within the past few years include the Metro on Granby, the Wainwright Downtown (126 units), The James

(79 units), The Seaboard (135 units), The Law Building (135 units), and the Virginia Building (32 units and two retail spaces). Additional apartment projects recently announced for downtown include the conversion of the Bank of America building into the Icon at City Walk, with 300 residential apartments, and the conversion of the Savoy building into new apartments. Saint Paul's Apartments, with 120 new units, will be the first



residential project in the Saint Paul's area. Together, approximately 1,500 new apartments have been or are going to be added to downtown since 2010, bringing the estimated downtown population to well over 6,000 residents. Other new residential developments includes Atlas Flats in the Midtown area and Front Street Apartments in the Fort Norfolk area, Banks at Berkley (50 units) and Claremont Apartments (156 apartments and 25 single-family homes) in Berkley/Campostella, the Element at Ghent (164 units), Fort Tar Lofts (13 units), The Promenade Pointe (187 units), The Pointe at Pickett Farm (300 units), 1500 Monticello (a mixed-use project with 207 units and 10,131 square feet of retail space) and The Watermark (372 units).

The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. The East Beach section of Ocean View includes 700



housing units with prices ranging from \$350,000 to over \$1.5 million, with an average home sales price of \$733,507. A portion of the homes are currently occupied with the remainder of the properties planned for development. Lot sales total approximately \$47 million representing nearly \$230 million in home values and approximately \$2.6 million in annual real estate taxes to the City. East Beach Phase 7, the final phase of East Beach consists of 38,000 square feet of retail and commercial space, as well as a mixture of 80 townhomes, single family homes, cottages and carriage houses.

Captain's Landing, with 38 townhouses, is also in the planning stages. Villa Marina

Apartments will include 111 apartments. East Beach Marina Apartments, with 136 apartments, was completed in 2015.

Broad Creek is a \$200 million community near Norfolk State University with 600 mixed-income homes. In Broad Creek, the region's first mixed-use, mixed-income community, construction is complete on 400 rental units and 70 homes. Construction on Broad Creek Village, a mixed-use residential and retail development, began during 2008, and is being followed by Broad Creek's final phase of 200 mixed-income residential units north of Princess Anne Road.



#### Commercial Development

Simon Property Group Inc. broke ground in 2016 on an investment of approximately \$75 million to build an outlet center on an existing City-owned golf course. The redevelopment plan calls for the City to retain approximately 65 acres for green space and walking trails around the lake creating new public open space. Construction started in 2016, with a projected opening in summer 2017. Phase I of the Simon Premium Outlet Park is planned to include approximately 85 stores, 332,000 square feet of leasable space and is anticipated to generate an estimated \$2.5 million in tax revenue. The timetable for Phase II has not been announced, but is expected to include an additional 100,000 square feet for approximately 30 stores.



Adjacent to the Simon Norfolk Premium Outlets will be a 331,000 square foot IKEA. Construction will begin in spring of 2017, with an opening in summer 2018. IKEA is anticipated to bring more than \$2.5 million in direct tax revenue.

With a capital investment of \$32.5 million ADP, a comprehensive Human Capital Management solutions provider, will move to the Atlantic at City Walk's 286,000 square feet of Class A office space designed to include state of the art meeting spaces, shared conference facilities, cafeteria and food preparation areas and the largest contiguous floor plate in the entire Central Business District. The Atlantic will be move-in ready in 2016 and feature high ceilings, advanced fiber optics and connectivity. By the middle of 2017, ADP is expected to be Downtown's largest employer with at least 1,800 new jobs and an immediate impact of \$1 million in tax revenue.

Movement Mortgage, one of the fastest-growing mortgage bank in the country, will relocate its largest operations center to the adaptive re-use of the former J.C. Penney department store at Military Circle Mall owned by the Norfolk EDA. Movement Mortgage will transfer 550

jobs to Norfolk, with the planned addition of 200 more jobs to support its rapid national growth. The relocation of Movement Mortgage is anticipated to bring approximately \$230,000 in new direct annual tax revenue.

#### Quality of Life, Arts and Culture

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists. Norfolk's entertainment and theatre venues include the Scope Arena, the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre and the NorVa.

Other recent investments to the City's cultural attractions include the Virginia Arts Festival headquarters, a home for the Hurrah Players, and the Chrysler Museum Glass Art Studio. The Virginia Arts Festival headquarters, which is located across the street from Chrysler Hall, houses year-round education outreach activities, a rehearsal and intimate performance space, as well as the Festival's administrative offices. Adjacent to the Virginia Arts Festival headquarters is the new home of the Hurrah Players, which features a 100-seat theater and two rehearsal halls. The Chrysler Museum Glass Studio supports artists working in a variety of glassmaking processes, including blown glass, casting, fusing, flameworking and cold working. Located adjacent to the museum, the Glass Studio is the only one of its kind in the Mid-Atlantic region, and complements the museum's extensive glass collection.



The 80,000 square foot Peter G. Decker Jr. Half Moone Center opened in spring 2007 and is located in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. Peter G. Decker Jr. Half Moone Center, renamed from the Half Moone Cruise and Celebration Center in 2016 after the attorney and philanthropist who championed the building of the terminal in Norfolk, continues to serve as a multi-purpose facility for the City offering five distinct event spaces that can accommodate from 50 to 1500 guests. In 2016, the City celebrated its fourteenth anniversary of welcoming Carnival Cruise Lines to Norfolk with the 892-foot long Carnival Sunshine operating a unique series of itineraries, including sailings to the Bahamas, Bermuda and two-day Cruises to Nowhere.



The Slover Library, the main public library, opened in January 2015. The library combines the historic integrity of the Seaboard Building and the retrofitted Selden Arcade, with a seamless expansion to a modern six-story addition creating a state-of-the-art, highly efficient library complex. The American Institute of Architects and American Library Association

selected the Slover Library for its Architectural Design Award for 2015. This recognition for our amazing public library puts our City on the national radar as an exciting, progressive and vibrant urban locality.

#### *Hotel Development*

Norfolk has approximately 5,000 hotel rooms, including nearly 1,500 in the downtown area. Tourism and conventions employ over 7,000 workers in the City and generate \$28.8 million in state taxes and \$23.9 million in local tax revenue. It is estimated travelers to the City spend over \$764 million annually. Construction of the new Hilton Norfolk at The Main and The Exchange conference center is underway. The \$147 million public/private downtown project will include a 50,000 square foot conference center; a 4-Star Hilton hotel with approximately 300 rooms, three full-service restaurants and a parking garage. The project is expected to create approximately 250 jobs and an estimated \$2 million in annual tax revenue. It is being developed by Gold Key PHR Hotels and Resort, with opening expected in March 2017.



#### *Public Safety*

This City's new courthouse complex will house the General District, Circuit, and Juvenile and Domestic Relations Courts. The complex is being built in two phases to allow uninterrupted court operations. The first building was constructed next to St. Paul's Boulevard. Phase I grand opening was in January 2015 and now houses General District Court and Circuit Court. The former General District Courts portion of the Public Safety building was demolished to make way for a Phase II addition. Phase II is underway and is estimated to be completed in summer 2017. This state-of-the-art courts facility will be a LEED-certifiable (Leadership in Energy and Environmental Design) green building. The total cost is approximately \$121 million and represents Norfolk's largest investment in a public building.



#### *Waterfront Recreation Investment*

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline including along Downtown's Elizabeth River, the Lafayette River, lakes, the Hampton Roads Harbor and the Chesapeake Bay. Town Point Park, located in the downtown area along the Elizabeth River, brings thousands of visitors downtown annually and generates both tax and parking revenue.

Located in the heart of the central business district and adjacent to the City of Norfolk's world class waterfront and festival site, the renovation of the iconic Waterside Festival Marketplace will reposition the facility into the Waterside District, a world-class dining and entertainment complex. The Waterside District will be a regional destination for the very best in entertainment and dining. The project, which broke ground in August 2015, is a \$40 million public-private partnership between Norfolk and Cordish Companies. The anchor will be a 30,000 square foot section known as "The Marketplace" which will have as many as nine businesses and restaurants, including a live performance stage, roof top deck and a craft brewery. The new Waterside District is anticipated to open in spring 2017.



Norfolk's strong, diverse and stable economy, paired with the current developments, are expected to add almost 6,000 new jobs between now and 2018.

### Sports and Recreation

Norfolk is home to the Norfolk Tides, (a AAA minor league baseball team) and the Norfolk Admirals (an ECHL affiliate hockey team), Virginia's only AAA professional sports franchises. Old Dominion University ("ODU") began a football program in the fall of 2009, and currently competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.

## **Adopted Financial Policies**

City Council is committed to strengthening the City's long-term fiscal sustainability and supporting activities of a well-managed government. In fiscal year 2013, City Council adopted financial policies to include achieving a structurally balanced budget within five years, formalizing a plan to fund reserves, adopting self-imposed debt affordability measures and formally adopting financial policies for the Parking Facilities Fund. Furthermore, City Council committed to monitoring the policies annually and revisiting them every two to three years. The City met its goal to achieve structural balance in fiscal year 2015, four years ahead of schedule, and has remained structurally balanced ever since. The City continues to meet its reserve and debt policies.

## **Long-Term Financial Planning**

The City prepares a five-year annual financial plan with revenue and expenditure projections. The multi-year forecast serves as a planning tool for the City's annual budget. Additionally, the multi-year budgeting process allows the City to systematically plan for multi-year program financing guided by the strategic plan. The City's budget guiding principles are based on a five-pronged approach of raising revenue, reducing expenditures, becoming more efficient, growing the economy, and sharing services and leveraging resources. Continuing good fiscal practices helps ensure ongoing structural balance.

## Debt Administration

Norfolk borrows money by issuing general obligation and revenue bonds to finance major capital projects. Bond financing spreads the cost of land acquisition and building construction over a period of many years, rather than charging the full cost to current taxpayers. The City has the same obligation to adhere to sound financial management that a home or business does. For general capital debt, the City adheres to adopted financials that promote effective financial management. The City has two measures of debt affordability and is in compliance with both of them.

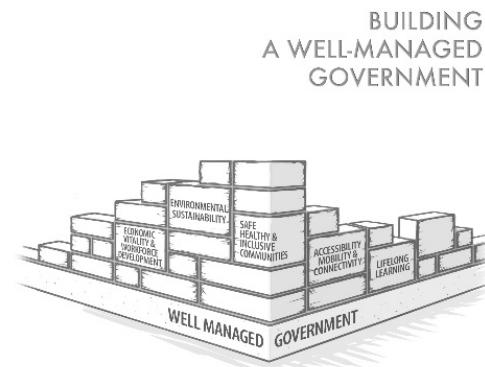
The City has high credit ratings for a local government for its general obligation bonds: 'Aa2' by Moody's Investors Service, 'AA+' by S&P Global Inc. and 'AA+' from Fitch Ratings. All three agencies reaffirmed Norfolk's general obligation rating in September 2016, and each assigned a 'stable' outlook. Factors contributing to the credit rating include the City's financial position, current and future debt burden, financial management and the health of the economy.

The details of bonds outstanding and bonds authorized, but not issued are shown in Note VIII to the financial statements. Tables 1 through 7 of the Statistical Section provide detailed historical information regarding the debt position and debt service requirements of the City.

## Major Initiatives

The City of Norfolk's major initiatives support City Council's priorities of accessibility, mobility and connectivity; economic vitality and workforce development; environmental sustainability; lifelong learning; safe, healthy and inclusive communities; and well-managed government.

Some of the key 2016 initiatives include:



### National Disaster Resilience Competition Award

The U.S. Department of Housing and Urban Development National Disaster Resilience Competition awarded Virginia with \$120.5 million of federal disaster resilience funding to

address the impacts of climate change, recurrent flooding and sea level rise. The grant is the largest ever received by the City. The grant will fund a \$115.5 million project in the Ohio Creek Watershed that includes implementing a prototype

for addressing coastal flooding into the next century. Additionally, \$5 million will be utilized for a Coastal Resilience Laboratory and Accelerator Center in Norfolk to spur economic development by innovating in coastal design. It is envisioned that the Coastal Resilience Laboratory and Accelerator Center will provide support for start-up companies developing new products to solve resilience challenges by 1) providing access to capital, management and training to attract and expand, and build businesses working on sea level rise challenges, 2) providing a market to spur innovative water management practices and 3) creating a City-wide living laboratory for innovators to test new resilient ideas.



### Rockefeller Foundation Initiatives

The City is actively participating in two Rockefeller Foundation initiatives that provide opportunities for Norfolk to engage with stakeholders to envision a future for our City that incorporates both the challenges of living near water and the economic and community building opportunities that solving difficult issues can generate.

The Rockefeller Foundation launched the 100 Resilient Cities Centennial Challenge (100RC) in 2013. Nearly 400 cities worldwide, representing 78 countries, applied to receive technical support and resources to improve their urban resilience over three years. The City was selected as one of the initial 33 cities. 100RC supports the incorporation of a view of resilience that includes not just the shocks – earthquakes, fires, floods, etc. – but also the stresses that weaken the fabric of a city on a day to day basis. Through a community stakeholder process, Norfolk is collaboratively working on building resilience around three critical themes: living on the coast in a rising water environment, ensuring economic opportunity for all residents. Launched in October 2015, the strategy represents a commitment to a new way of doing business – collective, integrated, and coordinated action to build resilience. Norfolk as a coastal resilience leader is benefiting by attracting investment and leveraging opportunities through its work with international and national expertise to develop innovative solutions and to attract funding for implementation.



### Passport Mobile Pay

This year, Passport Mobile Pay became operational. This smartphone application allows residents to pay for parking, revive reminders when parking is about to expire and add time to the meter remotely for up to two hours.

### Community Engagement

Community engagement is an ongoing process. Residents' participation and input in government increases legitimacy, efficiency and accountability. It creates ownership at all levels, empowers the residents and employees, engages people in decision making, and ensures transparency. Community engagement helps improve resource management and the ability of local authorities to solve problems, creates more inclusive and cohesive communities, and increases the number and quality of initiatives. These gatherings provided insight of resident priorities and also helped them understand the difficult choices decision makers face.

### Norfolk Plan to Reduce Poverty ("The Plan")

Established in July 2013, the Commission's vision is for all individuals in Norfolk to have the opportunity to develop skills and earn a wage that allows them to thrive, sustain their families and access essential services. The Commission delivered the Norfolk Plan to Reduce Poverty to City Council in July 2014. This plan focuses on four critical areas to reduce poverty: 1) supporting early childhood development and parents; 2) improving the education and the career pathways of young people; 3) strengthening opportunities for adults to thrive in the workforce; and 4) revitalizing the City's neighborhoods to create more engaging, economic opportunities and inclusive communities.

#### Four Critical Areas of Focus:



The City Council is committed to poverty mitigation programs, and allocated \$500,000 in fiscal year 2015 and an additional \$3.9 million in fiscal year 2016 to continue implementation of the recommendations. The City Council further supported the poverty mitigation efforts with the allocation of \$250,000 in fiscal year 2017. These funds lay a solid foundation for achieving immediate progress. To date, the plan has established Bank On Norfolk, which helps families build financial strength through connections to banking services, education and mentoring. The We Feed Norfolk program was launched in July 2015 and serves as a community-based effort that is using technology to address issues related to poverty. Additionally, the City is partnering with nationally recognized nonprofit, Purpose Built Communities, to revitalize high poverty communities by focusing on linking housing, education, workforce development, transportation and health to develop neighborhoods of opportunity.

The City is currently undergoing a comprehensive affordable housing study to evaluate the current housing market to determine affordability gaps and to define solutions for providing affordable housing for all Norfolk residents. The \$1.4 million set aside by City Council to establish a local housing trust fund will be one tool to implement the recommendations produced by the study.

*Ready by Five*

Norfolk Ready by Five focuses on early development and education, not only for children under five, but for their parents, families and caregivers as well. The first five years of a child's life are critical to development and a major influence on success later in life. In fact, that's when 90 percent of our brain develops. The latest data shows that 1/3 of Virginia's children are not prepared for kindergarten and Norfolk Ready by Five is committed to helping every child in Norfolk arrive at kindergarten ready to succeed.

## Arts District

The New Energy of Norfolk - or NEON - District is home to a new wave of passion and creativity in Downtown. Long time cultural institutions like the Chrysler Museum of Art and



Harrison Opera House anchor the District while new art venues like Glass Wheel Studio and Work|Release provide artists a place to make, create and show. Since the birth of the NEON District, the City's Public Art Commission has seen new murals and sculpture projects multiply that enhance the street environment and bring life to the NEON District. Restaurants, retail shops and a comedy theater dot the streets of the district.

## Becoming an Employer of Choice - Attraction, Retention, Motivation and Development (ARMD) Initiative

Recruiting and retaining qualified employees is key to an efficient, effective, and responsive government. In fiscal year 2015, a three-year initiative was implemented to address the most critical issues impacting employee recruitment and retention. Phase I of the initiative was fully implemented in January 2015 and Phase II was implemented in January 2016. Both were primarily built around addressing pay inequities, addressing poverty, and improving employee compensation both now and in retirement.

Having comparable salaries to other regional cities is a priority of ARMD. Regional salary comparisons are done annually and salary ranges are adjusted accordingly. Making these adjustments annually allow the City to maintain its competitive advantage.

Aside from regional inequities, Phase I and II also focused on poverty reduction. In fiscal year 2015, for the first time, Norfolk instituted a permanent employee living wage aligned with the federal poverty rate for a family of four. In fiscal year 2016, an adjustment to the living wage minimum provided an additional average of \$400 per eligible employee.

In addition to specific initiatives to combat regional inequity and poverty, Phase II also included a two percent general wage increase for general and Constitutional Officer employees. Sworn employees also received a step increase, the second in two years.

## Increasing Access to Capital

Growing the City's economy is one of the most important ways to raise local revenue. Norfolk recently embraced a new comprehensive economic and neighborhood development initiative, Norfolk First. This economic development model features the creation of four unique programs capitalized with \$2 million in community Development Block Grant (CDBG) funds and other federal resources. This initiative creates more



capacity in neighborhoods by leveraging federal resources to capitalize on Norfolk's competitive advantage as the urban center of Hampton Roads.

## **INTERNAL CONTROL AND BUDGET ACCOUNTING**

The City's management team is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

The City's control environment reflects the attitude of management at all levels towards ethical behavior, organizational values, competence, integrity and the well-being of the organization. The City's Ethical Fitness: Setting the Tone at the Top initiative was rolled out in 2015 to all City employees and is required for all new employees throughout the fiscal year. The Culture of the Team Norfolk training program includes a series of training modules geared towards promoting a professional environment and ethical culture throughout the City.

Budget controls ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General, certain Special Revenue, Debt Service, Enterprise and School Board Governmental Component Unit Funds are included in the annual appropriated budget. The level of budget control is established by each organizational unit. Additional controls are exercised administratively.

As a recipient of federal financial assistance, the City also is responsible for maintaining an adequate internal control structure. This structure allows the City to ensure and document compliance with the U.S. Office of Management and Budget Super Circular for major federal award programs. These reports are available in the Other Reports of Independent Auditors section of this report.

## **AWARDS AND RECOGNITION**

The City received a number of awards and was recognized by a variety of organizations. Among these awards and recognitions are:

**#13 Top 20 Cities for College Grads to Find Jobs, NerdWallet, 2016;**  
**The Donald E. Hunter Award recognizing Excellence in Economic Development Planning for its Global Initiatives Fund Program, American Planning Association, 2016;** **100 Best Fleets in North America, National Automotive Fleet Association, 2016;** **Named All-America City, by National Civic League;** **Most Beautiful Library in Virginia, Tech Insider, 2016;** **Best in the Nation (Population 100,001 to 250,000), Keep America Beautiful, 2015;** **Awarded a \$2.7 million Grant from the to Create a Pathway to success for residents of Norfolk's Young Terrace Neighborhood, Department of Housing and Urban Development, 2015;** **Virginia International Tattoo named Top U.S.**



**Event, American Bus Association, 2016; Norfolk Designated as a Citizen-Engaged Community for 2014-2016, Public Technology Institute, 2014; Norfolk Public Schools Awarded \$1.5 million "Operation Thrive: Moving Beyond Resilience," Federal Grant to Assist 10 Schools that Educate Large Percentages of Military-dependent Students, 2015; Norfolk Fiscal Year Employees' Retirement System Received 11<sup>th</sup> consecutive GFOA recognition for its CAFR, Government Finance Officers Association of the United States and Canada, 2016; Norfolk Fiscal Year 2016 Distinguished Budget Presentation Award, Government Finance Officers Association of the United States and Canada, 2016.**

## **INDEPENDENT AUDIT**

According to the City Charter and Section 15.2-2511 of the *Code of Virginia*, as amended, an annual audit by an independent auditor of the City is required. Accordingly, the records have been audited by KPMG LLP. As a result of an audit of the City's financial records, KPMG LLP has issued unmodified opinions with respect to the City's financial statements for the year ended June 30, 2016. The independent auditors' report is presented in the financial section of this report.

## **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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 30<sup>th</sup> consecutive year that the City received this prestigious award.

This award is valid for a period of one year only. We believe that the FY 2016 CAFR continues to meet the requirements and it will be submitted to GFOA again this year.

## ACKNOWLEDGMENTS

We express our sincere appreciation to all staff who contributed to this report, especially the members of the CAFR Team in the Financial Reporting and Financial Operations Divisions of the Department of Finance, who prepared and compiled this report and maintain the accounting records of the City on a current and timely basis. We commend them for their professionalism, hard work and continued efforts to improve both the financial reporting of the City and this report. In addition, we acknowledge the professionalism, knowledge and assistance of each City department throughout the year in the efficient administration of the City's financial operations.

We also thank the Office of the City Auditor and KPMG LLP for their coordination and support during the year.

This CAFR reflects our commitment to the residents and businesses of Norfolk, the City Council and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

In closing, credit 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. The City Council's oversight of the financial affairs has resulted in this strong financial report and is commended for their dedication in supporting the policies and practices that made it so.

Respectfully submitted,



Douglas L. Smith  
Interim City Manager



Sabrina Joy-Hogg  
Chief Deputy City Manager  
for Finance and  
Administration



Christine Garczynski  
Director of Finance



Government Finance Officers Association

# 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, 2015**

A handwritten signature in black ink that reads "Jeffrey R. Eman". The signature is fluid and cursive, with "Jeffrey" on top and "R. Eman" on the line below.

Executive Director/CEO

**CITY OF NORFOLK, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2016**

# **FINANCIAL SECTION**

**~ Independent Auditors' Report ~**

**~ Management's Discussion and Analysis ~  
(Unaudited)**

**~ Basic Financial Statements ~**

**Government-Wide Financial Statements**

**Fund Financial Statements**

**Notes to the Basic Financial Statements**

**Required Supplementary Information  
(Unaudited)**

**(Pension and OPEB Funding Progress and  
Budgetary Comparison Schedules)**

**Other Supplementary Information**





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# **INDEPENDENT AUDITORS' REPORT**





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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## **Independent Auditors' Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

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 of Norfolk, Virginia as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis as listed in the accompanying table of contents, the schedule of funding progress for Other Post-Employment Benefit Plans, the schedule of changes in net pension liability and related ratios, schedules of contributions, and budgetary comparison schedules as listed under the caption "Required Supplementary Information" in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and the Statistical Section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, 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 no to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016

# **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**





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**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

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, 2016. 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. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$664,359,833 (net position). Of this amount, there is a negative unrestricted net position of \$67,799,592. Total net position increased by \$46,231,492 and unrestricted net position increased by \$48,754,387 from the prior fiscal year end.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of negative \$66,122,774, a decrease of \$119,866,157 in comparison with the prior year. This decrease was primarily attributable the funding of capital projects. Rather than issue bonds the City drew from an available line of credit to fund the capital expenditures for the current year. Total draws made from the line of credit assigned to the capital projects fund were \$185,289,003 with repayments of \$11,000,000. There is a negative unassigned total Governmental fund balance of \$146,092,907 on June 30, 2016.
- The General fund, on a current financial resources basis, reported an increase in fund balance of \$10,203,796 from the prior year.
- At the end of the current fiscal year, the total unassigned fund balance for the general fund was \$73,076,766, or 9.0 percent of the original General fund budget.
- The City's total outstanding bonded indebtedness increased by \$131,742,829 during the current fiscal year mostly by drawing from a line of credit to pay for the construction of five new schools and the conference center.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

### **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 and related notes 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. These statements include all of the government's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. The *government-wide financial statements* are comprised of the Statement of Net Position and the Statement of Activities.

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 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, public works, judicial administration, community development, health and public assistance, education, 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

**CITY OF NORFOLK, VIRGINIA**  
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the City is financially accountable: Norfolk Public Schools ("School Board") and Norfolk Economic Development Authority ("EDA"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 66 - 68 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 government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several 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 combined statements elsewhere in this report.

The City adopts an annual budget for certain funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report. (Reference Exhibits E-1 and E-2.)

The basic governmental fund financial statements can be found in pages 57 - 60 of this report.

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

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The enterprise funds are used to account for Water and Wastewater Utilities 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 had two internal service funds, Fleet Management and Healthcare during fiscal year 2016. The internal service funds are allocated to governmental activities at the entity wide level.

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 61 – 63 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 pension trust fund, the Commonwealth of Virginia agency fund and other agency funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are dedicated for specific non-city programs. The accounting for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 64 - 65 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 71.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's Net Pension Liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 141 – 153 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 159 - 160 and 163 -165, respectively, of this report.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
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**Government-Wide Financial Analysis**

Over time, net position may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$664,359,833 at the close of fiscal year 2016.

By far, the largest portion of the City's net position, \$687,980,646 or 103.6 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net 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 position, approximately 6.7 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$67,799,592 of unrestricted net position is due to the adoption of GASB 68 and the recognition of the net pension liability to the employee retirement system and the Virginia retirement system.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets						
Capital Assets	\$ 223,744,815	\$ 158,994,709	\$ 161,635,530	\$ 197,498,578	\$ 385,380,345	\$ 356,493,287
Deferred Outflows of Resources	1,156,366,101	1,070,236,138	976,794,848	917,194,149	2,133,160,949	1,987,430,287
Total Assets and Deferred Outflows of Resources	48,544,657	54,191,517	16,788,083	17,736,132	65,332,740	71,927,649
Long-Term Liabilities						
Other Liabilities	1,072,977,418	843,666,024	713,598,291	687,696,634	1,786,575,709	1,531,362,658
Deferred Inflows of Resources	88,017,114	137,693,747	21,381,005	40,412,104	109,398,119	178,105,851
Total Liabilities and Deferred Inflows of Resources	22,075,587	80,738,835	1,464,786	7,515,539	23,540,373	88,254,374
Net Position						
Net Investment in Capital Assets	386,640,698	428,380,397	301,339,948	266,206,166	687,980,646	694,586,563
Restricted	12,412,160	10,485,050	31,766,619	29,610,707	44,178,779	40,095,757
Unrestricted	(153,467,404)	(217,541,689)	85,667,812	100,987,710	(67,799,592)	(116,553,979)
Total Net Position	\$ 245,585,454	\$ 221,323,758	\$ 418,774,379	\$ 396,804,583	\$ 664,359,833	\$ 618,128,341

For governmental activities, total net position increased by \$24,261,696 or 11.0 percent overall during the current fiscal year. Factors that contributed to the change in total governmental net position include an increase in property tax, charges for services and operating grants and contributions.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

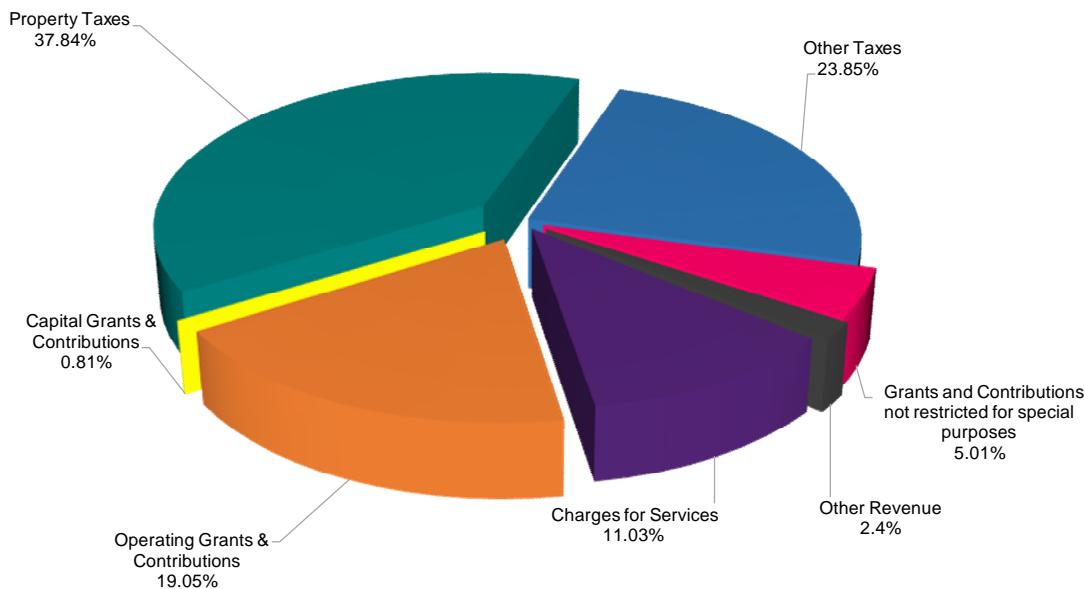
For business-type activities, net position increased by \$21,969,796 or 5.5 percent during the fiscal year. Of this amount, an increase of \$15,526,042, \$7,451,483, and a decrease of \$1,007,729 are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues decreased by \$5,232,641 compared to prior year due to decreases in consumption for Water and Wastewater Utilities funds and a decrease in activity for Parking Facilities fund.

The following presents key programmatic and functional elements of changes in government-wide net position:

Changes in the City of Norfolk's Net Position							
	Governmental Activities		Business-Type Activities		Total		
	2016	2015	2016	2015	2016	2015	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$ 76,753,079	\$ 76,555,572	\$ 128,183,788	\$ 130,659,266	\$ 204,936,867	\$ 207,214,838	
Operating Grants & Contributions	132,611,088	125,802,403	-	-	132,611,088	125,802,403	
Capital Grants & Contributions	5,672,118	1,000,000	337,654	3,005,824	6,009,772	4,005,824	
General Revenues:							
Property Taxes	263,395,351	263,490,017	-	-	263,395,351	263,490,017	
Other Taxes	166,033,611	164,270,397	-	-	166,033,611	164,270,397	
Grants and Contributions not restricted for specific purposes	34,863,429	33,793,343	-	214,199	34,863,429	34,007,542	
Other	16,684,723	12,079,430	2,739,440	2,614,234	19,424,163	14,693,664	
Total Revenues	<u>696,013,399</u>	<u>676,991,162</u>	<u>131,260,882</u>	<u>136,493,523</u>	<u>827,274,281</u>	<u>813,484,685</u>	
<b>Expenses:</b>							
General Government	130,549,665	126,958,918	-	-	130,549,665	126,958,918	
Judicial Administration	51,926,496	49,056,265	-	-	51,926,496	49,056,265	
Public Safety	119,827,879	120,709,855	-	-	119,827,879	120,709,855	
Public Works	79,200,166	81,170,952	-	-	79,200,166	81,170,952	
Health and Public Assistance	85,730,329	86,775,904	-	-	85,730,329	86,775,904	
Culture and Recreation	60,064,216	58,443,117	-	-	60,064,216	58,443,117	
Community Development	16,733,929	13,040,139	-	-	16,733,929	13,040,139	
Education	114,768,522	117,721,922	-	-	114,768,522	117,721,922	
Interest on Long-Term Debt	22,950,501	22,059,855	-	-	22,950,501	22,059,855	
Water Utility	-	-	59,414,650	59,455,257	59,414,650	59,455,257	
Wastewater Utility	-	-	19,225,868	19,141,968	19,225,868	19,141,968	
Parking Facilities	-	-	20,650,568	20,044,558	20,650,568	20,044,558	
Total Expenses	<u>681,751,703</u>	<u>675,936,927</u>	<u>99,291,086</u>	<u>98,641,783</u>	<u>781,042,789</u>	<u>774,578,710</u>	
Increase in Net Position							
before Transfers	14,261,696	1,054,235	31,969,796	37,851,740	46,231,492	38,905,975	
Transfers	<u>10,000,000</u>	<u>10,033,081</u>	<u>(10,000,000)</u>	<u>(10,033,081)</u>	-	-	
Increase in Net Position	<u>24,261,696</u>	<u>11,087,316</u>	<u>21,969,796</u>	<u>27,818,659</u>	<u>46,231,492</u>	<u>38,905,975</u>	
Net Position Beginning of Year	221,323,758	370,415,205	396,804,583	384,783,397	618,128,341	755,198,602	
Restatement from Implementation of GASB 68 and 71	-	(160,178,763)	-	(15,797,473)	-	(175,976,236)	
Restated Net Position Beginning of Year	<u>221,323,758</u>	<u>210,236,442</u>	<u>396,804,583</u>	<u>368,985,924</u>	<u>618,128,341</u>	<u>579,222,366</u>	
Net Position End of Year	<u>\$ 245,585,454</u>	<u>\$ 221,323,758</u>	<u>\$ 418,774,379</u>	<u>\$ 396,804,583</u>	<u>\$ 664,359,833</u>	<u>\$ 618,128,341</u>	

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

**Governmental Activities: Revenues by Source**



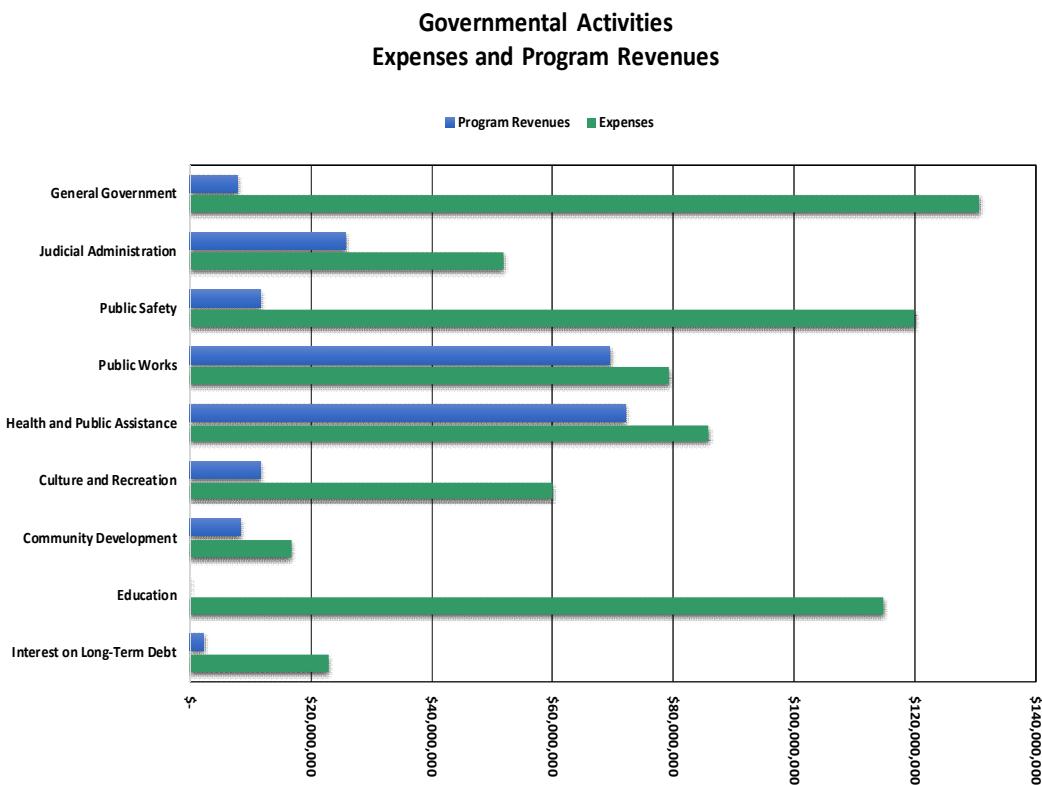
**Governmental Activities** – The City's total revenues from governmental activities were \$696,013,399 for the fiscal year that ended June 30, 2016. The largest sources of revenue for the City are property taxes and other taxes which comprise 61.7 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, decreased by \$94,666 compared to prior year. The real estate (general tax) tax rate for fiscal year 2016 was \$1.15 per \$100 of assessed value which had previously changed to set aside \$0.02 for school construction technology and infrastructure spending. Revenues from other taxes increased by \$1,763,214 or 1.1 percent in comparison to the prior year. Other taxes include sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes.

Operating grants and contributions for governmental activities ended the fiscal year at \$132,611,088 which represents an increase of approximately 5.4 percent from the prior year. For the 2016 fiscal year, there was \$34,863,429 in grants and contributions not restricted for specific programs which represents an increase of approximately 3.2 percent from the prior year.

The City's expenses for governmental activities cover a wide array of services, with \$119,827,879 or 17.6 percent related to public safety and \$114,768,522 or 16.8 percent for education, (including payments to the School Board, a component unit). Overall, expenses for governmental activities increased by 0.9 percent due to cost of living increases.

Depreciation expense for governmental activities of \$45,557,894 was recorded.

