



## CITY OF NORFOLK, VIRGINIA

**\$65,155,000  
General Obligation Refunding Bonds,  
Series 2014**

**(Base CUSIP Number 655867)\*\***

### MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

<b>Year Of Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP** Suffix</b>
2017	\$5,850,000	5.000%	114.486%	0.600%	SJ9
2021	2,000,000	2.000	100.134	1.980	SS9
2021	6,005,000	5.000	120.509	1.980	SK6
2022	8,130,000	5.000	120.443	2.290	SL4
2023	2,000,000	3.000	104.390	2.470	ST7
2023	6,280,000	5.000	120.965	2.470	SM2
2024	8,445,000	5.000	121.313	2.630	SN0
2025*	8,640,000	5.000	119.812	2.780	SP5
2026*	8,845,000	5.000	118.528	2.910	SQ3
2027	8,960,000	3.000	98.053	3.180	SR1

### OPTIONAL REDEMPTION

The Bonds maturing on or before August 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2025, are subject to redemption prior to their respective maturities on or after August 1, 2024, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption.

\* Priced to first optional redemption date of August 1, 2024.

\*\* A registered trademark of the American Bankers Association ("ABA"), used by Standard & Poor's ("S&P") in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

**CITY OF NORFOLK, VIRGINIA  
CITY COUNCIL**

Paul D. Fraim, Mayor  
Angelia M. Williams, Vice Mayor

Alveta V. Green  
Andrew A. Protopyrou  
Paul R. Riddick

Thomas R. Smigiel  
Dr. Theresa W. Whibley  
Barclay C. Winn

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**CITY OFFICIALS**

Marcus D. Jones, City Manager  
Alice M. Kelly, CPA, Director of Finance  
Bernard A. Pishko, City Attorney

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**BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Arlington, Virginia

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**The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.**

**No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.**

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Merrill Lynch, Pierce, Fenner & Smith Incorporated, Raymond James & Associates, Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters") may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overallot in arranging the sales of the Bonds and (ii) make purchases in sales of the Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters may determine. Such stabilization, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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## **OFFICIAL STATEMENT**

### **Relating to the Issuance of**

#### **CITY OF NORFOLK, VIRGINIA**

**\$65,155,000  
General Obligation Refunding Bonds,  
Series 2014**

#### **PART I THE BONDS**

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfolk, Virginia (the "City"), of its \$65,155,000 General Obligation Refunding Bonds, Series 2014 (the "Bonds").

The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are pledged. This Official Statement has been authorized by the City for use in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and notice of certain enumerated events required by the Rule. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

## DESCRIPTION OF THE BONDS

### General

The Bonds shall be dated the date of delivery and shall be payable in annual installments, subject to prior redemption, in the principal amounts and at the rates set forth on the inside pages of this Official Statement. Interest on the Bonds will be payable semi-annually on February 1 and August 1, commencing August 1, 2014. Interest on the Bonds is computed on the basis of a year of 360 days and twelve 30-day months. The record date for the payment of principal of, premium, if any, and interest on the Bonds is January 15 for the February 1 payment date and July 15 for the August 1 payment date.

### Redemption Provisions

*Optional Redemption of the Bonds.* The Bonds maturing on or before August 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2025, are subject to redemption prior to their respective maturities on or after August 1, 2024, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption.

*No Mandatory Sinking Fund Redemption of the Bonds.* The Bonds are not subject to mandatory sinking fund redemption prior to their respective maturities.

*Manner of Redemption.* If less than all of the Bonds are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of the Bonds, if less than all of the Bonds within a maturity are to be redeemed, The Depository Trust Company, New York, New York ("DTC") and its participants shall determine which of such Bonds within a maturity are to be redeemed.

*Notice of Redemption.* Any notice of optional redemption of any of the Bonds may state that it is conditioned upon there being available on the date fixed for redemption an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to such date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the City, the corresponding notice of redemption shall be deemed to be revoked. The City may rescind any redemption of the Bonds and notice thereof on any date prior to the scheduled redemption date by causing written notice of such rescission to be given to the Owners of such Bonds so called for redemption. Notice of the rescission of any such redemption of the Bonds shall be given in the same manner in which notice of redemption of such Bonds was originally given. The actual receipt by the Beneficial Owner (as defined in Appendix D) of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the applicable Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial Owners of the applicable Bonds.

## AUTHORIZATION AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and Ordinance No. 45,247, adopted by the City Council of the City (the "City Council") on September 10, 2013 (the "Ordinance").

The proceeds of the Bonds, together with other available funds, if any, will be used (i) to refund, in advance of their first optional redemption dates, certain outstanding general obligation bonds of the City, and (ii) to pay the underwriters' discount and costs of issuance of the Bonds as set forth in the sections "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS OF THE BONDS." The issuance of Bonds to refund certain outstanding obligations of the City is subject to market conditions.

### PLAN OF REFUNDING

#### Refunding

The general obligation bonds of the City expected to be refunded, redeemed and defeased with a portion of the proceeds of the Bonds (the "Refunded Obligations") are set forth in the table below.

#### **\$153,605,000 General Obligation Capital Improvement Bonds, Series 2008C (Base CUSIP Number 655867)\***

<b>Year of Maturity (April 1)</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Suffix*</b>
2018	\$7,450,000	5.000%	04/01/2017	100%	EX3
2022	7,995,000	5.000	04/01/2017	100%	FB0
2023	8,145,000	5.000	04/01/2017	100%	FC8
2024	8,310,000	4.700	04/01/2017	100%	FD6
2025	8,470,000	4.750	04/01/2017	100%	FE4
2026	8,640,000	4.750	04/01/2017	100%	FF1
2027	8,815,000	4.800	04/01/2017	100%	FG9
2028	9,000,000	5.000	04/01/2017	100%	FH7

#### Escrow Agreement and Defeasance

A portion of the proceeds of the Bonds in the aggregate amount of \$74,937,475.68, together with other available funds, if any, will be deposited with Regions Bank (the "Escrow Agent"), pursuant to an Escrow Agreement to be dated the date of delivery of the Bonds, between the City and the Escrow Agent (the "Escrow Agreement"). The Escrow Agreement will provide for the purchase of direct, non-callable obligations of the Treasury (the "Escrow Securities") that will mature and bear interest at times and in amounts sufficient to pay the principal of, premium, if any, and interest on the Refunded Obligations. The sufficiency of the Escrow Securities deposited with the Escrow Agent was verified by Robert Thomas CPA, LLC. See the section herein "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

\* A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

## APPLICATION OF PROCEEDS OF THE BONDS

The following tables set forth the anticipated application of the proceeds of the Bonds for the purposes described above:

### Sources of Proceeds:

Par Amount of Bonds	\$65,155,000.00
Net Original Issue Premium	<u>10,124,084.40</u>
Total:	<u><u>\$75,279,084.40</u></u>

### Uses of Proceeds:

Refunding Escrow Deposit:	
Cash Deposit	\$ 426.00
Escrow Securities	74,937,049.68
Costs of Issuance*	<u>341,608.72</u>
Total:	<u><u>\$75,279,084.40</u></u>

\* Includes underwriters' discount and other costs of issuing the Bonds, including legal, financial advisory, rating and printing.

## SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

### General

The Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

### Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond or note in default as to payment of principal or interest, the Governor of the Commonwealth (the "Governor") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessor provisions, Section 15.1-225. Each fiscal year of the City (each a "Fiscal Year") ends on June 30, and for Fiscal Year 2013, the Commonwealth provided \$95,514,229 to the City which was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or (iii) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the owners of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be reliably predicted and may be significantly affected by judicial interpretation.

## **TAX MATTERS**

### **Opinion of Bond Counsel – Federal Income Tax Consequences**

Bond Counsel's opinion regarding the Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by and assuming the accuracy of certain representations and certifications of the City and certain other persons and entities, interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. See Appendix B for the form of the opinion of Bond Counsel with respect to the Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

### **Reliance and Assumptions; Effect of Certain Changes**

In delivering its opinion regarding the Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of the Underwriters and other third parties, and public officials as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the

payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the Treasury. Prior to the issuance of the Bonds, the City will enter into a tax certificate for the Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which the City has agreed to comply. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Original Issue Discount**

The "original issue discount" ("OID") on any Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was

sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

### **Effects of Future Enforcement, Regulatory and Legislative Actions**

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Opinion of Bond Counsel – Virginia Income Tax Consequences**

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Bonds should consult their own tax advisors regarding the tax status of interest on the Bonds in a particular state or local jurisdiction other than the Commonwealth.

### **PENDING LITIGATION**

The City, in the course of its activities, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or interest thereon.

## **RATINGS**

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The Bonds have been rated 'AA+' by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and 'AA+' by Fitch Ratings ("Fitch").

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Fitch or Standard & Poor's. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

## **FINANCIAL STATEMENTS**

The City's audited general purpose financial statements for the Fiscal Year 2013 are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

## **CERTIFICATES OF CITY OFFICIALS**

Concurrently with the delivery of the Bonds, the City will furnish (i) a certificate, dated the date of delivery of the Bonds, signed by the officers who sign the Bonds, stating that, to the best of their knowledge, no litigation is then pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal, premium, if any, or interest thereon or in any manner questioning the proceedings and authority under which the Bonds is issued and (ii) a certificate dated the date of delivery of the Bonds signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement including the Appendices hereto (except under the headings "PENDING LITIGATION," "RELATIONSHIP OF PARTIES," "UNDERWRITING" and in Appendix D) at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The City Attorney will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds stating that the descriptions and statements in this Official Statement under the heading "PENDING LITIGATION" at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that no litigation is pending or, to the best of his knowledge, threatened against the City either (i) to restrain or enjoin the issuance or delivery of the Bonds, (ii) to question in any manner the authority of the City to issue or the issuance of the Bonds, or the validity of any proceedings authorizing the Bonds or the levy or collection of taxes to pay the Bonds or (iii) to question in any manner the boundaries of the City or the title of any officers of the City to their respective offices.

## **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc. of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the issuance and sale of the Bonds. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the City relating to forecasted payments of principal and interest to redeem the Refunded Obligations was examined by Robert Thomas CPA, LLC (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by PFM on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## **RELATIONSHIP OF PARTIES**

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, represents the Underwriters from time to time in unrelated matters. Kaufman & Canoles, a Professional Corporation, Norfolk, Virginia, counsel to the Underwriters, also serves as counsel to the City in unrelated matters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **UNDERWRITING**

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of \$75,149,082.92 (representing the sum of the \$65,155,000.00 par amount of the Bonds, plus net original issue premium of \$10,124,084.40, less an underwriting discount of \$130,001.48 on such Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The City intends to use a portion of the proceeds of the Bonds to refund, redeem and defease the Refunded Obligations. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Obligations, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds of the Bonds in connection with the refunding, redemption and defeasance of the Refunded Obligations.

## **CONTINUING DISCLOSURE**

The City will execute and deliver for the benefit of the Beneficial Owners a Continuing Disclosure Agreement, the form of which is set forth as Appendix C to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the Beneficial Owners, to provide certain annual financial information and notice of certain enumerated events required by the Rule. As described in Appendix C, such undertakings require the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when such Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the applicable Bonds.

As described below, the City did not comply with certain continuing disclosure undertakings with respect to its water revenue bonds and certain of its parking system revenue bonds (but not its general obligation bonds) by not filing in a timely manner with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system and the respective nationally recognized municipal securities information repositories specified operating data for the Fiscal Years 2007 through 2010. The omitted data was included previously in the statistical section of the City's Comprehensive Annual Financial Report but was inadvertently omitted for such years, and subsequently, the City filed such information. The City has established procedures to reduce the likelihood of future reoccurrences. Except as described above, the City is not aware of any instance in the previous five years in which it has not complied with, in any material respect, its previous continuing disclosure undertakings.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The distribution of this Official Statement has been duly authorized by the City, which has deemed this Official Statement final within the meaning of the Rule.

The references herein to and summaries of federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the Charter of the City (the "City Charter") and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to the full text of such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 810 Union Street, Suite 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346.

**CITY OF NORFOLK, VIRGINIA**

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*/s/Marcus D. Jones*  
City Manager

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*/s/Alice M. Kelly*  
Director of Finance

## **PART II** **CITY INDEBTEDNESS**

### **Limitation on Incurrence of Debt**

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electorate of the City at referendum. The issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property.

At December 31, 2013, the total assessed value of taxable real property in the City was \$18,354,564,021. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,835,456,402. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of December 31, 2013, was \$946,772,031 representing 51.58% of the constitutional debt limit.

**Table II-1**  
**City of Norfolk, Virginia**  
**Computation of Legal Debt Margin<sup>(1)</sup>**  
**December 31, 2013**

Total assessed value of taxable real property	\$18,354,564,021
Debt Limit-10 percent of total assessed value	1,835,456,402
Less: Outstanding General Obligation Debt <sup>(2)(3)(4)(5)(6)</sup>	946,772,031
Legal Debt Margin	<u>\$ 888,684,371</u>
Amount of debt as a percent of debt limit	<u>51.58%</u>

Source: Department of Finance, City of Norfolk, Virginia.

Notes: (1) Figures are unaudited.

(2) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.

(3) Reflects only bonded debt and does not include the City's capital lease obligations. See the subsection herein "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. This City does not currently have any capital lease obligations outstanding.

(4) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is \$354,865,255.

(5) Water Revenue Bonds and Wastewater Revenue Bonds are excluded from gross debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities.

(6) Includes the remaining balance of \$840,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.

## **Debt Outstanding**

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of December 31, 2013. Table II-3 provides a comparative statement of key debt ratios for the past 10 Fiscal Years and Table II-4 presents the rate of retirement for all general obligation bonds as of December 31, 2013. Table II-5 presents the recent historical relationship between debt service on bonds paid from actual general governmental expenditures for the past 10 Fiscal Years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

**Table II-2**  
**City of Norfolk, Virginia**  
**General Obligation Debt Statement** (1) (2) (3) (4) (5) (8)

	<b>As of</b> <b><u>December 31, 2013</u></b>
A. General Governmental Outstanding Debt	
General Governmental Bonds Outstanding Debt <small>(6) (7)</small>	\$661,223,986
Self-Supporting General Governmental Bonds Outstanding Debt	<u>19,834,899</u>
Total	681,058,885
B. Enterprise Fund Bonds Outstanding Debt <small>(3)</small>	<u>264,873,146</u>
C. Total General Obligation Bond Indebtedness Outstanding Debt (A+B)	<u><b>\$945,932,031</b></u>

Source: Department of Finance, City of Norfolk, Virginia.

Notes: (1) Figures are unaudited.

(2) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is \$354,865,255.

(3) Water Revenue Bonds and Wastewater Revenue Bonds are excluded from enterprise fund debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities.

(4) Reflects only bonded debt and does not include the City's capital lease obligations. See "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. This City does not currently have any capital lease obligations outstanding.

(5) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.

(6) Includes the bonded debt of the Environmental Storm Water Fund, Maritime Facility Fund and the Towing and Recovery Fund, which are special revenue funds.

(7) Excludes the remaining balance of \$840,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.

(8) There are no overlapping or underlying taxing jurisdictions in the City.

**Table II-3**  
**City of Norfolk, Virginia**  
**Key Debt Trends**  
**Fiscal Years 2004 – 2013**

<b>Fiscal Year Ended June 30</b>	<b>Gross Bonded Debt (in thousands) <sup>(1) (2) (3) (4)</sup></b>	<b>Gross Bonded Principal Outstanding Per Capita <sup>(5)</sup></b>	<b>Percent of Gross Bonded Debt to Real Property Assessed Value <sup>(6)</sup></b>
2004	\$486,242	\$2,037	4.85%
2005	512,528	2,141	4.68
2006	475,872	1,988	3.75
2007	576,809	2,384	3.70
2008	695,230	2,861	3.28
2009	736,163	3,018	3.39
2010	887,772	3,656	4.45
2011	826,874	3,389	4.28
2012	875,785	3,563	4.69
2013	817,078	3,317	4.46

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, and Department of Finance, City of Norfolk, Virginia.

Notes:

- (1) There are no overlapping or underlying taxing jurisdictions in the City.
- (2) Debt payable from Enterprise Revenue can be found in Table II-6.
- (3) The defeased portions of bonds are not included in Gross Bonded Debt. Unamortized premium/discount is not included in Gross Bonded Debt.
- (4) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.
- (5) Gross Bonded Principal Outstanding Per Capita is based on the population figures from Table II-6.
- (6) Based on the taxable real property assessed value figures from Table III-2.

**Table II-4**  
**City of Norfolk, Virginia**  
**Principal Retirement**  
**All General Obligation Bonds**  
**As of December 31, 2013**

<b>Maturing by Fiscal Year</b>	<b>Cumulative Amount Matured</b>	<b>Percent of Principal Retired</b>
2018	\$258,880,505	27.37%
2023	532,496,433	56.29
2028	748,512,031	79.13
2033	872,582,031	92.25
2038	931,987,031	98.53
2043	945,557,031	99.96
2044	945,932,031	100.00

Source: Department of Finance, City of Norfolk, Virginia.

**Table II-5**  
**City of Norfolk, Virginia**  
**Ratio of Annual Debt Service to**  
**Total General Governmental Expenditures**  
**Fiscal Years 2004 – 2013**

<b>Fiscal Year Ended June 30</b>	<b>Total Debt Service <sup>(1)</sup></b>	<b>Total General Expenditures <sup>(2)</sup></b>	<b>Percent of Debt Service To Total General Expenditures</b>
2004	\$55,000,425	\$490,944,275	11.20%
2005	58,971,773	490,923,834	12.01
2006	62,750,385	510,999,836	12.28
2007	58,045,527	539,491,519	10.76
2008	64,167,472	574,581,092	11.17
2009	71,794,806	584,533,217	12.28
2010	69,929,707	567,371,918	12.33
2011	78,453,097	577,669,780	13.58
2012	82,241,946	590,849,686	13.92
2013	78,226,814	594,180,698	13.17

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Notes: (1) Includes debt service on general obligation bonds supported by the General Fund.  
(2) Total general expenditures are presented using the modified accrual basis of accounting.