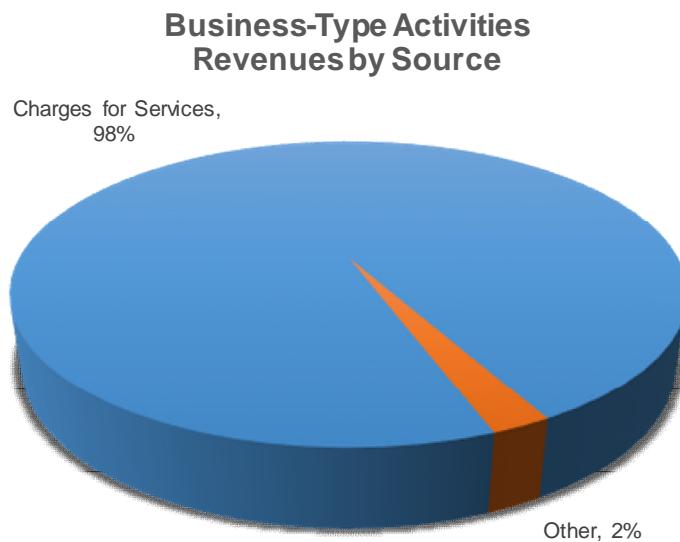
**CITY OF NORFOLK, VIRGINIA**  
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**CITY OF NORFOLK, VIRGINIA**  
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**For the Fiscal Year Ended June 30, 2016**

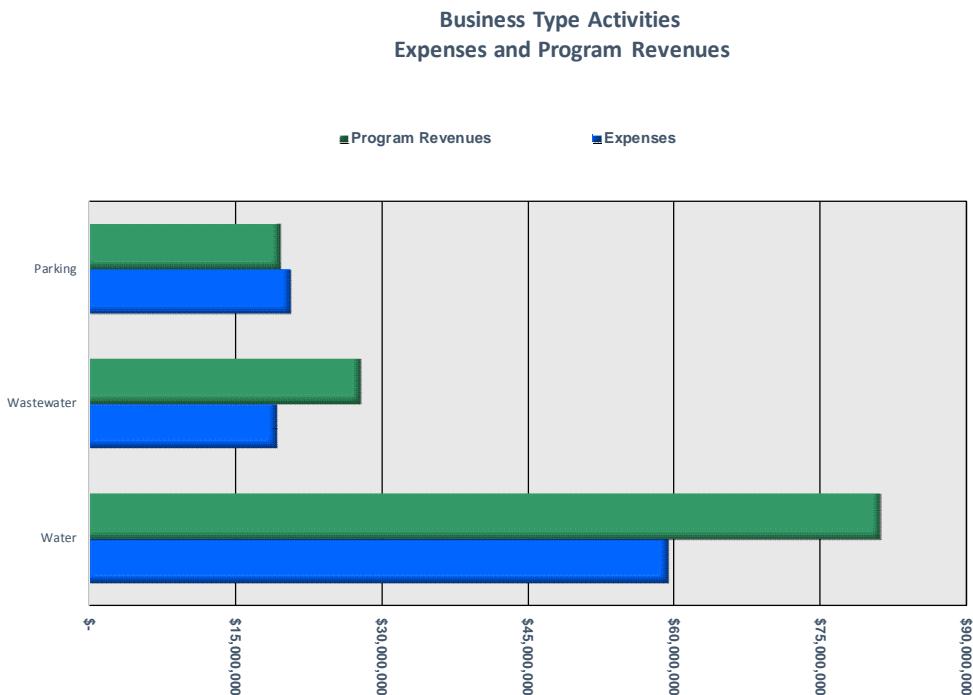
**Business-type Activities** – Business-type activities increased the City's net position by \$21,969,796. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities decreased by 1.9 percent. Water Utility charges for services decreased \$2,246,504 and Wastewater Utility charges for services decreased \$321,124.
- Parking Facilities revenues increased \$92,150 or 0.5 percent from the prior year.



Total expenses for business-type activities increased overall by \$649,303 or 0.7 percent. The Water Utility fund's expenses decreased by \$40,607. The Wastewater Utility fund's expenses increased by \$83,900. The Parking Facilities fund's expenses increased by \$606,010.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**



### **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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is reported in the following categories: nonspendable, restricted, committed, assigned and unassigned.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of negative \$66,122,774, a decrease of \$119,866,157 over the prior year due to timing of the issuance of bonds and the utilization of the City's line of credit. Of the total ending fund balance, \$12,412,160 or 18.8 percent is restricted. The restricted fund balance is that portion of fund balance that can only be spent for the

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$14,308,019 or 21.6 percent of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers' compensation and general liability programs. Assigned fund balance is \$53,110,906 or 80.3 percent of total ending fund balance and represent funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The negative unassigned balance of \$146,092,907 is due to the delay in issuance of debt and is covered by available cash and outstanding line of credit draws.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than five percent of the general fund budget, which was \$40,943,956 for fiscal year 2016.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues above projections by \$3,109,559. Total expenditures were less than appropriations by \$18,468,458.

The general fund experienced an overall increase in revenue of \$7,152,039 or 1.22 percent over the prior year. Overall expenditures increased by \$6,310,606 or 1.22 percent from fiscal year 2015. General fund financial and budget highlights of the 2016 fiscal year include:

- General property tax revenues increased by \$1,984,201 or 0.77 percent; and
- General government expenditures increased by \$2,756,236 or 2.5 percent.

The City spent \$138,292,884 from the Capital Projects fund to support major capital projects, including construction of the second phase of the new courthouse, five new schools, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund balance of negative \$210,310,394, primarily due to the use of a line of credit rather than bond proceeds to finance capital expenditures. In fiscal year 2016, the City used cash on hand and a line of credit to fund these expenditures. Bonds have been approved and will be issued in 2017.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. During the year no bonds were issued to refund existing debt and no new debt was issued. However, \$202,000,000 was drawn from the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type funds.

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**Proprietary Funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net position of these funds to finance continuing operations of the enterprise operations. 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 net investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$687,980,646. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Infrastructure assets represent 16.7 percent of total general governmental assets.

Major capital projects spending during the fiscal year included the following:

- Construction of the second phase of the new courthouse complex of \$12.4 million;
- \$29 million spent on the construction of the new conference center and related parking facilities;
- \$19 million in improvements to neighborhood streets throughout the City; and
- \$56 million for new school construction.

Construction in progress totaled \$235 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$91 million for business-type activities, which includes Water Utility, Wastewater Utility and Parking Facilities projects.

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

	Governmental Activities		Business-Type Activities		Totals	
	2016		2015		2016	
Land	\$ 98,420,420	\$ 92,312,849	\$ 49,387,123	\$ 49,387,123	\$ 147,807,543	\$ 141,699,972
Buildings, equipment and vehicles	562,821,015	587,960,978	817,650,156	795,742,125	1,380,471,171	1,383,703,103
Improvements other than buildings	61,947,373	58,597,266	15,458,260	15,864,620	77,405,633	74,461,886
Construction in progress	235,093,416	129,205,974	90,556,126	52,442,255	325,649,542	181,648,229
Intangible assets	881,021	1,031,420	3,743,183	3,758,026	4,624,204	4,789,446
Infrastructure	197,202,856	201,127,651	-	-	197,202,856	201,127,651
Total	\$ 1,156,366,101	\$ 1,070,236,138	\$ 976,794,848	\$ 917,194,149	\$ 2,133,160,949	\$ 1,987,430,287

**CITY OF NORFOLK, VIRGINIA**  
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**For the Fiscal Year Ended June 30, 2016**

Additional information on the City's capital assets can be found in Note VI on pages 94 - 96 of this report.

**Long-term Debt** – At June 30, 2016, the City (including the enterprise funds) had total bonded debt outstanding of \$1,379,158,880. Of this amount, \$988,267,936 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).

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

**City of Norfolk's Long-Term Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 570,456,274	\$ 617,328,942	\$ 225,811,662	\$ 236,071,186	\$ 796,267,936	\$ 853,400,128
Line of Credit	175,289,003	-	16,710,997	-	192,000,000	-
Revenue Bonds	-	-	390,890,944	394,015,923	390,890,944	394,015,923
Total	\$ 745,745,277	\$ 617,328,942	\$ 633,413,603	\$ 630,087,109	\$ 1,379,158,880	\$ 1,247,416,051

The City's total debt outstanding increased by \$131,742,830 or 10.6 percent during the fiscal year. The City used line of credit draws to meet cash flow capital needs.

The development of the Capital Improvement Plan for General Capital (bonds not supported by self-supporting user fees) is guided by two adopted measures of affordability. The measures or debt limits is based on the approved Capital Improvement Plan are as follows:

- Debt service as a percent of the General Fund Budget will not exceed 10 percent; and
- Net debt as a percent of taxable property will not exceed 3.5 percent.

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

The latest credit ratings for the City's general obligation and water revenue bond programs as of the date of this report are as follows:

Bonding Program	Fitch Ratings	S&P Global Ratings	Moody's Investors Service
General Obligation	AA+	AA+	Aa2
Water Revenue	AA+	AA+	Aa2

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

The City's Wastewater Revenue Bonds do not maintain an underlying or stand-alone unenhanced credit rating.

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue up to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$1,910,673,796.

Additional information on the City's long-term debt can be found in Note VIII on pages 97 - 105 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The City has shown signs of rebounding from the recession. Real estate assessments which drive the City's largest locally generated revenue is projected to rise for the fourth straight year. Residential assessments which make up the majority of overall real estate assessments are projected to rise for the third straight year as the housing market continues to recover. Significant economic development as a result of the City's public-private partnerships are also beginning to come to fruition and are expected to generate new jobs and tax revenue. While the City anticipated an increase in revenues from the Commonwealth in fiscal year 2017, state aid to localities are uncertain given the state's revenue shortfall in fiscal year 2016 and the projected revenue shortfalls in fiscal years 2017 and 2018. In fiscal year 2015 mid-year, the City's state aid was reduced by about \$1.4 million due to a state revenue shortfall. Considering the effects of the national, state and local economic conditions, the City has taken a diversified approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy, share services, and leverage resources to develop the fiscal year 2017 budget as in prior years.
- Taxable real estate assessments are projected to rise slightly in the 2017 fiscal year by 1.9 percent.
- The following reflects major other tax change projections in comparison to the fiscal year 2016 budget:
  - Hotel taxes – 11.5 percent increase;
  - Restaurant food taxes – 7.8 percent increase; and
  - Personal property taxes – 1.5 percent increase
- Rate increases for the Storm Water, Water Utility 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 2017. The fiscal year 2017 operating budget includes transfers in from non-general funds of approximately \$16.5 million and carrying forward prior year unspent appropriations and

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

closeout of accounts including from the Norfolk Public Schools and the Norfolk Community Services Board of approximately \$7.4 million.

In fiscal year 2017, the cigarette tax was raised by \$0.05 per pack of 20 cigarettes. There were no changes in any other tax rates for the fiscal year 2017. The following table represents changes in the Storm Water, Wastewater and Water Utility fees implemented with the City's fiscal year 2017 budget.

<b>Description</b>	<b>FY 2017 Approved</b>	<b>FY 2016 Approved</b>
Wastewater Fees	\$3.97/100 cubic feet	\$3.82/100 cubic feet
Water Fees	\$4.77/100 cubic feet	\$4.61/100 cubic feet
Stormwater Fees – Residential	\$12.13/month	\$11.80/month
Stormwater Fees – Commercial	\$8.95/month per 2,000 sq. ft.	\$8.74/month per 2,000 sq. ft.
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$28.01/unit/month	\$28.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$46.94/container/month	\$46.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$89.19/unit/month	\$89.19/unit/month

In October 2015, City Council amended the fiscal year 2016 budget by \$6.5 million for the following: further support the Poverty Commission recommendations; increase funding for the Housing Trust Fund; purchases of additional body cameras for sworn officers; support for the citywide landscaping and street sweeping efforts and capital projects which improve public school facilities, foster economic development, and revitalize and improve neighborhoods; and funds to reduce planned fiscal year 2017 debt payments. With the budget amendment, City Council also increased the risk management reserve and the economic downturn reserve each by \$1 million. This increase brings these reserves to the financial policy goal of \$5 million each.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2016**

**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, 810 Union Street, Suite 600, Norfolk, Virginia, 23510 or the City's website at [www.norfolk.gov](http://www.norfolk.gov).

# **BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit 1**

**Statement of Net Position**  
June 30, 2016

	<b>Primary Government</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	<b>Total</b>
				<b>Component Units</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 115,733,492	\$ 118,781,907	\$ 234,515,399	\$ 38,472,768
Receivables, net:				
Taxes	40,596,868	-	40,596,868	-
Accounts	18,351,145	19,582,024	37,933,169	5,425,976
Accrued investment income	4,443	13,061	17,504	-
Internal balances	16,097,471	(16,097,471)	-	-
Due from other governments	31,326,566	-	31,326,566	37,676,536
Due from agency funds	-	-	-	-
Due from primary government	-	-	-	1,392,368
Due from other agencies	-	-	-	-
Inventories	2,239	3,680,732	3,682,971	1,151,337
Deposits	70,121	-	70,121	-
Property held for resale	-	-	-	6,078,213
Prepaid items	991,578	43,435	1,035,013	-
Restricted cash and investments	570,892	35,631,842	36,202,734	3,416,462
Non-depreciable capital assets	333,598,850	142,417,810	476,016,660	2,481,553
Depreciable capital assets, net	822,767,251	834,377,038	1,657,144,289	10,837,434
Total assets	<u>\$ 1,380,110,916</u>	<u>\$ 1,138,430,378</u>	<u>\$ 2,518,541,294</u>	<u>\$ 106,932,647</u>
<b>Deferred outflows of resources</b>				
Related to pensions	\$ 30,850,931	\$ 2,706,623	\$ 33,557,554	\$ 28,960,703
Loss on defeasance of bonds	17,693,726	14,081,460	31,775,186	-
Total deferred outflow of resources	<u>48,544,657</u>	<u>16,788,083</u>	<u>65,332,740</u>	<u>28,960,703</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>\$ 1,428,655,573</u></u>	<u><u>\$ 1,155,218,461</u></u>	<u><u>\$ 2,583,874,034</u></u>	<u><u>\$ 135,893,350</u></u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 39,946,126	\$ 8,327,059	\$ 48,273,185	\$ 13,352,676
Employees withholdings	2,469,439	-	2,469,439	-
Contract retainage	5,032,152	2,934,396	7,966,548	4,400
Accrued interest	8,353,137	6,054,632	14,407,769	-
Accrued payroll	5,700,006	485,087	6,185,093	34,000,162
Due to other governments	36,273	-	36,273	6,517,120
Due to primary government	-	-	-	282,478
Due to component unit	1,392,368	-	1,392,368	-
Other Payables	-	-	-	185,607
Unearned revenue	15,740,017	-	15,740,017	277,573
Other current liabilities	9,347,596	1,422,537	10,770,133	519,550
Liabilities payable from restricted assets	-	2,157,294	2,157,294	-
Long-term liabilities:				
Due within one year	56,149,965	25,837,648	81,987,613	7,287,661
Net pension liability	199,776,706	18,953,815	218,730,521	317,468,532
Due in more than one year	817,050,747	668,806,828	1,485,857,575	24,360,722
Total liabilities	<u>\$ 1,160,994,532</u>	<u>\$ 734,979,296</u>	<u>\$ 1,895,973,828</u>	<u>\$ 404,256,481</u>
<b>Deferred inflows of resources</b>				
Related to pensions	\$ 21,821,076	\$ 1,442,602	\$ 23,263,678	\$ 33,838,940
Gain on defeasance of bonds	254,511	22,184	276,695	-
Total deferred inflows of resources	<u>22,075,587</u>	<u>1,464,786</u>	<u>23,540,373</u>	<u>33,838,940</u>
<b>Total liabilities and deferred inflows of resources</b>	<u><u>\$ 1,183,070,119</u></u>	<u><u>\$ 736,444,082</u></u>	<u><u>\$ 1,919,514,201</u></u>	<u><u>\$ 438,095,421</u></u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 386,640,698	\$ 301,339,948	\$ 687,980,646	\$ 10,818,987
Restricted for:				
Endowed care - nonexpendable	5,739,050	-	5,739,050	-
General government	3,146,227	-	3,146,227	-
Judicial administration	733,654	-	733,654	-
Public safety	786,177	-	786,177	-
Health and public assistance	501,096	-	501,096	-
Culture and recreation	223,099	-	223,099	-
Community development	1,282,857	-	1,282,857	-
Capital Projects	-	-	-	6,720,218
Water utility	-	24,288,204	24,288,204	-
Wastewater utility	-	125,878	125,878	-
Parking fund	-	7,352,537	7,352,537	-
Other Programs	-	-	-	9,495,080
Unrestricted	<u>(153,467,404)</u>	<u>85,667,812</u>	<u>(67,799,592)</u>	<u>(329,236,356)</u>
Total net position	<u>\$ 245,585,454</u>	<u>\$ 418,774,379</u>	<u>\$ 664,359,833</u>	<u>\$ (302,202,071)</u>
Total liabilities and net position	<u><u>\$ 1,428,655,573</u></u>	<u><u>\$ 1,155,218,461</u></u>	<u><u>\$ 2,583,874,034</u></u>	<u><u>\$ 135,893,350</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Statement of Activities  
For the Year Ending June 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities		Component Units
					Government Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 130,549,665	\$ 4,641,836	\$ 3,156,252	\$ -	\$ (122,751,577)	\$ -	
Judicial administration	51,926,496	8,729,506	23,081,613	-	(26,115,377)		
Public safety	119,827,879	8,306,937	3,354,747	-	(108,166,195)		
Public works	79,200,166	42,340,559	27,268,046	-	(9,591,561)		
Health and public assistance	85,730,329	6,310,043	68,870,978	-	(13,549,308)		
Culture and recreation	60,064,216	10,054,032	1,575,399	5,672,118	(42,762,667)		
Community development	16,733,929	2,370,166	5,885,446	-	(8,478,317)		
Education	114,768,522	-	-	-	(114,768,522)		
Interest on long-term debt	22,950,501	-	2,418,607	-	(20,531,894)		
Total governmental activities	<u>681,751,703</u>	<u>76,753,079</u>	<u>132,611,088</u>	<u>5,672,118</u>	<u>(466,715,418)</u>		
<b>Business-type activities:</b>							
Water utility	59,414,650	80,749,120	-	337,654	-	21,672,124	
Wastewater utility	19,225,868	27,822,842	-	-	-	8,596,974	
Parking facilities	20,650,568	19,611,826	-	-	-	(1,038,742)	
Total business-type activities	<u>99,291,086</u>	<u>128,183,788</u>		<u>337,654</u>		<u>29,230,356</u>	
Total primary government	<u>\$ 781,042,789</u>	<u>\$ 204,936,867</u>	<u>\$ 132,611,088</u>	<u>\$ 6,009,772</u>	<u>\$ (466,715,418)</u>	<u>\$ 29,230,356</u>	<u>\$ (437,485,062)</u>
<b>Component units:</b>							
Norfolk Public Schools	\$ 368,653,397	\$ 3,965,762	\$ 212,121,314	\$ 9,891,639			
Norfolk Economic Development Authority	19,485,168	494,857	7,125,100	-			
Total component units	<u>\$ 388,138,565</u>	<u>\$ 4,460,659</u>	<u>\$ 219,246,114</u>	<u>\$ 9,891,639</u>			
General revenues:							
Taxes:							
General property taxes - real estate and personal property				263,395,351			
Consumption utility taxes				41,848,773			
Sales and use taxes				30,330,390			
Restaurant food taxes				34,223,971			
Business license taxes				28,935,140			
Hotel/Motel taxes				8,767,454			
Cigarette taxes				7,784,080			
Admissions taxes				3,784,645			
Motor vehicle licenses				4,488,298			
Franchise, recitation and other miscellaneous local taxes				5,870,860			
Use of money and property				281,052			
Gain on Investment				-			
Grants and contributions not restricted to specific programs				149,324			
Miscellaneous				2,294,924			
Commonwealth of Virginia				-			
Payment from Primary Government				-			
Transfers				-			
Total general revenues and transfers							
Changes in net position							
Net position - beginning							
Net position - ending							

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-1**

**Balance Sheet - Governmental Funds**

**June 30, 2016**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
<b>ASSETS</b>					
Cash and short-term investments	\$ 64,474,671	\$ -	\$ -	\$ 38,355,279	\$ 102,829,950
Receivables, net:					
Taxes	40,596,868	-	-	-	40,596,868
Accounts	3,885,722	11,968	-	7,593,130	11,490,820
Accrued investment income	4,271	-	-	172	4,443
Due from other funds	25,431,854	16,172,350	-	589,157	42,193,361
Due from other governments	23,656,541	-	-	6,881,216	30,537,757
Deposits	4,427	65,694	-	-	70,121
Restricted cash	-	-	-	570,892	570,892
Prepaid items	136,809	-	-	-	136,809
Inventory	2,239	-	-	-	2,239
Total assets	<u>\$ 158,193,402</u>	<u>\$ 16,250,012</u>	<u>\$ -</u>	<u>\$ 53,989,846</u>	<u>\$ 228,433,260</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
Vouchers payable	\$ 11,249,223	\$ 20,342,866	\$ -	\$ 4,711,960	\$ 36,304,049
Employee withholdings	2,469,439	-	-	-	2,469,439
Contract retainage	118,898	4,789,251	-	124,002	5,032,151
Accrued payroll	5,332,066	-	-	367,940	5,700,006
Notes payable	-	175,289,003	-	-	175,289,003
Due to other funds	776,173	25,266,468	-	2,846	26,045,487
Due to other governments	36,273	-	-	-	36,273
Due to component unit	-	872,818	-	519,550	1,392,368
Unearned revenue	-	-	-	9,041,903	9,041,903
Other liabilities	2,755,880	-	-	5	2,755,885
Total liabilities	<u>\$ 22,737,952</u>	<u>\$ 226,560,406</u>	<u>\$ -</u>	<u>\$ 14,768,206</u>	<u>\$ 264,066,564</u>
<b>Deferred Inflow of Resources</b>					
Revenues' levied for the next year and unavailable revenue	<u>27,667,706</u>	<u>-</u>	<u>-</u>	<u>2,821,764</u>	<u>30,489,470</u>
<b>FUND BALANCES</b>					
Nonspendable	139,048	-	-	-	139,048
Restricted	3,015,325	-	-	9,396,835	12,412,160
Committed	5,000,000	6,170,192	-	3,137,827	14,308,019
Assigned	26,556,605	-	-	26,554,301	53,110,906
Unassigned	73,076,766	(216,480,586)	-	(2,689,087)	(146,092,907)
Total fund balances	<u>107,787,744</u>	<u>(210,310,394)</u>	<u>-</u>	<u>36,399,876</u>	<u>(66,122,774)</u>
Total liabilities and fund balances	<u>\$ 158,193,402</u>	<u>\$ 16,250,012</u>	<u>\$ -</u>	<u>\$ 53,989,846</u>	<u>\$ 228,433,260</u>

**CITY OF NORFOLK, VIRGINIA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

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**Exhibit A-2**

Fund balances - total governmental funds	\$ (66,122,774)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Gross capital assets at historical cost	\$ 2,673,146,091
Accumulated depreciation	<u>(1,520,431,514)</u>
	1,152,714,577
Recognition of deferred inflows as revenue in government wide statements	30,489,470
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred Inflows Related to Pensions	(21,413,005)
Deferred Outflows Related to Pensions	30,503,915
Loss on Defeasance	17,693,726
Gain on Defeasance	(254,511)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(570,456,274)
Unamortized bond premium	(41,419,341)
Net Pension Liability	(197,735,772)
Other post-employment benefits	(36,411,752)
Compensated absences	(17,352,350)
Workers' compensation and claims liability	(29,296,575)
Prepaid debt service	854,769
Other	(2,711,027)
Accrued interest payable	<u>(8,353,137)</u>
	(902,881,459)
Internal service funds	4,471,417
Receivable for Build America Bonds - interest rate subsidy	788,809
GASB Statement 49 Pollution Remediation Obligation	(404,711)
Net position of governmental activities	<u><u>\$ 245,585,454</u></u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-3**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ending June 30, 2016**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
<b>REVENUES</b>					
General property taxes	\$ 260,959,130	\$ -	\$ -	\$ 4,984,100	\$ 265,943,230
Other local taxes	156,358,560	-	-	9,675,051	166,033,611
Permits and licenses	3,038,229	-	-	-	3,038,229
Fines and forfeitures	1,110,993	-	-	200	1,111,193
Use of money and property	7,254,583	952	-	98,217	7,353,752
Charges for services	22,460,673	-	-	40,248,520	62,709,193
Miscellaneous	8,605,242	3,320	-	2,716,357	11,324,919
Intergovernmental	132,919,310	-	-	33,766,398	166,685,708
Total revenues	<u>592,706,720</u>	<u>4,272</u>	<u>-</u>	<u>91,488,843</u>	<u>684,199,835</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	113,060,602	-	-	5,407,749	118,468,351
Judicial administration	47,562,103	-	-	2,950,530	50,512,633
Public safety	107,291,870	-	-	9,144,468	116,436,338
Public works	20,493,122	-	-	38,222,589	58,715,711
Health and public assistance	68,950,680	-	-	16,863,872	85,814,552
Culture and recreation	41,181,576	-	-	3,349,724	44,531,300
Community development	10,011,670	-	-	3,665,273	13,676,943
Education	114,768,522	-	-	-	114,768,522
Debt service:					
Principal	-	-	46,175,445	-	46,175,445
Interest and other charges	-	-	26,955,137	-	26,955,137
Debt issuance costs	318,176	-	-	-	318,176
Capital outlay	-	138,292,884	-	1,800,000	140,092,884
Total expenditures	<u>523,638,321</u>	<u>138,292,884</u>	<u>73,130,582</u>	<u>81,404,205</u>	<u>816,465,992</u>
Excess (deficiency) of revenues over expenditures	<u>69,068,399</u>	<u>(138,288,612)</u>	<u>(73,130,582)</u>	<u>10,084,638</u>	<u>(132,266,157)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from line of credit	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Proceeds sale of capital assets	2,400,000	-	-	-	2,400,000
Payment to bond refunding escrow agent	-	-	-	-	-
Premium on bonds	-	-	-	-	-
Transfers in	14,888,405	6,594,366	73,130,582	13,339,572	107,952,925
Transfers out	(76,153,008)	(8,696,000)	-	(13,103,917)	(97,952,925)
Total other financing sources and uses	<u>(58,864,603)</u>	<u>(2,101,634)</u>	<u>73,130,582</u>	<u>235,655</u>	<u>12,400,000</u>
Net changes in fund balances	10,203,796	(140,390,246)	-	10,320,293	(119,866,157)
Fund balances - beginning	97,583,948	(69,920,148)	-	26,079,583	53,743,383
Fund balances - ending	<u>\$ 107,787,744</u>	<u>\$ (210,310,394)</u>	<u>\$ -</u>	<u>\$ 36,399,876</u>	<u>\$ (66,122,774)</u>

# CITY OF NORFOLK, VIRGINIA

Exhibit A-4

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ending June 30, 2016

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Net change in fund balances--total governmental funds	\$ (119,866,157)
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	\$ 146,159,493
Subtract disposals	(14,654,732)
Subtract depreciation expense	<u>(45,299,859)</u>
	86,204,902
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	152,135
Bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Add debt repayment	46,872,668
Line of Credit	1,000,000
Amortization of premiums, gains and losses	<u>5,236,091</u>
	53,108,759
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)	
Compensated absences	107,431
Retires life insurance	30,000
Net OPEB	(4,380,501)
Unpaid claims	179,794
Unearned revenue	(68,517)
Landfill closure	33,828
Net Pension Liability, Net of changes in deferred inflows and outflows	8,265,101
Prepaid principal payment	53,879
Accrued interest payable	<u>631,181</u>
	4,852,196
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the Internal Service funds is reported with governmental activity.	
	(253,372)
Adjustment for federal interest rate subsidy	33,158
GASB Statement 49 Pollution Remediation Obligation	30,075
Change in net position of governmental activities	<u>\$ 24,261,696</u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-1**

**Statement of Fund Net Position - Proprietary Funds**  
June 30, 2016

	<b>Business-Type Activities</b>					Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total		
<b>ASSETS</b>						
Current assets:						
Cash and short-term investments	\$ 86,420,088	\$ 12,858,600	\$ 19,502,364	\$ 118,781,052	\$ 12,903,542	
Restricted short-term investments	-	855	-	855	-	
Receivables, net						
Accounts	7,684,657	3,430,553	1,744,799	12,860,009	6,860,325	
Unbilled accounts	5,106,372	1,165,294	450,349	6,722,015	-	
Accrued investment income	10,248	1,818	995	13,061	-	
Internal balances	24,340	28,909	187,016	240,265	-	
Inventories	2,951,266	30,918	698,548	3,680,732	-	
Prepaid Expenses	43,435	-	-	43,435	-	
Restricted cash and investments	<u>24,288,204</u>	<u>125,878</u>	<u>11,217,760</u>	<u>35,631,842</u>	-	
Total current assets	<u>126,528,610</u>	<u>17,642,825</u>	<u>33,801,831</u>	<u>177,973,266</u>	<u>19,763,867</u>	
Noncurrent assets:						
Capital assets:						
Land and improvements	76,222,753	14,342,567	51,852,490	142,417,810	415,000	
Buildings and equipment	685,452,661	328,227,499	211,088,256	1,224,768,416	10,980,422	
Accumulated depreciation	<u>(227,929,214)</u>	<u>(81,531,033)</u>	<u>(80,931,131)</u>	<u>(390,391,378)</u>	<u>(7,743,899)</u>	
Capital assets, net	<u>533,746,200</u>	<u>261,039,033</u>	<u>182,009,615</u>	<u>976,794,848</u>	<u>3,651,523</u>	
Total assets	<u>\$ 660,274,810</u>	<u>\$ 278,681,858</u>	<u>\$ 215,811,446</u>	<u>\$ 1,154,768,114</u>	<u>\$ 23,415,390</u>	
Deferred outflows of resources						
Related to pensions	1,817,839	532,267	356,517	2,706,623	347,016	
Loss on defeasance of bonds	8,840,224	2,564,216	2,677,020	14,081,460	-	
Total deferred outflows	<u>\$ 10,658,063</u>	<u>\$ 3,096,483</u>	<u>\$ 3,033,537</u>	<u>\$ 16,788,083</u>	<u>\$ 347,016</u>	
Total assets and deferred outflows of resources	<u>\$ 670,932,873</u>	<u>\$ 281,778,341</u>	<u>\$ 218,844,983</u>	<u>\$ 1,171,556,197</u>	<u>\$ 23,762,406</u>	
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers payable	\$ 7,599,192	\$ 263,570	\$ 464,297	\$ 8,327,059	\$ 3,589,627	
Contract retainage	1,521,027	666,575	746,794	2,934,396	-	
Accrued interest	2,704,117	1,167,363	2,183,152	6,054,632	-	
Accrued payroll	318,095	110,489	56,503	485,087	51,581	
Internal balances	4,672,264	12,281	11,653,191	16,337,736	50,403	
Unearned Revenue	-	-	-	-	6,698,114	
Current portion of bonds payable	10,090,000	10,622,683	4,104,156	24,816,839	-	
Notes Payable	-	-	16,710,997	16,710,997	-	
Liabilities payable from restricted assets	-	2,157,294	-	2,157,294	-	
Compensated absences	705,837	216,663	98,309	1,020,809	185,072	
Other current liabilities	1,244,561	28,750	149,226	1,422,537	6,187,870	
Total current liabilities	<u>28,855,093</u>	<u>15,245,668</u>	<u>36,166,625</u>	<u>80,267,386</u>	<u>16,762,667</u>	
Noncurrent liabilities:						
General obligation bonds payable	-	89,297,765	135,515,382	224,813,147	-	
Revenue bonds payable	365,458,681	57,715,367	-	423,174,048	-	
Net pension obligation	12,533,966	3,688,518	2,731,331	18,953,815	2,040,934	
Compensated absences	410,764	156,435	147,466	714,665	79,317	
Other long-term liabilities	2,021,411	719,818	652,742	3,393,971	-	
Total noncurrent liabilities	<u>380,424,822</u>	<u>151,577,903</u>	<u>139,046,921</u>	<u>671,049,646</u>	<u>2,120,251</u>	
Total liabilities	<u>\$ 409,279,915</u>	<u>\$ 166,823,571</u>	<u>\$ 175,213,546</u>	<u>\$ 751,317,032</u>	<u>\$ 18,882,918</u>	
Deferred inflows of resources						
Related to Pensions	1,087,890	355,001	(289)	\$ 1,442,602	\$ 408,071	
Gain on bonds refunding	-	19,946	2,238	22,184	-	
Total deferred inflows of resources	<u>\$ 1,087,890</u>	<u>\$ 374,947</u>	<u>\$ 1,949</u>	<u>\$ 1,464,786</u>	<u>\$ 408,071</u>	
Total liabilities and deferred inflows of resources	<u>\$ 410,367,805</u>	<u>\$ 167,198,518</u>	<u>\$ 175,215,495</u>	<u>\$ 752,781,818</u>	<u>\$ 19,290,989</u>	
<b>NET POSITION</b>						
Net investment in capital assets	\$ 167,037,743	\$ 105,948,343	\$ 28,353,862	\$ 301,339,948	\$ 3,651,523	
Restricted for:						
Capital projects	-	-	-	-	-	
Other purposes:						
Water Utility fund operations	24,288,204	-	-	24,288,204	-	
Wastewater Utility fund operations	-	125,878	-	125,878	-	
Parking Facilities fund operations	-	-	7,352,537	7,352,537	-	
Unrestricted	<u>69,239,121</u>	<u>8,505,602</u>	<u>7,923,089</u>	<u>85,667,812</u>	<u>819,894</u>	
Total net position	<u>\$ 260,565,068</u>	<u>\$ 114,579,823</u>	<u>\$ 43,629,488</u>	<u>\$ 418,774,379</u>	<u>\$ 4,471,417</u>	

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-2**

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ending June 30, 2016**

	<b>Business-Type Activities</b>				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>Operating revenues:</b>					
Charges for services	\$ 80,749,120	\$ 27,822,842	\$ 19,611,826	\$ 128,183,788	\$ 87,320,624
Miscellaneous	2,103,584	191,340	-	2,294,924	93,191
Total operating revenues	<u>82,852,704</u>	<u>28,014,182</u>	<u>19,611,826</u>	<u>130,478,712</u>	<u>87,413,815</u>
<b>Operating expenses:</b>					
Personal services	15,214,640	4,848,998	6,933,533	26,997,171	2,659,667
Healthcare costs	-	-	-	-	76,226,992
Cost of goods sold	-	-	-	-	3,817,951
Plant operations	6,189,936	2,568,189	940,090	9,698,215	4,406,742
Chemicals	2,960,586	36,878	8,443	3,005,907	-
Depreciation and amortization	13,050,994	6,174,090	6,100,095	25,325,179	98,164
Retirement and OPEB contribution	1,173,815	390,554	127,145	1,691,514	276,317
Administrative expenses	1,076,264	1,379,657	442,892	2,898,813	-
Other	9,055,797	1,309,156	843,420	11,208,373	204,579
Total operating expenses	<u>48,722,032</u>	<u>16,707,522</u>	<u>15,395,618</u>	<u>80,825,172</u>	<u>87,690,412</u>
Operating income (loss), net	<u>34,130,672</u>	<u>11,306,660</u>	<u>4,216,208</u>	<u>49,653,540</u>	<u>(276,597)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	250,334	13,845	31,013	295,192	-
Intergovernmental revenue	-	149,324	-	149,324	-
Interest expense and fiscal charges, net of capitalized interest	(10,730,787)	(2,547,255)	(5,254,950)	(18,532,992)	-
Gain (loss) on sale or disposal of capital assets	41,650	28,909	-	70,559	-
Miscellaneous revenue (expense)	(3,481)	-	-	(3,481)	23,225
Total nonoperating revenues (expenses)	<u>(10,442,284)</u>	<u>(2,355,177)</u>	<u>(5,223,937)</u>	<u>(18,021,398)</u>	<u>23,225</u>
Net income (loss) before contributions and transfers	23,688,388	8,951,483	(1,007,729)	31,632,142	(253,372)
Capital contribution	337,654	-	-	337,654	-
Transfers out	(8,500,000)	(1,500,000)	-	(10,000,000)	-
Changes in net position	15,526,042	7,451,483	(1,007,729)	21,969,796	(253,372)
Total net position - beginning	245,039,026	107,128,340	44,637,217	396,804,583	4,724,789
Total net position - ending	<u>\$ 260,565,068</u>	<u>\$ 114,579,823</u>	<u>\$ 43,629,488</u>	<u>\$ 418,774,379</u>	<u>\$ 4,471,417</u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-3**

**Statement of Cash Flows - Proprietary Funds**  
For the Year Ending June 30, 2016

	<b>Business-Type Activities</b>				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 80,601,801	\$ 27,647,224	\$ 19,351,357	\$ 127,600,382	\$ 86,414,747
Payments to suppliers	(9,779,108)	(2,501,225)	(1,582,588)	(13,862,921)	(3,009,010)
Payments to employees	(17,166,377)	(5,394,704)	(7,301,771)	(29,862,852)	(83,975,238)
Other payments	(9,349,133)	(2,762,021)	(1,168,941)	(13,280,095)	(204,385)
Net cash and short-term investments provided by (used in) operating activities	<u>44,307,183</u>	<u>16,989,274</u>	<u>9,298,057</u>	<u>70,594,514</u>	<u>(773,886)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity	3,835,051	(255,219)	9,957,951	13,537,783	50,403
Intergovernmental revenues	-	149,324	-	149,324	-
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	-	(10,000,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(4,664,949)</u>	<u>(1,605,895)</u>	<u>9,957,951</u>	<u>3,687,107</u>	<u>50,403</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from issuance of debt	-	8,644,987	16,710,997	25,355,984	-
Capital contributions	337,654	-	-	337,654	-
Purchases of capital assets	(39,962,273)	(17,468,732)	(23,237,084)	(80,668,089)	-
Proceeds from sale of capital assets	41,650	28,909	-	70,559	-
Principal paid on capital debt	(8,750,000)	(10,152,642)	(3,126,849)	(22,029,491)	-
Interest paid on capital debt	(14,814,456)	(3,198,538)	(5,320,684)	(23,333,678)	-
Advance from general fund	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(63,147,425)</u>	<u>(22,146,016)</u>	<u>(14,973,620)</u>	<u>(100,267,061)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	60,530,845	13,471,030	4,020,006	78,021,881	-
Purchase of investments	(26,310,213)	(7,137,841)	(1,627,926)	(35,075,980)	-
Interest and dividends	243,616	13,845	30,018	287,479	-
Net cash provided by (used in) investing activities	<u>34,464,248</u>	<u>6,347,034</u>	<u>2,422,098</u>	<u>43,233,380</u>	<u>-</u>
Net increase (decrease) in cash and short-term investments	10,959,057	(415,603)	6,704,486	17,247,940	(723,483)
Cash and short-term investments - beginning of the year	<u>75,461,031</u>	<u>13,274,203</u>	<u>12,797,878</u>	<u>101,533,112</u>	<u>13,627,025</u>
Cash and short-term investments - end of the year	<u>\$ 86,420,088</u>	<u>\$ 12,858,600</u>	<u>\$ 19,502,364</u>	<u>\$ 118,781,052</u>	<u>\$ 12,903,542</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>					
Operating income (loss)	\$ 34,130,672	\$ 11,306,660	\$ 4,216,208	\$ 49,653,540	\$ (276,597)
Adjustments to reconcile operating income (loss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense and amortization	13,050,994	6,174,090	6,100,095	25,325,179	98,164
Change in assets, deferred outflows and liabilities, deferred inflows:					
Receivables, net	(2,250,903)	(366,958)	(260,469)	(2,878,330)	(1,206,853)
Inventories	(151,646)	5,975	(301,027)	(446,698)	-
Vouchers payable	(433,505)	97,867	(344,135)	(679,773)	476,447
Accrued payroll	(922)	(13,438)	(11,721)	(26,081)	(2,327)
Net pension obligation	(777,000)	(141,714)	(229,372)	(1,148,086)	(70,699)
Other liabilities	739,493	(73,208)	128,478	794,763	207,979
Net cash and short term investments provided by (used in) operating activities	<u>\$ 44,307,183</u>	<u>\$ 16,989,274</u>	<u>\$ 9,298,057</u>	<u>\$ 70,594,514</u>	<u>\$ (773,886)</u>
<b>Noncash investing, capital and financing activities:</b>					
Unrealized gain / (loss) on investments	\$ (3,481)	\$ -	\$ -	\$ (3,481)	\$ -
Loss on sale or disposal of capital assets	<u>\$ 24,340</u>	<u>\$ 28,909</u>	<u>\$ -</u>	<u>\$ 53,249</u>	<u>\$ -</u>
Acquisition of capital assets through change in contract retainage	\$ 569,989	\$ 194,649	\$ 534,195	\$ 1,298,833	\$ -
Acquisition of capital assets through vouchers payable	<u>\$ 2,606,244</u>	<u>\$ 339,915</u>	<u>\$ -</u>	<u>\$ 2,946,159</u>	<u>\$ -</u>
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 1,738,195	\$ 257,039	\$ -	\$ 1,995,234	\$ -
Contributed assets	\$ -	\$ -	\$ -	\$ -	\$ 23,225
Deferred inflow of resources	\$ (3,890,971)	\$ (1,110,025)	\$ (289)	\$ (5,001,285)	\$ 408,071