**Table II-6**  
**City of Norfolk, Virginia**  
**Ratio of Net General Bonded Debt to Assessed Value and**  
**Net Bonded Debt Per Capita**  
**Fiscal Years 2004 – 2013**

<b>Fiscal Year Ended June 30</b>	<b>Estimated Population</b>	<b>Assessed Value of Taxable Property (In Thousands)</b>	<b>Gross Bonded Debt<sup>(1)</sup></b>	<b>Debt Payable from Enterprise Revenue<sup>(1)</sup></b>	<b>Net Bonded Debt<sup>(1)</sup></b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>		<b>Net Bonded Debt Per Capita</b>
						<b>Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>	
2004	238,650	\$11,814,930	\$486,241,680	\$87,635,923	\$398,605,757	3.37 %	\$1,670	
2005	239,396	12,835,957	512,528,634	91,520,158	421,008,476	3.28	1,759	
2006	239,355	14,663,411	475,872,461	93,099,000	382,773,000	2.61	1,599	
2007	241,941	17,619,217	576,809,191	107,310,741	469,498,450	2.66	1,941	
2008	242,983	20,578,641	695,230,000	124,092,000	571,138,000	2.78	2,351	
2009	243,957	21,308,309	736,163,200	158,227,193	577,936,007	2.71	2,369	
2010	242,803	21,777,754	887,771,677	199,619,847	688,151,830	3.16	2,834	
2011	243,985	21,383,674	826,873,664	187,198,781	639,674,884	2.99	2,622	
2012	245,803	20,529,023	875,785,431	187,909,550	687,875,882	3.35	2,798	
2013	246,392	20,093,307	817,078,050	179,134,625	637,943,425	3.17	2,589	

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, and the Department of Finance, City of Norfolk, Virginia. The source of 2004 through 2009 and 2011 through 2013 population estimates is the Weldon Cooper Center for Public Service, University of Virginia (the "Weldon Cooper Center"). The source for the 2010 population estimate is the U.S. Census Bureau.

Note: (1) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.

**Table II - 7**  
**City of Norfolk, Virginia**  
**Long-Term Debt Service Requirements<sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Existing General Obligation Debt Service<sup>(2)(3)(4)(5)</sup></b>			<b>Debt Service on the Bonds</b>			<b>Total Debt Service<sup>(2)(3)(4)</sup></b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2014	\$56,197,707	\$35,912,426	\$92,110,133	\$ -	\$ -	\$ -	\$56,197,707	\$35,912,426	\$92,110,133
2015	59,940,215	37,017,617	96,957,832	-	2,473,851	2,473,851	59,940,215	39,491,469	99,431,684
2016	55,069,052	34,608,327	89,677,379	-	2,978,550	2,978,550	55,069,052	37,586,877	92,655,929
2017	55,773,514	32,283,256	88,056,770	-	2,978,550	2,978,550	55,773,514	35,261,806	91,035,320
2018	49,066,036	29,959,703	79,025,740	5,850,000	2,832,300	8,682,300	54,916,036	32,792,003	87,708,040
2019	58,050,468	27,755,125	85,805,593	-	2,686,050	2,686,050	58,050,468	30,441,175	88,491,643
2020	57,476,803	25,336,583	82,813,386	-	2,686,050	2,686,050	57,476,803	28,022,633	85,499,436
2021	55,388,982	22,901,976	78,290,958	-	2,686,050	2,686,050	55,388,982	25,588,026	80,977,008
2022	43,759,164	20,714,070	64,473,234	8,005,000	2,515,925	10,520,925	51,764,164	23,229,995	74,994,159
2023	42,800,511	18,837,695	61,638,206	8,130,000	2,142,550	10,272,550	50,930,511	20,980,245	71,910,756
2024	41,058,055	17,027,744	58,085,799	8,280,000	1,752,300	10,032,300	49,338,055	18,780,044	68,118,099
2025	36,540,042	15,304,641	51,844,683	8,445,000	1,354,175	9,799,175	44,985,042	16,658,816	61,643,858
2026	34,144,056	13,645,295	47,789,351	8,640,000	927,050	9,567,050	42,784,056	14,572,345	57,356,401
2027	33,049,176	12,049,587	45,098,764	8,845,000	489,925	9,334,925	41,894,176	12,539,512	54,433,689
2028	27,989,270	10,599,556	38,588,825	8,960,000	134,400	9,094,400	36,949,270	10,733,956	47,683,225
2029	27,065,000	9,240,556	36,305,556	-	-	-	27,065,000	9,240,556	36,305,556
2030	27,995,000	7,837,341	35,832,341	-	-	-	27,995,000	7,837,341	35,832,341
2031	27,930,000	6,465,768	34,395,768	-	-	-	27,930,000	6,465,768	34,395,768
2032	18,660,412	5,064,667	23,725,079	-	-	-	18,660,412	5,064,667	23,725,079
2033	22,410,412	4,015,984	26,426,396	-	-	-	22,410,412	4,015,984	26,426,396
2034	14,195,000	3,124,651	17,319,651	-	-	-	14,195,000	3,124,651	17,319,651
2035	10,935,000	2,542,287	13,477,287	-	-	-	10,935,000	2,542,287	13,477,287
2036	11,135,000	2,023,589	13,158,589	-	-	-	11,135,000	2,023,589	13,158,589
2037	11,060,000	1,496,387	12,556,387	-	-	-	11,060,000	1,496,387	12,556,387
2038	12,080,000	946,881	13,026,881	-	-	-	12,080,000	946,881	13,026,881
2039	8,490,000	474,867	8,964,867	-	-	-	8,490,000	474,867	8,964,867
2040	1,245,000	235,709	1,480,709	-	-	-	1,245,000	235,709	1,480,709
2041	1,260,000	174,294	1,434,294	-	-	-	1,260,000	174,294	1,434,294
2042	1,280,000	112,069	1,392,069	-	-	-	1,280,000	112,069	1,392,069
2043	1,295,000	49,034	1,344,034	-	-	-	1,295,000	49,034	1,344,034
2044	375,000	8,672	383,672	-	-	-	375,000	8,672	383,672
2045	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$903,713,874</b>	<b>\$397,766,358</b>	<b>\$1,301,480,233</b>	<b>\$65,155,000</b>	<b>\$28,637,726</b>	<b>\$93,792,726</b>	<b>\$968,868,874</b>	<b>\$426,404,085</b>	<b>\$1,395,272,959</b>

Source: Department of Finance, City of Norfolk, Virginia.

Notes:

- (1) Figures may not sum due to rounding. Includes debt service on the Refunded Obligations.
- (2) Includes principal payable from the City's enterprise funds.
- (3) Existing General Obligation Debt Service includes self-supporting principal payable from the City's Environmental Storm Water Fund and the Towing and Recovery Fund, which are both special revenue funds.
- (4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 3.74%.
- (5) Includes all interest on the Build America Bonds and Recovery Zone Economic Development Bonds issued in 2010 and the Qualified Energy Conservation Bonds issued in 2013 and has not been adjusted for the subsidy payments expected to be received by the City.

In addition to general obligation debt issued on the public markets, the City from time to time enters into direct placement arrangements for its general obligation debt with private parties. 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., and used the proceeds of such loan, along with other available funds, to refund the City's General Obligation Bond Anticipation Note, Series 2011B (Taxable). The 2013 Variable Rate Loan bears interest at a percentage of the LIBOR rate, adjusted monthly. The principal of the 2013 Variable Rate Loan is payable at maturity (August 1, 2025), subject to certain mandatory prepayments on each August 1 commencing August 1, 2014. The scheduled principal payment at maturity is equal to \$8,560,000. In the event of an uncured and unwaived default, the holder of the 2013 Variable Rate Loan is entitled to declare the entire principal amount due and payable.

On October 2, 2013, the City entered into a Bond Purchase and Loan Agreement (the "Forward Refunding Agreement") with Banc of America Preferred Funding Corporation (the "Forward Refunding Lender"), under which the City has the ability to issue three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds"), the proceeds of which the City would use to currently refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2005 and General Obligation Capital Improvement and Refunding Bonds, Series 2006 on June 2, 2014, October 1, 2014, and March 2, 2015, respectively (collectively, the "Forward Refunded Bonds"). If issued, the Forward Refunding Bonds each bear interest at a separate fixed rate and require annual principal payment, but there is no balloon payment at the maturity date of any Forward Refunding Bonds. In the event of an uncured and unwaived default, the holder of any Forward Refunding Bond is entitled to declare the entire principal amount due and payable. The City has the ability to terminate the Forward Refunding Agreement without issuing the Forward Refunding Bonds, and the Forward Refunding Lender is not required to purchase any Forward Refunding Bond unless the City satisfies certain advance conditions specified in the Forward Refunding Agreement, so there can be no assurance that the City will issue any of the Forward Refunding Bonds or refund any of the outstanding Forward Refunded Bonds.

## **DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES**

### **Overlapping Debt**

The City is autonomous from any county, town or other political subdivision. There are no overlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

### **Short-Term Borrowing**

The City has not borrowed on a short-term basis for working capital purposes in the past five Fiscal Years.

### **Capital Lease Obligations**

The City does not have any capital lease obligations outstanding.