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**

**Exhibit C-1**

	<b>Pension</b>	<b>Trust Fund</b>	<b>Employees'</b>	<b>Agency</b>
	<b>Retirement</b>	<b>System</b>	<b>Funds</b>	
<b>ASSETS</b>				
Cash and short term investments	\$ 11,978,373	\$ 5,393,839		
Investments, fair value:				
United States Treasury securities	64,567,140	-		
Fixed income securities	118,269,662	-		
Equity securities	83,610,966	-		
Balanced commingled funds:				
Equity	537,197,888	-		
Fixed income	160,282,662	-		
Real estate	61,156,911	-		
Total investments	<u>1,025,085,229</u>	<u>-</u>		
Receivables:				
Accounts, net of allowance				
for uncollectible accounts	31,846	-		
Accrued investment income	1,319,297	-		
Due from broker for securities sold	90,173,490	-		
Other	-	135,842		
Total assets	<u>\$ 1,128,588,235</u>	<u>\$ 5,529,681</u>		
<b>LIABILITIES</b>				
Vouchers payable	\$ 1,670,816	\$ 401,616		
Due to brokers for securities purchased	152,395,863	-		
Due to governmental funds	-	70,544		
Other liabilities	-	5,057,521		
Total liabilities	<u>\$ 154,066,679</u>	<u>\$ 5,529,681</u>		
<b>NET POSITION</b>				
Reserved for:				
Net position held in trust for				
pension benefits	<u>\$ 974,521,556</u>	<u>\$ -</u>		

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Employees' Retirement System**  
**For the Year Ending June 30, 2016**

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**Exhibit C-2**

**Changes to net position attributed to:**

Investment income:

Net depreciation in fair value of investments	\$ (7,087,891)
Interest	6,945,527
Dividends	4,728,536
Other	461,376
	<hr/>
Less investment expense	5,047,548
<b>Net investment income</b>	<hr/> <b>(1,769,531)</b>
	3,278,017

Employer contributions	30,761,340
Employee contributions	8,733,482
<b>Total</b>	<hr/> <b>42,772,839</b>

Benefit payments and expenses:

Benefits paid to plan members and beneficiaries	80,783,975
Administrative costs	671,568
<b>Total</b>	<hr/> <b>81,455,543</b>

<b>Net decrease</b>	(38,682,704)
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**Net position held in trust for pension benefits:**

Net position - beginning	1,013,204,260
<b>Net Position - end</b>	<hr/> <b>\$ 974,521,556</b>

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Net Position - Component Units**  
**June 30, 2016**

**Exhibit D-1**

	Norfolk			
	Norfolk Public Schools	Economic Development Authority	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,747,466	\$ 6,626,788	\$ 36,374,254	
Short-term investments	-	2,098,514	2,098,514	
Accounts receivable, net of allowance for uncollectible accounts	774,572	4,651,404	5,425,976	
Due from primary government	872,818	519,550	1,392,368	
Due from other governments	37,676,536	-	37,676,536	
Inventories	1,151,337	-	1,151,337	
Property held for sale	-	6,078,213	6,078,213	
Restricted cash and investments		3,416,462	3,416,462	
Non-depreciable capital assets	487,500	1,994,053	2,481,553	
Depreciable capital assets, net	9,752,099	1,085,335	10,837,434	
Total assets	<u>80,462,328</u>	<u>26,470,319</u>	<u>106,932,647</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	28,960,703	-	28,960,703	
Total assets and deferred outflows	<u>\$ 109,423,031</u>	<u>\$ 26,470,319</u>	<u>\$ 135,893,350</u>	
<b>LIABILITIES</b>				
Vouchers payable	\$ 7,243,480	\$ 6,109,196	\$ 13,352,676	
Contract retainage	4,400	-	4,400	
Accrued payroll	34,000,162	-	34,000,162	
Unearned revenues	277,573	-	277,573	
Due to primary government	-	282,478	282,478	
Revolving loan program	-	519,550	519,550	
Due to other government agencies	6,517,120	-	6,517,120	
Other payable	185,607	-	185,607	
Current portion of long-term liabilities	7,287,661	-	7,287,661	
Long-term notes payable	-	2,500,000	2,500,000	
Net pension liability	317,468,532	-	317,468,532	
Other long-term liabilities	21,860,722	-	21,860,722	
Total liabilities	<u>\$ 394,845,257</u>	<u>\$ 9,411,224</u>	<u>\$ 404,256,481</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	33,838,940	-	33,838,940	
Total liabilities and deferred inflows	<u>\$ 428,684,197</u>	<u>\$ 9,411,224</u>	<u>\$ 438,095,421</u>	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 10,239,599	\$ 579,388	\$ 10,818,987	
Restricted for:				
Capital projects	6,720,218	-	6,720,218	
Other programs	1,845,622	7,649,458	9,495,080	
Unrestricted	(338,066,605)	8,830,249	(329,236,356)	
Total net position	<u>\$ (319,261,166)</u>	<u>\$ 17,059,095</u>	<u>\$ (302,202,071)</u>	

The accompanying notes are an integral part of the basic financial statements.

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Activities - Component Units**  
**For the Year Ending June 30, 2016**

**Exhibit D-2**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grant Contributions		Capital Contributions	Norfolk Public Schools	Norfolk Economic Development Authority
<b>Norfolk Public Schools:</b>						
Instructional Administration, attendance and health	\$ 2,519,613	\$ 193,621,985	\$ -	\$ (73,583,166)	\$ -	\$ (73,583,166)
Pupil transportation	-	989,279	-	(16,263,446)	-	(16,263,446)
Operation and maintenance	-	-	-	(11,750,748)	-	(11,750,748)
Information technology	-	-	-	(34,640,464)	-	(34,640,464)
School facilities	6,960,308	-	-	(9,993,901)	-	(9,993,901)
Food services	18,123,260	1,446,149	17,510,050	9,891,639	2,931,331	2,931,331
Community services	207,227	-	-	832,939	-	832,939
<b>Total Norfolk Public Schools</b>	<b>\$ 368,653,397</b>	<b>\$ 3,965,762</b>	<b>\$ 212,121,314</b>	<b>\$ 9,891,639</b>	<b>\$ (207,227)</b>	<b>\$ (207,227)</b>
				<b>\$ (142,674,682)</b>		<b>\$ (142,674,682)</b>
<b>Norfolk Economic Development Authority:</b>						
Economic development	19,413,417	494,897	7,125,000	-	(11,793,520)	(11,793,520)
Interest expense	71,751	-	-	-	(71,751)	(71,751)
<b>Total Norfolk Economic Development Authority</b>	<b>\$ 19,485,168</b>	<b>\$ 494,897</b>	<b>\$ 7,125,000</b>		<b>\$ (11,865,271)</b>	<b>\$ (11,865,271)</b>
<b>Total component units</b>	<b>\$ 388,138,565</b>	<b>\$ 4,460,659</b>	<b>\$ 219,246,314</b>	<b>\$ 9,891,639</b>	<b>\$ (142,674,682)</b>	<b>\$ (154,539,953)</b>
General revenues:						
Use of money and property				1,227,093	13,393	1,240,486
Payment from Primary Government				114,768,522	6,230,948	120,989,470
Miscellaneous				772,392	42,300	814,692
Commonwealth of Virginia				37,088,042	-	37,088,042
Total general revenues				<b>\$ 153,856,049</b>	<b>\$ 6,286,641</b>	<b>\$ 160,142,690</b>
Changes in net position				11,181,367	(5,578,630)	5,602,737
Net position - beginning				(330,442,533)	22,637,725	(307,804,808)
Net position - ending				<b>\$ (319,261,166)</b>	<b>\$ 17,059,095</b>	<b>\$ (302,202,071)</b>

# CITY OF NORFOLK, VIRGINIA

## Statement of Cash Flows - Component Units For the Year Ending June 30, 2016

Exhibit D-3

	Economic Development Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 421,895
Receipts for Incentives Grants, net of incentive grant to city	13,355,948
Receipt of grants and other	42,300
Payments to other authorities	(105,631)
Payments to developers	(257,473)
Payments of incentive grants	(3,673,976)
Payments to suppliers for goods and services	(746,006)
Net cash and short-term investments provided by (used in) operating activities	<u>9,037,057</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Building improvements in progress	(519,412)
Interest paid	<u>(71,751)</u>
Net cash provided by (used in) capital and related financing activities	<u>(591,163)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	5,088
Other receipts	2,383
Receipt of payments on loan receivable	15,000
Net cash provided by (used in) investing activities	<u>22,471</u>
Net increase in cash and short-term investments	8,468,365
Cash and short-term investments - beginning of the year	<u>1,574,885</u>
Cash and short-term investments - end of the year	<u>\$ 10,043,250</u>
<hr/> <b>Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities:</b>	
Operating income	\$ 151,846
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by operating activities:	
Depreciation expense and amortization	-
Change in assets, deferred outflows and liabilities, deferred inflows:	
Due to developer	(257,473)
Provision for bad debt	3,777,619
Loss on sale of land	1,105
Prepaid expense	(73,002)
Accounts receivable	5,485,558
Accounts payable and accrued expenses	(48,596)
Due to the Norfolk Commission on the Arts and Humanities	<u>\$ 9,037,057</u>
Net cash and short-term investments provided by (used in) operating activities	<u>\$ 9,037,057</u>
<hr/> <b>Noncash investing, capital and financing activities:</b>	
Receivable from developer for sale of land	\$ 4,217,050
Contribution of land to the City of Norfolk	<u>\$ 5,672,118</u>

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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 247,000 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 ten-member Board of Trustees. Eight members are appointed by City Council. The City Manager and the Director of Finance are ex-officio members. The ERS is the administrator of a single-employer contributory 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 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 and certain employee contributions, to provide the funding for pension benefits and administrative costs.

**Discretely Presented Component Units:** Although these 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 primary 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)*, Norfolk Public Schools held elections for its School Board for the first time on May 3, 2016. (In November 2014, voters elected to have School Board members elected and replace the City Council-appointed seven member School Board.) In January 2015, City Council approved that the School Board members would be elected based on the same ward system used to elect City Council members. Two of the seven seats on the school board were up for general election in 2016. The School Board is a corporate body and in its corporate capacity is vested with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth and the federal government designated for educational purposes is included in the City's General Fund budgetary revenue. This categorical aid, plus moneys derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system. The

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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School Board presently operates 33 elementary schools, seven middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs.

*The Economic Development Authority (EDA)*, a political subdivision of the Commonwealth, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act. The EDA 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 and issue industrial development bonds. 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, maintains its own books of account and receives revenue from administrative fees charged to borrowers.

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, Suite 309  
Norfolk, Virginia 23510  
[www.norfolk.gov](http://www.norfolk.gov)

The School Board for the City of Norfolk  
800 East City Hall Avenue  
P.O. Box 1357  
Norfolk, Virginia 23501-1357  
[www.nps.k12.va.us](http://www.nps.k12.va.us)

The Norfolk Economic Development Authority  
500 East Main Street, Suite 1500  
Norfolk, Virginia 23510-2206  
[www.norfolkdevelopment.com](http://www.norfolkdevelopment.com)

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary 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.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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 that do not meet the criteria for classification as program revenues are reported 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 in separate columns in the fund financial statements.

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 financial resources that are restricted, committed or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds.

The *Capital Projects fund* accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board and other agencies.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following other fund types:

- *Special Revenue funds* account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. Examples include community development, emergency call center services, tax increment financing districts, environmental storm water, towing and recovery operations, waste management, and individual grant programs.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

- *Internal Service funds* account for the City's self-insured healthcare program and fleet management services whose services are provided to other departments or agencies of the City on a cost reimbursement basis. The Healthcare Fund was established in fiscal year 2014 and is described in Note XIX.
- The *Pension Trust fund* accounts for the activities of the Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *Endowed Care fund* is used to report resources that are restricted by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City owned cemeteries.
- 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).

**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 and fiduciary 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 Agency funds' 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. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two months of the transaction. In accordance with generally accepted accounting principles (GAAP) 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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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inflows. 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 funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental fund revenue 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

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.

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.

Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net position as shown on the Government-wide Statement of Net Position is presented in Exhibit A-2. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit A-4.

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 Utility, Wastewater Utility and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, as well as 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 City's policy to use restricted resources first, less restrictive resources next – committed, assigned, and finally unassigned resources.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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.

**D. Budgets and Budgetary Accounting**

An operating budget is adopted each fiscal year for the General Fund, Water Utility enterprise fund, Wastewater Utility enterprise fund, Parking Facilities enterprise fund, Storm Water special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations Center/E-911 special revenue fund, Golf special revenue fund, Towing and Recovery Operations special revenue fund, Tax Increment Financing special revenue fund, Waste Management Fund special revenue fund, and internal service funds. The General Fund budget includes the budgets for Norfolk Public School, Maritime Center and the Community Services Board. Project length budgets are appropriated for the Capital Projects fund, Community Development Grant fund, and Grants special revenue fund. 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 funding them. Prior to the adoption of the budget, 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.

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 approval 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 Exhibits E-1 and E-2 include the revenues and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with U.S. generally accepted accounting principles (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the General fund, can be found following Exhibit

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. GAAP.

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 Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by S & P Global Ratings or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, Virginia State Non-Arbitrage Program (SNAP) and the State Treasurer's Local Government Investment Pool (LGIP). SNAP and LGIP investments are valued at amortized costs and qualify as external investment pools per GASB 79, *Certain External Investment Pools and Pool Participants*. The LGIP and SNAP are 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 City has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk. The City's fixed income investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

The Pension Trust fund is authorized to invest in common stocks and other investments as directed by State statute.

Investments, with the exception of external investment pools and real estate which are reported at amortized costs or net asset value, are reported at fair value as established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See additional disclosure within footnote II.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

The City uses the pooled cash investment method, and 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, with a maturity of 90 days or less, 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 debt covenants, grantors or laws or regulations of other governments.

**G. 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. The Fleet Management fund, and the Healthcare fund primarily support governmental activities and are therefore included with 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 expense reimbursements by the General Fund in the fund financial statements.

**H. 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). Proprietary funds expense inventories when consumed.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported at historical

**CITY OF NORFOLK, VIRGINIA**  
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cost less accumulated depreciation and amortization 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 owned by the City 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 Net Position if they meet the criteria for capitalization in the City's financial statements. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated capital 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 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 is not capitalized.

Capital assets of the City, as well as the component units, are depreciated using the straight line method over the following estimated useful lives (in years):

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
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	4-20	4-10	4-25
Data processing equipment	5-10	5-10	5-10

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Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100	-	-
Intangibles	5-10	5-10	5-10

**J. Land and Land Improvement Held for Resale**

Land and land improvements held for resale are recorded at the lower of cost or estimated acquisition value. Cost is determined by acquisition price, if purchased, or at estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements held for sale.

**K. Compensated Absences**

It is the City and the 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. Accumulated vacation leave cannot exceed certain limits as codified in Section 2-49 in the City Code of Ordinances. 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 service since the City does not pay it when the employee separates from service. The additional retirement benefit is reflected in the actuarial liability of the ERS. The entire unpaid liability for vacation leave is recorded in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave. 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 Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements may be classified as net investment in capital assets; restricted; and unrestricted. Restricted net position has 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.

Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by a third party or through enabling legislation. Committed fund balance includes amounts that can be used only for specific purposes as determined by City Council through formal action (ordinance). Committed amounts cannot be used for any other purpose unless approved by City Council by taking the same type of formal action. In the General fund, assigned fund balance includes amounts that are intended to be used by the City

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for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the governmental funds, except for the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignment authority has been given to the City Manager by the City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

**M. Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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.

**N. Bond Premiums, Discounts, Issuance Costs and Loss on Defeasance**

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported with the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred. Refer to Note VIII for details on the amounts reported in Long-term Obligations.

Gains and losses on defeasance from refunding bonds are reported in the government-wide and proprietary fund financial statements as deferred inflows and outflows of resources and are amortized using the straight-line method over the term of the debt.

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

**O. Deferred Inflows and Outflows of Resources**

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows arise when potential revenue does not meet the "measureable" and "available" criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows represent a consumption of net position in a future period.

The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows.

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**P. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and the additions and deductions there to, of each of the plans that the City and its component units participate in, which include the Virginia Retirement System (VRS) City of Norfolk Constitutional Offices, VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan and the City of Norfolk Employees' Retirement Plan (ERS) have been determined on the same basis as they were reported by each respective plan. With the exception of deferred outflows related to employer contributions made after the measurement date, deferred inflows and outflows are amortized over a closed five-year period or the average remaining service life of the effected employees. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the ERS net pension liability and other pension amounts to participating funds is based on employer contributions.

**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

The City maintains a cash and investments pool for all funds except the Pension Trust and Endowed Care funds. Each fund's portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short-term investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units are collateralized in 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, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating 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. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105 percent to 130 percent of all public deposits held by the bank, based on rating determined under the Act; and therefore

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will not be assessed for losses of another bank that is in default or has become insolvent. 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. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City's primary banking institution has elected to be governed by the Dedicated Method.

**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 (System) 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 Trust 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. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2016.

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**Primary Government**

Investment Type	Fair Value	Investment Maturities				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Bonds	\$ 41,394,773	\$ 7,546,712	\$ 2,229,589	\$ 2,568,755	\$ 20,283,507	\$ 8,766,210
Futures/Options/Swaps	(3,019,884)	375,007	(527,861)	(52,969)	(2,656,074)	(157,987)
Asset Backed Securities	2,904,199	-	-	-	2,141,706	762,493
US Government Securities	64,567,140	-	-	19,018,648	20,870,707	24,677,785
Mortgage Backed Securities	69,566,522	3,651	154,279	2,120,149	1,739,891	65,548,552
Equity Funds	537,197,888	-	-	-	-	537,197,888
Common Stock	7,171,896	-	-	-	-	7,171,896
Master Limited Partnerships	74,889,070	-	-	-	-	74,889,070
Municipal Bonds	3,635,110	-	-	-	-	3,635,110
Foreign government securities	3,788,942	300,552	104,048	2,143,626	1,240,716	-
Fixed Income Funds	160,282,662	-	-	-	-	160,282,662
Domestic Equity Funds	1,550,000	-	-	-	-	1,550,000
Real Estate Funds	61,156,911	-	-	-	-	61,156,911
Money Market Funds	40,587,886	40,587,886	-	-	-	-
Total	\$ 1,065,673,115	\$ 48,813,808	\$ 1,960,055	\$ 25,798,209	\$ 43,620,453	\$ 945,480,590

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

**Per Exhibit 1 (Primary Government):**

Cash and unrestricted short-term investments	\$ 234,515,399
Restricted cash and investments	36,202,734
<b>Total</b>	<b>\$ 270,718,133</b>

**Per Exhibit C-1 (Fiduciary):**

Cash and short term investments	17,372,212
Investments	1,025,085,229
<b>Total</b>	<b>\$ 1,042,457,441</b>

Total Primary Government and Fiduciary Funds	\$ 1,313,175,574
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Less cash	247,502,459
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Deposits and investments reported above	\$ 1,065,673,115
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**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 Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Global Ratings ("S&P"), are not permitted without the written permission of the board. PIMCO, one of the ERS fund managers, has been given the authority by the Board to invest 20% of the portfolio in below investment grade securities. The City's

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Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the ERS's financial statements. Investments in derivatives with a fair value of \$5,862,778 were held at June 30, 2016. For accounting purposes, all derivative instruments are considered to be investments and not hedges. ERS primarily enters into derivative transactions in order to manage risks from exposure to foreign currency rate fluctuation and to shorten the duration of the fixed income investment portfolio. The City's rated debt investments as of June 30, 2016, 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.

Ratings (S&P)	The Primary Government's Rated Debt Investment											
	Asset			US			Mortgage			Master		
	Corporate Debt	Futures/Options /Swaps	Backed Securities	Foreign Government	Equity Funds	Government Securities	Backed Securities	Common Stock	Partnerships	Municipal Bonds	Equity/Real Estate Funds	Money Market Mutual Funds
AAA	\$ 514,392	\$ -	\$ 5,760	-	-	\$ 64,567,140	\$ 83,486	-	-	-	-	-
AAAm	-	-	-	-	-	-	-	-	-	-	-	40,587,886
AA+	200,906	-	712,423	-	-	-	67,113,858	-	-	-	-	-
AA	-	-	-	-	-	-	834,836	-	-	612,424	-	-
AA-	-	-	-	2,153,554	-	-	-	-	-	931,798	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-
A+	5,470,866	-	-	1,635,388	-	-	-	-	-	-	-	-
A	2,880,160	-	-	-	-	-	89,427	-	-	141,132	-	-
A-	4,248,084	-	-	-	-	-	-	-	-	-	-	-
BBB+	8,454,592	-	-	-	-	-	-	-	-	-	-	-
BBB	7,615,681	-	-	-	-	-	-	-	-	-	-	-
BBB-	5,639,950	-	-	-	-	-	-	-	-	316,563	-	-
BB+	4,585,910	-	-	-	-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-	-	-	-	-	-
BB-	721,000	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	481,500	-	42,254	-	-	-	637,535	-	-	-	-	-
Not Rated	581,732	(\$ 3,019,884)	2,143,762	-	537,197,888	-	807,380	7,171,896	74,889,070	1,633,193	222,989,573	-
Total	\$ 41,394,773	\$ (3,019,884)	\$ 2,904,199	\$ 3,788,942	\$ 537,197,888	\$ 64,567,140	\$ 69,566,522	\$ 7,171,896	\$ 74,889,070	\$ 3,635,110	\$ 222,989,573	\$ 40,587,886

### 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 fund investment, no more than 20 percent 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 percent in these ratings and the purchase of bonds rated below Baa3 or BBB-.

The following table represents the fair value of investments that represent 5% or more of the System's net position at June 30, 2016:

SSGA MSCI ACWI IMI Index Fund	\$ 537,197,888
SSGA Bond Market Index	\$ 135,558,854

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**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. The City's Pension Trust does not have a formal policy, however it manages its' exposure to fair value loss by requiring international securities investment managers to maintain diversified portfolios by issuer to limit foreign currency and security risks. The exposure to foreign currency risk in both cash and investments is presented below:

<b>Currency</b>	<b>Fixed-Income</b>
Australian Dollar	\$ 1
Danish Krone	58
Canadian Dollar	770
Euro Currency	4,052,941
Japanese Yen	74,248
Mexican Peso	51,230
Pound Sterling	398,912
	<hr/> <u>\$ 4,578,160</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.

**Fair Value Measurement**

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the funds disclose the fair values of their investments in a hierarchy that prioritized the inputs to valuation techniques used to measure fair value. GAAP requires that investments be measured and reported at fair market value and the disclosure of inputs used in the valuation process. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets. Equity securities are priced using an exchange traded price or a broker quote in an active market.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and alike factors. The United States treasury and fixed income securities are priced using pricing models based on a compilation of primarily observable market information or a broker quote in a non-active market for an identical or similar security. The certificate of deposit is valued based on discounted cash flows using current interest rates at the stated maturity. The short term investment trades daily without restriction at \$100 per unit.

Level 3 – Unobservable inputs for the assets, including the fund's own assumptions for determining fair value.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing

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securities are not necessarily an indication of the risk associated with investing in those securities.

External investment pools include the PFM, LGIP and SNAP investments held in the city treasury. These investments are reported at amortized costs in accordance with Rule 2a-7, and qualify as external investment pools per GASB79, *Certain External Investment Pools and Pool Participants*. They are considered level 2 investments, since the value is not obtained from a quoted price in an active market. The City held \$27,409,090 in LGIP funds and \$13,174,267 in PFM funds (\$3,733,884 invested in the SNAP program) at June 30, 2016.

The remaining commingled funds are reported at net asset value (NAV) as a practical expedient, based on the fair market values of the underlying securities in the respective fund.

1. **Equity Funds.** This type includes an investment in an equity fund with an investment object to track the performance of the MSCI ACWI IMI index over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice.
2. **Fixed Income Funds.** This type includes 2 investments in fixed income funds. An investment in a liquid short-term fund which invest approximately 65% of its total assets in a diversified portfolio of fixed income instruments. This investment can be redeemed within 3-7 business days with 1 day notice. An investment in a fund with an investment objective to track the performance of the Barclay's U.S. Aggregate Bond Index over the long-term. This investment can be redeemed within 1-15 days, depending on trade size, with 1 day notice.
3. **Real estate funds.** This type includes 2 investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the NCREIF Fund index – Open-End diversifies Core Equity (NFI-ODCE) benchmark. These investments can be redeemed quarterly with a 45-60 day notice.

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The table below provides the inputs used to determine the fair value at June 30, 2016.

Investments measures at fair value	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Observable Inputs (Level 2)
<b>Cash Equivalents</b>				
Certificate of Deposit	\$ 1,987,000	\$ -		\$ 1,987,000
Short Term Fund	<u>5,805,001</u>	<u>-</u>		<u>5,805,001</u>
	<u>7,792,001</u>	<u>-</u>		<u>7,792,001</u>
<b>Fixed income securities</b>				
United States Treasury securities	\$ 64,567,140	\$ -		\$ 64,567,140
Corporate bonds	41,394,773	-		41,394,773
Futures/Options/Swaps	(3,019,884)	-		(3,019,884)
Forwards	-	-		-
Municipals	3,635,110	-		3,635,110
Asset backed securities	2,904,199	-		2,904,199
Mortgage-backed securities	69,566,522	-		69,566,522
Foreign government securities	3,788,942	-		3,788,942
Total income securities	<u>\$ 182,836,802</u>	<u>\$ -</u>		<u>\$ 182,836,802</u>
<b>Equity securities</b>				
Common stock	\$ 7,171,896	\$ 7,171,896	\$ -	-
Master limited partnerships	74,889,070	74,889,070	-	-
Domestic equity funds	1,550,000	1,550,000	-	-
Total equity securities	<u>\$ 83,610,966</u>	<u>\$ 83,610,966</u>	<u>\$ -</u>	<u>-</u>
<b>Total investments by fair value level</b>	<u>\$ 266,447,768</u>	<u>\$ 83,610,966</u>	<u>\$ 182,836,802</u>	
<b>Investments Measured at the net asset value(NAV)</b>				
Commingled funds				
Equity funds	\$ 537,197,888			
Fixed income funds	160,282,662			
Real estate funds	61,156,911			
<b>Total investments measured at NAV</b>	<u>758,637,461</u>			
<b>Investments Measured at amortized costs</b>				
External Investment Pools	<u>40,587,886</u>			
<b>Total investments</b>	<u>\$ 1,065,673,115</u>			

## School Board

At June 30, 2016, the School Board had cash of \$30,180,881, including \$7,895,415 held in agency funds.

The School Board holds a money market account with a fair value of \$7,462,000 at June 30, 2016. It is a AAA rated money market investment fund that is valued on a national exchange and is considered a level 1 investment for GASB 72 purposes.

## Economic Development Authority (EDA)

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2016, there was \$10,043,250 in cash and cash equivalents (\$3,416,462 which is considered restricted), including \$261,381 held in the Local Government Investment Pool (LGIP), which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*.

The Authority considers all funds with an original maturity of greater than three months, but less than one year, to be short-term investments. At June 30, 2016, the Authority held a six-month certificate of deposit yielding 0.12% in the amount of \$2,098,514, which is carried at fair value.

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### 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 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, 2016, on each \$100 of assessed value, were \$1.15 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.15 for mobile homes, \$2.40 for airplanes, \$0.50 for recreational boats and \$1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements.

**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 installments 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 of Ordinances.

#### IV. Accounts Receivable

#### A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2016:

Storm Water special revenue fund	\$ 812,549
Water Utility fund	5,106,372
Wastewater Utility fund	1,165,294
Parking Facilities fund	450,249
	<hr/>
	\$ 7,534,464

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The associated revenue is included in charges for services. All amounts were billed in July 2016.

**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, 2016, are as follows:

**Primary Government:**

General Fund:

Taxes	\$ 11,268,055
Accounts	17,066,883
Community Service Board	<u>201,712</u>
<b>Total - General Fund</b>	<b>28,536,650</b>

Storm Water special revenue fund	449,200
Waste Management special revenue fund	609,000
Parking Facilities fund	10,695,267
Water Utility fund	1,400,001
Wastewater Utility fund	<u>850,000</u>
<b>Total - Primary Government</b>	<b><u>\$ 42,540,118</u></b>

**V. Due From Other Governments**

Amounts due from other governments, at June 30, 2016, are as follows:

	General Fund	Special Revenue Funds	Total Governmental Funds	Component Unit	
				School Board	
Commonwealth of Virginia:					
Shared expenses	\$ -	\$ -	\$ -	\$ -	-
Categorical aid	-	-	-	-	-
Non-categorical aid	22,965,351	-	22,965,351	18,072,509	
Non-major governmental funds grants	-	1,435,769	1,435,769	-	
<b>Total - Commonwealth of Virginia</b>	<b>22,965,351</b>	<b>1,435,769</b>	<b>24,401,120</b>	<b>18,072,509</b>	
Federal Government:					
Major governmental funds	691,190	-	691,190	19,604,027	
Non-major governmental funds grants	-	5,445,447	5,445,447	-	
<b>Total - Federal Government</b>	<b>691,190</b>	<b>5,445,447</b>	<b>6,136,637</b>	<b>19,604,027</b>	
<b>Total - Due from other governments</b>	<b>\$ 23,656,541</b>	<b>\$ 6,881,216</b>	<b>\$ 30,537,757</b>	<b>\$ 37,676,536</b>	

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**VI. Capital Assets**

A summary of changes in capital assets, at June 30, 2016, follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 92,312,849	\$ 6,917,218	\$ (809,647)	\$ 98,420,420
Intangible assets	69,014	16,000	-	85,014
Construction in progress	129,205,974	114,320,945	(8,433,503)	235,093,416
Total non-depreciable assets	<u>221,587,837</u>	<u>121,254,163</u>	<u>(9,243,150)</u>	<u>333,598,850</u>
Depreciable assets:				
Buildings	897,953,807	1,287,383	(262,632)	898,978,558
Improvements other than buildings	83,543,918	11,283,463	(1,850,286)	92,977,095
Equipment and vehicles	149,233,137	6,447,791	(9,534,206)	146,146,722
Intangible assets	4,994,829	-	(32,786)	4,962,043
Infrastructure	1,202,701,645	5,967,603	(791,002)	1,207,878,246
Total depreciable assets	<u>2,338,427,336</u>	<u>24,986,240</u>	<u>(12,470,912)</u>	<u>2,350,942,664</u>
Less accumulated depreciation/amortization:				
Buildings	(359,610,299)	(20,786,886)	10,269	(380,386,916)
Improvements other than buildings	(24,946,652)	(6,454,662)	371,592	(31,029,722)
Equipment and vehicles	(99,615,667)	(8,257,548)	5,955,866	(101,917,349)
Intangible assets	(4,032,423)	(166,400)	32,787	(4,166,036)
Infrastructure	(1,001,573,994)	(9,892,398)	791,002	(1,010,675,390)
Total accumulated depreciation/amortization	<u>(1,489,779,035)</u>	<u>(45,557,894)</u>	<u>7,161,516</u>	<u>(1,528,175,413)</u>
Depreciable assets, net	<u>848,648,301</u>	<u>(20,571,654)</u>	<u>(5,309,396)</u>	<u>822,767,251</u>
Total governmental activities capital assets, net	<u>\$ 1,070,236,138</u>	<u>\$ 100,682,509</u>	<u>\$ (14,552,546)</u>	<u>\$ 1,156,366,101</u>
<b>Business-Type activities:</b>				
Non-depreciable capital assets:				
Land	\$ 49,387,123	\$ -	\$ -	\$ 49,387,123
Intangible assets	2,489,404	-	(14,843)	2,474,561
Construction in progress	52,442,255	70,735,324	(32,621,453)	90,556,126
Total non-depreciable assets	<u>104,318,782</u>	<u>70,735,324</u>	<u>(32,636,296)</u>	<u>142,417,810</u>
Depreciable assets:				
Land improvements	20,787,445	-	-	20,787,445
Buildings	399,532,310	17,957,547	-	417,489,857
Equipment and vehicles	751,879,137	28,869,301	(831,832)	779,916,606
Intangible assets	6,574,508	-	-	6,574,508
Totals depreciable assets	<u>1,178,773,400</u>	<u>46,826,848</u>	<u>(831,832)</u>	<u>1,224,768,416</u>
Less accumulated depreciation/amortization:				
Land improvements	(4,922,825)	(406,360)	-	(5,329,185)
Buildings	(127,048,212)	(9,022,898)	-	(136,071,110)
Equipment and vehicles	(228,621,110)	(15,895,921)	831,834	(243,685,197)
Intangible assets	(5,305,886)	-	-	(5,305,886)
Total accumulated depreciation/amortization	<u>(365,898,033)</u>	<u>(25,325,179)</u>	<u>831,834</u>	<u>(390,391,378)</u>
Depreciable assets, net	<u>812,875,367</u>	<u>21,501,669</u>	<u>2</u>	<u>834,377,038</u>
Business-Type activities capital assets, net	<u>\$ 917,194,149</u>	<u>\$ 92,236,993</u>	<u>\$ (32,636,294)</u>	<u>\$ 976,794,848</u>
<b>Component units activities:</b>				
Non-depreciable capital assets:				
Land	\$ 487,500	\$ 1,474,641	\$ -	\$ 1,962,141
Construction in progress	-	519,412	-	519,412
Total non-depreciable assets	<u>487,500</u>	<u>1,994,053</u>	<u>-</u>	<u>2,481,553</u>
Depreciable assets:				
Buildings and mobile classrooms	6,662,275	1,123,623	-	7,785,898
Improvements other than buildings	-	-	-	-
Building improvements	-	-	-	-
Equipment and vehicles	36,214,382	1,393,771	(1,407,700)	36,200,453
Intangible assets	1,323,387	-	-	1,323,387
Total depreciable assets	<u>44,200,044</u>	<u>2,517,394</u>	<u>(1,407,700)</u>	<u>45,309,738</u>
Less accumulated depreciation:				
Buildings and mobile classrooms	(4,046,872)	(760,364)	-	(4,807,236)
Improvements other than buildings	-	-	-	-
Building improvements	-	-	-	-
Equipment and vehicles	(28,219,269)	(1,933,022)	1,397,899	(28,754,392)
Intangible assets	(645,998)	(264,678)	-	(910,676)
Total accumulated depreciation	<u>(32,912,139)</u>	<u>(2,958,064)</u>	<u>1,397,899</u>	<u>(34,472,304)</u>
Depreciable assets, net	<u>11,287,905</u>	<u>(440,670)</u>	<u>(9,801)</u>	<u>10,837,434</u>
Component units activities capital assets, net	<u>\$ 11,775,405</u>	<u>\$ 1,553,383</u>	<u>\$ (9,801)</u>	<u>\$ 13,318,987</u>

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

General government	\$ 11,812,237
Judicial administration	2,681,326
Public safety	3,513,637
Public works, which includes the depreciation of infrastructure assets	11,709,077
Health and sanitation	215,281
Culture and recreation	15,355,721
Community development	12,580
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	258,035
Total depreciation expense	<u><u>\$ 45,557,894</u></u>
Business-type activities:	
Water Utility fund	\$ 13,050,994
Wastewater Utility fund	6,174,090
Parking Facilities fund	6,100,095
Total depreciation expense	<u><u>\$ 25,325,179</u></u>
Component unit activities	
Norfolk Public Schools	\$ 2,958,064
Norfolk Economic Development Authority	-
Total depreciation expense	<u><u>\$ 2,958,064</u></u>

Note: Other adjustments to depreciation for internal service funds resulted in a difference in the depreciation expense reported on the fund financial statements.

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2016:

	<b>Expense</b>	<b>Revenue</b>	<b>Capitalized</b>
Water Utility fund	\$ 1,800,247	\$ (62,052)	\$ 1,738,195
Wastewater Utility fund	260,814	(3,775)	257,039
	<u><u>\$ 2,061,061</u></u>	<u><u>\$ (65,827)</u></u>	<u><u>\$ 1,995,234</u></u>

On March 11, 2016, the Authority executed a Deed of Lease with Movement Mortgage, LLC to lease the former J.C. Penney property held by the Authority located at 880 N. Military Highway. The Authority is to deliver possession of the Premises by June 1, 2017. Per the lease agreement, the Authority is responsible for the turn-key build-out with a maximum cost of \$2,600,000. The City of Norfolk appropriated \$3,500,000 to use toward the improvements that was received prior to year-end.

## **VII. Land Improvements Held for Resale**

On October 18, 2013, the Norfolk Redevelopment and Housing Authority (NRHA) donated property including the Lake Wright Golf Course to the Authority with an estimated fair value

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of \$19,400,000, as determined by an independent appraiser. The Authority entered into an agreement on November 12, 2013, amended on July 1, 2014, to sell a portion of that property to Simon Acquisition II, LLC (Simon) and entered into a second agreement on August 28, 2014, to sell the remainder property to Northampton Development, L.L.C. On May 6, 2016, Simon closed on the purchase of the property and took responsibility for the completion of the Force Main Relocation. The purchase price of \$4,217,050 was offset by infrastructure improvements to be completed by Simon. Infrastructure improvements when completed will be included in the City's capital assets.

Another portion of the land was transferred to the City to be used as a park. It is included in the capital assets of the City's governmental activities as land at the previous carrying value of \$5,672,118.

Land and land improvements held for resale also includes three acres recorded at approximately \$115,000 per acre, which represents the cost basis of two acres and an amount below the original cost basis of the third.

## **VIII. Short-Term Obligations**

### **A. Variable Rate Bonds**

#### **General Obligation Variable Rate Demand Bonds, Series 2007**

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Cruise & Celebration Center. As of June 30, 2016, \$26,990,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

The Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium Term Rate Period and (vii) a Fixed Rate Period. All Series 2007 Bonds must be in the same Interest Rate Period at any one time. Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate.

A portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 are subject to mandatory redemption. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

The City maintains a liquidity facility with respect to the Series 2007 Bonds to assist with the payment of Bonds tendered for purchase by the owners and not remarketed. In 2014, the City entered into a Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Liquidity Facility") among the City, the Trustee and Royal Bank of Canada (the "Bank"). The annual fee for the Liquidity Facility fee is 39 basis points (0.39%) and the facility has a five-year term. Additionally, RBC provided a rate of 8

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basis points (0.08%) to serve as Remarketing Agent. During the fiscal year ended June 30, 2016, the average weekly interest rate on the bonds was 3 basis points (0.03%).

Under the Liquidity Facility, un-remarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate and have interest payable to the Bank in accordance with the Liquidity Facility.

Through June 30, 2016, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

**B. General Obligation Variable Rate Bond**

On November 7, 2013, the City entered into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013 Variable Rate Loan") with Bank of America, N.A. As of June 30, 2016, \$12,805,000 remains outstanding and included in the City's bonds payable.

Interest on the 2013 Variable Rate Loan is payable semi-annually on each February 1 and August 1, beginning on February 1, 2014, at an interest rate of LIBOR, plus 0.95%. During the fiscal year ended June 30, 2016, the average weekly interest rate on the bonds was 141.51 basis points (1.4151%).

**IX. 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 2008 the City established Water revenue and Wastewater revenue bond programs, respectively.

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.

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A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2016, follows:

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	Enterprise Funds				
	Governmental Activities - General Obligation Bonds	Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	Total Enterprise Funds
General obligation bonds outstanding at July 1, 2015	\$ 617,328,942	\$ -	\$ 97,389,271	\$ 138,681,915	\$ 236,071,186
Bonds retired	(44,872,668)	-	(7,132,675)	(3,126,849)	(10,259,524)
Bonds refunded/defeased	(2,000,000)	-	-	-	-
Bonds outstanding at June 30, 2016	<u>570,456,274</u>	<u>-</u>	<u>90,256,596</u>	<u>135,555,066</u>	<u>225,811,662</u>
Unamortized (discount) premium	<u>41,419,341</u>	<u>-</u>	<u>6,208,275</u>	<u>4,064,472</u>	<u>10,272,747</u>
General obligation bonds outstanding at June 30, 2016, adjusted for unamortized (discount) premium	<u><u>\$ 611,875,615</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 96,464,871</u></u>	<u><u>\$ 139,619,538</u></u>	<u><u>\$ 236,084,409</u></u>
Revenue bonds outstanding at July 1, 2015	\$ 338,470,000	\$ 55,545,923	\$ -	\$ 394,015,923	
Bonds retired	(8,750,000)	(3,019,967)	-	(11,769,967)	
Bonds issued	-	8,644,988	-	8,644,988	
Bonds outstanding at June 30, 2016	<u>329,720,000</u>	<u>61,170,944</u>	<u>-</u>	<u>390,890,944</u>	
Unamortized (discount) premium	<u>45,828,681</u>	<u>-</u>	<u>-</u>	<u>45,828,681</u>	
Revenue bonds outstanding at June 30, 2016, adjusted for unamortized (discount) premium	<u><u>\$ 375,548,681</u></u>	<u><u>\$ 61,170,944</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 436,719,625</u></u>	
Total bonds outstanding at June 30, 2016, adjusted for unamortized (discount)/premium	<u><u>\$ 611,875,615</u></u>	<u><u>\$ 375,548,681</u></u>	<u><u>\$ 157,635,815</u></u>	<u><u>\$ 139,619,538</u></u>	<u><u>\$ 672,804,034</u></u>

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General obligation and revenue bonds outstanding at June 30, 2016, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities			Balance Outstanding
				Public Improvement	Wastewater Utility	Parking Facilities	
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	3,400,000
Series 2003 VRA	4/8/2003	9,423,794	2.00%	-	4,774,283	-	4,774,283
Series 2004 Property Acquisition	7/29/2004	1,775,000	7.00%	467,301	-	-	467,301
Series 2004 VRA	9/17/2004	11,100,000	3.10%	-	6,515,785	-	6,515,785
Series 2006 VRA	3/14/2006	11,187,809	2.25%	-	7,275,569	-	7,275,569
Series 2006B VRA	9/28/2006	14,250,000	0.00%	-	8,550,000	-	8,550,000
			Variable - June 30, 2016, rate of				
Series 2007 VRDB	3/29/2007	32,365,000	0.41%	26,990,000	-	-	26,990,000
Series 2008A&B Refunding	2/13/2008	17,160,000	3.25 - 4.625%	3,380,000	-	-	3,380,000
Series 2008C Capital Improvement	6/30/2008	153,605,000	5.00%	4,185,000	1,145,000	-	5,330,000
Series 2009A&B Refunding	5/21/2009	77,175,000	3.00 - 5.00%	17,566,079	293,921	-	17,860,000
Series 2010A Capital Improvement	1/21/2010	49,875,000	3.00 - 5.00%	-	-	2,475,000	2,475,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.04 - 5.962%	108,841,905	8,808,095	-	117,650,000
Series 2010E Capital Improvement	2/25/2010	5,000,000	2.50 - 4.00%	-	-	3,750,000	3,750,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	3.40 - 5.60%	3,750,000	-	-	3,750,000
Series 2010G Refunding	10/19/2010	90,165,000	4.00 - 5.00%	68,941,791	6,149,562	188,647	75,280,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	59,940,152	5,823,657	1,576,191	67,340,000
Series 2012B Refunding	5/30/2012	7,805,000	2.00 - 4.00%	5,125,000	-	-	5,125,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	4.00 - 5.00%	47,500,000	10,810,000	-	58,310,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	3.00 - 5.00%	84,145,000	6,820,000	36,740,000	127,705,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	0.4290 - 4.955%	-	-	77,870,000	77,870,000
Series 2013C QECB	11/7/2013	2,470,000	4.855%	2,470,000	-	-	2,470,000
			Variable - June 30, 2016, rate of				
Series 2013D Refunding	11/7/2013	13,600,000	1.4151%	-	-	12,805,000	12,805,000
Series 2014 Refunding	4/2/2014	65,155,000	2.00 - 5.00%	52,231,220	12,923,780	-	65,155,000
Series 2014A Refunding	6/2/2014	11,725,000	1.400%	1,599,375	275,625	-	1,875,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	8,850,933	628,839	150,228	9,630,000
Series 2014C Refunding	9/30/2014	58,510,000	2.00 - 5.00%	49,473,844	7,856,156	-	57,330,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	12,748,674	1,606,324	-	14,354,998
Total General Obligation Bonds				\$ 570,456,274	\$ 90,256,596	\$ 135,555,066	\$ 796,267,936

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Balance Outstanding
			Water Utility	Wastewater Utility	
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	11,475,000	11,475,000
Series 2008 Water Revenue	4/23/2008	4.00 - 5.00%	3,865,000	-	3,865,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	5,625,000	5,625,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	42,665,000	-	42,665,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	8,000,000	8,000,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	8,137,500	8,137,500
Series 2012 Water Revenue Refunding	4/4/2012	2.00 - 5.00%	156,440,000	-	156,440,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	10,729,388	10,729,388
Series 2013 Water Revenue	2/20/2013	5.00%	43,070,000	-	43,070,000
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	9,750,000	9,750,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	7,424,376	7,424,376
Series 2015A Water Revenue	4/16/2015	5.25%	29,660,000	-	29,660,000
Series 2015B Water Revenue Refunding	4/16/2015	5.00 - 5.25%	54,020,000	-	54,020,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	29,680	29,680
Total Revenue Bonds			\$ 329,720,000	\$ 61,170,944	\$ 390,890,944

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 0.41% as June 30, 2016 (see Note VIII).

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The Series 2013D General Obligation Variable Rate Bond reset at an interest rate of 1.4151% as of June 30, 2016 (See Note VIII).

**B. General Obligation Bonds**

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

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	42,099,112	24,887,914	11,271,263	8,472,213
2018	44,135,859	22,937,898	11,085,179	8,077,694
2019	47,394,181	20,788,129	10,941,287	7,945,608
2020	46,261,618	18,779,818	11,475,184	7,651,791
2021	43,948,197	16,898,029	11,665,785	7,136,377
2022-2026	180,590,598	57,969,118	59,451,228	30,123,492
2027-2031	115,736,709	23,425,636	45,781,737	19,809,028
2032-2036	37,145,000	4,718,815	40,200,000	10,224,613
2037-2041	10,195,000	1,511,496	23,939,999	1,599,941
2042-2046	2,950,000	169,775	-	-
<b>Total</b>	<b>\$ 570,456,274</b>	<b>\$ 192,086,628</b>	<b>\$ 225,811,662</b>	<b>\$ 101,040,757</b>

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

<b>Year Ending June 30,</b>	<b>Wastewater Utility Fund</b>		<b>Parking Facilities Fund</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	7,167,107	3,177,757	4,104,156	5,294,456
2018	6,807,078	2,845,988	4,278,100	5,231,706
2019	6,894,302	2,794,230	4,046,985	5,151,378
2020	6,811,755	2,602,583	4,663,429	5,049,207
2021	7,101,002	2,196,516	4,564,783	4,939,862
2022-2026	35,086,454	7,662,217	24,364,774	22,461,274
2027-2031	17,103,898	2,402,314	28,677,839	17,406,713
2032-2036	3,285,000	185,813	36,915,000	10,038,801
2037-2041	-	-	23,940,000	1,599,941
	<b>\$ 90,256,596</b>	<b>\$ 23,867,419</b>	<b>\$ 135,555,066</b>	<b>\$ 77,173,338</b>

**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

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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 Statement of Net Position 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 that are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of June 30, 2016, draws for project expenses of \$2,401,246, \$6,214,062 and \$29,680 from bond issuances in fiscal year 2014, 2015 and 2016 respectively, resulted in total VRA drawdowns of \$8,644,988 for fiscal year 2016. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund and the Bonds were sold at 0% interest.

The detailed requirements to amortize Water and Wastewater revenue bonds are as follows:

<b>Year Ending June 30,</b>	<b>Water Revenue</b>		<b>Wastewater Revenue</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	10,090,000	15,988,725	3,455,576	-
2018	13,860,000	15,405,600	3,641,928	-
2019	14,200,000	14,714,975	3,642,670	-
2020	13,830,000	14,025,550	3,642,670	-
2021	15,965,000	13,292,450	3,642,670	-
2022-2026	92,350,000	53,329,050	18,213,348	-
2027-2031	54,485,000	34,664,063	16,938,348	-
2032-2036	42,200,000	23,308,788	7,805,898	-
2037-2041	39,445,000	13,180,450	187,836	-
2042-2046	33,295,000	3,592,325	-	-
<b>Total</b>	<b>\$ 329,720,000</b>	<b>\$ 201,501,975</b>	<b>\$ 61,170,944</b>	<b>\$ -</b>

\*Wastewater Revenue Bonds were issued to Virginia Resources Authority at 0% interest

**D. Line of Credit**

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000. This line of credit is used to provide flexible interim financing for capital improvements projects, including school construction. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 70 percent of LIBOR, plus 40 basis points. Taxable borrowings are 100 percent of LIBOR, plus 50 basis

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points. LIBOR can be the 1, 3, 6 or 12-month LIBOR rate, chosen by the City on the date of each advance, and will be applicable through the end of the chosen LIBOR period. The full faith and credit of the City secures the line of credit, which will be permanently repaid through the issuance of general obligation bonds. However, the City from time to time uses existing cash to repay parking facilities and capital in order to reduce interest costs. As a result, the line of credit is recorded in the capital projects fund rather than at the government-wide level only. At the government-wide level, the line is classified as long-term because the City can borrow and repay at its sole discretion through the termination date of the line of credit. There is no minimum advance amount and each advance shall be made on three days' notice given by the City to BANA. The commitment fee on the unutilized portion of the line will be paid annually in arrears and will be waived in full for any year that has average utilization of at least 40 percent for that 12-month period.

In May 2016, the parties amended the credit agreement to increase the maximum available credit from \$125,000,000 to \$200,000,000. Further, the City maintains discretion over future increases and decreases to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects.

Activity for the year ended June 30, 2016 is as follows:

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Capital Projects fund	\$ 1,000,000	\$ 185,289,003	\$ (11,000,000)	\$ 175,289,003
Parking Facilities fund	-	16,710,997	-	16,710,997
	<hr/> <u>\$ 1,000,000</u>	<hr/> <u>\$ 202,000,000</u>	<hr/> <u>\$ (11,000,000)</u>	<hr/> <u>\$ 192,000,000</u>

**E. Current and Advanced Refundings**

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.

At June 30, 2016, the following defeased bonds from advance refunding are still outstanding:

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General Obligation

Defeased In	Original Issue	Amount	Redemption
2010	2008C	23,135,000	4/1/2017
2014	2008C	66,825,000	4/1/2017
2015	2009A	17,775,000	11/1/2019
2015	2012C	39,150,000	4/1/2021
2016	2008C	2,000,000	4/1/2017
		<u>\$ 148,885,000</u>	

Water Revenue Bonds

Defeased In	Original Issue	Amount	Redemption
2015	2008	47,140,000	11/1/2018
		<u>\$ 47,140,000</u>	

**F. Economic Development Authority**

In April 2016, the City and the Economic Development Authority of the City of Norfolk (the "EDA") entered into a financing agreement, with BANA to provide funds for an economic development project in the City in the maximum principal amount of \$14,500,000. The City and the EDA also entered into a cooperation agreement related to the financing, whereby the City provides a general obligation guarantee of the payments required under the financing agreement. Principal advances under the agreement will bear interest at 1-month LIBOR rate plus 85 basis points which is set at the date of the first advance, and resets on the first day of the calendar month thereafter. Principal payments of \$100,000 are due February 1 in each of the first four years of the agreement, with the balance of the outstanding principal due at maturity in 2021. In addition to funds made available under the cooperation agreement, the EDA expects to pay for debt service on the financing agreement from other sources such as a portion of the City's cigarette tax revenues and lease revenue from the leasing of the facility. EDA has not made a draw as of June 30, 2016.

**G. Lease Obligations**

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 \$5,057,777 for the fiscal year ended June 30, 2016.

Future year lease obligations are listed below:

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<b>Year Ending June 30,</b>	<b>Operating Lease Obligations</b>
2017	\$ 3,207,250
2018	1,862,813
2019	1,727,871
2020	1,426,279
2021	1,031,475
Thereafter	2,286,921
<hr/>	
Total minimum lease payments	<u>\$ 11,542,609</u>

**H. Landfill Liability**

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The \$2,511,028 reported as an obligation for landfill closure and post-closure costs at June 30, 2016, 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, \$1,895,213 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

**I. 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:

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Primary Government	
Governmental Activities:	
General Fund	\$ 16,151,539
Nonmajor governmental funds	1,200,811
Internal service funds	<u>264,389</u>
Total Governmental	<u><u>\$ 17,616,739</u></u>
Enterprise funds:	
Water Utility fund	\$ 1,116,600
Wastewater Utility fund	373,098
Parking Facilities fund	<u>245,775</u>
Total Enterprise funds	<u><u>\$ 1,735,473</u></u>
Component Unit - School Board	<u><u>\$ 16,172,527</u></u>

**J. 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, 2016, the City's debt limit is \$1,910,673,796 of which \$922,291,957 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

**K. Bonds Authorized and Unissued**

A summary of bonds authorized and unissued as of June 30, 2016, are as follows:

Projects	Total
<b>General Obligation Bonds Authorized and Unissued:</b>	
<b>Capital Fund Projects</b>	
General Capital Improvement Projects	\$ 336,194,996
Towing and Recovery Capital Improvement Projects	123,125
Storm Water Capital Improvement Projects	<u>8,808,862</u>
Capital Fund Projects Total	<u><u>\$ 345,126,983</u></u>
Parking Facilities Fund Projects	21,910,929
Wastewater Utility Fund Projects	<u>29,890,748</u>
<b>G.O. Bonds Authorized and Unissued</b>	<u><u>\$ 396,928,660</u></u>
<b>Revenue Bonds Authorized and Unissued:</b>	
Water Utility Fund Projects	<u>43,522,116</u>
<b>Revenue Bonds Authorized and Unissued</b>	<u><u>\$ 43,522,116</u></u>
<b>Total Bonds Authorized and Unissued</b>	<u><u>\$ 440,450,776</u></u>

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**L. Changes in Long-Term Obligations**

A summary of fiscal year 2016 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds and Line of Credit:					
General obligation bonds	\$ 617,328,942	\$ -	\$ (46,872,668)	\$ 570,456,274	\$ 42,099,112
Net Premiums	<u>48,480,055</u>	<u>-</u>	<u>(7,060,714)</u>	<u>41,419,341</u>	<u>-</u>
Total Bonds	<u>665,808,997</u>	<u>-</u>	<u>(53,933,382)</u>	<u>611,875,615</u>	<u>42,099,112</u>
Line of Credit	1,000,000	185,289,003	(11,000,000)	175,289,003	-
Total Bonds and Line of Credit	<u>666,808,997</u>	<u>185,289,003</u>	<u>(64,933,382)</u>	<u>787,164,618</u>	<u>42,099,112</u>
Other Liabilities:					
Vested compensated absences	17,459,781	9,633,706	(9,741,137)	17,352,350	9,655,000
Other post-employment benefits	32,031,251	6,049,888	(1,669,387)	36,411,752	-
Retiree's life insurance	230,000	-	(30,000)	200,000	30,000
Self-insurance	29,476,369	6,855,246	(7,035,040)	29,296,575	4,180,781
Net Pension Liability	151,529,820	107,800,682	(61,594,730)	197,735,772	-
Landfill closure and post-closure costs	2,477,200	33,828	-	2,511,028	-
Total Other Liabilities	<u>233,204,421</u>	<u>130,373,350</u>	<u>(80,070,294)</u>	<u>283,507,477</u>	<u>13,865,781</u>
Governmental Activities					
Long-term liabilities	900,013,418	315,662,353	(145,003,676)	1,070,672,095	55,964,893
Internal Service Funds:					
Net Pension Liability	\$ 1,657,017	\$ 1,057,746	\$ (673,829)	\$ 2,040,934	\$ 0
Vested compensated absences	<u>267,084</u>	<u>145,002</u>	<u>(147,697)</u>	<u>264,389</u>	<u>185,072</u>
Total Internal Service Funds	<u>1,924,101</u>	<u>1,202,748</u>	<u>(821,526)</u>	<u>2,305,323</u>	<u>185,072</u>
Total Governmental Activities	<u>\$ 901,937,519</u>	<u>\$ 316,865,101</u>	<u>\$ (145,825,202)</u>	<u>\$ 1,072,977,418</u>	<u>\$ 56,149,965</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Bonds and Line of Credit:					
Water utilities	\$ 338,470,000	\$ -	\$ (8,750,000)	\$ 329,720,000	\$ 10,090,000
Wastewater utilities	152,935,194	8,644,988	(10,152,642)	151,427,540	10,622,683
Parking facilities	138,681,915	-	(3,126,849)	135,555,066	4,104,156
Net Premiums	<u>61,314,481</u>	<u>-</u>	<u>(5,213,053)</u>	<u>56,101,428</u>	<u>-</u>
Total Bonds Payable	<u>691,401,590</u>	<u>8,644,988</u>	<u>(27,242,544)</u>	<u>672,804,034</u>	<u>24,816,839</u>
Line of Credit	16,710,997	-	(16,710,997)	-	-
Total Bonds and Line of Credit	<u>691,401,590</u>	<u>25,355,985</u>	<u>(27,242,544)</u>	<u>689,515,031</u>	<u>24,816,839</u>
Other Liabilities:					
Vested compensated absences	1,742,275	1,030,804	(1,037,606)	1,735,473	1,020,809
Net Pension Liability	14,536,415	9,770,517	(5,353,117)	18,953,815	-
Other post-employment benefits	<u>3,184,066</u>	<u>3,055,094</u>	<u>(2,845,188)</u>	<u>3,393,972</u>	<u>-</u>
Total Other Liabilities	<u>19,462,756</u>	<u>13,856,415</u>	<u>(9,235,911)</u>	<u>24,083,260</u>	<u>1,020,809</u>
Total Business-Type Activities	<u>\$ 710,864,346</u>	<u>\$ 39,212,400</u>	<u>\$ (36,478,455)</u>	<u>\$ 713,598,291</u>	<u>\$ 25,837,648</u>
<b>COMPONENT UNITS:</b>					
Other Liabilities - Norfolk Public Schools:					
Vested compensated absences	\$ 9,501,128	\$ 10,484,916	\$ (10,744,223)	\$ 9,241,821	\$ 6,931,366
Other post employment benefits	15,743,896	2,819,046	(2,390,415)	16,172,527	-
Net Pension Liability	309,164,736	42,142,736	(33,838,940)	317,468,532	-
Workers' compensation claims	3,535,697	696,717	(539,292)	3,693,122	332,793
Long term Notes Payable	2,500,000	-	-	2,500,000	-
Claims liability	46,306	40,850	(46,243)	40,913	23,502
Component Units					
long-term obligations	<u>\$ 340,491,763</u>	<u>\$ 56,184,265</u>	<u>\$ (47,559,113)</u>	<u>\$ 349,116,915</u>	<u>\$ 7,287,661</u>

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**X. Pension Plans**

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

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

**Plan Description**

The ERS is the administrator of a single-employer contributory, defined benefit plan (the Plan) that covers substantially all employees of the City, excluding School Board employees and Constitutional Officers' employees who are covered by the VRS. The ERS provides retirement benefits, as well as death and disability benefits. Cost-of-living adjustments ("COLAs") are not required, are not regularly instituted and are available solely at the discretion of the City Council. The ERS and its benefits are established by Chapter 37 of the Code of the City of Norfolk, Virginia, as amended. ERS pension expenses and liabilities are allocated based on the employer's contribution to the Plan.

**Plan Membership**

As of June 30, 2015, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,574
Public Safety	1,186
Vested Former Members:	
General	882
Public Safety	246
Active Plan Members:	
General	2,728
Public Safety	1,212
	<hr/>
	<b>8,828</b>

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**Plan Benefits**

The ERS provides retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service. Employee eligibility requirements are as follows:

Retirement (for employees who became members prior to July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and the earlier of age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees.

Retirement (for employees who became members on or after July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and age 55 or after the completion of 25 years of credited service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Effective December 13, 2011, all employees hired on or after December 2011 are required to meet the vesting requirement of five years in order to be eligible to receive benefits under the Plan with the exception of Norfolk Community Services Board employees. The aforementioned had their prior service with the Norfolk Community Services Board counted towards the five year vesting requirement without this service being deemed creditable service in the Plan.

Effective January 1, 2015, the City Council adopted Ordinance Number 45,566 that established a Deferred Retirement Option Program (DROP) for policemen and firemen eligible for normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of seventy percent (70 percent) while continuing employment with the City without loss of any other employee benefits.

Upon the member's election to participate in the DROP; the amount of creditable service and the average final compensation becomes frozen for purposes of determining pension benefits. The participant is considered retired for all purposes related to the Plan and does not accrue additional retirement benefits, except for ad hoc costs-of-living adjustments ("COLAs"), if applicable.

The DROP participant's monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive the DROP balance and

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will begin receiving the monthly pension directly. The participant's DROP balance is not credited with investment gains and losses.

### **Contributions**

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. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, with the exception of the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective January 8, 2015. Total employer contributions to the ERS plan were \$30,761,340 and \$34,932,005 for the year ended June 30, 2016 and 2015, respectively. These contributions combined with employee contributions of \$8,733,482 and \$4,194,726 for the year ended June 30, 2016 and June 30, 2015, respectively were expected to cover the actuarially determined contributions.

### **Actuarial Assumptions**

The actuarial assumptions above are based on the presumption that the ERS will continue indefinitely. Were the ERS to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial accrued liability.

For the June 30, 2015 actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Closed, 20-year layers
Amortization Growth Rate	3.0 percent
Asset Valuation Method	3-year Smoothed Value
Inflation Rate	3.0 percent
Salary Increases – General Employees	Average of 5.64 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Salary Increases – Public Safety Employees	Average of 6.68 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Investment Rate of Return	7.0 percent
Mortality	RP-2000 Combined Healthy Mortality projected to 2010 by scale AA for healthy lives RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives.

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The long-term expected rate of return on the ERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<b>Asset Class</b>	<b>30-year 2015 Long-term Expected Real Rate of Return</b>	<b>Target Allocations</b>
Private Core Real Estate	5.75%	5.0%
Master Limited Partnerships	7.50%	5.0%
Core Fixed Income	1.75%	35.0%
Core Plus Income	2.75%	0.0%
International Equity (AWI ex US)	5.90%	22.0%
Domestic Equity (Russell 3000)	4.50%	33.0%
		<hr/> 100.0%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions was presented for 99 years. The projected benefit payments ended by fiscal year end 2099 and the pension plan's fiduciary net position was projected to be available to make projected future payments and pay administrative expenses until fiscal year 2075. Projected benefit payments are discounted at the long-term expected return of 7.045 percent (net of investment expenses) to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.8 percent to the extent they are not available. The single equivalent rate to determine the total pension liability as of the measurement date of June 30, 2015 was 7.0 percent.

### **Net Pension Liability**

The net pension liability was measured as of June 30, 2015, with an actuarial valuation date of June 30, 2015. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. The employer contributions made in fiscal year 2016 of \$28,054,717 for governmental activities and \$2,706,623 for business-type activities are included as deferred outflows. As of June 30, 2016, the City reported a net pension liability of \$192,464,706 in governmental activities and \$18,953,815 in business-type activities. The net pension liability is allocated based on employer's contributions during the measurement period. The percentage for governmental activities and business-type activities for 2015 was 91.03 percent and 8.97 percent, respectively. Changes to the ERS net pension liability are as follows:

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2015</b>	<b>\$ 1,197,466,213</b>	<b>\$ 1,036,178,960</b>	<b>\$ 161,287,253</b>
Service costs	25,467,399	-	25,467,399
Interest	82,839,251	-	82,839,251
Changes in Benefits Terms	352,800	-	352,800
Contributions - employer	-	34,932,005	(34,932,005)
Contributions - employee	-	4,914,726	(4,914,726)
Net investment income	-	16,596,553	(16,596,553)
Benefits payments, including refunds of member contributions	(79,031,489)	(79,031,489)	-
Difference between Expected and Actual Experience	(2,471,393)	-	(2,471,393)
Administrative expense	-	(386,495)	386,495
<b>Balances at June 30, 2016</b>	<b>\$ 1,224,622,781</b>	<b>\$ 1,013,204,260</b>	<b>\$ 211,418,521</b>

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.0 percent, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ERS Net Pension Liability	\$ 341,478,312	\$ 211,418,521	\$ 100,544,374

**Pension Expense and Deferred Inflows and Outflows of Resources Related to the ERS Pension**

Total Pension expense included for the City is \$21,163,881 for Governmental activities and \$1,481,606 for business-type activities.

At June 30, 2016, deferred inflows reported in the City's financial statements are as follows:

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	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between expected and actual experience	\$ 7,631,151	\$ 738,407	\$ 8,369,558
Net difference between projected and actual earnings on plan investments	11,233,957	995,163	12,229,120
Net change in proportionate share	290,968	(290,968)	-
	<u>\$ 19,156,076</u>	<u>\$ 1,442,602</u>	<u>\$ 20,598,678</u>

Deferred outflows related to pension contributions made after the measurement date of \$28,054,717 for governmental activities and \$2,706,623 for business-type activities will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts related to deferred inflows or resources will be recognized in pension expense as follows:

Amortization of Deferred Inflows				
Year Ended:	Governmental Activities	Business-type Activities	Total	
2017	\$ 9,507,447	\$ 830,753	\$ 10,338,200	
2018	9,507,447	830,753	10,338,200	
2019	9,507,447	830,753	10,338,200	
2020	(9,424,461)	(991,461)	(10,415,922)	
2021	58,196	(58,196)	-	
	<u>\$ 19,156,076</u>	<u>\$ 1,442,602</u>	<u>\$ 20,598,678</u>	

Deferred inflows and outflows related to changes in proportionate share between the governmental and business-type activities have not been recognized as amounts are not material.

## **B. Virginia Retirement System (VRS)**

### **Plan Description – Virginia Retirement System**

The School Board and the City of Norfolk both participate in pensions offered by the Virginia Retirement System (VRS), which include two agent multiple-employer plans (for school employee political subdivisions and City of Norfolk state constitutional offices) and a cost-sharing multiple-employer (for teachers) defined benefit pension plan as well as a hybrid plan which contains both defined benefit and defined contribution aspects. All full-time, salaried permanent employees of the School Board, Constitutional Offices of the City of Norfolk, (Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, Sheriff employees) and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are employed and for which the City or the

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School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employee contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70 percent. The multiplier for Plan 2 members was reduced to 1.65 percent effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0 percent. The 2014 valuation includes hybrid retirement plan members for the first time. Because this was a new benefit and the number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00 percent. 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 General Assembly of Virginia.

The VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications> or obtained by writing the VRS System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for School Board contains combined information related to the School Board and Southeastern Cooperative Educational Programs (SECEP), a joint venture for which the School Board acts as a fiscal agent. As such, amounts reflected herein present only the School Board's proportionate share as of the measurement date which amounted to 99.16 percent and 99.18 percent as of June 30, 2014 and 2015,

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respectively. The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities.

**Contributions**

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00 percent of their annual reported compensation to the VRS. The Employers actuarially determined contribution rates as of June 30, 2015, not including the employee 5.00 percent contributions were 12.32 percent of covered payroll for the City of Norfolk employees, 14.06 percent of the annual covered payroll for School Board professional employees and 11.12 percent of annual covered payroll for the other school employees based on the June 30, 2013 actuarial valuation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the provisions of 51.1-0145 of the Code of Virginia, as amended, the contribution were funded at 79.69 percent of the actuarial rate for the year ended June 30, 2016. The School Board's contributions to the VRS for the years ended June 30, 2016, 2015 and 2014 for professional employees were \$25,755,298, \$26,205,705 and \$21,055,714, respectively: such amounts comprised 100 percent of the required statutory contributions for each of the three years. The School Board's contributions to the VRS for political subdivisions for the years ended June 30, 2016, 2015, and 2014 were \$1,794,211, \$1,767,920 and \$1,721,601, respectively.

The City of Norfolk contributions to the VRS for constitutional offices for the years ended June 30, 2016, 2015 and 2014 were \$2,796,214, \$2,794,920, and \$3,114,312 respectively, which is 100 percent of the actuarial determined contribution.

**Actuarial Assumptions**

The total pension liability was based on an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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Actuarial cost method	Entry Age
Amortization method	Level Percent Closed
Remaining amortization period	30 years
Asset valuation method	5-year Smoothed Market
Actuarial assumptions	
Investment rate of return	7%, net of investment expense
Projected salary increases	3.50-5.35%
Inflationary rate	2.50%
Cost-of-living adjustments	2.25-2.5%

Mortality rates were based on the following (Agent Multiple Plans)

Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 4 year and females set back 2 years.
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 year and no provision for future mortality improvement.

Mortality rates were based on the following (Cost Sharing Plan+A30)

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the four year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Update mortality table;
- Adjustments to the rates of service retirement;
- Decrease in rates of withdrawals for 3 through 9 years of service;
- Decrease in rates of disability; and
- Reduce rates of salary increase by 0.25 percent per year.

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

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

\*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one-year results produces an expected real return of 8.33 percent but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44 percent, including expected inflation of 2.5 percent.

### Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the assumption is that the employer will contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### Pension Expense and Deferred Inflows and Outflows of Resources

Deferred inflows and outflows are recorded for the net differences between actual and projected investment earnings, contributions made subsequent to the measurement

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date of June 30, 2016, and changes in proportionate share between June 30, 2015 and June 30, 2016. Pension expense reported for the fiscal year 2016 for the City for Norfolk, the School Board Political Subdivisions and the School Board Teachers was \$1,497,415, \$364,741 and \$20,629,868, respectively. At June 30, 2016, the reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources				
	Agent Multiple Plans		Cost Sharing Plan		
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers		
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 38,479	\$ 6,804,315		
Differences between expected and actual experience	574,000	666,736	4,212,617		
Net difference between projected and actual earnings on Plan investments	2,091,000	3,384,204	18,732,589		
	<u>\$ 2,665,000</u>	<u>\$ 4,089,419</u>	<u>\$ 29,749,521</u>		

	Deferred Outflows of Resources				
	Agent Multiple Plans		Cost Sharing Plan		
	School Board Non-Professional		School Board Teachers		
Change in proportion and difference between contribution and proportionate rate	\$ 2,236				
Net difference between projected and actual earnings on plan investments	1,408,959				
	<u>\$ 1,411,195</u>				

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The City of Norfolk, the School Board Teachers and the School Board Political Subdivisions contributed \$2,796,214, \$25,755,298 and \$1,794,211, respectively in fiscal year 2016. Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:	Agent Multiple-Employer Plans			Cost Sharing Plan	
	City of Norfolk Constitutional Employees		School Board Political Subdivisions	School Board Teachers	
2017	\$ (1,017,000)		\$ (1,148,495)	\$ (10,066,724)	
2018		(1,017,000)	(1,094,434)		(10,066,724)
2019		(1,017,000)	(788,095)		(10,066,724)
2020		386,000	352,800		1,292,313
2021		-	-		(841,662)
	<u>\$ (2,665,000)</u>		<u>\$ (2,678,224)</u>		<u>\$ (29,749,521)</u>

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**Plan Membership**

As of June 30, 2016, actuarial valuation, the plan memberships consisted of the following:

	<b>Agent Multiple Plans</b>		
	City of Norfolk Constitutional Offices	School Board Political Subdivisions	
Inactive member or their beneficiaries currently receiving benefits	218	596	
Inactive members	-	-	
Vested	82	48	
Non-vested	277	314	
Active elsewhere in the VRS	185	99	
Total inactive members	<u>544</u>	<u>461</u>	
Active members	<u>608</u>	<u>668</u>	
<b>Total</b>	<b><u>1,370</u></b>	<b><u>1,725</u></b>	

**Change in Net Pension Liability**

Below are the schedule of changes in Net Pension Liability for each of the plans:

**City of Norfolk**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2015</b>	<b>\$ 87,410,000</b>	<b>\$ 80,975,000</b>	<b>\$ 6,435,000</b>
Service cost	3,531,000	-	3,531,000
Interest	6,001,000	-	6,001,000
Contributions - employer	-	2,830,000	(2,830,000)
Contributions - employee	-	1,373,000	(1,373,000)
Net investment income	-	3,742,000	(3,742,000)
Difference Between actual and expected experience	(763,000)	-	(763,000)
Benefits payments, including refunds of employee contributions	(3,377,000)	(3,377,000)	-
Administrative expense	-	(50,000)	50,000
Other	-	(3,000)	3,000
<b>Balances at June 30, 2016</b>	<b>\$ 92,802,000</b>	<b>\$ 85,490,000</b>	<b>\$ 7,312,000</b>

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**School Board Political Subdivisions**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2015</b>	<b>\$ 84,581,807</b>	<b>\$ 73,506,594</b>	<b>\$ 11,075,213</b>
Service costs	1,563,010	-	1,563,010
Interest	5,770,206	-	5,770,206
Difference between expected and actual	(1,027,134)	-	(1,027,134)
Contributions - employer	-	1,767,920	(1,767,920)
Contributions - employee	-	785,176	(785,176)
Net Investment income	-	3,320,878	(3,320,878)
Benefits payments, including refunds of employee contributions	(4,343,286)	(4,343,286)	-
Administrative expense	-	(46,571)	46,571
Change in proportionate share	21,345	18,551	2,794
Other changes	-	(11,345)	11,345
<b>Balance at June 30, 2015</b>	<b>\$ 86,565,948</b>	<b>\$ 74,997,917</b>	<b>\$ 11,568,031</b>

\*The difference between the net pension liability reflected in this schedule and the similar amount reflected in Note XI b as of June 30, 2015, is a result of changes in the School Board's proportionate share of the net pension liability which increased from 99.16 percent as of the June 30, 2014 measurement date for the June 30, 2015, net pension liability to 99.18 percent as of the June 30, 2014, measurement date for the June 30, 2016 net pension liability. All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2015 measurement date for the June 30, 2016 net pension liability of 99.18 percent.

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

The following presents the proportionate share of the net pension liability using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>Agent Multiple Plans</b>			
School Board non-professional employee net pension liability	\$ 21,586,745	\$ 11,568,031	\$ 3,115,997
City of Norfolk's constitutional offices net pension liability	20,662,167	7,310,904	(3,689,550)
<b>Cost Sharing Plans</b>			
School Board Teachers net pension liability	\$ 447,656,982	\$ 305,900,501	\$ 189,205,431

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**Payables to the Pension Plan**

As of June 30, 2016, the School Board reported a payable of \$228,553 for the outstanding amount of contributions to the political subdivision pension plan required for the year ended June 30, 2016.

As of June 30, 2016, the School Board reported a payable of \$3,303,166 for the outstanding amount of contributions to the teacher's pension plan required for the year ended June 30, 2016.

**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. In the calendar year 2015, the deferral may be up to 25 percent of gross income up to a maximum of \$17,500 per year with increases to the annual contribution limit for catch-up contributions for participants over age 50 or for participants for three years prior to normal retirement age. The benefits from the deferred compensation plan are 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.