### **Water Revenue Bonds**

Since 1993, and for all future financings, capital improvements of the Water Utility System have been and are anticipated to be financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears

necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The Fiscal Year 2013 results reflect compliance with this requirement.

### **Parking System Revenue Bonds**

In November 2013, the City defeased all of its outstanding parking system revenue bonds.

### **Debt History**

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

### **Capital Improvement Program Budget**

The City has a Capital Improvement Program ("CIP") budget which plans for capital type improvements for a five-year period. This CIP budget is reviewed and revised annually.

The City approved its CIP budget for Fiscal Year 2014 on May 14, 2013. The total of the CIP budget for Fiscal Year 2014 is \$129,290,582, which includes \$12,209,866 in cash contributions. Each capital project included in the CIP budget for Fiscal Year 2014 is either approved for funding in the CIP budget for Fiscal Year 2014 or included as a planned project in Fiscal Years 2015 through 2018. Future year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP budget is used by the City as a means of identifying short- and long-term needs and as a guide for identifying various funding sources for future CIP budgets.

The CIP budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are held as appropriate, and the final CIP budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item. See "PART V – THE CITY OF NORFOLK – Economic and Demographic Factors – Public Schools" for a description of certain school construction projects that may impact future CIPs.

The CIP budget for Fiscal Year 2014 is summarized in Table II-8.

**Table II-8**  
**City of Norfolk, Virginia**  
**Capital Improvement Program for Fiscal Year 2014**

<b>Uses</b>	<b>Fiscal Year 2014</b>
General Capital Projects	\$ 88,840,382
Parking Fund Projects	2,900,000
Stormwater Fund Projects	4,815,200
Water Fund Projects	15,735,000
Wastewater Fund Projects	<u>17,000,000</u>
 Total Capital Program	 <u>\$129,290,582</u>
 <b>Appropriation Source</b>	
General Capital Projects	
From Bond Issue	\$ 79,780,716
From Capital Projects Fund Balance	1,950,000
From School Funds	3,200,000
From Land Acquisition / Revolving Fund	800,000
From General Fund	609,666
From Public Amenities	1,500,000
From Cash	1,000,000
 Parking Fund Projects	
From Cash	2,900,000
 Storm Water Fund Projects	
From Bond Issue	3,500,000
From Cash	1,315,200
 Water Fund Projects	
From Bond Issue	14,850,000
From Cash	885,000
 Wastewater Fund Projects	
From Bond Issue	<u>17,000,000</u>
 Total Capital Program	 <u>\$129,290,582</u>

Source: Capital Improvement Program Budget, Fiscal Year 2014.

**Table II-9**  
**City of Norfolk, Virginia**  
**Capital Improvement Program**  
**Fiscal Years 2014 – 2018**

<b>Description</b>	<b>FY-2014 Budget</b>	<b>FY-2015 Plan</b>	<b>FY-2016 Plan</b>	<b>FY-2017 Plan</b>	<b>FY-2018 Plan</b>	<b>FY 2014 – 2018 Total</b>
General Capital	\$ 88,840,382	\$49,809,600	\$31,176,000	\$40,350,000	\$20,500,000	\$230,675,982
Storm Water Fund	4,815,200	4,815,200	4,815,200	4,815,200	4,815,200	24,076,000
Parking Facilities Fund	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	14,500,000
Wastewater Fund	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	85,000,000
Water Fund	15,735,000	19,220,000	13,550,000	15,320,000	18,250,000	82,075,000
<b>Total Capital Program</b>	<b>\$129,290,582</b>	<b>\$93,744,800</b>	<b>\$69,441,200</b>	<b>\$80,385,200</b>	<b>\$63,465,200</b>	<b>\$436,326,982</b>

Source: Capital Improvement Program Budget, Fiscal Year 2014.

## **PART III** **FINANCIAL INFORMATION**

### **Fiscal Year**

The City's Fiscal Year commences July 1 and closes on June 30.

### **Reporting Entity**

For financial reporting purposes, in accordance with U.S. generally accepted accounting principles ("GAAP"), the City's financial statements include the City of Norfolk (primary government) and the following component units:

- The School Board for the City of Norfolk (the "School Board");
- The Employees' Retirement System of the City of Norfolk; and
- Waterside Associates Limited Partnership.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information for such administrative offices can be obtained through the office of the Director of Finance of the City.

### **BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE**

The City's financial statements include the following sections:

Management's Discussion and Analysis ("MD&A").

- The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

Basic Financial Statements. The Basic Financial Statements include:

- Government-wide financial statements, consisting of a statement of net position and a statement of activities;
- Fund financial statements, consisting of a series of statements that focus on information of the government's major governmental, proprietary and fiduciary funds and component units; and
- Notes to the financial statements provide information essential to a user's understanding of the basic financial statements.

Required Supplementary Information ("RSI"). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by the Government Accounting Standards Board ("GASB").

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the Fiscal Year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the Fiscal Year for which the taxes have been levied, net of allowances for uncollectible accounts. 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.

## **INDEPENDENT ACCOUNTANTS**

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*". The firm of KPMG LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2013 with accompanying notes are published in Appendix A.

## **BUDGETARY PROCESS**

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See the subsection "GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2013 – General Fund Operating Budget" for a discussion of the General Fund Operating Budget for Fiscal Years 2013 and 2014.

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City's overall financial condition and looking at its finances in a multi-year context. The primary objective of the financial forecast is to project where current budget decisions lead in terms of future revenue and expenditures and their impact on the City's financial stability. It is believed that the financial forecast provides the opportunity to proactively evaluate policies with the goal of maximizing opportunities or, in the worst case, minimizing the negative impact of economic downturns.

## **FINANCIAL POLICIES**

The City has adopted formal financial policies (the "Financial Policies") in an effort to strengthen the City's long-term fiscal responsibility by emphasizing budget and debt policies and provide a framework within which future financial decisions will be considered and made. The Financial Policies

provide that the City should strive to achieve a structurally balanced budget, and establish and maintain reserves. The policies provide that with the achievement of a structurally balanced budget, the undesignated, unassigned surplus in the General Fund of at least 0.5% of the General Fund budget (up to \$2 million) will be used to finance capital projects, reduce debt or fund reserves. The Financial Policies also provide that the City will add to its General Fund Unassigned Reserve, Risk Management Reserve and Economic Downturn Reserve in that order of priority. The Financial Policies establish the minimum balances at 5% of the General Fund budget for the General Fund Unassigned Reserve with no maximum balance, \$3 million for the Risk Management Reserve (with a maximum balance of \$5 million) and \$3 million for the Economic Downturn Reserve (with a maximum balance of \$5 million). The Financial Policies provide that net tax-supported debt service should not exceed 10% of the General Fund budget and that net tax-supported debt should not exceed 3.5% of total taxable property value. The Financial Policies also provide certain policies for the Parking Facilities Fund. See "PART IV – ENTERPRISE FUNDS – Parking Facilities Fund."

## **GENERAL GOVERNMENTAL REVENUE**

### **Overview**

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

### **Property Tax Rates, Levies and Collections**

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of October 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates approved in the Operating Budget for Fiscal Year 2014 on each \$100 of assessed value are as follows: \$1.50 for recreational vehicles; \$2.40 for airplanes; \$1.15 for real property; \$4.33 for personal property; \$4.25 for machinery and tools; and \$1.15 for mobile homes. The rate on personal recreational boats consists of a decal fee of \$10 or \$25, depending on the length of the boat, plus a tax of \$0.50 per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the City's Downtown Improvement District is an additional \$0.16 on the real property rate of \$1.31 per \$100 of assessed value.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and tools, mobile homes, airplanes and boat levies are payable on or before June 5 of the year assessed or thirty days after acquisition. Certain types of personal property such as automobiles, trucks, motorcycles, trailers and recreational vehicles are prorated throughout the year and payable 30 days after acquisition.

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

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89 of the City Charter.

Effective for Fiscal Year 2014, the City increased the real estate tax rate by four cents from \$1.11 to \$1.15 per \$100 of assessed value and through a lockbox arrangement that dedicates the first and second penny of the increase to the new School Construction, Technology, and Infrastructure (CTI) Program as a strategy to build four schools at once, rather than two. The third penny was applied to pay operating expenses of the Schools. The use of the funds is prioritized first for school construction, then school technology and lastly school infrastructure. The fourth penny, as well as several increased fees to support operations, was used for general fund operating expenses and capital projects, neighborhood projects and City employee raises. Revenue is expected to increase by approximately \$1.7 million in Fiscal Year 2014, for each penny increase. Revenue for the Schools is expected to increase by \$3.3 million annually as a result of the increase. See "PART V – THE CITY OF NORFOLK – Economic and Demographic Factors – Public Schools."

### **Other Revenue Sources**

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cigarette tax of 75 cents per packet of 20 cigarettes; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8% and a \$2 per room, per night surcharge of which 1% is dedicated to tourism and economic development; (8) an amusement and admissions tax of 10%; and (9) a food and beverage food tax of 6.5%, which includes alcoholic beverages, of which 1% is dedicated to tourism and economic development.

**Fees, Licenses and Permits** – The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

**Revenue from the Commonwealth** – The City receives payments for highway maintenance, a share of state sales taxes allocated for education and, in addition, reimbursement for a portion of expenditures for such functions as Sheriff's office, Commissioner of the Revenue, City Treasurer, Clerk of the Circuit Court and Commonwealth's Attorney office. The City also receives categorical aid revenue for such purposes as public assistance, education and local law enforcement.

**Other Revenue** – The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the federal government. Tables III-1A and III-1B show the City's General Fund revenue by source for each of the last 10 Fiscal Years.

**Table III-1A**  
**City of Norfolk, Virginia**  
**Total Revenue by Source, Governmental Funds**  
**Fiscal Years 2004 – 2013**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Use of Money and Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter- Governmental Revenue</b>	<b>Total</b>
2004	\$178,361	\$140,675	\$3,204	\$1,627	\$8,333	\$31,342	\$17,339	\$12,297	\$160,118	\$553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	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

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

**Table III-1B**  
**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Fiscal Years 2004 – 2013**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Sales and Use Taxes</b>	<b>Consumer's Utility Taxes</b>	<b>Business License Taxes</b>	<b>Motor Vehicle Licenses</b>	<b>Cigarette Taxes</b>	<b>Restaurant Food Taxes</b>	<b>Other</b>	<b>Total</b>
2004	\$27,867	\$39,231	\$20,279	\$3,456	\$7,639	\$21,808	\$20,395	\$140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926
2010	28,249	44,053	26,009	4,308	7,176	27,292	16,528	153,615
2011	28,411	43,188	25,849	4,313	7,161	28,474	16,490	153,886
2012	27,599	43,588	28,667	4,318	8,097	30,300	18,665	161,234
2013	29,707	43,211	29,301	4,209	7,926	30,818	18,124	163,296

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Table III-2 sets forth the assessed value of all taxable property in the City for the past ten Fiscal Years. The total assessed value of all taxable property in the City as of June 30, 2013, was approximately \$20.1 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$10.6 billion for Fiscal Year 2013 and is presented in Table III-3.

**Table III-2**  
**City of Norfolk, Virginia**  
**Assessed Valuations and Estimated**  
**Actual Values of Taxable Property**  
**Fiscal Years 2004 – 2013**  
**(Amount In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Real Property <sup>(1)</sup></b>	<b>Personal Property <sup>(1)</sup></b>	<b>Other Property <sup>(2)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value <sup>(3)</sup></b>
2004	\$10,029,639	\$1,503,713	\$281,578	\$11,814,930	\$11,814,930
2005	10,960,812	1,569,991	305,154	12,835,957	12,835,957
2006	12,691,527	1,655,021	316,863	14,663,411	14,663,411
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

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

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 property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

**Table III-3**  
**City of Norfolk, Virginia**  
**Estimated Value of Nontaxable Real Property<sup>(1)</sup>**  
**Fiscal Years 2009 – 2013**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Property Owned By:</b>											
	<b>Federal Government</b>		<b>City of Norfolk</b>		<b>Norfolk Redevelopment and Housing Authority</b>		<b>Commonwealth of Virginia</b>		<b>All Other Organizations<sup>(2)</sup></b>		<b>Total</b>	
2009	\$5,001,343	\$55,515	\$1,970,451	\$21,872	\$546,112	\$6,062	\$67,882	\$ 753	\$2,458,410	\$27,288	\$10,044,197	\$111,491
2010	5,012,218	55,636	2,111,344	23,436	624,889	6,936	86,250	957	2,593,841	28,792	10,428,542	115,757
2011	5,027,656	55,807	2,130,587	23,650	663,759	7,368	90,948	1,010	2,622,567	29,110	10,535,517	116,944
2012	4,122,082	45,755	2,177,030	24,165	615,196	6,829	87,631	973	2,744,048	30,459	9,745,988	108,180
2013	5,032,370	55,859	2,152,041	23,888	609,433	6,765	88,081	978	2,741,544	30,431	10,623,468	117,920

Sources: Annual Reports of the City Assessor 2009 – 2013.

Notes: (1) The assessed value was 100% of fair market value. The Fiscal Year 2013 estimated tax value is at a rate of \$1.11 per \$100 of estimated assessed value.

(2) All other organizations include religious organizations, secular organizations, universities, Virginia Port Authority, Norfolk Airport Authority and other regional general municipal entities.

Table III-4 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for Fiscal Years 2010 through 2014.

**Table III-4**  
**City of Norfolk, Virginia**  
**Direct Property Rates**  
**Fiscal Years 2010 – 2014**

	<b>Fiscal Year</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Property tax rate per \$100 of assessed value:					
Real Property	\$1.11	\$1.11	\$1.11	\$1.11	\$1.15
Downtown Improvement District <sup>(1)</sup>	0.16	0.16	0.16	0.16	0.16
Personal property	4.25	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.11	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.50	0.50	0.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	96.00%	100.00%	100.00%	98.00%	100.00%
As determined by the Commonwealth's Department of Taxation <sup>(2)(3)</sup>	N/A	N/A	N/A	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, Approved Operating Budget, Fiscal Year 2014.

Notes:

- (1) Amount is in addition to the Real Property tax for property within the district.
- (2) The most recent Virginia Assessment/Sales Ratio Study is for 2013.
- (3) 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 2010 through 2013.

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. Table III-5 sets forth the City's assessed values and tax levies on real and personal property for Fiscal Years 2009 through 2013.

**Table III-5**  
**City of Norfolk, Virginia**  
**Assessed Valuation and Change in Property Tax Levy**  
**Fiscal Years 2009 – 2013**  
**(Amounts In Thousands)**

<b>Assessed Valuation</b>				
<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property &amp; Other</b>	<b>Property Tax Levy</b>	<b>Percentage Increase in Property Tax Levy</b>
2009	\$19,397,795	\$1,910,514	\$261,535	1.36%
2010	19,940,273	1,837,481	258,544	(1.14)
2011	19,320,642	2,063,032	254,756	(1.47)
2012	18,676,729	1,852,294	247,529	(2.84)
2013	18,319,947	1,773,360	244,309	(1.30)

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Table III-6 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2004 through 2013.

**Table III-6**  
**City of Norfolk, Virginia**  
**Real and Personal Property Tax Levies and Collections<sup>(1)</sup>**  
**Fiscal Years 2004 – 2013**  
**(In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Original Tax Levy</b>	<b>Adjusted Tax Levy<sup>(2)</sup></b>	<b>Current Collections</b>	<b>Percent of Current Collections</b>		<b>Total Collections</b>	<b>Percentage of Total Tax Collections to Tax Levy<sup>(3)</sup></b>
				<b>to Tax Levy<sup>(3)</sup></b>	<b>Delinquent Collections</b>		
2004	\$191,397	\$166,456	\$165,100	99.19%	\$1,332	\$166,432	99.99%
2005	209,202	183,406	180,348	98.33	3,005	183,353	99.97
2006	227,796	202,908	197,669	97.42	5,145	202,814	99.95
2007	254,703	230,243	219,993	95.55	10,083	230,076	99.93
2008	258,016	243,614	220,253	90.41	20,906	241,159	98.99
2009	261,535	252,376	233,725	92.61	16,433	250,158	99.12
2010	258,544	258,328	239,192	94.59	16,631	255,823	99.03
2011	254,756	254,350	235,518	92.60	15,890	251,408	98.84
2012	247,529	247,529	233,396	94.29	10,996	244,386	98.73
2013	244,309	244,309	229,872	94.09	-	229,872	94.09

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Notes: (1) Delinquent tax collections are reported in the year collected. Figures are unaudited.

(2) Adjusted to reflect residual taxable amount after exonerations and reassessments.

(3) Calculated using the Adjusted Tax Levy amounts and not the Original Tax Levy amounts.

Table III-7 sets forth the City's 10 largest taxpayers and the assessed value of real property owned by each such taxpayer during Fiscal Year 2013. The aggregate assessed value of the 10 largest taxpayers represented 6.24% of the City's total assessable base at June 30, 2013.

**Table III-7**  
**City of Norfolk, Virginia**  
**Ten Principal Real Property Taxpayers <sup>(1)</sup>**  
**June 30, 2013**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Real Property Assessed Value</b>	<b>Percentage of Total Real Property Assessed Value to Total Assessed Value</b>
Dominion Virginia Power	Public Service Utility	\$ 292,679,729	1.60%
MacArthur Shopping Center LLC (Taubman Co.)	Retail	160,697,300	0.88
Norfolk Western Railway Company	Railroad	130,136,689	0.71
Verizon Virginia, Inc.	Public Service Utility	114,436,112	0.62
Old Dominion University Real Estate Foundation	Real Estate	97,755,300	0.53
Norfolk Southern	Railroad	86,978,700	0.47
Dominion Tower Ltd. Partnership	Public Service Utility	70,699,085	0.39
Virginia Natural Gas, Inc.	Public Service Utility	66,624,400	0.36
Wells Fargo Building	Real Estate	65,577,400	0.36
Military Circle Ltd. Partnership	Real Estate	58,279,300	0.32
<b>Total Principal Taxpayers</b>		<b>\$1,143,864,015</b>	<b>6.24%</b>

Source: Real Estate Tax Assessor's Office, City of Norfolk, Virginia.

Note: (1) Based on total assessed value of taxable real property including public service corporations as of June 30, 2013, was \$18,319,948,478.