**XII. Other Post-employment Benefits (OPEB)**

**Plan Description**

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted 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 65, 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 (hired prior to July 1, 2008) 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 healthcare 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 School Boards' benefits offices based on the participation guidelines established by the Norfolk City Council and the 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. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty

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personnel who are paid or who volunteer, are included as OPEB obligations in the City's financial statements.

**Funding Policy**

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. The City and the School Board committed to a set contribution amount as an explicit subsidy of \$25 per month for the City and \$75 per month for the School Boards per participating retiree. Effective January 1, 2014, the City and the School Boards eliminated healthcare coverage for post 65 retirees (e.g. retirees eligible for Medicare) along with the \$25 and \$75 monthly subsidy, respectively. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. 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.

The annual required contribution was determined as part of the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 4.0 percent investment rate of return and (b) projected salary increases of 3.5 percent per year. Both (a) and (b) include a medical inflation component of 8.0 percent (pre-Medicare) grading to 4.0 percent over 20 years. The actuarial value of the City's assets is equal to the market value of assets. The remaining amortization period is a rolling 30 years.

**Annual OPEB Cost and Net OPEB Obligation**

The City's and the School Boards' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statements No. 43 and 45. Under these Statements, 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 ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Trend information for the City's and the School Boards' annual OPEB cost is as follows (note that amounts may vary from prior years due to change in expected contributions and actual contributions):

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	<b>Annual OPEB Cost</b>	<b>Contributed</b>	<b>Obligation</b>
<b>City Employees and Retirees</b>			
June 30, 2014	\$ 5,363,162	59%	\$ 30,337,282
June 30, 2015	\$ 4,348,284	55%	\$ 31,718,764
June 30, 2016	\$ 4,700,233	43%	\$ 35,377,624
<b>Line of Duty Benefits</b>			
June 30, 2014	\$ 3,734,104	28%	\$ 2,699,740
June 30, 2015	\$ 1,416,115	44%	\$ 3,496,553
June 30, 2016	\$ 1,656,013	44%	\$ 4,428,100
<b>School Board Employees and Retirees</b>			
June 30, 2014	\$ 3,630,442	93%	\$ 15,053,326
June 30, 2015	\$ 2,934,793	90%	\$ 15,743,896
June 30, 2016	\$ 2,696,479	89%	\$ 16,172,527

The actuarial liabilities of the Plans as of July 1, 2015, are shown below:

	City	Line of Duty	School Board	Total
Actuarial liability:				
Active employees	\$ 26,163,947	\$ 2,822,180	\$ 34,592,706	\$ 63,578,833
Retirees	8,853,742	15,005,750	7,495,328	31,354,820
Total actuarial liability	<u>\$ 35,017,689</u>	<u>\$ 17,827,930</u>	<u>\$ 42,088,034</u>	<u>\$ 94,933,653</u>
Less: Plan assets	-	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 35,017,689</u>	<u>\$ 17,827,930</u>	<u>\$ 42,088,034</u>	<u>\$ 94,933,653</u>

The following table shows the components of the City's and the School Board annual OPEB costs, the amounts contributed to the Plans and the changes in the net OPEB obligations:

	City	Line of Duty	Schools	Total
<b>Expected Net OPEB obligation as of June 30, 2015</b>	\$ 31,718,764	\$ 3,496,553	\$ 15,743,896	\$ 50,959,213
Expected Employer contributions FY 2015	2,377,797	629,302	2,629,186	5,636,285
ACTUAL Employer Contributions FY 2015	(1,397,432)	(629,302)	(2,506,619)	(4,533,353)
Increase In net OPEB Obligation	<u>980,365</u>	-	<u>122,567</u>	<u>1,102,932</u>
<b>Adjusted Net OPEB obligation as of June 30, 2015</b>	32,699,129	3,496,553	15,866,463	52,062,145
Annual required contribution (ARC) for FY2016	4,606,828	1,646,025	2,651,156	8,904,009
Interest on net OPEB obligation	1,307,965	139,862	634,659	2,082,486
Adjustment to ARC	(1,214,560)	(129,874)	(589,336)	(1,933,770)
Annual OPEB COST	<u>4,700,233</u>	<u>1,656,013</u>	<u>2,696,479</u>	<u>9,052,725</u>
Less: expected contributions	(2,021,738)	(724,466)	(2,390,415)	(5,136,619)
Increase in net OPEB obligation	<u>2,678,495</u>	<u>931,547</u>	<u>306,064</u>	<u>3,916,106</u>
<b>Net OPEB obligation as of June 30, 2016</b>	<u>\$ 35,377,624</u>	<u>\$ 4,428,100</u>	<u>\$ 16,172,527</u>	<u>\$ 55,978,251</u>

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**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accrued liability for benefits was \$94.9 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$94.9 million. The combined 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 21.3 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.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded			Covered Payroll	UAAL as a % of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll		
<b>CITY EMPLOYEES AND RETIREES</b>							
July 1, 2015	\$ -	\$ 35,017,689	\$ 35,017,689	0.0%	\$ 182,340,976		19.2%
<b>LINE OF DUTY BENEFITS</b>							
July 1, 2015	\$ -	\$ 17,827,930	\$ 17,827,930	0.0%	\$ 60,274,490		29.6%
<b>SCHOOL EMPLOYEES AND RETIREES</b>							
July 1, 2015	\$ -	\$ 42,088,034	\$ 42,088,034	0.0%	\$ 179,913,077		23.4%

**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, 2015, with results projected for the fiscal year ended June 30, 2016. The entry age normal actuarial cost method was used with a level percent open amortization method over 30 years. A discount rate of 4.0 percent was used. Annual rates of health care inflation used were 8.0 percent (pre-Medicare) grading to 4.0 percent over 20 years and the annual rate of salary increases used was 3.5 percent.

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.

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**XIII. Interfund Receivable and Payable Balances**

The composition of interfund activity as June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Capital Projects fund	\$ 24,747,428
	Non-major governmental funds	519,040
	Water Utility fund	165,386
	Total General fund	<u><u>\$ 25,431,854</u></u>
Capital Projects fund	Parking Facilities fund	\$ 11,653,191
	Water Utility fund	4,506,878
	Wastewater Utility fund	12,281
	Total Capital Projects fund	<u><u>\$ 16,172,350</u></u>
Non-major governmental funds	General fund	\$ 545,523
	Other Non-major governmental funds	43,634
	Total Governmental funds	<u><u>\$ 589,157</u></u>
		<u><u>\$ 42,193,361</u></u>
Receivable Fund	Payable Fund	Amount
Water Utility fund	Fleet Management fund	\$ 21,494
	Non-Major Governmental funds	2,846
	Total Enterprise funds	<u><u>\$ 24,340</u></u>
Wastewater Utility fund	Fleet Management fund	<u><u>\$ 28,909</u></u>
Parking Facilities fund	General fund	\$ 187,016
	Total Due from Other funds	<u><u>\$ 240,265</u></u>
		<u><u>\$ 42,433,626</u></u>
Payable Fund	Receivable Fund	
General fund	Non-Major Governmental	\$ 589,157
	Parking fund	187,016
	Total Capital Projects fund	<u><u>\$ 776,173</u></u>
Capital Projects fund	General fund	\$ 24,747,428
	Non-Major Governmental	519,040
	Total Non-major Governmental funds	<u><u>\$ 25,266,468</u></u>
Non-major governmental funds	Water Utility fund	\$ 2,846
	Total Governmental fund	<u><u>\$ 2,846</u></u>
		<u><u>\$ 26,045,487</u></u>
Payable Fund	Receivable Fund	
Water Utility fund	General fund	\$ 165,386
	Capital Projects fund	4,506,878
	Total Water Utility fund	<u><u>\$ 4,672,264</u></u>
Wastewater Utility fund	Capital Projects fund	\$ 12,281
	Total Wastewater Utility fund	<u><u>\$ 12,281</u></u>
Parking Facilities Fund	Capital Projects fund	\$ 11,653,191
	Total Parking Facilities fund	<u><u>\$ 11,653,191</u></u>
Fleet Management Fund	Water Utility fund	\$ 21,494
	Wastewater Utility fund	28,909
	Total Healthcare fund	<u><u>\$ 50,403</u></u>
	Total Enterprise and Internal Service funds	<u><u>\$ 16,388,139</u></u>
	Total Due to Other funds	<u><u>\$ 42,433,626</u></u>

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**XIV. Interfund Transfers**

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.

The following interfund transfers occurred during fiscal year 2016:

<b>Fund</b>	<b>In</b>	<b>Out</b>
General	\$ 14,888,405	\$ 76,153,008
Capital Projects	6,594,366	8,696,000
Debt Service	73,130,582	-
Nonmajor Governmental	13,339,572	13,103,917
Water Utility	-	8,500,000
Wastewater Utility	-	1,500,000
Parking Facilities	-	-
	<hr/> <u>\$ 107,952,925</u>	<hr/> <u>\$ 107,952,925</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$14,888,405 include \$8,500,000 from the Water Utility fund, \$800,000 from the Waste Management fund and \$1,500,000 from the Wastewater Utility fund, and \$4,088,405 from the TIF fund.

The General fund transfers out of \$76,153,008 represent a transfer of \$67,565,850 to the Debt Service fund to fund general obligation debt, \$4,279,166 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$3,125,325 to the Grants special revenue fund in support of grant projects, \$211,813 to the Cemeteries special revenue fund and \$940,976 to the Emergency Operations Center/E-911 special revenue fund.

The Capital Projects fund transferred \$1,196,000 to the Grants special revenue fund for matching and \$7,500,000 to the Public Amenities fund as a return of resources not used to fund capital projects. Capital projects transfers in included \$4,279,166 from the General fund, \$1,000,000 from the Public Amenities fund, and \$1,315,200 from the Storm Water fund.

Debt service transfers in of \$73,130,582 include \$3,187,059 from the Storm Water special revenue fund, \$1,002,422 from the Public Amenities special revenue fund, \$203,152 from the Towing and Recovery Operations special revenue fund, \$895,695 from the Tax Increment Financing special revenue fund, \$276,404 from Waste Management and \$67,565,850 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$3,187,059 to the Debt Service fund to cover its general obligation debt service cost, \$30,000 to the Grants special revenue fund and \$1,315,200 to the Capital Project fund to support the fund's capital related projects.

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The Public Amenities special revenue fund transferred \$1,000,000 to the Capital Projects fund in support of the fund's capital related projects, and \$1,002,422 to cover its general obligation debt service cost. The Public Amenities fund received \$7,500,000 from the Capital Projects fund from prior year transfers of funds not used.

The Towing and Recovery Operation special revenue fund transferred \$203,152 to the Debt Service fund to cover its general obligation debt service cost.

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

The Tax Increment Financing special revenue fund transferred \$895,695 to the Debt Service fund to fund current fiscal year debt service payments and \$4,088,405 to the General fund.

The Water and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000, respectively, to the General fund, respectively.

**CITY OF NORFOLK, VIRGINIA**  
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**XV. Fund Balance by Functional Category (GASB 54)**

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General fund	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
<b>FUND BALANCES</b>				
Nonspendable				
Inventory and Prepaid items	\$ 139,048	\$ -	\$ -	\$ 139,048
Total Nonspendable	139,048	-	-	139,048
Restricted				
General government	\$ 3,015,325	\$ -	\$ 130,902	\$ 3,146,227
Judicial administration	-	-	733,654	733,654
Public safety	-	-	786,177	786,177
Public works	-	-	-	-
Health and public assistance	-	-	501,096	501,096
Culture and recreation	-	-	5,962,149	5,962,149
Community development	-	-	1,282,857	1,282,857
Total Restricted	3,015,325	-	9,396,835	12,412,160
Committed				
General government	5,000,000	-	-	5,000,000
Public works	-	-	3,093,436	3,093,436
Health and public assistance	-	-	-	-
Culture and recreation	-	-	44,391	44,391
Other purposes capital	-	6,170,192	-	6,170,192
Total Committed	5,000,000	6,170,192	3,137,827	14,308,019
Assigned				
General government	10,316,983	-	17,764	10,334,747
Judicial administration	-	-	-	-
Public safety	-	-	2,221,497	2,221,497
Public works	-	-	2,914,807	2,914,807
Health and public assistance	453,993	-	-	453,993
Culture and recreation	555,340	-	21,400,233	21,955,573
Community development	700,000	-	-	700,000
Education	-	-	-	-
(FY-2016 Budget appropriation)	14,530,289	-	-	14,530,289
Total Assigned	26,556,605	-	26,554,301	53,110,906
Unassigned				
Other	73,076,766	(216,480,586)	(2,689,087)	(146,092,907)
Total Unassigned	73,076,766	(216,480,586)	(2,689,087)	(146,092,907)
Total fund balances	<u><u>\$ 107,787,744</u></u>	<u><u>\$ (210,310,394)</u></u>	<u><u>\$ 36,399,876</u></u>	<u><u>\$ (66,122,774)</u></u>

There is a fund deficit in the Capital Projects fund of \$210,310,394 resulting from a management decision to finance capital projects with existing cash and draws from a Line of Credit established with the Bank of America in order to reduce interest expense. The sale of approximately \$187 million of general obligation bonds to refinance long-term was made subsequent to the balance sheet date. (See Note XXIV) The line of credit draws, over time, will be replaced with long-term debt.

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**XVI. Deferred Inflow and Outflow of Resources**

Deferred inflows and deferred outflows of resources, as represented in the entity wide and fund financial statements at June 30, 2016, are comprised of the following:

**A. Unavailable Revenues**

Deferred inflows in the General fund and non-major governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$27,667,706 and \$2,821,764 respectively as of June 30, 2016.

**B. Deferred Inflows and Outflows from Refunding Transactions**

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity wide financial statements of \$17,693,726 for governmental activities and \$14,081,460 for business-type activities which consists of a loss of \$8,840,224 for the Water Utility, \$2,564,216 for the Wastewater Utility and \$2,677,020 for Parking Facilities. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$254,511 for governmental activities and \$22,184 for business-type activities, specifically \$19,946 for the Wastewater Utility and \$2,238 for Parking Facilities.

**C. Deferred Inflows and Outflows Related to Pensions**

Deferred Inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2016, the amount reported as governmental activities was \$21,821,076 (which includes the Fleet Management fund of \$408,071), and the amounts reported in business-type activities were \$1,087,890 for the Water Utility fund, \$355,001 for the Wastewater Utility fund, and negative \$289 for the Parking Facilities fund.

Deferred outflows related to pension are the payments made in fiscal year 2016 that will not be reflected in the pension liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2016 financial statements are \$30,850,931 for governmental activities (which includes \$347,016, in the Fleet Management fund), \$1,817,839 for the Water Utility fund, \$532,267 for the Wastewater Utility fund and \$356,517 for the Parking Facilities fund.

**XVII. Commitments and Contingencies**

**A. Capital Projects**

Commitments for completion of capital projects in the business-type activities, authorized at June 30, 2016, are as follows:

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Water Utility development projects	\$47,191,146
Wastewater Utility development projects	13,394,594
Parking Facilities development projects	2,181,044
Total	<u><u>\$62,766,784</u></u>

See Exhibit J-3 Schedule of Expenditures for listing of capital projects in the governmental activities, authorized at June 30, 2016.

**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.

The City was a guarantor for \$3,509,766 of VRA debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2016. See Note XXI for more information on this guaranteee and the SPSA joint venture.

**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 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

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- 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 paid the following liabilities for pollution remediation obligations: \$65,910 associated with the cleanup of the USS Wisconsin battleship, in order to open it to the public for tours, \$28,801 of which was associated with Nauticus. 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 and are included in other liabilities on the financial statements. The potential for a change to the estimate is minimal. Additional liabilities incurred were \$200,000 for Meadowbrook School and \$110,000 for the General District Court Building.

	Primary Government				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Pollution remediation obligation	\$ 434,786	\$ -	\$ 30,075	\$ 404,711	\$ 404,711

## **E. Encumbrances**

Encumbrances as of June 30, 2016, in the General fund and Capital Projects fund totaled \$11,872,025 and \$116,506,934 respectively. Encumbrances as of June 30, 2016, for nonmajor governmental funds in the aggregate totaled \$32,341,517.

## **XVIII. Surety Bonds and Insurance**

<u>Surety</u>	<u>Official</u>	<u>Amount</u>
Commonwealth of Virginia	C. Evans Poston Jr., Commissioner of the Revenue Anthony Burfoot, City Treasurer Robert J. McCabe, Sheriff George E. Schaefer, III Clerk of the Circuit Court Total Commonwealth of Virginia	\$ 3,000 1,500,000 30,000 2,235,000 \$ 3,768,000
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	\$ 500,000
City of Norfolk	Travelers Insurance Co. All City employees	\$ 1,000,000

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**XIX. 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, pursuant to an ordinance adopted by City Council, to cover these risks. 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 2016 was \$9,231,537.

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, 2016, these liabilities were estimated at \$29,296,575 with \$4,180,781 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal 2016 were determined by an independent actuary.

Effective January 1, 2014 the Norfolk Healthcare Consortium (Consortium) began participating in a city-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposits their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded \$6,187,000 for medical and pharmacy claims incurred, but not reported as of June 30, 2016. Payments from the Norfolk Public Schools are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2016, was \$6,698,114. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2016 and 2015 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Estimated Outstanding Claims at the Beginning of year	\$ 29,476,369	\$ 29,055,228	\$ 6,187,000	\$ 5,705,786	\$ 35,663,369	\$ 34,761,014
Additional Incurred Claims or Changes in Estimates	6,855,246	5,887,750	(76,595,222)	82,948,159	(69,739,976)	88,835,909
Claims Paid	(7,035,040)	(5,466,609)	76,595,222	(82,466,945)	69,560,182	(87,933,554)
Estimated Outstanding Claims at the End of year	<b>\$ 29,296,575</b>	<b>\$ 29,476,369</b>	<b>\$ 6,187,000</b>	<b>\$ 6,187,000</b>	<b>\$ 35,483,575</b>	<b>\$ 35,663,369</b>

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The City in its General fund has committed \$5,000,000 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 Norfolk Public Schools (NPS) also self-insures its workers compensation and general liability and its future expected self-insured losses as of June 30, 2016, projected at \$3,693,122 of which \$332,793 is the current portion and a longer-term projection of \$3,360,329. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2015 and 2016 are as follows:

	Estimated Outstanding Losses Beginning of Fiscal Year	Additional Incurred Claims and/or Changes in Estimate	Claims Paid	Estimated Outstanding Losses End of Fiscal Year
2015	\$ 3,797,138	\$ 264,962	\$ 480,097	\$ 3,582,003
2016	\$ 3,582,003	\$ 737,567	\$ 585,535	\$ 3,734,035

## **XX. Jointly Governed Organizations**

### **A. Hampton Roads Regional Jail Authority (HRRJA)**

HRRJA is a regional organization which includes the cities of Chesapeake, 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, 2016. Complete financial statements of HRRJA can be obtained from HRRJA.

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**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 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, 2016. Complete financial statements of the Commission can be obtained from the Commission.

**C. Transportation District Commission of Hampton Roads (TDC)**

TDC known as Hampton Roads Transit (HRBT) a political subdivision of the common wealth, was formed on May 9, 1923, as a joint exercise of governmental power in accordance with Chapter 32 of Title 15.2 of the Code of Virginia. HRBT provides public transportation facilities and services within the cities of Norfolk, Chesapeake, Hampton, Newport News and Virginia Beach, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operation HRBT rests with professional management. HRBT was constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2016. Complete financial statements of TDC can be obtained from TDC.

**XXI. Joint Ventures**

**A. 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 a Board of Directors consisting of eight members representatives 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 individual 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.

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In June 2010, SPSA entered into a debt repayment plan with the Virginia Resources Authority (VRA) which required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The member community guarantee percentages were calculated based on a three year average of proportional municipal tonnages. The member jurisdiction guarantees as of June 30, 2016, were as follows:

<b>Member community</b>	<b>Guarantee percentage</b>	<b>Principal guarantee</b>
Chesapeake	22.49%	\$ 4,648,683
Franklin	0.97%	200,499
Isle of Wight	3.98%	822,666
Norfolk	16.98%	3,509,766
Portsmouth	10.27%	2,122,809
Southampton	2.10%	434,070
Suffolk	12.87%	2,660,229
Virginia Beach	30.34%	6,271,278
	100.00%	\$ 20,670,000

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 June 30, 2016. Complete financial statements of the SPSA can be obtained from SPSA.

**B. The Slover Library Foundation (The Foundation)**

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a central library for the City. The new central library was named the Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, were joined by an architecturally significant structure to create a new technologically advanced library. Funding provided by the Foundation in the future will be used for purchase and maintenance of technology used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from third parties.

**C. Norfolk Botanical Gardens Society (The Society)**

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Gardens which are owned by the City. This agreement expires on June 30, 2017. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

**XXII. 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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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. The City does not exercise a significant degree of oversight responsibility for the NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

The City currently has two significant projects with the NRHA; (1) Waterside Redevelopment and (2) Conference center hotel and garage. The City conveyed ownership of Waterside to the NRHA and agreed to provide \$32 million in development support. NRHA will operate Waterside upon completion. The City and Professional Hospitality Resources, Inc. are constructing the conference center, hotel and parking garage. The City is to contribute up to \$64 million to the development costs. The conference center and garage will be owned by NRHA.

**B. Norfolk Airport Authority (The 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 Authority 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 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.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**C. 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 in 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 facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

**D. 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.

**XXIII. Adoption of New Accounting Pronouncements**

- GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this statement are effective for the financial statements beginning for fiscal periods after June 15, 2015. See footnote II for new disclosures. There was no impact on net position or results of operations.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments. It is superseded Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The Statement is effective for fiscal years beginning after June 15, 2015.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for the external investment pool to qualify to value investments at amortized costs for financial reporting purposes and requires certain footnote disclosures in relation to these investments. The Statement is effective for the fiscal years beginning after June 15, 2015. See footnotes for new disclosures. There was no impact on net position or results of operations.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**XXIV. Subsequent Events**

On October 19, 2016, the City completed a three-prong sale of \$187,055,000 in General Obligation Bonds.

The City issued its \$106,685,000 General Obligation Capital Improvement Bonds, Series 2016A. Included in the General Obligation Capital Improvement Bonds were approximately \$6.69 million of stepped-coupon bonds offered in years 2043 – 2047.

In addition, the City completed the sale of \$69,870,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings was \$5,880,561, or 8.41 percent of the original debt service requirements.

Additionally, the City competitively sold \$10,500,000 of taxable General Obligation Qualified Energy Conservation Bonds (QECBs). QECBs, authorized by the American Recovery and Reinvestment Act, are bonds with 70 percent federal tax credits to the bond investor that result in the City paying substantially reduced interest.

The City repaid \$100,000,000 of the Line of Credit; \$70,000,000 on July 25, 2016 and \$30,000,000 on August 3, 2016 from the bond proceeds.

On June 28, 2016, the Authority entered into a Cooperation Agreement with the City to provide up to \$5,000,000 in a revenue sharing performance agreement over 15 years to IKEA. This purpose of this grant is to partially offset infrastructure related costs of the development of property located at 6000 Northampton Boulevard. IKEA will construct an approximately 350,000 square foot retail store with an exclusive parking field of at least 1,200 parking spaces. The term of the grant shall commence upon completion of construction of the improvements. Construction has not yet been completed. The sale of the property to IKEA was completed on July 28, 2016 for a purchase price of \$6,000,000.

On June 24, 2016, the Authority executed a Purchase and Sale Agreement for the property known as the "Royster Building" located at 201 Granby Street and the adjoining building located at 205 Granby Street with the Norfolk Redevelopment and Housing Authority (NRHA). The purchase price of \$5,000,000 also includes an additional \$1,000,000 payment to be made by the City to NRHA. On June 24, 2016, the Authority executed a Purchase and Sale Agreement for the same property with SC Royster, LLC for \$5,000,000. The closings were not completed by June 30, 2016.

**XXV. Accounting Pronouncements Issued, But Not Yet Implemented**

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

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. Statement 74 addresses reporting by OPEB plans that administer benefits on behalf of governments and basically parallels GASB Statement

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

67 and replaces GASB statement 43. The Statement is effective for fiscal years beginning after June 15, 2016.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. GASB Statement No. 75 requires governments to report a liability on the financial statements for the OPEB that they provide. The Statement is effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments to disclosure certain information related to tax abatements and other limitations on the revenue-raising capacity. The requirements are effective for financial statement periods beginning after December 15, 2015.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement establishes additional blending requirements for financial statement presentation of component units. It amends Statements No 14, *The Financial Reporting Entity*. The requirements for this statement are effective for reporting periods beginning after June 15, 2016.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements. The statement is effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.
- GASB Statement No. 82, *Pension Issues*. This statement amends GASB 67, 68 and 73 regarding accounting and financial reporting for pensions. This Statement is effective for reporting periods beginning after June 15, 2016.

# **REQUIRED SUPPLEMENTARY INFORMATION**

***(OTHER THAN MANAGEMENT'S  
DISCUSSION & ANALYSIS)***

**(Unaudited)**





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# CITY OF NORFOLK, VIRGINIA

Schedule of Funding Progress for Other Post-Employment Benefit Plans (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UUAL as a percentage of covered payroll
<b><u>Other Post-employment Benefits (OPEB):</u></b>						
<b>CITY EMPLOYEES AND RETIREES</b>						
July 1, 2010	\$ -	\$ 60,204,591	\$ 60,204,591	0.0%	\$ 175,976,672	34.2%
July 1, 2011	\$ -	\$ 58,495,183	\$ 58,495,183	0.0%	\$ 170,921,920	34.2%
July 1, 2012	\$ -	\$ 57,193,058	\$ 57,193,058	0.0%	\$ 167,592,964	34.1%
July 1, 2013	\$ -	\$ 52,314,519	\$ 52,314,519	0.0%	\$ 180,447,292	29.0%
July 1, 2014	\$ -	\$ 37,979,717	\$ 37,979,717	0.0%	\$ 178,792,255	21.2%
July 1, 2015	\$ -	\$ 35,017,689	\$ 35,017,689	0.0%	\$ 182,340,976	19.2%
<b>LINE OF DUTY BENEFITS</b>						
July 1, 2012	\$ -	\$ 18,584,711	\$ 18,584,711	0.0%	\$ 61,145,036	30.4%
July 1, 2013	\$ -	\$ 19,945,627	\$ 19,945,627	0.0%	\$ 62,477,160	31.9%
July 1, 2014	\$ -	\$ 15,909,450	\$ 15,909,450	0.0%	\$ 61,932,622	25.7%
July 1, 2015	\$ -	\$ 17,827,930	\$ 17,827,930	0.0%	\$ 60,274,490	29.6%
<b>SCHOOL EMPLOYEES AND RETIREES</b>						
July 1, 2010	\$ -	\$ 82,776,654	\$ 82,776,654	0.0%	\$ 198,660,313	41.7%
July 1, 2011	\$ -	\$ 77,556,192	\$ 77,556,192	0.0%	\$ 171,691,191	45.2%
July 1, 2012	\$ -	\$ 69,496,659	\$ 69,496,659	0.0%	\$ 186,413,340	37.3%
July 1, 2013	\$ -	\$ 46,450,857	\$ 46,450,857	0.0%	\$ 183,295,993	25.3%
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0.0%	\$ 186,834,233	21.3%
July 1, 2015	\$ -	\$ 42,088,034	\$ 42,088,034	0.0%	\$ 179,913,077	23.4%
<b>TOTAL</b>						
July 1, 2010	\$ -	\$ 142,981,245	\$ 142,981,245	0.0%	\$ 374,636,985	38.2%
July 1, 2011	\$ -	\$ 136,051,375	\$ 136,051,375	0.0%	\$ 342,613,111	39.7%
July 1, 2012	\$ -	\$ 145,274,428	\$ 145,274,428	0.0%	\$ 415,151,340	35.0%
July 1, 2013	\$ -	\$ 118,711,003	\$ 118,711,003	0.0%	\$ 426,220,445	27.9%
July 1, 2014	\$ -	\$ 93,723,189	\$ 93,723,189	0.0%	\$ 427,559,110	21.9%
July 1, 2015	\$ -	\$ 94,933,653	\$ 94,933,653	0.0%	\$ 422,528,543	22.5%

**CITY OF NORFOLK**  
**Norfolk Employees' Retirement System**  
 Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)  
 For Fiscal Years

	2016	2015
<b>Total Pension Liability</b>		
Service Costs	\$ 25,467,399	\$ 24,578,759
Interest	82,839,251	80,203,196
Changes of benefit terms	352,800	20,689,842
Difference between expected and actual experience	(2,471,392)	(10,654,079)
Changes in assumptions		
Benefits payments, including refunds of member contributions	(79,031,490)	(77,065,376)
<b>Net change in total pension liability</b>	<b>27,156,568</b>	<b>37,752,342</b>
<b>Total Pension Liability - Beginning</b>	<b>1,197,466,213</b>	<b>1,159,713,871</b>
<b>Total Pension Liability - Ending</b>	<b><u>\$ 1,224,622,781</u></b>	<b><u>\$ 1,197,466,213</u></b>
 <b>Plan Fiduciary Net position</b>		
Employer contributions	\$ 34,932,005	\$ 42,330,492
Employee contributions	4,914,726	1,671,644
Net investment income	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(79,031,489)	(77,065,376)
Administrative expense	(386,495)	(412,809)
<b>Net change in Fiduciary Net Position</b>	<b>(22,974,700)</b>	<b>123,815,785</b>
<b>Total Net Position - Restated Beginning</b>	<b>1,036,178,960</b>	<b>912,363,175</b>
<b>Total Net Position - Ending</b>	<b><u>\$ 1,013,204,260</u></b>	<b><u>\$ 1,036,178,960</u></b>
 <b>Net Pension Liability</b>	 <b><u>\$ 211,418,521</u></b>	 <b><u>\$ 161,287,253</u></b>
Plan fiduciary net position as a percentage of the total pension liability	82.74%	86.53%
Covered-Employee payroll	\$ 178,467,817	\$ 177,560,789
Net Pension liability as a percentage of covered employee payroll	118.46%	90.83%

\*This schedule is intended to illustrate the requirement to show information for 10 years.  
 Additional years will be included as they become available.

**CITY OF NORFOLK**  
**Norfolk Employees' Retirement System**  
 Schedule of Employer Contributions (unaudited)  
 Last 10 Fiscal Years  
 (Amounts in thousands)

Fiscal Years	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll **	Contributions as a % of Covered Employee Payroll
2016	\$ 30,761	\$ 30,761	\$ -	\$ 175,679	17.51%
2015	38,263	34,932	3,331	178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%
2012	42,828	42,828	-	167,593	25.55%
2011	35,515	35,515	-	170,922	20.78%
2010	28,279	28,279	-	175,179	16.14%
2009	25,668	25,668	-	179,591	14.29%
2008	25,136	25,136	-	175,390	14.33%
2007	25,728	25,728	-	168,130	15.30%

\* The actuarially determined contribution and the employer contributions were adjusted for years prior to 2014 to retrospectively apply to the timing of recognition under GASB 67.

\*\* The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered-employee payroll was provided by the actuary. For the years 2014 through 2016, the balances exclude payroll for active employees participating in DROP for which contributions are not made.

**CITY OF NORFOLK**  
**Virginia Retirement System State Constitutional Offices**  
 Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)  
 For Fiscal Years

	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service costs	\$ 3,531,000	\$ 3,600,000
Interest	6,001,000	5,574,000
Changes of benefit terms	-	-
Difference between expected and actual experience	(763,000)	-
Changes in assumptions	-	-
Benefits payments, including refunds of member contributions	<u>(3,377,000)</u>	<u>(2,798,000)</u>
<b>Net change in total pension liability</b>	<b>5,392,000</b>	<b>6,376,000</b>
<b>Total Pension Liability - Beginning</b>	<b>87,410,000</b>	<b>81,034,000</b>
<b>Total Pension Liability - Ending</b>	<b><u>\$ 92,802,000</u></b>	<b><u>\$ 87,410,000</u></b>

**Plan Fiduciary Net position**

Employer contributions	\$ 2,830,000	\$ 3,167,000
Employee contributions	1,373,000	1,422,000
Projected earnings on plan investments	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(3,377,000)	(2,798,000)
Administrative expense	(50,000)	(57,000)
Other	(3,000)	1,000
<b>Net change in Fiduciary Net Position</b>	<b>4,515,000</b>	<b>12,668,000</b>
<b>Total Net Position - Restated Beginning</b>	<b>80,975,000</b>	<b>68,307,000</b>
<b>Total Net Position - Ending</b>	<b><u>\$ 85,490,000</u></b>	<b><u>\$ 80,975,000</u></b>

**Net Pension Liability**

Plan fiduciary net position as a percentage of the total pension liability	92.12%	92.64%
Covered-Employee payroll	\$ 26,861,778	\$ 26,952,068
Net Pension liability as a percentage of covered employee payroll	27.22%	23.88%

\*This schedule is intended to illustrate the requirement to show information for 10 years.  
 Additional years will be included as they become available.

**CITY OF NORFOLK**  
**Virginia Retirement System State Constitutional Offices**  
 Schedule of Employer Contributions (unaudited)  
 Last 10 Fiscal Years  
 (Amounts in thousands)

Fiscal Years	Contributions in Relation to Contractually <b>Required</b> Contributions			Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	Contractually <b>Required</b> Contributions	Contributions	<b>Required</b>			
2016	\$ 2,796	\$ 2,796	\$ 2,796	-	\$ 26,862	10.41%
2015	2,829	2,829	2,829	-	26,862	10.53%
2014	3,167	3,167	3,167	-	26,952	11.75%
2013	3,135	3,135	3,135	-	27,300	11.48%
2012	3,212	3,212	3,212	-	24,677	13.02%
2011	3,289	3,289	3,289	-	24,539	13.40%
2010	3,371	3,371	3,371	-	24,539	13.74%
2009	3,490	3,490	3,490	-	25,997	13.42%
2008	2,376	2,376	2,376	-	25,855	9.19%
2007	2,305	2,305	2,305	-	24,932	9.25%

Note: Covered employee payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered employee payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement Systems Teachers Retirement Plan**

Schedule of the School Board's Proportionate Share of the Net Pension Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	<b>2016</b>	<b>2015</b>
School Board's proportion of the Net Pension Liability	2.430%	2.467%
School Board's proportionate share of the Net Pension Liability	\$ 305,901	\$ 298,089
Covered-Employee payroll	\$ 189,624	\$ 189,067
School Board's proportionate of the Net Pension Liability as a percentage of its covered-employee payroll	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	70.68%	70.88%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. Additional years will be included as they become available.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement Systems Teachers Retirement Plan**

Schedule of School Boards' Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

Fiscal Years	Contributions in Relation to Contractually Required Contributions			Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)			
2016	\$ 25,755	\$ 25,755	\$ -	\$ 194,172	13.26%	
2015	26,206	26,206	-	189,624	13.82%	
2014	21,056	21,056	-	189,067	11.14%	
2013	20,911	20,911	-	144,714	14.45%	
2012	19,516	19,516	-	148,138	13.17%	
2011	16,027	16,027	-	135,016	11.87%	
2010	21,492	21,492	-	157,542	13.64%	
2009	26,461	26,461	-	157,178	16.84%	
2008	32,696	32,696	-	152,536	21.43%	
2007	28,482	28,482	-	187,608	15.18%	

Note: Covered employee payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered employee payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement Systems Teachers Retirement Plan**

Schedule of Changes in the School Board's Net Pension Liability and Related Ratios (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2016	2015
<b>Total Pension Liability</b>		
Service costs	\$ 1,563	\$ 1,530
Interest	5,770	5,586
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Contributions - employer	(1,027)	-
Benefits payments, including refunds of member contributions	(4,343)	(4,659)
Change in proportionate share	21	
<b>Net change in total pension liability</b>	<b>1,984</b>	<b>2,457</b>
<b>Total Pension Liability - Beginning</b>	<b>84,582</b>	<b>82,125</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 86,566</b>	<b>\$ 84,582</b>
 <b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 1,768	\$ 1,722
Employee contributions	785	775
Projected earnings on plan investments	3,321	10,151
Benefit payments, including refunds of member contributions	(4,343)	(4,659)
Administrative expense	(47)	(56)
Change in proportionate share	18	
Other	(11)	1
<b>Net change in Fiduciary Net Position</b>	<b>1,491</b>	<b>7,934</b>
<b>Total Net Position - Restated Beginning</b>	<b>73,507</b>	<b>65,573</b>
<b>Total Net Position - Ending</b>	<b>\$ 74,998</b>	<b>\$ 73,507</b>
 <b>Net Pension Liability</b>	 <b>11,568</b>	 <b>11,075</b>
Plan fiduciary net position as a percentage of the total pension liability	86.64%	86.91%
Covered-Employee payroll	\$ 22,224	\$ 21,766
Net Pension liability as a percentage of covered employee payroll	52.05%	50.88%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2015 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement Plan for Political Subdivisions**

Schedule of School Board Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

Fiscal Years	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 1,794	\$ 1,794	\$ -	\$ 22,219	8.07%
2015	1,768	1,768	-	22,224	7.96%
2014	1,722	1,722	-	21,766	7.91%
2013	1,734	1,734	-	15,661	11.07%
2012	1,858	1,858	-	14,818	12.54%
2011	1,923	1,923	-	15,287	12.58%
2010	1,928	1,928	-	16,169	11.92%
2009	2,016	2,016	-	16,871	11.95%
2008	2,443	2,443	-	17,440	14.01%
2007	2,211	2,211	-	15,166	14.58%

Note: Covered employee payroll prior to June 30, 2014, was calculated on payroll subject to pension coverage. Under GASB 68, covered employee payroll should include total payroll for employees covered under pension plan whether that payroll is subject to pension coverage or not.

City of Norfolk  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

## **A. VRS Teacher Retirement Plan**

### **Changes of benefit terms**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid retirement plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2015, are not material.