## GENERAL FUND EXPENDITURES

### Costs of General City Government

The costs of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, refuse disposal and general administrative services. Table III-8 presents the number of positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

**Table III-8**  
**City of Norfolk, Virginia**  
**Budgeted Positions**  
**Fiscal Years 2010 – 2014**

<b>Fiscal Year</b>	<b>Number of Budgeted Positions<sup>(1)</sup></b>
2010	4,071
2011	3,902
2012	3,912
2013	4,007
2014	3,976

Sources: Approved Operating Budgets, Fiscal Years 2010 through 2014.

Note: (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

### Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts; theft and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 11, 1978, the City established a protected Self-Insurance Program Fund, pursuant to an ordinance adopted by the City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims and related expense payments made during Fiscal Year 2013 was \$6,800,013.

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. At June 30, 2013, these liabilities were \$30,837,239 of which \$3,584,723 represents the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2013 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2009 through 2013 are as follows:

<b>Fiscal Year</b>	<b>Unpaid Claims Beginning Balance</b>	<b>Claims Incurred Estimated</b>	<b>Claims Paid</b>	<b>Ending Balance</b>
2009	\$25,059,306	\$14,134,010	\$4,686,127	\$34,507,189
2010	34,507,189	174,757	4,411,759	30,270,187
2011	30,270,187	5,628,197	4,225,302	31,673,082
2012	31,673,082	4,403,895	4,676,586	31,400,391
2013	31,400,391	4,300,564	4,863,716	30,837,239

### **Retirement Plan**

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers employees who are covered by the Virginia Retirement System. The City's contribution requirements are designed to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council. See Section IX of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, attached hereto as Appendix A, for a discussion of the City's pension plans.

Total annual pension contributions for all City employees over the last three Fiscal Years to the City's noncontributory retirement are presented in Table III-9. The City's funded ratio for Fiscal Year 2013 is 82.3%. The City funded 100% of its actuarially required contributions in Fiscal Years 2011 – 2013.

**Table III-9**  
**City of Norfolk, Virginia**  
**Schedule of Annual Pension Contributions**  
**Fiscal Years 2011 – 2013<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Annual Pension Contribution</b>
2011	\$42,828,229
2012	41,466,456
2013	42,330,492

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Note: (1) Actuarially required Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

### **Other Post-Employment Benefits**

In accordance with GASB Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the City and Schools recognize the costs of their Other Post-Employment Benefits ("OPEB") – health insurance, life insurance, and other non-pension benefits provided to its retirees during the period of their employee's active employment, while the benefits are being earned, and disclose their unfunded actuarial accrued liability in order to accurately report the total future cost of post-employment benefits and the financial impact on the City. These GASB 45 requirements are very similar to requirements for pension benefits.

Over time, the City and the Schools plan to gradually increase funding until the annual actuarial required contribution is fully funded. As of July 1, 2013, the following was projected:

	<b>City</b>	<b>Schools</b>	<b>Total</b>
Actuarial Accrued Liability as of July 1, 2013 <sup>(1)</sup>	\$53,314,519	\$64,944,676	\$117,259,195
Net OPEB obligation as of June 30, 2013	28,134,824	14,804,325	42,939,149
Actuarial Required Contribution for Fiscal Year 2014	5,363,162	4,558,502	9,921,664
Estimated Pay Go contribution and Explicit Subsidies	(3,160,704)	(3,745,718)	(6,906,422)
Net OPEB obligation as of June 30, 2014	<u>\$30,337,282</u>	<u>\$15,617,109</u>	<u>\$ 45,954,391</u>

Source: Actuarial Valuation Report by Cheiron, Inc. measures as of July 1, 2013, for Fiscal Year 2014.

Note: (1) Estimates as shown assume the City and Schools establish a trust. Estimate for the Schools assumes a pay-as-you-go or "Pay Go" basis for calculating liability and the City assumes a prorated basis for calculating liability.

### **Employee Relations and Collective Bargaining**

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

### **PUBLISHED FINANCIAL INFORMATION**

The City issues and distributes a Comprehensive Annual Financial Report on its financial operations for each Fiscal Year. The City also publishes annually an Operating Budget and a five-year Capital Improvement Program Budget. These documents are available via the internet at [www.norfolk.gov](http://www.norfolk.gov). In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in the section "CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

### **GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2013**

Table III-10 summarizes the total revenues and expenditures for Fiscal Year 2013 as compared to the budgeted amounts.

**Table III-10**  
**City of Norfolk, Virginia**  
**General Fund Operating Budget Summary Results**  
**for Fiscal Year 2013**

	<b>Final Budget</b>	<b>2013 Results</b>	<b>Percent of Variance</b>	<b>Positive</b>
			<b>Budget</b>	<b>(Negative)</b>
Total Revenue and non-revenue receipts	\$803,147,469	\$805,631,612	100.31%	\$ 2,484,143
Total Expenditures	<u>803,147.469</u>	<u>773,970,703</u>	96.37%	<u>29,176,766</u>
Revenue greater (less) than expenditures	<u>\$ 0</u>	<u>\$ 31,660,909</u>		<u>\$31,660,909</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

### **General Fund Operating Budget and Results**

The final Fiscal Year 2013, General Fund Operating Budget (the "Fiscal Year 2013 Budget") totaled \$803,147,469. The actual results for Fiscal Year 2013 are attributable generally to the implementation of City-wide cost saving measures and additional reimbursements, which resulted in the City using only \$4.7 million of the \$19.3 million of reserve funds that were included in the Fiscal Year 2013 Budget.

The City Council adopted the CIP budget for Fiscal Year 2014, which totals \$129,290,582 on May 14, 2013. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Program Budget."

The Fiscal Year 2014, General Fund Operating Budget (the "Fiscal Year 2014 Budget") was adopted on May 14, 2013, and totals \$817,500,799 reflecting a 1.8% increase over the final Fiscal Year 2013, General Fund Operating Budget of \$803,147,469.

The Fiscal Year 2014 Budget focuses on targeted priorities including education, public safety and neighborhood revitalization. The budget was balanced on a multi-faceted approach: raise revenue, reduce expenditures and become more efficient and grow the economy. Revenue was increased, in part by an increase in the real estate tax rate by \$0.04 per \$100 of assessed value. Expenditures were reduced and efficiencies gained through the elimination of redundant processes and the reduction of certain budget items, continuation of focus on cost containment measures and identifying further opportunities for operating efficiencies through internal and external collaboration. See "PART III – FINANCIAL INFORMATION – General Governmental Revenues – Property Tax Rates, Levies and Collections."

Major revenue and expenditure categories for the Fiscal Year 2014 budget are summarized in the following table.

**Table III-11**  
**City of Norfolk, Virginia**  
**General Fund Budget**  
**Fiscal Year 2014**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations For Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$255,632,400	Legislative	\$ 4,607,534
Other Local Taxes	154,727,600	Executive	4,384,072
Permits and Fees	2,350,340	Department of Law	4,040,898
Fines and Forfeitures	1,203,300	Constitutional Officers	5,595,812
Use of Money and Property	7,226,500	Judicial	49,188,896
Charges for Services	38,372,254	Office of Elections	843,921
Miscellaneous Revenue	9,781,303	General Management	40,679,397
Recovered Costs	10,676,100	Non-Departmental Appropriations	68,550,148
Non-Categorical Aid – Virginia	31,981,000	Community Development	9,148,345
Shared Expenses – Virginia	20,820,050	Parks, Recreation and Cultural	42,294,665
Categorical Aid – Virginia	239,087,828	Public Health and Assistance	51,093,100
Federal Aid	6,539,621	Public Safety	106,203,040
Other Sources and Transfers In	<u>39,102,503</u>	Public Works	42,983,976
		Debt Service	75,929,113
		Education	311,957,882
<b>Total</b>	<b>\$817,500,799</b>	<b>Total</b>	<b>\$817,500,799</b>

Source: Approved Operating Budget for Fiscal Year 2014.

**Table III-12**  
**City of Norfolk, Virginia**  
**General Governmental Expenditures by Function**  
**Fiscal Years 2004 – 2013**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>General Government Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Public Assistance</b>	<b>Education</b>	<b>Culture and Recreation</b>	<b>Community Development</b>	<b>Debt Service</b>	<b>Inter- Governmental</b>	<b>Capital Outlay</b>	<b>Total</b>
2004 <sup>(1)</sup>	\$76,127	\$35,603	\$94,979	\$80,613	\$76,221	\$90,020	\$40,081	\$8,048	\$49,551	\$6,140	\$45,026	\$602,409
2005	67,434	38,110	102,278	64,497	83,451	91,865	40,290	12,716	65,468	-	85,144	651,253
2006	92,062	41,795	105,634	46,959	91,535	92,595	42,995	13,552	56,462	-	91,632	675,221
2007	102,031	45,173	108,565	49,161	93,397	97,595	46,397	11,158	54,789	-	94,595	702,861
2008	110,974	47,331	116,208	60,370	95,159	101,095	51,071	10,745	60,728	-	114,007	767,688
2009	102,426	50,347	118,073	56,146	91,648	104,511	52,248	9,899	71,758	-	104,892	761,948
2010	97,061	48,726	115,488	59,574	89,682	101,011	51,708	10,851	69,834	-	99,210	743,145
2011	80,855	47,535	115,975	70,124	79,757	104,511	45,862	16,565	80,540	-	76,534	718,258
2012	100,504	48,233	116,296	62,330	74,331	104,512	44,529	15,142	85,043	-	98,892	749,812
2013	112,804	50,920	117,427	54,427	88,413	109,287	47,153	15,128	78,227	-	116,580	790,366

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

Note: (1) Sheriff and Jail expenditures were reclassified in Fiscal Year 2004 from Public Safety to Judicial Administration.

## RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet at June 30, 2012, and at June 30, 2013, extracted from the June 30, 2013, Comprehensive Annual Financial Report for the General Fund is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years are presented in Table III-14. The City's most recent General Fund statements of changes in fund balances for the past five Fiscal Years are summarized in Table III-15.

**Table III-13**  
**City of Norfolk, Virginia**  
**Balance Sheet, General Fund**  
**June 30, 2013, with comparative totals for 2012**

	<b>2012</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 65,871,509	\$ 64,101,669
Receivables, net:		
Taxes	41,295,356	41,559,705
Accounts	1,791,337	2,931,638
Accrued investment income	8,376	1,411
Due from other funds	9,638,381	7,094,555
Due from other governments	21,386,204	25,098,122
Prepays	-	1,468
Other assets	-	-
<b>Total Assets</b>	<b><u>\$139,991,163</u></b>	<b><u>\$140,787,968</u></b>
<b>LIABILITIES</b>		
Vouchers payable	\$ 9,227,612	\$ 11,372,055
Employee withholdings	867,108	983,296
Contract retainage	130,133	117,017
Accrued payroll	4,165,872	4,443,223
Due to other funds	884,234	1,150,572
Due to other government units	395,060	-
Deferred revenue	27,916,406	27,966,765
Other liabilities	<u>3,897,547</u>	<u>3,481,383</u>
<b>Total Liabilities</b>	<b><u>\$ 47,483,972</u></b>	<b><u>\$ 49,514,311</u></b>
<b>FUND BALANCES</b>		
Reserved for:		
Restricted	\$ 330,000	\$ 300,000
Committed	3,000,000	3,000,000
Assigned	34,838,715	33,919,286
Unassigned	<u>54,338,476</u>	<u>54,054,371</u>
<b>Total Fund Balances</b>	<b><u>92,507,191</u></b>	<b><u>91,273,657</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$139,991,163</u></b>	<b><u>\$140,787,968</u></b>

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2012, and 2013.

**Table III-14**  
**City of Norfolk, Virginia**  
**Comparative Statement of Revenue and Expenditures, General Fund**  
**Fiscal Years 2009 – 2013**

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>REVENUE:</b>					
General property taxes	\$249,021,469	\$253,711,095	\$254,342,239	\$250,117,894	\$243,604,191
Other local taxes	149,143,513	145,065,893	145,141,964	152,172,224	154,198,171
Permits and licenses	4,011,771	3,526,260	3,690,959	3,574,887	4,098,178
Fines and forfeitures	1,259,775	1,163,491	1,287,993	1,106,931	1,098,187
Use of money and property	6,468,854	6,044,924	6,634,420	6,367,808	6,102,209
Charges for services	20,382,047	29,402,549	31,629,625	32,030,115	33,392,110
Miscellaneous	6,323,499	5,113,199	8,584,798	8,572,621	8,996,990
Recovered costs	8,952,032	8,205,934	10,722,712	10,311,990	11,395,841
Intergovernmental	<u>123,889,498</u>	<u>116,028,629</u>	<u>116,589,551</u>	<u>112,645,842</u>	<u>114,334,309</u>
Total Revenue	<u>569,452,458</u>	<u>568,261,974</u>	<u>578,624,261</u>	<u>576,900,312</u>	<u>577,220,186</u>
<b>EXPENDITURES:</b>					
<b>Current operating</b>					
General government	102,304,247	95,385,671	78,643,175	100,373,625	112,577,244
Judicial administration	47,316,777	45,150,197	44,519,302	45,112,553	47,357,216
Public safety	107,927,615	105,006,515	103,863,085	105,379,222	107,143,672
Public works	38,806,007	44,664,401	55,910,310	46,373,034	40,390,032
Health and public assistance	65,330,416	61,463,322	59,272,655	54,974,389	47,300,808
Culture and recreation	41,805,449	39,370,680	39,502,709	40,003,396	42,580,642
Community development	6,579,369	6,924,553	10,713,656	9,955,520	8,817,670
Education	104,511,131	101,011,131	104,511,131	104,511,131	109,286,600
<b>Debt service</b>					
Principal	-	-	535,000	565,000	-
Interest and other charges	-	-	138,279	107,619	-
<b>Capital outlay</b>					
Total Expenditures	<u>514,581,011</u>	<u>498,976,470</u>	<u>498,612,552</u>	<u>507,355,489</u>	<u>500,000</u>
Excess (deficiency) of revenue over expenditures	54,871,447	69,285,504	80,011,709	69,544,823	61,266,302
Other financing sources (uses):					
Proceeds from sale of land	8,487,667	-	-	-	800,000
Issuance of debt	-	2,885,518	-	2,411,915	-
Transfers in	12,948,230	12,566,907	12,940,571	12,289,939	20,481,878
Transfers out	<u>(85,652,562)</u>	<u>(81,227,400)</u>	<u>(82,595,066)</u>	<u>(88,020,221)</u>	<u>(83,781,713)</u>
Total Other Financing Sources (Uses)	<u>(64,216,665)</u>	<u>(65,774,975)</u>	<u>(69,654,495)</u>	<u>(73,318,367)</u>	<u>(62,499,835)</u>
Net Change in Fund Balance	<u>\$ (9,345,218)</u>	<u>\$ 3,510,529</u>	<u>\$ 10,357,214</u>	<u>\$ (3,773,544)</u>	<u>\$ (1,233,533)</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2009, through 2013.

**Table III-15**  
**City of Norfolk, Virginia**  
**Comparative Statement of Changes in Fund Balance, General Fund**  
**Fiscal Years 2009 – 2013**

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Net Change in Fund Balance	\$ (9,345,218)	\$ 3,510,529	\$ 10,357,214	\$ (3,773,544)	\$ (1,233,533)
Fund balance at beginning of year	67,971,188	58,625,970	62,136,499	96,280,735	92,507,190
Adjustment to beginning balance	_____ -	_____ -	<u>23,787.022</u>	_____ -	_____ -
Fund Balance at end of year	<u>\$58,625,970</u>	<u>\$62,136,499</u>	<u>\$96,280,735</u>	<u>\$92,507,191</u>	<u>\$91,273,657</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2009 through 2013.

## **PART IV ENTERPRISE FUNDS**

### **WATER UTILITY FUND**

#### **Overview**

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. More than 1.1 million people are served by the Water System. The Water System distributes treated water throughout the City, to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake") and to the gates of Naval bases located in the City, Virginia Beach and Chesapeake. A Naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. The distribution of average metered consumption in Fiscal Year 2013 is shown in Table IV-1.

**Table IV-1  
City of Norfolk, Virginia  
Water System  
Average Metered Water Delivered by Customer  
Fiscal Year 2013**

<b>Customer</b>	<b>Metered Consumption (MGD)</b>	<b>Percent of Total</b>
Norfolk	16.8	30.1%
Virginia Beach	32.2	57.6
U.S. Navy	4.0	7.2
Chesapeake	2.5	4.5
	55.9	100.0%

---

Source: Department of Utilities, City of Norfolk, Virginia.

As of June 30, 2013, the Water System provided potable water to approximately 64,654 Norfolk retail service customers (i.e. accounts) and wholesale service to the United States Navy, Virginia Beach, Chesapeake, Portsmouth and the Western Tidewater Water Authority ("WTWA"), which includes the City of Suffolk and Isle of Wight County.

#### **Wholesale Contracts**

A significant portion of the Water System's revenue is derived from wholesaling water to the U.S. Navy, Chesapeake, Portsmouth, Virginia Beach and the WTWA. The City has wholesale contracts with the U.S. Navy and Virginia Beach. In the absence of a wholesale contract, the City of Chesapeake purchases treated water from the City at a current rate of \$5.88 per 1000 gallons. If a wholesale contract between Chesapeake and the City is executed, the City anticipates that Chesapeake will continue to purchase treated water from the City pursuant to the wholesale customer treated water rate ordinance. The City also has executed a raw water contract with Chesapeake and began delivering 7 MGD of raw water in 2006. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water. On September 29, 2009, the City entered into a 40-year raw water sales agreement with WTWA, currently comprised of the City of Suffolk and Isle of Wight County, to furnish a minimum of 3 mgd and gradually increasing to 15 mgd by 2038.

## **Financial Management**

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to account for all of the financial activity related to providing water services to its customers. Since its inception, the Fund has operated on a self-supporting basis.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. Additionally, transfers have been made to pay all debt service on general obligation bonds issued by the City prior to the creation of the water revenue bond program in 1993 to pay for Water System improvements. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds. The Water Utility Fund is reported on an accrual basis of accounting.