### **Changes of assumptions**

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

- Used the following mortality tables:
  - RP-2000 Employee Mortality Table
  - RP-2000 Combined Mortality Table
  - RP-2000 Disability Mortality Table
- Adjusted the rates of service retirement
- Decreased the rates of withdrawals for 3 through 9 years of service
- Decreased the rates of disability
- Reduced the rates of salary increase by 0.25 percent per year

## **B. VRS Retirement Plan for Political Subdivisions**

### **Changes of benefit terms**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid retirement plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

- Used the following mortality tables:
  - RP-2000 Employee Mortality Table
  - RP-2000 Combined Mortality Table
  - RP-2000 Disability Mortality Table
- Decreased the rates of service retirement
- Decreased the rates of disability retirement
- Reduced the rates of salary increase by 0.25 percent per year

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-1**

**Schedule of Revenue, Budget and Actual (Unaudited)**  
**General Fund**  
**For the Year Ending June 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
General property taxes	\$ 257,821,500	\$ 257,821,500	\$ 260,959,130	\$ 3,137,630
Other local taxes	158,508,748	158,508,748	156,358,560	(2,150,188)
Permits, privilege fees and licenses	3,196,000	3,196,000	3,038,229	(157,771)
Fines and forfeitures	1,157,600	1,157,600	1,110,993	(46,607)
Use of money and property	7,248,890	7,248,890	7,229,395	(19,495)
Charges for services	24,595,625	24,633,725	26,020,807	1,387,082
Miscellaneous revenue	8,637,083	8,628,083	8,583,197	(44,886)
Recovered costs	11,516,075	11,525,075	10,604,391	(920,684)
Non-categorical aid - Virginia	32,571,100	32,571,100	34,022,242	1,451,142
Shared expense - Virginia	21,081,928	21,043,828	21,208,525	164,697
Categorical aid - Virginia	254,144,223	254,144,223	254,797,286	653,063
Categorical aid - Federal	8,634,866	8,631,856	9,153,973	522,117
Other sources and transfers	23,265,483	29,768,493	28,901,952	(866,541)
 Total revenue budget	 \$ 812,379,121	 \$ 818,879,121	 \$ 821,988,680	 \$ 3,109,559

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-2**

**Schedule of Expenditures, Budget and Actual (Unaudited)**  
**General Fund**  
**For the Year Ending June 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
Legislative	\$ 4,623,759	\$ 4,644,659	\$ 4,485,077	\$ 159,582
Executive	2,310,706	2,310,706	2,163,514	147,192
Department of Law	4,386,569	4,386,569	4,340,226	46,343
Finance, City Treasurer, Commissioner of Revenue	9,359,506	9,715,668	9,414,576	301,092
Department of Human Resources	3,331,768	3,331,768	3,019,460	312,308
Courts, Sheriff and Detention	50,783,180	50,783,180	48,261,487	2,521,693
Department of Public Health	3,476,484	3,476,484	3,371,941	104,543
Department of Human Services	71,819,875	72,507,052	68,732,109	3,774,943
Department of Public Works	24,509,658	24,649,658	24,171,571	478,087
Recreation Parks and Open Space, Maritime Center	21,746,799	21,746,799	21,213,529	533,270
Education	314,678,771	314,678,771	310,924,679	3,754,092
Norfolk Public Libraries	11,073,353	11,073,353	10,952,721	120,632
Elections	978,131	978,131	832,607	145,524
Department of Planning & Community Development	4,829,234	4,847,424	4,561,113	286,311
Department of Neighborhood Development	3,899,763	3,909,763	3,680,492	229,271
Department of Cultural Facilities, Arts & Entertainment	5,543,082	5,539,782	5,417,501	122,281
Departmental Support	18,586,333	19,213,143	15,079,294	4,133,849
Outside Agencies	42,296,043	41,673,866	41,320,427	353,439
Department of Police	66,925,481	67,175,481	67,172,143	3,338
Department of Fire and Rescue	40,608,056	40,608,056	40,592,648	15,408
Debt service	62,382,152	67,382,417	67,101,816	280,601
Budget and Strategic Planning	1,486,195	1,309,368	1,209,374	99,994
General Services	23,971,181	24,030,981	23,651,420	379,561
Economic Development	1,798,593	1,876,593	1,876,038	555
Communications and Public Relations	1,433,267	1,380,797	1,780,734	(399,937)
Department of Information Technology	11,526,550	11,579,020	11,150,108	428,912
Virginia Zoological Park	3,727,134	3,782,134	3,698,823	83,311
Office of Homelessness	287,498	287,498	235,235	52,263
 Total expenditure budget	 \$ 812,379,121	 \$ 818,879,121	 \$ 800,410,663	 \$ 18,468,458

Exhibit E-2 for GASB 54 includes the General fund, the Maritime Center and the Community Services Board.

**CITY OF NORFOLK, VIRGINIA**  
**Notes to Required Supplementary Information**  
**Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)**  
**For the Year Ending June 30, 2016**

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	General Fund
<b><u>Sources/inflows of resources:</u></b>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 821,988,680
<b>Differences--budget to GAAP:</b>	
The effects of accounting for school revenue as a component unit	(192,366,611)
The effects of accounting for transfer from fund balance	(9,356,035)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(19,545,917)
The effects of reclassification of recovered costs	(8,163,739)
The effects of accounting for Investments	150,342
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	<u>\$ 592,706,720</u>
<b><u>Uses/outflows of resources:</u></b>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 800,410,663
<b>Differences--budget to GAAP:</b>	
The effects of accounting for school expenditures as a component unit	(197,902,757)
The effects of accounting for Special Revenue fund as a non major fund	37,476
The effects of reclassification of recovered costs	(7,078,971)
The effects of accounting for Investments	150,342
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	4,174,576
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(76,153,008)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 523,638,321</u>

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2016.



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# **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 ~**





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# Nonmajor Governmental Funds

## Special Revenue Funds

**The Special Revenue funds are used to account for proceeds of specific resources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. 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.

Waste Management Fund: To account for the costs and revenues associated with the City's solid waste and environmental management programs.

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.

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

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

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

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

Tax Increment Financing Fund: To account for debt service requirements for the general obligation bonds and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.



## Nonmajor Governmental Funds (Cont'd.)

Endowed Care Fund: The Endowed Care fund is used to report resources that are restricted by City Code. The City's Endowed Care fund is used to account for the perpetual care and endowed care at certain City-owned cemeteries. Both the earnings and principal are used for purposes that support the maintenance of City owned cemeteries.



**Combining Balance Sheet - Nonmajor Governmental Funds**  
June 30, 2016

Special Revenue Funds											Nonmajor Governmental Funds	
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Total Special Revenue	Endowed Care Fund
<b>ASSETS</b>												
Cash and short-term investments	\$ 1,241,865	\$ 74,367	\$ 2,025,250	\$ 5,357,160	\$ 574,880	\$ 512,360	\$ 134,482	\$ 237,058	\$ 20,539,026	\$ 569,985	\$ 303,932	\$ 1,834,484
Receivables, net	2,986,843	22,182	2,834,335	-	-	-	-	-	-	-	32,547,834	7,586,725
Accrued investment income	119	15	-	-	38	-	-	-	-	-	6,405	\$ 38,355,729
Due from other funds	-	-	43,364	545,523	-	-	-	-	-	-	172	-
Due from other governments	154,639	-	-	6,622,351	98,760	-	-	-	-	4,466	589,157	589,157
Pread paid	-	-	-	-	-	-	-	-	-	-	6,881,216	6,881,216
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	570,882
<b>Total assets</b>	<b>\$ 4,293,466</b>	<b>\$ 96,564</b>	<b>\$ 5,703,219</b>	<b>\$ 13,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 297,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,301</b>	<b>\$ 308,389</b>	<b>\$ 1,834,484</b>	<b>\$ 48,175,706</b>	<b>\$ 58,141,650</b>
<b>LIABILITIES, DEFERRED INFLOWS</b>												
Vouchers payable	\$ 595,075	\$ 33,291	\$ 1,136,210	\$ 2,535,096	\$ 121,934	\$ 244,054	\$ 1,743	\$ 26,798	\$ 17,143	\$ -	\$ 49,303	\$ -
Contract liability	325	-	-	46,630	-	46,630	-	28,372	-	-	104,115	-
Accrued payroll	96,401	10,402	83,420	-	-	-	-	-	-	-	36,940	-
Accrued expenses	-	-	12,320	-	9,029,583	-	-	-	-	-	9,041,903	9,041,903
Unearned revenue	-	-	2,846	-	-	-	-	-	-	-	2,846	2,846
Due to other funds	-	-	-	519,550	-	-	-	-	-	-	519,550	519,550
Due to component units	-	-	-	-	-	-	-	-	-	-	-	5
Other liabilities	5	-	-	-	-	-	-	-	-	-	-	5
<b>Total liabilities</b>	<b>\$ 692,206</b>	<b>56,013</b>	<b>1,222,476</b>	<b>12,252,983</b>	<b>245,697</b>	<b>53,170</b>	<b>17,143</b>	<b>-</b>	<b>-</b>	<b>153,418</b>	<b>-</b>	<b>14,693,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Revenue not available for current obligations	507,844	-	1,666,487	-	-	565,669	141,764	-	-	-	282,1764	-
<b>FUND BALANCES</b>												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	3,286,239	371,546	-	-	-	-	3,657,785	-
Committed	-	-	-	-	-	-	-	-	-	-	3,131,827	3,131,827
Assigned	-	-	40,551	2,874,256	249,817	-	44,391	175,524	21,128,901	154,980	1,834,484	26,554,301
Unassigned	-	-	40,551	2,874,256	(2,689,087)	37,156	-	21,128,901	154,980	-	(2,689,087)	-
Total fund balances	<b>3,093,466</b>	<b>40,551</b>	<b>\$ 96,564</b>	<b>\$ 5,703,219</b>	<b>\$ 13,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 297,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,901</b>	<b>\$ 308,389</b>	<b>\$ 1,834,484</b>	<b>\$ 48,175,706</b>
Total liabilities and fund balances	<b>\$ 4,293,466</b>	<b>\$ 96,564</b>	<b>\$ 5,703,219</b>	<b>\$ 13,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 297,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,901</b>	<b>\$ 308,389</b>	<b>\$ 1,834,484</b>	<b>\$ 48,175,706</b>	<b>\$ 58,141,650</b>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ending June 30, 2016**

<b>Special Revenue Funds</b>											<b>Total Nonmajor Governmental Funds</b>		
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Special Revenue	Total	Endowed Care Fund
<b>REVENUES</b>													
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,984,100	\$ -	\$ -	\$ 4,984,100	\$ 9,675,051
Other local taxes	-	-	-	-	200	-	-	6,103,455	3,557,596	-	9,675,051	-	9,675,051
Fines and forfeitures	7,789	146	18,600	227	-	48,600	-	-	-	75,362	22,855	98,217	200
Use of money and property	15,520,857	1,239,519	21,076,074	135,971	1,445,685	-	-	-	-	40,020,895	22,625	40,448,520	2,16,357
Charges for services	88,515	88,640	57,225	2,010,671	471,306	-	-	-	-	2,716,357	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental:	-	-	-	-	-	-	-	-	-	-	-	-	-
Commonwealth of Virginia	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal government	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	81,241	4,465	-	-	14,847,734	-	-	-	1,380,202	-	16,237,936	-	16,237,936
	15,705,402	1,332,770	21,751,889	30,429,915	4,471,951	1,445,685	48,600	6,103,455	4,984,100	17,528,482	-	17,528,482	91,188,843
<b>EXPENDITURES</b>													
General government	-	-	-	1,302,337	-	-	-	-	4,075,412	-	-	5,407,749	-
Judicial administration	-	-	-	2,960,530	-	-	-	-	-	2,960,530	-	2,960,530	-
Public safety	-	-	-	3,308,915	-	-	-	-	5,835,553	-	9,144,488	-	
Public works	10,303,742	1,314,421	19,589,173	6,516,253	835,720	-	-	-	-	38,222,589	-	38,222,589	-
Health and public assistance	-	-	-	16,028,152	1,398,442	1,934,389	16,893	-	-	16,883,872	-	16,883,872	-
Cultural and recreation	-	-	-	2,200,588	1,464,885	-	-	-	-	3,349,724	-	3,349,724	-
Community development	-	-	-	-	-	-	-	-	-	3,665,273	-	3,665,273	-
General services	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	1,800,000	-	-	-	-	-	1,800,000	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,303,742	1,314,421	19,589,173	33,755,217	4,100,405	1,934,389	16,893	4,075,412	5,835,553	-	81,404,205	-	81,404,205
Excess (deficiency) of revenue over (under) expenditures	4,902,660	18,349	2,162,726	(3,305,302)	371,546	(488,701)	31,707	2,028,043	(870,987)	4,984,100	9,834,158	25,040,460	10,084,638
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers in	(4,532,259)	(203,152)	(1,076,404)	4,381,203	-	517,393	-	7,500,000	940,976	-	13,339,572	-	13,339,572
Transfers out	(4,532,259)	(203,152)	(1,076,404)	4,381,203	-	517,393	-	(2,002,422)	(4,984,100)	(12,788,337)	(30,580)	(13,03,917)	(13,03,917)
Total other financing sources and uses	-	-	-	-	-	-	-	5,497,578	940,976	(4,984,100)	541,235	(30,580)	22,655
Net change in fund balances	370,401	(184,003)	1,068,322	1,075,901	371,546	28,689	31,707	7,525,621	70,009	-	10,375,383	(55,000)	10,20,293
Fund balances-beginning	2,723,025	225,354	1,987,934	(228,932)	67,119	188,208	13,603,280	84,971	1,834,464	20,295,433	5,794,150	26,079,583	-
Fund balances-ending	\$ 3,093,436	\$ 40,351	\$ 2,674,266	\$ 846,969	\$ 371,546	\$ 55,000	\$ 219,915	\$ 154,930	\$ 1,834,464	\$ 30,603,826	\$ 5,730,050	\$ 36,093,876	-

## 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:**

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

HealthCare Fund – to provide for the self-insured health care costs for the City of Norfolk, Norfolk Public Schools, NHRA and Pre-65 Retirees.





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-1**

**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2016**

	Healthcare	Fleet Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and short term investments	\$ 11,410,191	\$ 1,493,351	\$ 12,903,542
Receivables, net	6,839,541	20,784	6,860,325
Total current assets	<u>18,249,732</u>	<u>1,514,135</u>	<u>19,763,867</u>
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	10,980,422	10,980,422
Accumulated depreciation	-	(7,743,899)	(7,743,899)
Total noncurrent assets	<u>-</u>	<u>3,651,523</u>	<u>3,651,523</u>
Deferred outflows of resources			
Related to pensions	-	347,016	347,016
Total assets	<u>\$ 18,249,732</u>	<u>\$ 5,512,674</u>	<u>\$ 23,762,406</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers payable	\$ 2,802,200	\$ 787,427	\$ 3,589,627
Unearned revenue	6,698,114	-	6,698,114
Compensated absences	-	185,072	185,072
Accrued payroll	-	51,581	51,581
Internal balances	-	50,403	50,403
Other liabilities	6,187,000	870	6,187,870
Total current liabilities	<u>15,687,314</u>	<u>1,075,353</u>	<u>16,762,667</u>
Noncurrent liabilities:			
Compensated absences	-	79,317	79,317
Net pension obligations	-	2,040,934	2,040,934
Total noncurrent liabilities	<u>-</u>	<u>2,120,251</u>	<u>2,120,251</u>
Deferred inflows of resources			
Related to pensions	-	408,071	408,071
Total liabilities	<u>\$ 15,687,314</u>	<u>\$ 3,603,675</u>	<u>\$ 19,290,989</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 3,651,523	\$ 3,651,523
Unrestricted	2,562,418	(1,742,524)	819,894
Total net position	<u>\$ 2,562,418</u>	<u>\$ 1,908,999</u>	<u>\$ 4,471,417</u>

**CITY OF NORFOLK, VIRGINIA**

Exhibit G-2

**Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position - Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Healthcare	Fleet Management	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 76,084,822	\$ 11,235,802	\$ 87,320,624
Miscellaneous	-	93,191	93,191
Total operating revenues	<u>76,084,822</u>	<u>11,328,993</u>	<u>87,413,815</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	2,659,667	2,659,667
Healthcare costs	76,226,992	-	76,226,992
Cost of goods sold	-	3,817,951	3,817,951
Plant operations	-	4,406,742	4,406,742
Depreciation and amortization	-	98,164	98,164
Retirement and OPEB contributions	-	276,317	276,317
Other	-	204,579	204,579
Total operating expenses	<u>76,226,992</u>	<u>11,463,420</u>	<u>87,690,412</u>
Operating income (loss)	<u>(142,170)</u>	<u>(134,427)</u>	<u>(276,597)</u>
<b>NONOPERATING REVENUE</b>			
Capital contributions	-	23,225	23,225
Total nonoperating revenue	<u>-</u>	<u>23,225</u>	<u>23,225</u>
Net income (loss)	<u>(142,170)</u>	<u>(111,202)</u>	<u>(253,372)</u>
Change in net position	<u>(142,170)</u>	<u>(111,202)</u>	<u>(253,372)</u>
Net change in net position	<u>(142,170)</u>	<u>(111,202)</u>	<u>(253,372)</u>
Net position - beginning	2,704,588	2,020,201	4,724,789
Net position - ending	<u>\$ 2,562,418</u>	<u>\$ 1,908,999</u>	<u>\$ 4,471,417</u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-3**

**Combining Statement of Cash Flows - Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Healthcare	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 74,766,423	\$ 11,648,324	\$ 86,414,747
Payments to employees	-	(3,009,010)	(3,009,010)
Payments to suppliers	(75,790,017)	(8,185,221)	(83,975,238)
Other payments	-	(204,385)	(204,385)
Net cash provided by (used in) operating activities	<u>(1,023,594)</u>	<u>249,708</u>	<u>(773,886)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund activity	-	50,403	50,403
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	-	-	-
Capital Contributions	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and short-term investments	(1,023,594)	300,111	(723,483)
Cash and short-term investments - beginning of the year	12,433,785	1,193,240	13,627,025
Cash and short-term investments - end of the year	<u>\$ 11,410,191</u>	<u>\$ 1,493,351</u>	<u>\$ 12,903,542</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Operating income (loss)	\$ (142,170)	\$ (134,427)	\$ (276,597)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	98,164	98,164
Change in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	(1,526,184)	319,331	(1,206,853)
Vouchers payable	436,975	39,472	476,447
Accrued payroll	-	(2,327)	(2,327)
Net pension liability	-	(70,699)	(70,699)
Unearned revenue	207,785	-	207,785
Other liabilities	-	194	194
Net cash provided by (used in) operating activities	<u>\$ (1,023,594)</u>	<u>\$ 249,708</u>	<u>\$ (773,886)</u>
<b>Noncash investing, capital, and financing activities:</b>			
Capital Contributions	<u>\$ -</u>	<u>\$ 23,225</u>	<u>\$ 23,225</u>



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## 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 including Sheriff's inmate funds and funds held on behalf of employees.

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





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**CITY OF NORFOLK, VIRGINIA****Exhibit H-1****Combining Balance Sheet - Agency Funds****June 30, 2016**

(unaudited)

	<b>Commonwealth of Virginia</b>			
	<b>Other</b>		<b>Virginia</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,389,044	\$ 4,795	\$ 5,393,839	
Receivables, net of allowance for uncollectible accounts	-	-	-	-
Other	135,842	-		135,842
<b>Total assets</b>	<b>\$ 5,524,886</b>	<b>\$ 4,795</b>	<b>\$ 5,529,681</b>	
<b>LIABILITIES</b>				
Vouchers payable	\$ 401,616	\$ -	\$ 401,616	
Due to governmental funds	70,544	-	70,544	
Due to other agencies	5,052,726	4,795	5,057,521	
<b>Total liabilities</b>	<b>\$ 5,524,886</b>	<b>\$ 4,795</b>	<b>\$ 5,529,681</b>	

**CITY OF NORFOLK, VIRGINIA**

Exhibit H-2

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**  
 (unaudited)

<b>Other</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,331,181	\$ 10,095,127	\$ 9,037,264	\$ 5,389,044
Other receivables	71,000	135,842	71,000	135,842
Total assets	<u>\$ 4,402,181</u>	<u>\$ 10,230,969</u>	<u>\$ 9,108,264</u>	<u>\$ 5,524,886</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 65,486	\$ 829,093	\$ 492,963	\$ 401,616
Due to governmental funds	227,651	394,073	551,180	70,544
Due to other agencies	4,109,044	9,634,905	8,691,223	5,052,726
Total liabilities	<u>\$ 4,402,181</u>	<u>\$ 10,858,071</u>	<u>\$ 9,735,366</u>	<u>\$ 5,524,886</u>
<b>Commonwealth of Virginia</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 26,196	\$ 7,198,931	\$ 7,220,332	\$ 4,795
Total assets	<u>\$ 26,196</u>	<u>\$ 7,198,931</u>	<u>\$ 7,220,332</u>	<u>\$ 4,795</u>
<b>LIABILITIES</b>				
Due to the Commonwealth of Virginia	\$ 26,196	\$ 7,198,931	\$ 7,220,332	\$ 4,795
Total liabilities	<u>\$ 26,196</u>	<u>\$ 7,198,931</u>	<u>\$ 7,220,332</u>	<u>\$ 4,795</u>
<b>Total</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,357,377	\$ 17,294,058	\$ 16,257,596	\$ 5,393,839
Other receivables	71,000	135,842	71,000	135,842
Total assets	<u>\$ 4,428,377</u>	<u>\$ 17,429,900</u>	<u>\$ 16,328,596</u>	<u>\$ 5,529,681</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 65,486	\$ 829,093	\$ 492,963	\$ 401,616
Due to other funds	227,651	394,073	551,180	70,544
Due to other agencies	4,135,240	16,833,836	15,911,555	5,057,521
Total liabilities	<u>\$ 4,428,377</u>	<u>\$ 18,057,002</u>	<u>\$ 16,955,698</u>	<u>\$ 5,529,681</u>

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





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**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Sub recipients</b>	<b>Federal Expenditures</b>
Recipient State Agency/Grant Program				
<b><u>Department of Agriculture:</u></b>				
Direct Payments:				
Food Stamp Program - Administration	10.561			\$ 3,678,570
SNAP-ET RED & IWR	10.596			1,703
Pass-through Payments:				
State Department of Agriculture:				
National School Breakfast Program	10.553	NA		4,385,868
National School Lunch Program	10.555	NA		10,217,619
National School Lunch Program (Commodities)	10.556	NA		1,087,767
National VA Child & Adult Care Food Program	10.558	NA		739,377
USDA School Nutrition Program	10.559	NA		686,881
<b><u>Department of Housing and Urban Development:</u></b>				
Direct Payments:				
Community Development Block Grant	14.218			4,000,645
ESG Administration	14.231		\$ 13,634	19,649
For Kids, Inc. Haven Family Services	14.231		55,400	55,400
ESG Planning Council	14.231		62,492	62,492
ESG Outreach Program	14.231		8,638	23,638
ESG Rapid Re-housing Program	14.231		18,364	18,628
ESG Tenant Based Rental Assistance	14.231			
ESG Homeless Prevention Program	14.231		41,690	41,764
Salvation Army	14.231		2,600	2,600
ESG- Ecumenical Family Shelter	14.231			
ESG-Neighborhood Development	14.231			6,689
St Columbia Ecumenical	14.231		27,000	27,000
Virginia Supportive Housing	14.231			13,634
HOME - Administration	14.231			
Ecumenical Family Shelter	14.231		17,931	17,931
For Kids-Housing Relocation	14.231		65,144	72,819
Supportive Housing Program	14.235			
Shelter Plus Care Program	14.238			504,044
HOME CHDO Investment Plan	14.239		20,478	20,478
HOME CHDO	14.239			
Home Administration	14.239			
Office to End Homelessness	14.239			31,064
Plume Line Ministries	14.239			
Habitat for Humanity Real Estate	14.239			
HOME NRHA Administration	14.239		26,709	44,861
Homebuyer Admin & Assistance	14.239		1,217,535	1,360,193
Beacon Light CHDO	14.239		90,264	154,649
HOME HART program	14.239			38,839
HOME - TBRA Bridge Program	14.239			103,032
HOME Investment Partnership	14.239			13,965
HOME-TBRA Moving On Program	14.239			40,264
ARRA - Homeless Prevention	14.257			
Pass-Through Payments:				
SAMHSA-CABHI- Road to Home Grant	93.243	TI026051		208,544
<b><u>Department of Environmental Quality:</u></b>				
National Fish and Wildlife Foundation	15.153			530,923
<b><u>Department of Justice:</u></b>				
Direct Payments:				
State Criminal Alien Assistance Program	16.606			
Community Oriented Policing Services:				
COPS Hiring Program	16.710			3,741
ARRA - COPS Hiring Program	16.710			
Justice and Mental Health Collaboration Program	16.745			
Edward Byrne Memorial Justice Assistance Grant	16.738			-
Four for Life-Edward Byrne Memorial-JAG	16.738			166,342
Asset Forfeiture - Special Police Grant	16.922			256,178
Equity Sharing	16.922			326,328
Asset Forfeiture-Attorney	16.922			12,368
Pass-Through Payments:				
Department of Criminal Justice Services:				
Victim Witness	16.575	15-J4979DV15		335,791
Adult Community Supervision	16.523	16-T6354CC16		681,519
Pretrial	16.523	16-T6354CC16		558,813
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2956, 2013-DJ-BX-1159		119,566
Juvenile Justice Assessment	16.523	2014-DJ-BX-1021, 2015-DJ-BX-1080		
		15-B2901AD11		15,000

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

**Department of Transportation:**

Pass-Through Payments:

VDOT - Traffic Management System	20.205	U000-122-241 UPC 98828	393,892
VDOT - Citywide Traffic Signal Safety	20.205	U000-122-S46 UPC 100546	565,516
		U000-122-S55 UPC 102524	
		U000-122-S56 UPC 102526	
VDOT - Elizabeth River Trail	20.205	NA	255,052
VDOT - Congestion Mitigation	20.205	U000-122-262 UPC 102950	124,576
VDOT - Traffic Signal Cabinet Upgrade	20.205	U000-122-238 UPC 97722	2,148
Selective Enforcement - Alcohol	20.600	154AL-2016-56022-6222	47,788
Selective Enforcement - Speed Initiative	20.607	NA	18,648

**Environmental Protection Agency:**

Pass-Through Payments:

Virginia Resources Authority - Revolving Loan	66.458	C-515550E-02	2,401,246
Virginia Resources Authority - Revolving Loan	66.458	C-515550E-02	29,679

**Department of Homeland Security**

Direct Payments:

Bomb Squad Initiative	97.004		
FEMA - Assistance to Firefighters	97.044		
Port Security Grant	97.056		66,943

Pass-Through Payments:

FEMA Elevation Projects	97.039	HMGP-4024-710-020	403,796
Emergency Management Performance Grant	97.042	16-K4979DV16	(526,034)
Port Security Grant	97.056	EMW-2015-PU-00459	138,311
Homeland Security	97.067	NA	27,968
FEMA Elevation Projects	97.110	VA-SRL-710-001	505,596
Homeland Security Grant	97.073	VDEM - FY2014	31,250

**Department of Education:**

Direct Payments:

Department of Education:			
School Assistance in Federally Affected Areas	84.041		2,817,182
Department of Defense	84.010		130,260

Pass-Through Payments:

Department of Education:			
PL 111-5 Consolidated Appropriations Act of 2014	84.419B	3VPI S419B150010	1,825,090
Federal Preschool Expansion Grant			
Education Consolidation and Improvement Act of 1981:			
Adult Literacy	84.002	3ABE V002A100047	304,915
Title I:			
Educationally Deprived Children- Programs Operated by LEA's	84.010	3CH1 S010A030046	14,529,488
Negligent Delinquent Children	84.010	3CH4 S010A030046	234,607
School Improvement - Title I	84.010	3S12 3S12 S010A100046	774,417
1003g School Improvement Grant (Award 2010)	84.377	3ESI S377A100047	2,514,380
Title II:			
Limited English	84.365	3LEP S365A10046	56,548
Title V			
Assistance to States for Education of Handicapped Children:			
Special Education Flow Thru (Federal)	84.027	3FTF H027A100107	9,599,051
Handicapped Preschool Incentive Grant	84.173	3619 H173A120112	332,190
Start for Success	84.027A	3SOS PT1114-18-SC106709	16,550
Title IV-B:			
Vocational Education:			
Carl Perkins Vocational	84.048	3CPV VA048A110046	826,716
Special Projects:			
Safe Routes to Schools	20.205	3SRS	87,072
McKinney Homeless Assistance	84.196	3HLA G11810	28,681
21st Century Community Learning Center	84.287	s287c130047	17,402
Teacher & Principal Training	84.367	3TPPT S367A100044	2,529,704
Fruit and Vegetable Program	10.582	3FVP PAPER	255,954
Investing in Innovations	84.411A	3IIG 12-219-317101	48,749
Dept. of Mental Health, Mental Retardation and Substance Abuse			
Mental Retardation Early Intervention	84.181	NA	217,239

**Federal Emergency Management Agency**

Direct Payments:

FEMA Flood Mitigation	97.039		11,597
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**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

**Department of Health and Human Services:**

Direct Payments:							
Substance Abuse and Mental Health Services Administration	93.243					\$ 4,630,639	\$ 226,208
HIV/AIDS Grant	93.914						6,536,280
The Planning Council	93.914						111,982
Pass-Through Payments:							
Projects for Assistance in Transition to Homeless (PATH)	93.150	SM016047-16					105,625
Substance Abuse and Mental Health Services Administration	93.243	SP020791					61,431
SAMHSA Treatment Court Grants	93.243	SP020791					108,090
Mental Health and Substance Abuse Federal CABHI	93.243	TI026051					-
SA Federal Strategic Prevention	93.243	SP020791					-
Youth & Family Services Grant	93.556	0950114, 0950115					148,789
Temporary Assistance to Needy Families	93.558	0400115, 0400116				256,385	4,139,147
Refugee and Entrant Assistance State Administered Program	93.566	0500115, 0500116					4,524
Local-Income Home Energy Assistance	93.568	0600415, 0600416					442,638
Child Development Care	93.596	0760115, 0760116				18,803	580,278
Independent Living Program - Education and Training	93.599	9160114, 9160115					6,041
Family Preservation	93.645	900115					19,962
Foster Care - Title IV - E	93.658	1100115, 1100116					2,609,786
Adoptive Assistance	93.659	1120115, 1120116					1,717,872
Social Services Block Grant	93.667	1000115, 1000116					3,377,411
Independent Living Initiative Program	93.674	9150115, 9150116					37,671
FAMIS Outreach Grants	93.767	0540115, 0540116					148,269
Medical Assistance Program - Administrative	93.778	NA					4,583,455
Mental Health Federal Block Grant	93.958	SM010053-16					136,738
Substance Abuse Federal Block Grant	93.959	STI010053-16					1,824,683
 Totals						<hr/> \$ 6,573,706	<hr/> \$ 99,258,223

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**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 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:

Major governmental funds	\$ 25,999,618
Non-major governmental funds	17,528,462
Total revenues from federal government	<u>43,528,080</u>

**Component Unit - School Board**

Total Federal Grants Awarded	\$ 54,029,067
Other Federal Amounts not reported on SEFA	
Direct Payments:	
Total - Norfolk Public Schools	54,029,067
CSA Pool - Medicaid Adjustment	
<b>Total federal financial assistance reported in basic financial statements</b>	<u>\$ 97,557,147</u>

Federal awards not reported as federal revenue in basic financial statements:

Enterprise - VRA Loan - Wastewater Fund	2,430,925
Federal awards not reported on the SEFA:	
Norfolk Public Schools Direct Payments	
Build America Bond Interest Rate Subsidy	(2,511,313)
VDOT	452,479
CSA	846,754
Amounts on SEFA not included in Department of Human Services revenue	756,502
CSB Items reported on SEFA not in Federal Revenue	(182,125)
Police Correction and U.S. Marshall	(12,615)
VA Supportive Housing	(40,000)
Other reconciling items	(39,531)
Grant funds recorded as revenue in financial statements, not on schedule of federal awards (CSB)	
<b>Total federal awards</b>	<u>\$ 99,258,223</u>

**Reconciliation to Exhibit A-3**

Revenues from federal government	\$ 43,528,080
Revenues from Commonwealth of Virginia	123,157,628
Total intergovernmental revenue	<u>\$ 166,685,708</u>

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**4. Clusters**

Clustered programs for the year ended June 30, 2016 were as follows:

<b>Grant Program / Cluster</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
National School Breakfast Program	10.553	\$ 4,385,868
National School Lunch Program	10.555	10,217,619
National School Lunch Program (Commodities)	10.556	1,087,767
USDA School Nutrition Program	10.559	686,881
<b>Total Child Nutrition Cluster</b>		<b><u>\$ 16,378,135</u></b>
ESG Administration	14.231	19,649
For Kids, Inc. - Haven Family Services	14.231	55,400
For Kids-Housing Relocation	14.231	72,819
ESG Planning Council	14.231	62,492
ESG Outreach Program	14.231	23,638
ESG Rapid Re-Housing Program	14.231	18,628
ESG Tenant Based Rental Assistance	14.231	41,764
Salvation Army	14.231	2,600
ESG-Neighborhood Development	14.231	6,689
Virginia Supportive Housing	14.231	13,634
St. Columbia Ecumenical	14.231	27,000
<b>Total ESG Cluster</b>		<b><u>\$ 344,313</u></b>
HOME CHDO	14.239	20,478
Office to End Homelessness	14.239	31,064
HOME NRHA Administration	14.239	44,861
Homebuyer Administration & Assistance	14.239	1,360,193
Beacon Light CKDO	14.239	154,649
Ecumenical Family Shelter	14.239	17,931
HOME HART Program	14.239	38,839
HOME-TBRA Bridge Program	14.239	103,032
HOME-TBRA Moving on Program	14.239	40,264
HOME Investment Partnership	14.239	13,965
Shelter Plus Care Program	14.238	504,044
SAMSHA-CABHI-Road to Home Grant	93.243	208,544
<b>Total Home Cluster</b>		<b><u>\$ 2,537,863</u></b>
VDOT - Traffic Management System	20.205	393,892
VDOT - Citywide Traffic Signal Safety	20.205	565,516
VDOT - Elizabeth River Trail	20.205	255,052
VDOT - Congestion Mitigation	20.205	124,576
VDOT - Traffic Signal Cabinet and Upgrade	20.205	2,148
<b>Total Highway Planning and Construction Cluster</b>		<b><u>\$ 1,341,183</u></b>
Selective Enforcement - Speed	20.600	47,788
Highway Safety Project	20.607	18,648
<b>Total Highway Safety Cluster</b>		<b><u>\$ 66,436</u></b>

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**Clusters (continued):**

<b>Grant Program / Cluster</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
Educationally Deprived Children - Programs Operated by LEA's	84.010	\$ 14,529,488
Negligent Delinquent Children	84.010	234,607
School Improvement - Title I	84.010	774,417
Department of Defense	84.010	130,260
<b>Total Title I, Part A Cluster</b>		<b><u>\$ 15,668,772</u></b>
Special Education Flow Thru	84.027	\$ 9,599,051
Handicapped Preschool Incentive Grant	84.173	332,190
Start of Success	84.027A	16,550
<b>Total Special Education Cluster</b>		<b><u>\$ 9,947,791</u></b>
HIV/Aids Grant	93.914	\$ 6,536,280
The Planning Council	93.914	111,982
<b>Total Medicaid Cluster</b>		<b><u>\$ 6,648,262</u></b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**5. Virginia Resources Authority Loans**

The City reports on the Schedule of Federal Awards, loan proceeds drawn from the Virginia Resources Authority. The loans are a pass-through award from the U. S. Environmental Protection Agency and administered by the Virginia Resources Authority Department of Environmental Quality. The balances at the end of the fiscal year 2016 are as follows:

<b>Loan number</b>	<b>June 30, 2015 VRA Loan balances</b>	<b>Disbursements made during FY 2016</b>	<b>Total loan amount disbursed</b>	<b>Total amount available to be drawn</b>	<b>June 30, 2016 Outstanding Loan Balances</b>
C-515523E-01	\$ 7,598,754	\$ 2,401,246	\$ 10,000,000	\$ -	\$ 9,750,000
C-515550-01	\$ -	\$ 29,679	\$ 29,679	\$ 5,970,321	\$ 29,679
<b>TOTALS</b>	<b>\$ 7,598,754</b>	<b>\$ 2,430,925</b>	<b>\$ 10,029,679</b>	<b>\$ 5,970,321</b>	<b>\$ 9,779,679</b>

**6. Indirect Cost Rate**

For the Fiscal Year 2016, the City did not use the 10 percent de minimis cost rate for indirect cost billings to federal grants where an indirect cost is permitted. The City develops an indirect costs rate with the cost allocation plan that is used by the Human Services department for indirect cost billings.



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

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**





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**Schedule of Revenues and Expenditures - Budget and Actual**  
**Towing and Recovery Operations Special Revenue Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 565	\$ 146	\$ (419)
Charges for services	1,615,000	1,239,519	(375,481)
Intergovernmental federal	-	4,465	4,465
Miscellaneous	86,400	88,640	2,240
<b>Total revenue</b>	<b><u>\$ 1,701,965</u></b>	<b><u>\$ 1,332,770</u></b>	<b><u>\$ (369,195)</u></b>
<b>Expenditures and transfers:</b>			
Towing and recovery	\$ 1,498,813	\$ 1,314,421	\$ 184,392
Transfer out	203,152	203,152	-
<b>Total expenditures</b>	<b><u>\$ 1,701,965</u></b>	<b><u>\$ 1,517,573</u></b>	<b><u>\$ 184,392</u></b>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Storm Water Utility Special Revenue Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 1,074	\$ 7,789	\$ 6,715
Charges for services	15,580,772	15,520,857	(59,915)
Miscellaneous	28,000	88,515	60,515
Intergovernmental - federal	-	88,241	88,241
<b>Total revenue</b>	<b><u>\$ 15,609,846</u></b>	<b><u>\$ 15,705,402</u></b>	<b><u>\$ 95,556</u></b>
<b>Expenditures and transfers:</b>			
Public works	\$ 11,107,587	\$ 10,802,742	\$ 304,845
Transfer out	4,502,259	4,532,259	(30,000)
<b>Total expenditures</b>	<b><u>\$ 15,609,846</u></b>	<b><u>\$ 15,335,001</u></b>	<b><u>\$ 274,845</u></b>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Golf Special Revenue Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 15,000	\$ 48,600	\$ 33,600
Total revenue	<u>\$ 15,000</u>	<u>\$ 48,600</u>	<u>\$ 33,600</u>
<b>Expenditures:</b>			
Golf operations	<u>\$ 15,000</u>	<u>\$ 16,893</u>	<u>\$ (1,893)</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Emergency Operations Special Revenue Fund (EOC 911)**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Other local taxes	\$ 3,635,213	\$ 3,571,596	\$ (63,617)
Recovered cost	1,312,636	1,390,202	77,566
Use of money and property	-	2,788	2,788
Transfer in	1,004,005	940,976	(63,029)
Total revenue	<u>\$ 5,951,854</u>	<u>\$ 5,905,562</u>	<u>\$ (46,292)</u>
<b>Expenditures:</b>			
Operations	<u>\$ 5,951,854</u>	<u>\$ 5,835,553</u>	<u>\$ 116,301</u>
Total expenditures	<u>\$ 5,951,854</u>	<u>\$ 5,835,553</u>	<u>\$ 116,301</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Cemeteries Special Revenue Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 1,276,242	\$ 1,445,685	\$ 169,443
Recovered cost	300,000	300,000	-
Transfer in	498,017	217,393	(280,624)
Rollover from last year	19,228	19,228	-
Total revenue	<u><u>\$ 2,093,487</u></u>	<u><u>\$ 1,982,306</u></u>	<u><u>\$ (111,181)</u></u>
<b>Expenditures:</b>			
Cemetery operations	<u><u>\$ 2,093,487</u></u>	<u><u>\$ 1,934,389</u></u>	<u><u>\$ 159,098</u></u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Public Amenities Special Revenue Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Taxes-Hotel & Restaurant	\$ 5,850,900	\$ 6,103,455	\$ 252,555
Transfers In	-	7,500,000	7,500,000
Total revenue	<u><u>\$ 5,850,900</u></u>	<u><u>\$ 13,603,455</u></u>	<u><u>\$ 7,752,555</u></u>
<b>Expenditures:</b>			
Transfer out (CIP)	\$ 1,000,000	\$ 1,000,000	\$ -
Transfer out (Debt Service)	1,002,422	1,002,422	-
All purpose	3,848,478	4,075,412	(226,934)
Total expenditures	<u><u>\$ 5,850,900</u></u>	<u><u>\$ 6,077,834</u></u>	<u><u>\$ (226,934)</u></u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Tax Increment Financing Special Revenue Fund  
For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Taxes-real property	\$ 4,984,100	\$ 4,984,100	\$ -
Total revenue	<u><u>\$ 4,984,100</u></u>	<u><u>\$ 4,984,100</u></u>	<u><u>\$ -</u></u>
<b>Expenditures:</b>			
Transfer out (Debt Service)	\$ 895,695	\$ 895,695	\$ -
Transfer out (General Fund)	4,088,405	4,088,405	-
Total expenditures	<u><u>\$ 4,984,100</u></u>	<u><u>\$ 4,984,100</u></u>	<u><u>\$ -</u></u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Community Development Fund  
For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ -	\$ 471,306	\$ 471,306
Intergovernmental Federal	-	4,000,645	4,000,645
Total revenue	<u><u>\$ -</u></u>	<u><u>\$ 4,471,951</u></u>	<u><u>\$ 4,471,951</u></u>
<b>Expenditures:</b>			
Operations	<u><u>\$ -</u></u>	<u><u>\$ 4,100,405</u></u>	<u><u>\$ (4,100,405)</u></u>

Note: Budgets for the Community Development fund are for multiple years and are not included in the annual presentation.

**Schedule of Revenues and Expenditures - Budget and Actual  
Waste Management Special Revenue Fund  
For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 24,000	\$ 18,600	\$ (5,400)
Charges for services	22,076,000	21,676,074	(399,926)
Miscellaneous	12,000	57,225	45,225
Total revenue	<u><u>\$ 22,112,000</u></u>	<u><u>\$ 21,751,899</u></u>	<u><u>\$ (360,101)</u></u>
<b>Expenditures and transfers:</b>			
Public works	\$ 21,035,596	\$ 19,589,173	\$ 1,446,423
Transfer out	1,076,404	1,076,404	-
Total expenditures	<u><u>\$ 22,112,000</u></u>	<u><u>\$ 20,665,577</u></u>	<u><u>\$ 1,446,423</u></u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Grants Funds  
For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Fines and forfeitures	\$ -	\$ 200	\$ 200
Use of money and property	- -	227	227
Charges for services	- -	135,972	135,972
Intergovernmental			
Federal	- -	13,435,111	13,435,111
State	- -	14,847,734	14,847,734
Operating Transfers	- -	4,381,203	4,381,203
Miscellaneous	- -	2,010,671	2,010,671
<b>Total revenue</b>	<b><u>\$ -</u></b>	<b><u>\$ 34,811,118</u></b>	<b><u>\$ 34,811,118</u></b>
<b>Expenditures and transfers:</b>			
General government	\$ - -	\$ 1,332,336	\$ (1,332,336)
Judicial administration	- -	2,950,530	(2,950,530)
Public safety	- -	3,308,915	(3,308,915)
Public works	- -	6,516,253	(6,516,253)
Health and public assistance	- -	16,028,152	(16,028,152)
Cultural and recreation	- -	1,398,442	(1,398,442)
Community development	- -	2,200,588	(2,200,588)
<b>Total expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ 33,735,216</u></b>	<b><u>\$ (33,735,216)</u></b>

Note: Budgets for the Grants special revenue fund are for multiple years and are not included in the annual presentation.

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Fleet Internal Service Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 11,699,590	\$ 11,235,802	\$ (463,788)
Miscellaneous & capital contributions	296,500	116,416	(180,084)
<b>Total revenue</b>	<b><u>\$ 11,996,090</u></b>	<b><u>\$ 11,352,218</u></b>	<b><u>\$ (643,872)</u></b>
<b>Expenditures:</b>			
Fleet	\$ 11,996,090	\$ 11,463,420	\$ 532,670

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Healthcare Management Internal Service Fund**  
**For the Year Ending June 30, 2016**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 89,383,437	\$ 76,084,822	\$ (13,298,615)
<b>Expenditures:</b>			
Healthcare	<u>\$ 89,383,437</u>	<u>\$ 76,226,992</u>	<u>\$ 13,156,445</u>

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2016**

<b>Expenditures</b>					
	Project Budget	Prior Years	Current	Total	Available
<b>Community Development</b>					
Neighborhood Project Development	\$ 1,935,000	\$ 1,602,370	\$ -	\$ 1,602,370	\$ 332,630
Neighborhood Conservation/Revitalization	46,390,203	26,471,363	17,904,072	43,856,395	2,533,808
Broad Creek Renaissance	34,646,668	23,411,473	16	23,411,489	11,235,179
Neighborhood Streets Improvements	1,200,000	1,187,114	-	1,187,114	12,886
Neighborhood commercial Improvements	79,748,695	76,867,353	874,852	77,742,205	2,006,490
Create Special Service Areas	744,950	493,585	-	493,585	251,365
Other	974,774	267,774	-	267,774	707,000
Community Development Total	165,640,290	130,301,032	18,778,940	148,560,932	17,079,358
<b>Cultural Facilities</b>					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	21,650,279	18,267,754	179,800	18,447,554	3,202,725
Chrysler Museum Improvements	12,535,307	11,666,111	850,000	12,516,111	19,196
Civic Building Improvements	1,217,017	1,217,017	-	1,217,017	-
Conference Center	61,473,101	22,308,615	29,215,527	51,524,142	9,948,959
Harrison Opera House Improvements	404,856	404,856	-	404,856	-
MacArthur Memorial Improvements	2,658,969	2,658,969	-	2,658,969	-
Nauticus/Maritime Center Improvements	825,000	824,619	-	824,619	381
USS Wisconsin Improvements	8,389,974	7,401,997	239,311	7,635,783	754,191
Other	6,661,339	4,548,955	451,647	5,000,602	1,660,737
Cultural Facilities Total	118,366,471	71,857,655	30,936,285	102,788,415	15,578,056
<b>Economic Development</b>					
Acquire/Dispose/Upgrade City Property	60,866,526	53,488,521	3,663,291	57,151,812	3,714,714
Nauticus/Cruise Terminal Development	38,158,610	38,114,269	-	38,114,269	44,341
Huntersville Redevelopment	1,000,000	70,923	633,500	704,423	295,577
Wachovia Center Development	3,553,101	3,553,101	-	3,553,101	-
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,221
Other	16,565,758	16,065,758	-	16,065,758	500,000
Economic Development Total	124,143,995	115,287,351	4,296,791	119,584,142	4,559,853
<b>General/Other</b>					
Campostella Landfill Closure	2,500,000	1,942,210	119,677	2,061,887	438,113
Beach Erosion Control	28,793,500	27,325,728	755,260	28,080,988	712,512
Transfer to Debt Service	1,600,000	6,392,418	-	6,392,418	(4,792,418)
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)
Waterway Dredging Projects	6,059,341	5,202,598	64,502	5,267,100	792,241
Conservation and Green Vision Implementation	5,377,373	4,266,248	-	4,266,248	1,111,125
Public Safety Radio Communication System Upgrade	4,703,668	4,703,668	-	4,703,668	-
Other	27,233,847	9,432,640	1,062,200	10,455,628	16,778,219
General/Other Total	82,167,953	65,165,917	2,001,639	67,128,344	15,039,609
<b>Public Buildings and Facilities</b>					
Fire Station Emergency Generation Program	1,670,188	1,671,777	-	1,671,777	(1,589)
Infrastructure Improvements	3,789,028	3,379,232	1,050	3,379,232	409,796
Annual Roof Maintenance	8,771,000	8,195,390	375,610	8,571,000	200,000
Library Facilities - Anchor Branch	20,476,238	10,313,332	150,089	10,463,421	10,012,817
Police Precinct Replacement	20,328,986	20,328,986	-	20,328,986	-
Courts Replacement and Renovations	122,620,170	91,006,187	12,401,147	103,407,334	19,212,836
Jail Renovations	2,517,510	2,503,162	-	2,503,162	14,348
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-
City Hall Building Renovations	17,746,839	12,210,474	1,354,708	13,565,182	4,181,657
Tow Yard Acquisition	337,027	337,027	-	337,027	-
Fire Facilities Replacement/Improvements	9,916,417	4,490,944	582,235	5,073,179	4,843,238
Police Training Facilities	656,000	656,000	-	656,000	-
Main Library Construction	69,727,997	67,283,395	259,727	67,543,122	2,184,875
Design /Construct Government Center Plaza	4,750,000	615,762	5,492	621,254	4,128,746
Other	12,782,039	12,124,010	176,419	12,300,429	481,610
Public Buildings and Facilities Total	304,489,982	243,516,221	15,306,477	258,821,648	45,668,334

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2016**

<b>Expenditures</b>					
	Project Budget	Prior Years	Current	Total	Available
<b>Parks/Recreational Facilities</b>					
Zoo Master Plan	27,084,037	27,085,163	-	27,085,163	(1,126)
Titustown Recreation Center Improvements	3,300,000	3,000,000	-	3,000,000	300,000
Botanical Gardens	2,494,413	1,998,823	-	1,998,823	495,590
Existing Recreation Center Improvements	13,622,901	11,951,650	255,031	12,206,681	1,416,220
Norview Recreation Center	7,947,756	7,947,756	-	7,947,756	-
Lambert's Point Golf Course	9,050,000	9,050,000	-	9,050,000	-
Lambert's Point Community & Recreational Center	6,854,193	6,854,193	-	6,854,193	-
Harbor Park Improvements	1,924,747	1,869,509	25,907	1,895,416	29,331
Athletic Field Renovations	2,685,903	2,685,903	-	2,685,903	-
Norfolk Fitness & Wellness Center Renovations	1,803,669	1,803,669	-	1,803,669	-
Broad Creek & Westside Neighborhood Parks	2,610,062	2,610,012	-	2,610,012	50
Town Point Park Improvements	11,478,749	11,478,749	-	11,478,749	-
Martin Luther King Park	116,019	116,019	-	116,019	-
Waterside Waterfront Renovations	3,446,789	2,234,241	817,113	3,051,354	395,435
Ingleside Gymnasium	6,920,874	6,920,874	-	6,920,874	-
Other	13,727,383	13,555,200	85,993	13,641,193	86,190
<b>Parks/Recreational Facilities Total</b>	<b>115,067,495</b>	<b>111,161,761</b>	<b>1,184,044</b>	<b>112,345,805</b>	<b>2,721,690</b>
<b>Schools</b>					
Blair Middle School Replacement	7,071,710	7,071,710	-	7,071,710	-
Norfolk Public School Initiative	5,265,000	5,263,456	-	5,263,456	1,544
Norview Construction	29,865,659	29,865,659	-	29,865,659	-
Southside Middle School	1,535,212	1,313,413	-	1,313,413	221,799
High School Athletic Field	1,495,091	1,495,091	-	1,495,091	-
Coleman Place Elementary Replacement	20,293,970	20,293,970	-	20,293,970	-
Crossroads Elementary Replacement	34,108,313	32,866,380	(1,186,764)	31,679,616	2,428,697
Larchmont Elementary School	22,675,282	2,091,816	8,055,146	10,146,962	12,528,320
Ocean View Elementary School	22,181,496	2,576,304	5,530,077	8,106,381	14,075,115
South Side TEM Academy at Campostella	35,497,909	13,632,619	21,115,098	34,747,717	750,192
Broad Creek Elementary School	21,942,940	5,970,268	15,861,738	21,449,591	493,349
Camp Allen Elementary School	1,482,768	-	1,362,906	1,362,906	119,862
Other	60,559,262	25,253,081	5,033,601	30,286,682	30,272,580
<b>Schools Total</b>	<b>263,974,612</b>	<b>147,693,767</b>	<b>55,771,802</b>	<b>203,083,154</b>	<b>60,891,458</b>
<b>Storm Water</b>					
Storm Water Quality Improvements	9,570,000	7,509,485	419,297	7,885,605	1,684,395
Storm Water Facility Improvements	17,003,340	14,345,369	1,138,854	15,484,223	1,519,117
Old Dominion University Master Plan	1,788,255	1,788,255	-	1,788,255	-
Drain Line Clean & Slip Lining	995,843	995,843	-	995,843	-
Neighborhood Flood Reduction	17,262,748	14,562,871	1,168,223	15,712,001	1,550,747
Bulkheading Master Project	2,100,000	2,087,100	-	2,087,100	12,900
Other	5,958,575	1,151,775	1,159,404	2,311,179	3,647,396
<b>Storm Water Total</b>	<b>54,678,761</b>	<b>42,440,698</b>	<b>3,885,778</b>	<b>46,264,206</b>	<b>8,414,555</b>
<b>Transportation</b>					
Old Dominion University Master Plan	5,479,604	5,610,091	-	5,610,091	(130,487)
VDOT Urban Support Program	9,773,025	8,139,973	431,613	8,571,586	1,201,439
Bridge Maintenance & Repair Program	35,418,240	28,565,855	1,384,882	29,915,037	5,503,203
Signal & Intersection Enhancements	12,313,470	10,744,725	377,796	11,122,521	1,190,949
Citywide Soundwall Program	8,405,656	8,387,005	1,995	8,389,000	16,656
Neighborhood Streets Improvements	76,176,490	64,384,697	3,482,257	67,786,169	8,390,321
Atlantic City Development	14,356,810	14,344,661	(445,634)	13,899,027	457,783
Citywide Boat Ramp Improvements	2,388,822	1,967,507	2,029	1,969,536	419,286
Construct Light Rail	105,010,914	70,303,324	564	70,303,888	34,707,026
Develop Multi-Modal Transfer Station at Harbor Park	4,350,000	3,827,188	-	3,827,188	522,812
Other	28,105,941	19,790,246	895,626	20,618,483	7,487,458
<b>Transportation Total</b>	<b>301,778,972</b>	<b>236,065,272</b>	<b>6,131,128</b>	<b>242,012,526</b>	<b>59,766,446</b>
<b>Grand Total</b>	<b>\$ 1,530,308,531</b>	<b>\$ 1,163,489,674</b>	<b>\$ 138,292,884</b>	<b>\$ 1,300,589,172</b>	<b>\$ 229,719,359</b>

**STATISTICAL  
SECTION  
(Unaudited)**





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**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2016**

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**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.





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## (UNAUDITED)

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

	2007	2008	2009	2010	2011	2012	2013 restated	2014 restated	2015	2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380	\$ 386,641
Restricted	6,731	6,890	64,397	120,974	6,744	11,081	11,111	22,062	10,485	12,412
Unrestricted	127,479	90,917	63,013	76,365	5,347	25,832	22,593	(149,763)	(217,542)	(153,467)
Subtotal governmental activities net position	467,198	422,980	379,538	353,293	336,667	332,119	353,254	210,236	221,323	245,586
 Business-type activities:										
Net investment in capital assets	268,503	241,203	237,307	229,693	267,107	270,913	275,195	259,371	266,206	301,340
Restricted	2,526	2,506	39,306	40,056	12,928	12,928	13,244	32,495	29,610	31,766
Unrestricted	34,373	72,387	43,921	63,316	62,458	72,063	78,631	77,120	100,988	85,668
Subtotal business-type activities net position	305,402	316,096	320,534	333,066	342,493	355,904	367,070	368,986	396,804	418,774
 Primary government:										
Net investment in capital assets	601,491	566,376	489,435	385,647	591,683	566,119	594,745	597,308	694,586	687,981
Restricted	9,257	9,396	103,703	161,030	19,672	24,009	24,355	54,557	40,095	44,178
Unrestricted	161,852	163,304	106,934	139,681	67,805	97,895	101,224	(72,643)	(116,554)	(67,799)
Total primary government net position	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 720,324	\$ 579,222	\$ 618,127	\$ 664,360

Note: Restatements are due to implementation of new accounting pronouncements.

\* GASB 68 was implemented effective July 1, 2014.

## (UNAUDITED)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenue</b>										
Governmental activities:										
Charges for services	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642
General government	\$ 778	\$ 931	\$ 935	\$ 3,501	\$ 3,629	\$ 3,690	\$ 3,717	\$ 3,142	\$ 2,938	\$ 2,729
Judicial administration	2,708	2,307	2,797	5,627	7,942	8,424	10,154	7,613	7,563	8,307
Public safety	24,181	27,156	26,999	35,451	36,890	50,597	38,320	37,769	41,821	42,341
Public works	101	166	134	83	82	50	5,349	5,597	5,577	6,310
Health and public assistance	6,126	6,710	6,232	9,224	10,101	9,751	10,297	8,985	8,948	10,054
Culture and recreation	907	760	1,539	2,259	1,479	1,807	2,368	1,960	2,557	2,370
Community development	-	-	16,933	7,175	-	765	15,000	15,933	1,000	5,672
Capital grant contributions	115,779	112,960	112,419	127,865	116,648	119,353	131,719	120,713	125,802	132,611
Operating grants and contributions										
Total governmental activities program revenue	<u>153,030</u>	<u>153,159</u>	<u>169,788</u>	<u>204,141</u>	<u>195,401</u>	<u>203,878</u>	<u>226,413</u>	<u>206,561</u>	<u>203,358</u>	<u>215,036</u>
Business-type activities:										
Charges for services										
Water utility	69,816	74,240	74,454	78,963	80,573	78,148	76,584	79,097	82,996	80,749
Wastewater utility	22,314	24,917	23,125	23,815	24,362	24,798	25,469	27,119	28,144	27,823
Parking facilities	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,413	19,520	19,612
Capital grants and contributions	731	219	504	366	130	187	-	2,761	3,006	338
Total business-type activities program revenues	<u>114,460</u>	<u>119,801</u>	<u>118,131</u>	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,215</u>	<u>129,390</u>	<u>133,666</u>	<u>128,522</u>
Total primary government program revenues	<u>267,490</u>	<u>272,960</u>	<u>287,919</u>	<u>326,090</u>	<u>320,148</u>	<u>326,463</u>	<u>347,628</u>	<u>335,951</u>	<u>337,024</u>	<u>343,558</u>
<b>Expenses</b>										
Governmental activities:										
General government	113,279	113,142	111,629	112,874	103,550	109,188	119,764	122,656	126,959	130,550
Judicial administration	46,944	48,583	52,209	52,020	49,980	51,102	51,654	55,062	49,056	51,926
Public safety	111,803	126,609	120,703	130,263	129,721	129,138	125,270	125,122	120,710	119,828
Public works	119,76	118,888	134,274	132,176	101,137	91,542	71,324	66,909	81,171	79,200
Health and public assistance	93,775	95,234	93,495	91,923	82,268	75,428	90,993	96,019	86,776	85,730
Culture and recreation	52,065	56,890	63,438	73,342	64,352	63,499	56,039	56,499	58,443	60,064
Community development	14,772	15,345	10,867	15,429	18,638	17,223	16,158	12,622	13,040	16,734
Education	97,595	101,095	104,511	101,011	104,511	104,512	109,287	109,467	117,722	114,769
Interest on long-term debt	19,618	21,457	23,788	26,014	27,931	26,822	28,249	25,187	22,060	22,950
Total government activities expenses:	<u>669,327</u>	<u>687,253</u>	<u>714,914</u>	<u>735,052</u>	<u>682,188</u>	<u>668,454</u>	<u>668,738</u>	<u>664,443</u>	<u>675,937</u>	<u>681,751</u>
Business-type activities:										
Water utility	60,511	64,877	66,990	64,316	67,852	64,473	61,358	61,609	59,448	59,415
Wastewater utility	17,377	18,614	21,227	18,983	19,707	18,806	19,983	20,128	19,142	19,226
Parking facilities	18,861	21,539	19,036	20,008	22,050	20,469	20,961	23,677	20,045	20,651
Total business-type activities expenses:	<u>96,749</u>	<u>105,030</u>	<u>107,253</u>	<u>103,307</u>	<u>109,609</u>	<u>103,748</u>	<u>102,302</u>	<u>105,414</u>	<u>98,635</u>	<u>99,292</u>
Total primary government expenses:	<u>766,676</u>	<u>802,283</u>	<u>822,167</u>	<u>838,359</u>	<u>791,797</u>	<u>772,202</u>	<u>771,040</u>	<u>769,857</u>	<u>774,572</u>	<u>781,043</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	<u>\$ 516,897</u>	<u>(544,094)</u>	<u>(545,126)</u>	<u>(530,911)</u>	<u>(486,787)</u>	<u>(464,576)</u>	<u>(442,325)</u>	<u>(457,882)</u>	<u>(472,579)</u>	<u>(466,715)</u>
Business-type activities	<u>17,711</u>	<u>14,771</u>	<u>10,878</u>	<u>18,642</u>	<u>15,138</u>	<u>18,837</u>	<u>18,913</u>	<u>23,976</u>	<u>35,031</u>	<u>29,230</u>
Total primary government net expense	<u>\$ 499,186</u>	<u>\$ 529,323</u>	<u>\$ 534,248</u>	<u>\$ 512,269</u>	<u>\$ 471,649</u>	<u>\$ 445,739</u>	<u>\$ 423,412</u>	<u>\$ 433,906</u>	<u>\$ 437,548</u>	<u>\$ 437,485</u>

(UNAUDITED)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenue and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Real estate and personal property	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395
Consumption utility	42,586	46,582	44,142	44,053	48,360	43,588	43,211	43,055	42,961	41,849
Sales and use	32,402	31,791	29,484	28,249	28,411	27,599	29,707	29,436	29,981	30,330
Restaurant food	28,578	28,758	28,079	27,292	24,094	30,300	30,818	31,127	32,634	34,224
Business licenses	25,268	26,343	27,692	26,009	25,849	28,667	29,301	29,889	28,640	28,935
Cigarette	6,957	7,577	7,333	7,176	7,161	8,097	7,926	7,409	7,821	7,784
Motor vehicle licenses	3,529	3,498	4,005	4,308	4,313	4,318	4,210	3,966	3,953	4,488
Other	19,800	18,025	17,192	16,528	15,698	18,665	18,124	16,918	18,280	18,424
Interest and investment earnings										
Grants and contributions not restricted to specific programs	6,536	5,307	2,789	892	1,065	916	563	783	164	281
Grants and contributions restricted to specific programs	66,524	69,352	60,513	32,892	32,642	32,726	33,539	33,788	33,793	34,863
Miscellaneous	4,845	11,881	9,600	5,637	5,901	4,653	11,501	14,563	11,916	16,404
Gain (Loss) on disposal of assets	65	62	-	-	-	-	1,734	-	-	-
Capital contributions Norfolk Public Schools										
Transfers between governmental and business-type activities	10,988	10,212	10,215	13,054	10,052	10,087	10,114	10,052	10,033	10,000
Total governmental activities	<u>489,393</u>	<u>499,876</u>	<u>501,684</u>	<u>502,816</u>	<u>470,161</u>	<u>455,055</u>	<u>467,093</u>	<u>475,043</u>	<u>483,666</u>	<u>490,977</u>
Business-type activities:										
Interest and investment earnings	2,739	3,046	925	618	511	314	234	496	112	295
Grants and contributions not restricted to specific programs	333	-	-	148	557	371	1,626	219	214	149
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,554	3,088	2,850	3,432	3,431	3,951	4,042	3,162	2,506	2,295
Gain (Loss) on disposal of assets	(6)	-	-	2,744	(157)	26	9	(88)	(2)	-
Transfers between governmental and business-type activities	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)
Total business-type activities	<u>(4,368)</u>	<u>(4,078)</u>	<u>(6,440)</u>	<u>(6,112)</u>	<u>(5,710)</u>	<u>(5,425)</u>	<u>(4,203)</u>	<u>(6,263)</u>	<u>(7,203)</u>	<u>(7,261)</u>
Total primary governmental activities	<u>485,025</u>	<u>495,798</u>	<u>495,244</u>	<u>496,704</u>	<u>464,451</u>	<u>449,630</u>	<u>462,890</u>	<u>468,780</u>	<u>476,463</u>	<u>483,716</u>
<b>Change in Net Position</b>										
Governmental activities	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,087	24,262
Business-type activities	13,343	10,693	4,438	12,530	9,428	13,412	15,814	17,713	27,828	21,969
Total Primary Government changes in net position	<u>\$ (14,161)</u>	<u>\$ (33,525)</u>	<u>\$ (39,004)</u>	<u>\$ (15,565)</u>	<u>\$ (7,198)</u>	<u>\$ 3,891</u>	<u>\$ 41,299</u>	<u>\$ 34,874</u>	<u>\$ 38,915</u>	<u>\$ 46,231</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	395	330	300	265	2,100
Committed	-	-	-	-	-	1,899	3,000	3,000	3,000	4,000
Assigned	-	-	-	-	-	38,014	34,839	33,919	23,901	25,904
Unassigned	-	-	-	-	-	55,968	54,338	54,055	58,100	65,580
Reserved <sup>(1)</sup>	17,223	11,969	7,842	8,296	-	-	-	-	-	73,077
Unreserved <sup>(1)</sup>	71,056	56,302	50,784	53,840	-	-	-	-	-	-
Total General Fund	<u>88,279</u>	<u>67,971</u>	<u>58,626</u>	<u>62,136</u>	<u>96,281</u>	<u>92,507</u>	<u>91,274</u>	<u>85,266</u>	<u>97,584</u>	<u>107,788</u>
Capital Projects Fund: <sup>(2)</sup>										
Nonspendable	-	-	-	-	-	41,063	95,053	-	10,933	-
Restricted	-	-	-	-	-	11,978	14,376	13,637	14,480	14,704
Committed	-	-	-	-	-	26,307	15,345	7,339	4,052	6,170
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved <sup>(1)</sup>	48,894	57,186	50,987	60,696	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	15,424	64,504	25,939	86,260	-	-	-	-	-	-
Total Capital Projects Fund	<u>64,318</u>	<u>121,690</u>	<u>76,926</u>	<u>146,956</u>	<u>79,348</u>	<u>124,774</u>	<u>20,976</u>	<u>29,465</u>	<u>(69,920)</u>	<u>(210,310)</u>
All Other Governmental Funds:										
Nonspendable	-	-	-	-	-	22	23	24	-	-
Restricted	-	-	-	-	-	2,621	9,474	10,811	10,864	8,385
Committed	-	-	-	-	-	11,259	3,246	2,454	5,050	2,764
Assigned	-	-	-	-	-	9,877	13,569	20,708	22,144	17,843
Unassigned	-	-	-	-	-	-	-	-	(1,556)	(2,913)
Reserved <sup>(1)</sup>	20,123	30,716	27,049	34,634	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	24,211	13,987	12,535	14,008	-	-	-	-	-	-
Total other governmental funds	<u>44,334</u>	<u>44,703</u>	<u>39,584</u>	<u>48,642</u>	<u>23,779</u>	<u>26,312</u>	<u>33,997</u>	<u>36,502</u>	<u>26,079</u>	<u>36,400</u>
Total fund balance, governmental funds	<u>\$ 196,931</u>	<u>\$ 234,364</u>	<u>\$ 175,136</u>	<u>\$ 257,734</u>	<u>\$ 199,408</u>	<u>\$ 243,593</u>	<u>\$ 146,247</u>	<u>\$ 151,233</u>	<u>\$ 53,743</u>	<u>\$ (66,122)</u>

(1) The City implemented GASB Statement No. 54 during fiscal year 2011. Prior year amounts have not been restated for the implementation of GASB 54.

(2) The decrease in Capital Projects fund balance is primarily attributable to timing of the City's external borrowing (see page 34).

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenue:</b>										
General property taxes	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943
Other local taxes	159,119	162,573	157,927	153,615	153,886	161,234	163,297	161,499	164,270	166,034
Licenses and permits	4,055	4,012	3,526	3,691	3,574	4,098	3,089	3,013	3,013	3,038
Fines and forfeitures	1,605	1,317	1,260	1,164	1,298	1,108	1,102	1,242	1,264	1,111
Use of money and property	11,105	10,560	8,332	6,746	7,169	6,695	6,329	9,668	7,354	
Charges for services	37,071	40,159	40,345	50,540	47,955	47,859	56,077	60,040	59,983	62,709
Miscellaneous	11,691	17,923	12,911	18,080	14,850	11,643	26,178	29,133	10,142	11,325
Recovered costs <sup>(1)</sup>	8,408	8,622	8,952	9,503	10,723	10,312	11,386	-	-	-
Intergovernmental	156,637	156,862	149,774	152,619	149,489	161,572	161,148	153,782	158,840	166,686
<b>Total revenues</b>	<b>625,106</b>	<b>643,361</b>	<b>635,516</b>	<b>652,848</b>	<b>647,065</b>	<b>656,914</b>	<b>676,194</b>	<b>672,093</b>	<b>669,613</b>	<b>684,200</b>
<b>Expenditures:</b>										
Current										
General government	102,031	110,974	102,426	97,061	80,855	100,504	112,804	109,292	110,904	118,468
Judicial administration	45,173	47,331	50,347	48,726	47,535	48,233	50,920	51,673	51,360	50,513
Public safety	108,565	116,208	118,073	115,486	115,975	116,286	117,427	113,394	112,055	116,436
Public works	49,161	60,370	56,146	59,574	70,124	62,330	54,427	55,267	61,369	58,716
Health and public assistance	93,397	95,159	91,648	89,682	79,757	74,331	88,413	88,671	85,631	85,815
Culture and recreation	46,397	51,071	52,248	51,708	45,862	44,529	47,153	46,705	48,765	44,531
Community development	11,158	10,745	9,899	10,851	16,585	15,142	15,128	12,482	12,303	13,677
Education	97,595	101,096	104,511	101,011	104,511	104,512	109,287	111,854	117,722	114,769
Debt service:										
Principal retirement	35,872	40,260	48,092	46,052	50,865	57,683	50,559	48,135	49,255	46,175
Interest and other charges	18,917	20,468	23,666	23,782	29,675	27,360	27,668	28,682	28,896	26,955
Debt issuance costs	-	-	-	-	-	-	-	1,127	680	318
Capital outlay	94,595	114,007	104,892	99,210	76,534	98,892	116,580	100,709	103,113	140,093
<b>Total expenditures</b>	<b>702,861</b>	<b>767,688</b>	<b>761,948</b>	<b>743,145</b>	<b>718,258</b>	<b>749,812</b>	<b>790,366</b>	<b>767,991</b>	<b>780,053</b>	<b>816,466</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(77,755)</b>	<b>(124,327)</b>	<b>(126,432)</b>	<b>(90,297)</b>	<b>(71,193)</b>	<b>(92,898)</b>	<b>(114,172)</b>	<b>(95,898)</b>	<b>(110,440)</b>	<b>(132,266)</b>
<b>Other financing sources (uses):</b>										
Proceeds of refunding bonds	15,480	-	16,000	-	84,136	74,859	-	73,428	74,094	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	2,400
Proceeds from line of credit	-	-	-	-	-	-	-	-	-	-
Cost of issuance	-	-	-	-	-	-	-	-	-	-
Proceeds of debt (general obligation bonds and notes)	121,705	145,663	55,280	156,208	2,821	109,835	-	1,127	1,000	811
Payment to refunded bonds escrow agent	(15,480)	-	(16,000)	-	(84,136)	(74,859)	-	77,930	-	-
Premium on bonds issued	2,070	5,785	1,707	3,633	505	15,311	-	(79,964)	(81,267)	-
Miscellaneous	66	62	-	-	-	-	-	17,081	7,530	-
Proceeds from sale or disposal of capital assets	89,254	109,901	105,641	104,007	104,873	2,700	1,966	112,121	107,633	102,604
Operating transfers in	(78,176)	(99,653)	(95,425)	(90,983)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)
<b>Total other financing sources (uses)</b>	<b>134,919</b>	<b>161,758</b>	<b>67,203</b>	<b>172,895</b>	<b>12,867</b>	<b>137,083</b>	<b>12,081</b>	<b>102,011</b>	<b>12,201</b>	<b>12,400</b>
<b>Net change in fund balances</b>	<b>\$ 57,164</b>	<b>\$ 37,431</b>	<b>\$ (59,229)</b>	<b>\$ 82,598</b>	<b>\$ (58,326)</b>	<b>\$ 44,185</b>	<b>\$ (102,091)</b>	<b>\$ 6,113</b>	<b>\$ (98,239)</b>	<b>\$ (119,866)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.01%</b>	<b>9.13%</b>	<b>10.40%</b>	<b>9.69%</b>	<b>12.19%</b>	<b>12.27%</b>	<b>11.57%</b>	<b>11.22%</b>	<b>11.27%</b>	<b>10.91%</b>

Note:  
1. Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement.

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
General government	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739	\$ 7,798
Judicial administration	27,904	28,707	23,173	26,461	27,069	27,880	29,479	28,537	23,113	25,811
Public safety	8,137	5,244	11,036	7,459	12,335	14,217	15,980	11,116	14,226	11,662
Public works	44,769	47,407	48,156	55,542	61,552	77,436	68,326	63,124	76,359	69,609
Health and public assistance	42,261	40,567	41,695	62,585	52,280	51,654	62,657	62,224	57,059	72,181
Culture and recreation	9,655	10,359	9,148	23,976	10,330	11,573	26,284	25,837	9,947	17,301
Community development	3,690	3,168	20,538	7,532	10,040	8,538	10,286	7,626	7,498	8,255
Interest on long-term debt	-	-	-	849	-	2,115	2,587	3,021	2,417	2,419
<b>Total governmental activities</b>	<b>153,030</b>	<b>153,159</b>	<b>169,788</b>	<b>204,140</b>	<b>195,401</b>	<b>203,879</b>	<b>226,412</b>	<b>206,562</b>	<b>203,358</b>	<b>215,036</b>
<b>Business-type activities:</b>										
Water utility	70,411	74,416	74,958	79,349	80,703	78,335	76,585	81,757	85,925	81,087
Wastewater utility	22,450	24,960	23,125	23,815	24,362	24,798	25,489	27,219	28,144	27,823
Parking facilities	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,414	19,596	19,612
<b>Total business-type activities</b>	<b>114,460</b>	<b>119,801</b>	<b>118,131</b>	<b>121,949</b>	<b>124,747</b>	<b>122,585</b>	<b>121,216</b>	<b>129,390</b>	<b>133,665</b>	<b>128,522</b>
<b>Total primary government</b>	<b>\$ 267,490</b>	<b>\$ 272,960</b>	<b>\$ 287,919</b>	<b>\$ 326,089</b>	<b>\$ 320,148</b>	<b>\$ 326,464</b>	<b>\$ 347,628</b>	<b>\$ 335,952</b>	<b>\$ 337,023</b>	<b>\$ 343,558</b>

## (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	Miscellaneous	Recovered Costs <sup>(1)</sup>	Inter-Governmental	Totals
2007	\$ 235,399	\$ 159,119	\$ 4,071	\$ 1,605	\$ 11,105	\$ 37,071	\$ 11,691	\$ 8,408	\$ 156,637	\$ 625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	NA	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	NA	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	NA	166,686	684,200
Change 2007-2016	13.0%	4.3%	-25.4%	-30.8%	-33.8%	69.2%	-3.1%	NA	6.4%	9.5%

**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds<sup>(2)</sup>**  
**Schedule 7**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2007	\$ 42,586	\$ 32,402	\$ 28,578	\$ 25,268	\$ 6,957	\$ 3,529	\$ 19,799	\$ 159,119
2008	46,582	31,791	28,758	26,343	7,577	3,498	18,024	162,573
2009	44,142	29,484	28,078	27,692	7,333	4,005	17,192	157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,297
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,488	18,424	166,034
Change 2007-2016	-1.7%	-6.4%	19.8%	14.5%	11.9%	27.2%	-6.9%	4.3%

## Notes:

1. Beginning in 2014, recovered costs are classified as the appropriate revenue or expense reimbursement.
2. Presents additional details on Other Local Taxes presented in Schedule 6 above.

N/A - Not Available

**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
2007	\$ 15,607,512	\$ 1,687,318	\$ 324,387	\$ 17,619,217	\$ 17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,738	1,952,956	277,302	21,336,996	21,336,996

## 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.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.18	0.18	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.00	4.25	4.25	4.25	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.27	1.11	1.11	1.11	1.11	1.11	1.11	1.15	1.15	1.15
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	0.50	0.50	0.50	0.50	0.50	0.50	0.50	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	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.45	1.25	1.23	1.19	1.19	1.21	1.22	1.22	1.22	1.24

## Assessed value of real property as a percent of fair market value:

As determined by the City Assessor	100%	100%	100%	100%	96%	100%	100%	98%	100%	100%
As determined by the Commonwealth's Department of Taxation	76%	76%	93%	96%	N/A	100%	100%	99%	100%	98%

## 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 2007 through 2016.
3. The most recent Virginia Assessment/Sales ratio study is for 2016.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

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

Taxpayer	2007			2016		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MacArthur Shopping Center	164,793,100	1	1.06%	\$ 199,763,100	1	1.05%
Virginia Power Co.	140,314,736	2	0.90%			
ODU Real Estate Foundation				129,988,800	2	0.68%
Verizon Virginia, Inc.	114,147,696	3	0.73%			
Bank of America	81,573,800	4	0.52%			
Ford Motor Company	81,445,000	5	0.52%			
Norfolk Southern	77,775,444	6	0.50%	88,086,900	3	0.46%
Wells Fargo Building				76,225,200	4	0.40%
Dominion Tower LTD. Partnership	54,220,500	8	0.35%			
Dominion Enterprises				61,618,200	5	0.32%
Dominion Power				57,691,600	6	0.30%
Cox Virginia Telecom	49,858,200	9	0.32%			
Military Circle LTD. Partnership	63,475,500	7	0.41%			
Military Circle LLC				57,417,100	7	0.30%
Norfolk Housing, LLC				56,783,300	8	0.30%
Marriott (Norfolk Hotel Association)	44,688,400	10	0.29%	51,894,500	9	0.27%
North Pine Associates LLC				50,770,000	10	0.27%
<b>Total</b>	<b>\$ 872,292,376</b>		<b>5.59%</b>	<b>\$ 830,238,700</b>		<b>4.35%</b>
Total Assessed Value	\$ 15,607,511,904			\$ 19,106,737,956		

## 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 by Tax Year**  
**Last Ten Years**  
(in thousands)

Tax Year	Original Tax Levy	Adjusted Tax Levy <sup>(1)</sup>	Current Collections	Percentage of Current Collections to Tax Levy <sup>(2)</sup>	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy <sup>(2)</sup>
2007	\$ 254,703	\$ 228,209	\$ 219,993	96.40%	\$ 10,112	\$ 230,105	100.83%
2008	258,016	241,101	220,253	91.35%	23,122	243,375	100.94%
2009	261,535	254,471	233,725	91.85%	18,246	251,971	99.02%
2010	258,544	257,277	239,192	92.97%	18,646	257,838	100.22%
2011	254,756	252,794	235,518	93.17%	16,506	252,024	99.70%
2012	247,528	246,876	233,396	94.54%	12,754	246,150	99.71%
2013	244,309	244,410	229,872	94.05%	12,298	242,170	99.08%
2014	254,008	254,137	240,481	94.63%	12,170	252,651	99.42%
2015	256,040	260,110	245,803	94.50%	10,532	256,335	98.55%
2016	264,043	265,008	251,933	95.07%	-	251,933	95.07%

Notes:

1. Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. Information obtained from Office of the City Treasurer.
2. Percentage of Collections to Tax Levy are calculated using the adjusted Tax Levy amounts. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2016, were \$265,843,000 of which \$13,910,000 are for prior years and are included under the column entitled "Delinquent Collections."

## (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/Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
<b>Governmental Activities</b>							
2007	\$ 484,782	\$ 227	\$ -	\$ 485,009	\$ 2,005	6.17%	0.96
2008	590,712	2,000	-	592,712	2,439	7.32%	0.71
2009	587,743	1,000	-	588,743	2,413	7.09%	0.64
2010	699,748	1,812	-	701,560	2,889	8.46%	0.50
2011	651,755	1,208	-	652,963	2,677	7.72%	0.52
2012	717,407	-	-	717,407	2,919	8.07%	0.46
2013	664,909	-	-	664,909	2,699	7.25%	0.53
2014	718,937	-	-	718,937	2,918	7.82%	0.49
2015	665,809	1,000	-	666,809	2,698	7.06%	0.33
2016	611,876	175,289	-	787,165	N/A	N/A	0.30
<b>Business Type Activities</b>							
2007	\$ 107,752	\$ -	\$ 355,841	\$ 463,593	\$ 1,916	5.59%	0.66
2008	125,363	-	413,213	538,576	2,217	6.32%	0.59
2009	159,902	-	410,377	570,279	2,338	6.85%	0.56
2010	201,701	-	403,485	605,186	2,492	7.06%	0.55
2011	189,782	-	445,687	635,469	2,606	7.10%	0.54
2012	193,729	-	439,410	633,139	2,576	6.63%	0.56
2013	184,119	-	486,832	670,951	2,723	6.99%	0.55
2014	259,717	-	410,401	670,118	2,720	7.29%	0.55
2015	247,490	-	443,911	691,401	2,797	7.32%	0.57
2016	236,084	16,711	436,720	689,515	N/A	N/A	0.61
<b>Total Primary Governmental Activities</b>							
2007	\$ 592,534	\$ 227	\$ 355,841	\$ 948,602	\$ 3,921	11.44%	0.84
2008	716,075	2,000	413,213	1,131,288	4,656	13.28%	0.68
2009	747,645	1,000	410,377	1,159,022	4,751	13.92%	0.64
2010	901,449	1,812	403,485	1,306,746	5,382	15.25%	0.54
2011	841,537	1,208	445,687	1,288,432	5,283	14.40%	0.53
2012	911,136	-	439,410	1,350,546	5,494	14.15%	0.50
2013	849,028	-	486,832	1,335,860	5,422	13.91%	0.51
2014	978,654	-	410,401	1,389,055	5,638	15.11%	0.52
2015	913,299	1,000	443,911	1,358,210	5,495	14.39%	0.53
2016	847,960	192,000	436,720	1,476,680	N/A	N/A	0.45

N/A - not available

- Population is detailed in Schedule 2 Debt Capacity Information.

## (UNAUDITED)

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

Fiscal 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
2007	\$ 592,534	\$ 107,752	\$ 484,782	\$ 17,619,217	241,941	3.36%	\$ 2,449
2008	716,075	125,363	590,712	20,578,641	242,983	3.48%	2,947
2009	747,645	159,902	587,743	21,308,309	243,957	3.51%	3,065
2010	901,449	201,701	699,748	21,777,754	242,803	4.14%	3,713
2011	841,537	189,782	651,755	21,383,674	243,985	3.94%	3,449
2012	911,136	193,729	717,407	20,529,023	245,803	4.44%	3,707
2013	849,028	184,119	664,909	20,093,307	246,392	4.23%	3,446
2014	978,654	259,717	718,937	20,192,046	246,934	4.85%	3,963
2015	914,299	247,490	665,809	20,892,353	247,189	4.38%	3,699
2016	1,039,960	252,795	787,165	21,366,996	N/A	4.87%	N/A

## Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2007 through 2009 and 2011 through 2015 population estimates is the Weldon Cooper Center for Public Service, University of Virginia. The source for the 2010 population estimate is the U.S. Census Bureau.
3. Gross Bonded Debt includes unamortized premiums.

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2016**

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 1,039,960	100%	\$ 1,039,960

## Notes:

1. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

(UNAUDITED)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total assessed value of taxed real property	\$ 15,496,207,804	\$ 18,401,851,069	\$ 19,395,789,387	\$ 19,940,273,451	\$ 19,320,643,495	\$ 18,676,730,533	\$ 18,319,948,478	\$ 18,421,412,121	\$ 18,734,201,726	\$ 19,106,737,956
Debt Limit -10% of total assessed valuation	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212	1,873,420,173	1,910,673,796
Net debt applicable to debt limitation	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	854,745,129	988,381,839
Legal Debt Margin	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622	\$ 1,013,926,798	\$ 929,440,869	\$ 1,018,675,044	\$ 922,291,957

Net Debt percentage of debt limitation  
 207

37.38% 37.90% 38.06% 44.61% 42.94% 46.96% 44.65% 49.55% 45.62% 45.62% 51.73%

## (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		Operating Expenses		Income		Debt Service			Coverage
	Available for Debt Service	(1)	Less Depreciation & Amortization	(2)	Available for Debt Service	Principal	Interest	Total		
2007	\$ 76,013,563		\$ 32,427,377		\$ 43,586,186	\$ 7,310,000	\$ 14,379,821	\$ 21,689,821		2.01
2008	78,730,024		37,026,528		41,703,496	7,665,000	14,022,200	21,687,200		1.92
2009	78,020,552		38,182,373		39,838,179	8,050,000	16,411,343	24,461,343		1.63
2010	82,470,020		34,567,741		47,902,279	9,420,000	15,929,680	25,349,680		1.89
2011	83,737,444		37,068,753		46,668,691	9,875,000	16,527,844	26,402,844		1.77
2012	81,295,219		34,667,524		46,627,695	11,285,000	11,184,363	22,469,363		2.08
2013	80,091,220		34,810,702		45,280,518	7,000,000	14,700,777	21,700,777		2.09
2014	82,078,002		34,466,877		47,611,125	7,250,000	15,630,219	22,880,219		2.08
2015	85,490,793		33,940,277		51,550,516	7,805,000	13,905,866	21,710,866		2.37
2016	83,103,038		32,731,817		50,371,221	8,750,000	16,612,870	25,362,870		1.99

## Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 6**  
**Revenue Bonds Debt Service Coverage**  
**Wastewater Utility Fund**  
**Last Seven Fiscal Years**

Fiscal Year	Revenue		Operating Expenses		Income		Debt Service			Coverage
	Available for Debt Service	(1)	Less Depreciation & Amortization	(2)	Available for Debt Service	Principal	Interest	Total		
2010	\$ 24,122,430		\$ 11,168,344		\$ 12,954,086	\$ 425,000	\$ -	\$ 425,000		30.48
2011	24,856,689		11,375,370		13,481,319	850,000	-	850,000		15.86
2012	25,695,602		10,860,728		14,834,874	1,225,000	-	1,225,000		12.11
2013	25,898,789		11,541,897		14,356,892	1,725,000	-	1,725,000		8.32
2014	27,409,238		10,767,704		16,641,534	1,957,500	-	1,957,500		8.50
2015	28,241,721		10,581,959		17,659,762	2,490,000	-	2,490,000		7.09
2016	28,028,027		10,347,338		17,680,689	3,019,967	-	3,019,967		5.85

## Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

**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	Ratio of Debt Service to Total General Expenditures	
					Total Debt Service	Total General Expenditures
2007	\$ 35,871,841	\$ 3,666,990	\$ 18,168,611	\$ 338,085	\$ 58,045,527	\$ 539,491,519
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904

## 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>
2006	243,406	\$ 8,687,142	\$ 35,690	95,709	4.3%
2007	241,248	\$ 8,670,457	\$ 35,940	99,742	4.1%
2008	241,201	\$ 8,692,900	\$ 36,040	100,847	5.3%
2009	241,725	\$ 8,276,010	\$ 34,237	98,751	8.5%
2010	242,803	\$ 8,380,127	\$ 34,501	112,449	8.8%
2011	243,985	\$ 8,608,415	\$ 35,342	112,932	8.4%
2012	245,803	\$ 8,928,833	\$ 36,308	112,881	7.6%
2013	246,392	\$ 8,842,338	\$ 36,066	112,815	6.9%
2014	246,394	\$ 9,122,284	\$ 37,052	112,466	6.4%
2015	247,189	\$ 9,529,615	\$ 38,676	111,318	5.6%

Notes:

1. Population from the Weldon Cooper Center for Public Service, University of Virginia and U.S. Census Bureau. Population data was not available for 2016.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2016.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2016.
4. All information on an average annual calendar year.

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

<u>Employer</u>	<u>Rank</u>	
	2007	2016
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City Public Schools	2	3
City of Norfolk	4	7
Old Dominion University	5	4
Children's Hospital of the King's Daughters	6	5
Norshipco (BAE Systems)		8
Eastern Virginia Medical School		6
Norfolk State University	7	9
Medical College of Hampton Roads	9	
United States Postal Service	8	
Ford Motor Company	10	
The Wellpoint Companies		10
 Total Employment	 93,488	 141,831

## Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2016 is the quarter ended December 2015, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees 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	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2007	389	491	\$ 68,476	55	\$ 81,396
2008	277	815	101,212	35	102,714
2009	209	535	35,878	38	138,131
2010	191	621	58,729	35	104,922
2011	221	479	37,298	27	40,073
2012	268	371	39,360	26	116,401
2013	384	822	63,728	28	105,635
2014	432	1,393	93,072	33	37,575
2015	399	711	59,018	36	233,824
2016	384	1,067	74,294	20	91,171

Notes:

- 1) The source of residential and non-residential construction is the City's Department of Planning and Community Development.
- 2) Non-residential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiscal Year										
Goods-Producing Industries:										
Construction	6.0	6.2	5.9	5.0	4.7	4.4	4.1	3.8	3.8	4.2
Manufacturing	8.7	7.9	7.1	7.1	6.8	6.5	6.8	6.7	6.1	6.3
Service-Providing Industries:										
Wholesale trade	5.1	5.1	4.7	4.3	4.1	3.9	3.7	3.5	3.5	3.5
Retail trade	14.4	14.7	14.1	12.9	12.8	12.9	12.6	12.8	12.7	12.7
Transportation and warehousing	9.3	9.4	9.6	8.8	8.8	8.8	9.0	8.8	8.8	8.8
Information	3.5	3.7	3.5	3.0	2.7	2.5	2.5	2.9	2.8	2.9
Finance and insurance	6.0	6.6	6.6	6.1	5.4	5.5	5.3	5.3	5.6	5.2
Real estate and rental and leasing	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.7	2.6	2.6
Professional and technical services	10.2	10.7	11.4	11.7	11.6	11.5	11.0	11.4	11.0	10.5
Management of companies and enterprises	2.7	2.5	2.6	2.3	2.1	2.0	2.0	1.9	1.8	1.7
Administrative, support and waste services	7.4	7.4	7.6	6.6	6.6	7.4	6.8	7.6	7.7	7.7
Educational services	15.5	15.6	15.8	16.1	16.1	15.9	16.0	16.1	15.9	15.6
Health care and social assistance	20.1	20.6	21.2	20.7	21.0	21.9	22.4	22.4	21.8	22.0
Arts, entertainment and recreation	2.4	2.4	2.5	2.3	2.2	2.3	2.3	2.3	2.3	2.2
Accommodation and food services	11.1	10.7	10.5	10.3	10.3	10.9	10.9	10.6	10.5	10.9
Public administration	12.2	12.1	13.5	14.1	13.9	14.2	14.4	12.7	12.4	18.0
Other services	4.1	4.0	3.9	3.8	3.8	4.0	4.1	4.2	4.3	4.1
Total (adjusted for rounding)	142.4	143.1	144.0	138.7	136.3	138.0	137.8	136.4	134.4	138.9

## Notes:

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. This schedule includes data for the ten year period 2006 - 2015 as calendar year. Calendar year data not available for 2016.

(UNAUDITED)

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

Function/Program	2007	2008	2009	2010	Fiscal Year					
					2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
General government	477	264	481	438	492	501	461	425	473	450
Judicial administration	17	18	16	14	12	10	13	12	10	10
Public safety										
Police	1,031	887	861	878	891	879	828	837	823	838
Fire	508	508	517	517	510	517	507	504	489	489
Other	-	-	84	83	90	90	77	76	76	74
Public works	379	346	414	440	431	427	395	388	369	383
Health and public assistance	469	598	487	485	532	534	709	697	697	715
Culture and recreational	478	569	558	509	512	501	459	456	429	442
Community development	59	95	75	113	137	142	94	96	103	128
Business-type activities:										
Water utility	261	290	268	269	289	289	266	273	265	262
Wastewater utility	96	103	99	95	103	104	99	99	95	94
Parking facilities	90	88	89	87	85	85	85	76	63	58
Total full-time equivalent positions	3,865	3,766	3,949	3,928	4,084	4,079	3,993	3,937	3,892	3,941

Note:

1. Data obtained from City's Human Resources Information System.

## (UNAUDITED)

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

Function/Program	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Police:						
Service calls	237,451	258,254	242,139	245,336	241,282	251,099
Arrests	22,222	24,050	26,583	28,069	27,930	29,080
Reports filed	31,986	31,220	32,477	31,487	30,507	28,649
Fire:						
Incidences (fires, EMS)	31,266	41,212	39,714	40,234	40,641	45,350
Highways and Streets:						
Streets resurfacing (miles)	70	80	66	69	67	139
Sanitation:						
Total solid waste collected and disposed (tons)	97,143	93,799	92,333	100,480	84,162	89,106
Water Utilities:						
Water delivered to water mains (gallons in thousands)	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690
Total water consumption (gallons in thousands)	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972
Percent of unmetered water	7.30%	6.95%	7.31%	6.11%	7.25%	7.62%
Average daily delivery (gallons in thousands)	66,650	66,200	62,900	62,100	62,494	60,217
Maximum daily pumpage (gallons in thousands)	83,600	82,000	79,000	76,400	80,200	76,310
Minimum daily pumpage (gallons in thousands)	56,200	52,200	52,000	52,200	52,350	50,070

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

Function/Program	2007	2008	2009	2010	Fiscal Year			2013	2014	2015	2016
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Public Safety:											
Police	3	3	3	3	3	3	3	3	3	3	3
Stations											
Fire	14	14	14	14	14	14	14	14	14	14	14
Fire stations											
Education:											
High schools	5	5	5	5	5	5	5	5	5	5	5
Middle schools	9	9	9	8	8	8	8	8	7	7	8
Elementary (K - 8 & Pre K - 8)	35	35	35	35	35	34	33	33	33	33	33
Other educational facilities	11	11	9	5	5	6	6	6	7	7	10
Libraries	10	11	11	11	11	11	11	11	11	11	11
Public Recreation:											
Parks:											
Acreage	587	586	587	587	587	587	587	587	587	587	630
Regional parks	1	1	2	2	2	2	2	2	2	2	2
Neighborhood parks	85	85	71	71	71	71	71	71	71	71	72
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1	1
Playgrounds	79	123	100	101	101	101	102	105	106	106	106
Hiking trails (miles)	1	2	2	2	2	2	2	2	2	2	5
Recreation:											
Acreage	860	868	954	957	957	957	957	957	957	957	981
Recreational and senior centers	18	19	25	30	30	30	30	30	30	30	30
Swimming pools	6	8	6	6	6	6	6	6	6	6	6
Tennis courts	101	134	148	148	148	148	142	142	142	142	142
Baseball/softball diamonds	63	99	86	86	86	86	86	86	86	86	86
Football/soccer fields	47	65	49	49	49	49	49	49	49	49	49
Field hockey	5	5	3	3	3	3	3	3	3	3	3
Basketball courts	229	179	204	203	203	203	201	201	201	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	3	3	3	3	3	3	2
Public Services:											
Transportation and Engineering:											
Streets (lane miles)	2,193	2,210	2,193	2,188	2,188	2,189	2,174	2,175	2,166	2,195	
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	968	902
Bridges	49	49	49	50	50	50	50	50	50	50	52
Signalized intersections	283	287	284	301	304	305	304	311	312	312	312
Street lights	30,200	30,583	30,653	30,717	31,277	31,132	31,138	31,138	31,269	31,269	31,289
Utilities:											
Water fund capital assets (in thousands)	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 532,089	
Wastewater fund capital assets (in thousands)	\$ 147,020	\$ 163,068	\$ 177,928	\$ 183,974	\$ 198,842	\$ 214,308	\$ 229,891	\$ 236,931	\$ 249,210	\$ 260,188	
Total utilities assets (in thousands)	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,842	\$ 684,774	\$ 710,094	\$ 726,479	\$ 752,869	\$ 792,277	
Water customer accounts	65,000	65,549	64,433	66,400	64,289	64,654	64,654	64,856	65,687	65,687	65,426
Miles of water main in the system	827	829	832	835	838	824	826	828	828	828	821
Convention Center:											
Meeting rooms	8	8	8	8	8	8	8	8	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/ballroom space (square feet)	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Parking Facilities:											
Parking lots/garages	21	23	23	26	25	24	24	24	24	24	25
Parking meters	718	669	614	584	584	756	738	752	676	676	643
Storm Water Management:											
Miles of storm sewers	357	357	357	357	357	357	357	366	386	386	404

(UNAUDITED)  
**City of Norfolk, Virginia  
Operating Information  
Schedule 4  
Water System Statistics  
As of June 30, 2016**

**Average Metered Consumption (million gallons per day)**

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9

**Retail Customers' Average Annual Costs - Norfolk Retail**

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2012	\$ 33,537,000	\$ 6,241,000	5.37
2013	33,813,000	6,134,000	5.51
2014	34,920,000	6,092,000	5.73
2015	35,846,000	6,136,000	5.84
2016	35,287,824	5,769,377	6.12

**Wholesale Customers' Average Annual Costs - Virginia Beach**

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2012	\$ 25,519,000	\$ 11,826,000	2.16
2013	22,643,000	11,739,000	1.93
2014	23,188,000	11,614,000	1.99
2015	23,771,000	11,257,000	2.11
2016	23,730,664	11,263,480	2.11

**Wholesale Customers' Average Annual Costs - U.S. Navy, including Norfolk and Virginia Beach Facilities**

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2012	\$ 8,534,000	\$ 1,460,000	5.85
2013	8,768,000	1,444,000	6.07
2014	9,927,000	1,571,000	6.32
2015	12,017,000	1,838,000	6.54
2016	10,355,614	1,530,378	6.77

**Wholesale Customers' Average Annual Costs - Chesapeake**

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2012	\$ 4,691,000	\$ 840,000	5.58
2013	5,099,000	897,500	5.68
2014	4,912,000	835,300	5.88
2015	5,009,000	823,800	6.08
2016	4,717,964	719,635	6.56

(<sup>1</sup>) "Mgal" means 1,000 gallons

**Additional Information:**

- 1) Water Utility Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.  
July 1, 2015 - June 30, 2016  
July 1, 2016 - June 30, 2017
- 2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.
- 3) Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

(UNAUDITED)

**City of Norfolk, Virginia  
Operating Information  
Schedule 5  
Wastewater System Statistics  
As of June 30, 2016**

**The Wastewater System**

The City owns and operates a sanitary sewer system (the "Wastewater System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District.

Approximate population served	247,189 citizens
Total wastewater pumping stations	133 pump stations
Miles of gravity wastewater mains	909 miles
Miles of wastewater force mains	67 miles

**Organization and Management**

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities, and Robert Carteris and Eric G. Tucker are the Assistant Directors of Utilities. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

**Rates**

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2016	\$3.82 per 100 cubic feet
2017	\$3.97 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

**Largest Users**

<b>Rank</b>	<b>Entity</b>	<b>Usage (CCF)</b>
1	Norfolk Redevelopment and Housing Authority	413,391
4	Old Dominion University	135,124
2	BAE Systems	131,655
3	Sentara Norfolk General	131,495
5	Norfolk State University	76,137

**Operating Income**

	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2016</b>
Total Operating Revenues	\$ 28,241,721	\$ 28,014,182
Total Operating Expenses	<u>16,702,281</u>	<u>16,707,522</u>
Total Operating Income	<u>\$ 11,539,440</u>	<u>\$ 11,306,660</u>

**(UNAUDITED)**  
**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 6**  
**Parking System Statistics**  
**As of June 30, 2016**

**Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages**

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	3.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	4.50	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	6.00		
4 to 5 Hours	7.50		
5 to 6 Hours	9.00		
6 to 7 Hours	10.50		
7 to 8 Hours	12.00		
Maximum Daily Rate (up to 24 Hours)	13.00		
Lost Ticket/Per Day	13.00		

**Short-term Parking Rates at the MacArthur Center Garages**

**Monday - Friday**

\$1.00 for first hour - third hour  
\$2.00 for each additional hour until 6 PM  
\$2.00 for entry after 6 PM  
Maximum of \$10.00 per 24-hour period

**Saturday & Sunday**

\$1.00 for entry prior to 6 PM  
\$2.00 for entry after 6 PM  
Maximum of \$10.00 per 24-hour period

**Special Event Rates**

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garages special event fee is \$2.00 per vehicle.

**Metered Parking Rates**

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four hour limit
ODU Village	161 meters located on 41 <sup>st</sup> , 43 <sup>rd</sup> , 45 <sup>th</sup> , 46 <sup>th</sup> , 47 <sup>th</sup> Street and Monarch Way	\$0.50 per 30 minutes

**Monthly Parking Rates at all City-Owned Facilities**

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

**Parking Fines**

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

**Parking Fines**

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2012	58,928	\$ 2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%

**Additional Information**

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2015 - June 30, 2016

July 1, 2016 - June 30, 2017

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Parking Facilities Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.



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# COMPLIANCE SECTION





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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, Virginia (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. 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*. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under the Specifications and which are described in the accompanying schedule of finding and responses as items 2016-005 through 2016-008.



## **Responses to the Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Norfolk's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the City as of and for the year ended June 30, 2016, and have issued our report thereon dated December 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to



the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016

**(1) Summary of Auditors' Results**

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None Reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **Findings 2016-001 through 2016-004**

(e) Type of report issued on compliance for major programs:

<b>Federal Programs</b>	<b>CFDA No.</b>	<b>Type</b>
Temporary Assistance for Needy Families	93.558	Unmodified
Medical Assistance Program	93.778	Unmodified
Social Services Block Grant	93.667	Unmodified
Supplemental Nutrition Assistance Program (SNAP)	10.561	Unmodified
Impact Aid	84.041	Unmodified
Capitalization Grants for Clean Water State Revolving Funds	66.458	Unmodified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Findings 2016-001 through 2016-004**

(g) Major programs:

<b>Federal Programs</b>	<b>CFDA No.</b>
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778
Social Services Block Grant	93.667
Supplemental Nutrition Assistance Program (SNAP)	10.561
Impact Aid	84.041
Capitalization Grants for Clean Water State Revolving Funds	66.458

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,977,747**

(i) Auditee qualified as a low-risk auditee: **Yes**

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

None

### **(3) Findings and Questioned Costs Related to Federal Awards**

#### **Finding No. 2016-001: Eligibility**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Temporary Assistance for Needy Families (TANF), CFDA No. 93.558, Program Year 2016,  
U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF),  
Award BEN-13-045-12

*Recipient*

City of Norfolk

*Criteria*

In accordance with the eligibility requirements of the TANF grant, the City is required to maintain sufficient documentation and approval support for the determination of compliance with the eligibility criteria for the individuals applying for TANF assistance. Specifically, TANF Guidance Manual section 201.1 specifies each factor that is required for the individual to be eligible to receive benefits.

*Condition Found*

In a sample of 65 selections for eligibility, one instance was identified in which an individual who was ineligible received TANF benefits. In an unrelated sample of 80, as a part of our testwork over special tests and provisions – Non-Cooperation, two additional ineligible individuals were found to have received TANF benefits.

*Perspective and Questioned Costs*

There was one individual who inappropriately received TANF benefits in the amount of \$254. In this case, the individual's application was approved in error since the individual's income was higher than the maximum allowable threshold.

There was one individual who inappropriately received TANF benefits in the amount of \$737. In reviewing the case for noncooperation, it was discovered that the individual was not eligible to receive TANF benefits and the application from January 2016 was approved in error.

There was one individual who inappropriately received TANF benefits in the amount of \$742. In reviewing the case for noncooperation, it was discovered that the individual was not eligible to receive TANF benefits and the application dated February 2015 was approved in error.

In each of the cases discussed above, because the City is the administrator of these local funds and the Commonwealth of Virginia provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding. However, the City's processes did not result in the appropriate decision with respect to eligibility of these individuals, as such the instances listed above are considered reportable compliance findings.

*Cause and Effect*

The requirement to determine eligibility was not administered properly, which led to ineligible applications being approved for payment.

*Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeated Finding Compared to Prior Year Audit*

A similar finding was reported in the prior year's audit as finding number 2015-009.

*Recommendation*

The City should implement a process to ensure that all eligibility applications are properly approved and maintained. We further recommend that the City increase the frequency and precision level of management's review of applications for TANF benefits to ensure errors are detected and resolved in a timely manner.

*Views of Responsible Officials*

*We agree with the finding and recommendation and will work to implement the actions the auditors have proposed. The internal team conducts in-depth case reviews on every worker each month. Particular areas of focus are income, applications, and re-certifications. Case reviews are conducted to bolster consistency and maintain a focus on problematic areas. Targeted training support needs are identified by eligibility operations by reviewing review results. The Department of Human Services (DHS) team will continue to work to clearly interpret the policies, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training.*

**Finding No. 2016-002: Special Test and Provisions – Penalty for Refusal to Work**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Temporary Assistance for Needy Families, CFDA No. 93.558, Program Year 2016, U.S. Department of Health and Human Services (HHS), Award BEN-13-045-12

*Recipient*

City of Norfolk

*Criteria*

In accordance with 45 CFR section 261.14, the City is required to reduce or terminate assistance to the individual once it has been determined that a recipient receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

*Condition Found*

In a sample of 80 instances of VIEW sanctions due to refusal to work tested, there was one individual which had been sanctioned and payments suspended, in which a renewal application was later approved despite the valid sanction. Another individual appealed a sanction, however, upon the decision to uphold the sanction rendered by the hearings officer, the VIEW sanction was not re-imposed appropriately and timely.

*Perspective and Questioned Costs*

One individual had sanctions imposed due to noncompliance with refusal to work requirements in December 2014. The participant reapplied for benefits in May 2015, and the application was approved despite the outstanding VIEW sanction. During the City's review of TANF benefits in June 2015, it was discovered that the application was approved in error, and the City took action to suspend benefits. As a result of the delay in identifying the error, the participant received an overpayment of \$640.

In addition, another individual had sanctions imposed due to noncompliance with refusal to work requirements in April 2015. The participant appealed the sanction and their benefits were properly reinstated effective May 2015. The appeal was denied in May 2015, however, the sanction was not re-imposed until January 2016. As the City received the decision rendered by the hearings officer in

May 2015, the participant's sanction should have been re-imposed effective June 2015. As a result, the participant received an overpayment of \$2,624.

In each of the cases discussed above, because the City is the administrator of these local funds and the Commonwealth of Virginia provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding. However, the City's processes did not impose sanctions for refusal to work timely, as such the instances listed above are considered reportable compliance findings.

#### *Cause and Effect*

Both of the situations noted related to appeals or a reapplication for benefits after a sanction had been imposed. The outstanding VIEW sanctions are not being properly updated in the City's ADAPT system to allow for the City's personnel to prevent payments to sanctioned individuals.

#### *Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

#### *Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

#### *Recommendation*

The City should strengthen controls over its review process regarding the participant appeal or reapplication of benefits, to ensure that VIEW sanctioned individuals do not receive payments.

#### *Views of Responsible Officials*

*We agree with the finding and recommendation and will work to implement the actions the auditors have proposed. The internal team conducts in-depth case reviews on every worker each month. Particular areas of focus are income, applications, and re-certifications. Case reviews are conducted by a small number of specialized reviewers to bolster consistency and maintain a focus on problematic areas, and are focused on real-time case reviews to render immediate feedback to workers.*

*Targeted training support needs are identified by eligibility operations by reviewing review results. Training is given to teams and/or individual staff and is geared specifically toward problem areas based on a given team's or individual staff's performance. Training feedback is given to supervisors and managers as the staff's performance is followed up on to ensure progress has been made. We will enhance DHS staff's understanding of the concepts by watching the various error rate measures for trends and providing appropriate and timely feedback.*

*The DHS team will continue to work to clearly interpret the policies, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training. Management will continue to focus their review projects on error prone areas to shore up DHS' understanding of the policy and how it relates to specific cases.*

### **Finding No. 2016-003: Eligibility**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Medical Assistance Program Administration, CFDA No. 93.778, Program Year 2016, U.S. Department of Health and Human Services, Medical Assistance Program, Award 1200117

#### *Recipient*

City of Norfolk

### *Criteria*

In accordance with Medicaid Manual Chapter 15, Section 1520.200(b) and Medicaid Eligibility requirements, the City is required to notify the applicant by means of a Notice of Action of their eligibility decision. Additionally, per the Medicaid Manual Chapter 1, Section M0110.400 (b) and Medicaid Eligibility requirements, the City is also required to maintain case records that contain information necessary to support the facts essential to the determination of initial and continuing eligibility, as well as any basis for discontinuing or denying assistance.

### *Condition Found*

In a sample of 25 Medicaid recipients tested for eligibility, there was one instance in which no notice was sent to an applicant after the applicant was determined eligible for Medicaid coverage and one instance in which no case records were maintained to support the determination of eligibility, as the renewal process was not properly performed by a case worker.

### *Perspective and Questioned Costs*

In the first case, an applicant was not sent a notice of action after they were determined eligible for Medicaid coverage, and as a result the individual did not receive benefits even though they were eligible. In the second case, no mandated review of renewal was undertaken, therefore, no documentation was maintained in the applicant's case file for the redetermination period. As no examination was undertaken, there is no way to determine if the participant would have been eligible or ineligible and therefore no determination can be made if this led to under or overpayments.

### *Cause and Effect*

The City's controls to ensure that the case worker will mail out a notice of action do not appear to be working properly in all cases. Additionally, controls need to be strengthened to ensure that proper renewals are performed and documentation of such renewals are maintained in the applicant's case file.

### *Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

### *Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

### *Recommendation*

The City should enhance controls to ensure that notice of actions are accurately completed and sent in a timely manner. The City should also enhance its controls to ensure proper review and maintenance of documentation for renewals.

### *Views of Responsible Officials*

*Management agrees with the finding. DHS will revise policies and procedures to ensure consistency of guidance with regard to the timeliness of notice of actions where feasible. In addition, it will strengthen controls to ensure that proper renewals are performed and documentation of such renewals are maintained in the applicant's case file. Furthermore, DHS will work to implement a process for acquiring a report to aid in compliance.*

## **Finding No. 2016-004: Special Test and Provisions – ADAPT System for SNAP**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Supplemental Nutrition Assistance Program, CFDA No. 10.561, Program Year 2016, U.S. Department of Agriculture (USDA), Award 0050117

*Recipient*

City of Norfolk

*Criteria*

In accordance with 7 CFR Section 271.10 and ADAPT (ADP) System for SNAP special test requirements of the SNAP grant, the City is required to process and store all case file information necessary for the determination of eligibility to ensure compliance with the special test criteria for the individuals applying for SNAP assistance.

*Condition Found*

In a sample of 25 instances of ADP System for SNAP tested, there was one instance in which pertinent information, such as verification of identity, residency, and income/resources was not stored and maintained in the individual's case file and the case worker inappropriately approved their application for benefits.

*Perspective and Questioned Costs*

There was one instance in which an individual inappropriately received SNAP benefits without proper supporting documentation being included in the individual's file. In this case, the case worker did not obtain and store the information necessary to determine eligibility, calculate benefits, or validate the eligibility calculations. As the special test for ADP System for SNAP is tested on an attribute and case basis, and we could not determine if the individual was eligible for benefits, no dollar value is assigned to this finding.

*Cause and Effect*

Controls that would ensure that case workers store pertinent documentation which is used to determine the applicant's eligibility were not operating properly in all cases.

*Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

*Recommendation*

The City should enhance its controls to ensure proper retention of pertinent information within the case file.

*Views of Responsible Officials*

*Management agrees with the finding. DHS will revise policies and procedures to ensure consistency of guidance with regard to the retention period of information and that all appropriate and supporting documents are maintained and filed.*

**(4) Findings and Questioned Costs Related to Commonwealth of Virginia**

**State Finding 2016-005: Information Systems Security Controls Access Termination**

In accordance with the Auditor of Public Accounts (APA) Specifications for Counties, Cities and Towns, Chapter 3, Section 15, local government officials are required to terminate the access privileges of all VDSS system users within three working days of employment termination. In our testwork of thirteen terminated employees, one employee's access was not terminated within the three day threshold. KPMG notes that due to the employee being on a leave, the access to the computer login was disabled, which

reduces the risk of terminated employee accessing the State systems, however, it was not terminated as required per the APA Specifications. We recommend that the City implement a management review control over the access termination process to ensure that access is terminated within the appropriate time frame.

#### **Views of Responsible Officials**

*Management agrees with this finding and will review policies and procedures to ensure the necessary documentation related to IT security access processes are incorporated and properly performed within the appropriate time frame.*

#### **State Finding 2016-006: Information Systems Security Controls Initial Training Compliance**

In accordance with the (APA) Specifications for Counties, Cities and Towns, Chapter 3, Section 15 all employees, contractors, vendors, volunteers, and work experience personnel shall receive security awareness training. This training will occur upon initial hiring or prior to his or her access to VDSS systems. Per the VDSS IT manual, newly hired employees have 30 days to complete the Initial Security Awareness Training. Otherwise, their access to VDSS systems must be suspended. In our testwork, out of six newly hired employees, one employee did not complete the Initial Security Awareness Training within 30 days and her access to VDSS systems was not suspended. We recommend that the City implement a management review control over the access suspension process to ensure that access is suspended if the employee does not complete the Initial Security Awareness Training within the appropriate time frame.

#### **Views of Responsible Officials**

*Management agrees with this finding and will revise policies and procedures to ensure the City processes incorporate the necessary documentation related to IT security. This will ensure that orientation and documents for new hires, as well as for those moving within and across departments, includes presentation of security-related directives within the appropriate time frame.*

#### **State Finding 2016-007: Virginia Retirement System**

In accordance with the APA Specifications for Counties, Cities and Towns, Chapter 3, Section 7, the local government participating in the Virginia Retirement System should reconcile the information in the entity's payroll system to the data in the monthly contribution confirmation in myVRS Navigator each month. The employer should confirm the contributions between the first and the 10th of the following month and schedule payment immediately after confirming the snapshot. In our sample of 3 months from the City of Norfolk and 3 additional months for the Norfolk Public Schools, payments were scheduled between 3 to 7 days after confirming the information, and 5 of the 6 payments were not submitted within 10 days of the following month.

#### **Views of Responsible Officials**

*Management agrees with this finding. Both the City and Norfolk Public Schools strive to make timely monthly contributions to the Virginia Retirement System. While both the City and Norfolk Public Schools has ensured that confirmation is performed by the 10th of the following month, payment follows shortly thereafter normally within three days as allowed by VRS. The City has taken steps to strengthen and streamline the existing process and procedures to ensure we adhere to the required VRS payment deadline.*

#### **State Finding 2016-008: Conflicts of Interest**

In accordance with the APA 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. The act requires local government officials to provide extensive disclosure of personal

financial interest that may cause conflicts. The annual disclosure forms are required to be filed on or before December 15th of each year. In our testwork of disclosure forms of 25 local government officials, one was not filed on or before the deadline date. However, it was determined that the individual was appropriately fined due to the late submission. We recommend that the City implement a management review control over the process to ensure the disclosure forms are submitted within the appropriate time frame.

### **Views of Responsible Officials**

*The City is committed to obtaining and filing timely and accurate disclosure forms. It is noteworthy that all elected officials filed on time. Although we strive to meet the deadline by communicating extensively, obtaining these forms for those that serve on council appointed bodies can on occasion be difficult. Management continues to utilize review control procedures established over this process to ensure the disclosure forms are submitted timely and is aware that extenuating medical reasons precluded one individual from filing the statement in the appropriate timeframe. As we noted previously, when reappointing officials the City Council is now informed on the compliance status, which has significantly helped the City in obtaining these forms more timely. Beginning with the upcoming year, Virginia Code prescribes a civil penalty of \$250 for delinquent filers. This will be communicated with the disseminated statement of economic interest forms and should further encourage timeliness.*



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*A Publication of the City of Norfolk, Virginia*