City general obligation debt issued to finance water utility projects is carried as a liability on the Water Utility Fund balance sheet. The Water Utility Fund provides the funds for debt service on such bonds.

## **Water Rates**

Retail rates are set by City Council. Effective in Fiscal Year 2004, the City Council established a long-term retail rate plan and starting in Fiscal Year 2007 water rates increase 3.5% annually and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2013	\$4.15 per 100 cubic feet
2014	\$4.30 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

U.S. Navy and Chesapeake wholesale rate revisions for inclusion in City ordinances are approved by City Council. Virginia Beach formula driven biennial wholesale rate revisions are governed by contract. In order to encourage conservation, the current rate structure is a uniform rate per thousand gallons, with no quantity discount. Retail customers are charged a monthly service charge.

## **WASTEWATER UTILITY FUND**

### **As of June 30, 2013:**

Approximate population served	64,654 accounts
Total wastewater pumping stations	131 pump stations
Miles of gravity wastewater mains	844.4 miles
Miles of wastewater force mains	66.4 miles

The City owns and operates a sanitary sewer system (the "Sewer System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 64,654 accounts located within the City are served by the Sewer System. Since July 1, 1983, the Wastewater Utility Fund has been operated as an enterprise fund.

City general obligation debt issued to finance wastewater utility projects as well as wastewater revenue debt is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund provides the funds for debt service on such bonds.

Each customer using the City Sewer 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 Fiscal Year 2006, wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2013	\$3.39 per 100 cubic feet
2014	\$3.53 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

### **PARKING FACILITIES FUND**

The City presently owns and operates 15 multi-level parking garages, 9 surface lots and more than 580 on-street spaces. These facilities provide a total inventory of over 19,800 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Division of Parking provides the funds for debt service on such debt. The Parking Facilities Fund's balance sheet on June 30, 2013, presents total assets of \$206 million, which includes restricted investments of over \$18 million, to be utilized for garage construction and required reserves. In addition, fixed assets, including parking structures, consist of over \$168 million of the total \$206 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2013, 56,751 tickets were issued resulting in an 85% collection rate and revenue of \$2.0 million.

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. Revenue of the Parking System has fully covered debt service on general obligation bonds issued for the Parking System.

The City's Financial Policies provide that the Parking Facilities Fund will be self-supporting, maintain annual net revenue in an amount sufficient to provide debt service coverage of at least 1.1 times its total annual debt service, limit variable-rate debt to approximately 20% of its total outstanding debt, and maintain a working cash balance, excluding any future balance in the Debt Service Reserve, of a minimum of 240 days of operating and maintenance expenses. Additionally, the Parking Facilities Fund will strive to maintain an unpledged debt service reserve fund equal to one half of maximum annual debt service on Parking Facilities Fund debt. See "Part III – FINANCIAL INFORMATION – Financial Policies."

## **PART V** **THE CITY OF NORFOLK**

### **INTRODUCTION**

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

**Table V-1**  
**City of Norfolk, Virginia**  
**Area of City**

<b>Year</b>	<b>Square Miles</b>
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2014	65.98

The City was a 2013 recipient of the National Civic League's "All-America City" award. The City received the award in recognition for innovatively promoting civic engagement and cooperation among public, private and nonprofit sectors to address local challenges, specifically in regards to Veteran's initiatives, flood mitigation and its Neighbors Building Neighborhoods program.

### **CITY GOVERNMENT**

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from the City Charter, originally adopted by the General Assembly of Virginia (the "General Assembly") in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. Having sought and gained approval from the U.S. Justice Department and the General Assembly, the City gave its citizens the right to elect their Mayor directly, effective May 2006. Previously the City's Mayor had been chosen by the City Council from among its members. This change added an eighth member to the City Council, with the Mayor elected at large, and retains the current seven wards with two members elected from super wards. The City Council elects a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

#### **Certain Elected Officials**

The City's current elected officials include:

#### **Paul D. Fraim, Mayor**

In May 2006, Mayor Fraim became the City's first popularly elected mayor in nine decades. Mayor Fraim is a 27-year incumbent on City Council, and was first elected Mayor by his peers in 1994. He is the president of the law firm Fraim & Fiorella, P.C., and was first elected to City Council in 1986. He has a Bachelor of Arts degree from Virginia Military Institute, Lexington, Virginia, and a Master's in Education degree from the University of Virginia, Charlottesville, Virginia. He received his law degree

from the University of Richmond, Richmond, Virginia. Mayor Fraim is an active member of the Virginia State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

### **Angelia M. Williams, Vice Mayor**

Ms. Williams, representing Super Ward 7, was first elected to City Council in November 2010. She holds a current real estate license and is a realtor with Long & Foster Realtors. Ms. Williams received an Associate of Science degree in Business Administration from Tidewater Community College in 2004. She graduated from the University of Virginia's Sorensen Institute for Political Leadership in 2005 and from the Alpha School of Real Estate in 2008. She received a Bachelor's degree in Business Administration and Political Science from Old Dominion University, Norfolk, Virginia. She is involved in many local professional and civic organizations, where she has held a number of leadership positions.

### **Angela M. Green, Council Member**

Mrs. Green, representing Ward 3, was appointed in January 2014 to fill the unexpired term of Anthony L. Burfoot, who was elected City Treasurer in November 2013. She served as an early childhood teacher for 34 years with Norfolk Public Schools. Following her career as a teacher, Mrs. Green served for seven years on the City's School Board. She received a Bachelor of Science degree from Virginia State University, Petersburg, Virginia. Mrs. Green previously served as the interim councilmember for Super Ward 7 in 2010 and has been active for many years in the civic affairs of the City.

### **Andrew A. Protogyrou, Council Member**

Mr. Protogyrou, representing Ward 1, was first elected to City Council in May 2010. Mr. Protogyrou is an attorney and a member of Protogyrou & Rigney, P.L.C. He has a Bachelor of Arts degree from Virginia Military Institute, Lexington, Virginia, and he received his law degree from the University of Richmond, Richmond, Virginia. Mr. Protogyrou is active in many local professional and civic organizations, where he has held a number of leadership positions.

### **Paul R. Riddick, Council Member**

Mr. Riddick, representing Ward 4, was first elected to City Council in July 1992. He is the owner and operator of Riddick Funeral Service in Norfolk. He attended Norfolk State University, Norfolk, Virginia, and has an Associates in Art and Sciences degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

### **Thomas R. Smigiel, Council Member**

Mr. Smigiel, representing Ward 5, was first elected to City Council in May 2010. He received a Bachelor of Science degree in Education from Old Dominion University, Norfolk, Virginia, and a Master's degree in School Administration from Cambridge College's Regional Center, Chesapeake, Virginia. He is currently an Assistant Principal at Lake Taylor High School in Norfolk. He is involved in many local professional and civic organizations, where he has held a number of leadership positions.

### **Dr. Theresa W. Whibley, Council Member**

Dr. Whibley, representing Ward 2, was first elected to City Council in July 2006. She is an obstetrician and gynecologist in private practice at Woman Caring, PLC in Norfolk. Dr. Whibley is a graduate of Eastern Virginia Medical School, Jones Institute of Reproductive Medicine, Norfolk, Virginia, Old Dominion University, Norfolk, Virginia and the College of William and Mary, Williamsburg, Virginia. Dr. Whibley is active in many local professional organizations.

### **Barclay C. Winn, Council Member**

Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the Chief Executive Officer of Winn Nursery of Virginia, Inc., which is headquartered in Norfolk. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and business activities.

### **Certain Appointed Officials**

#### **Marcus D. Jones, City Manager**

Marcus D. Jones returned to the City of Norfolk in February 2011 to assume the post of City Manager. His responsibilities include the supervision of the administrative operations of the City including the preparation of its annual budget. Prior to returning to Norfolk, he served as Deputy Chief Administrative Officer for Finance & Administration for the City of Richmond, Virginia. Prior to serving in Richmond, Mr. Jones served as an Assistant City Manager and Director of Budget & Grants Management for the City of Norfolk from 2004 to 2009. In the prior decade, Mr. Jones served the Commonwealth as Governors Mark Warner and Jim Gilmore's, Deputy Secretary of Finance and Assistant Secretary of Finance, respectively. He earned his Bachelor's degree in Public Administration from James Madison University, Harrisonburg, Virginia, and a Master's degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

#### **Alice M. Kelly, CPA, Director of Finance**

Alice M. Kelly assumed her position as Director of Finance in January 2013. At the direction of the City Manager, she is responsible for identifying strategic opportunities for the City in the policy areas of taxation, financial management and fiscal policy development. In addition, she is responsible for the administration of the financial affairs of the City which include cash management and investments, debt management, financial accounting and reporting, procurement, risk management and retiree benefits. Ms. Kelly has worked for the City since April 1990 in various capacities and departments including Utilities, Finance and Public Works. She previously served as Acting Director of Finance from June 2008 to August 2009, and prior to her appointment as Director of Finance, her most recent position was Assistant Director of Public Works. Ms. Kelly earned a Bachelor of Science degree in Accounting from Virginia Polytechnic Institute and State University (Virginia Tech), Blacksburg, Virginia. She is a licensed Certified Public Accountant and serves on the Board of the Norfolk Municipal Employees Federal Credit Union.

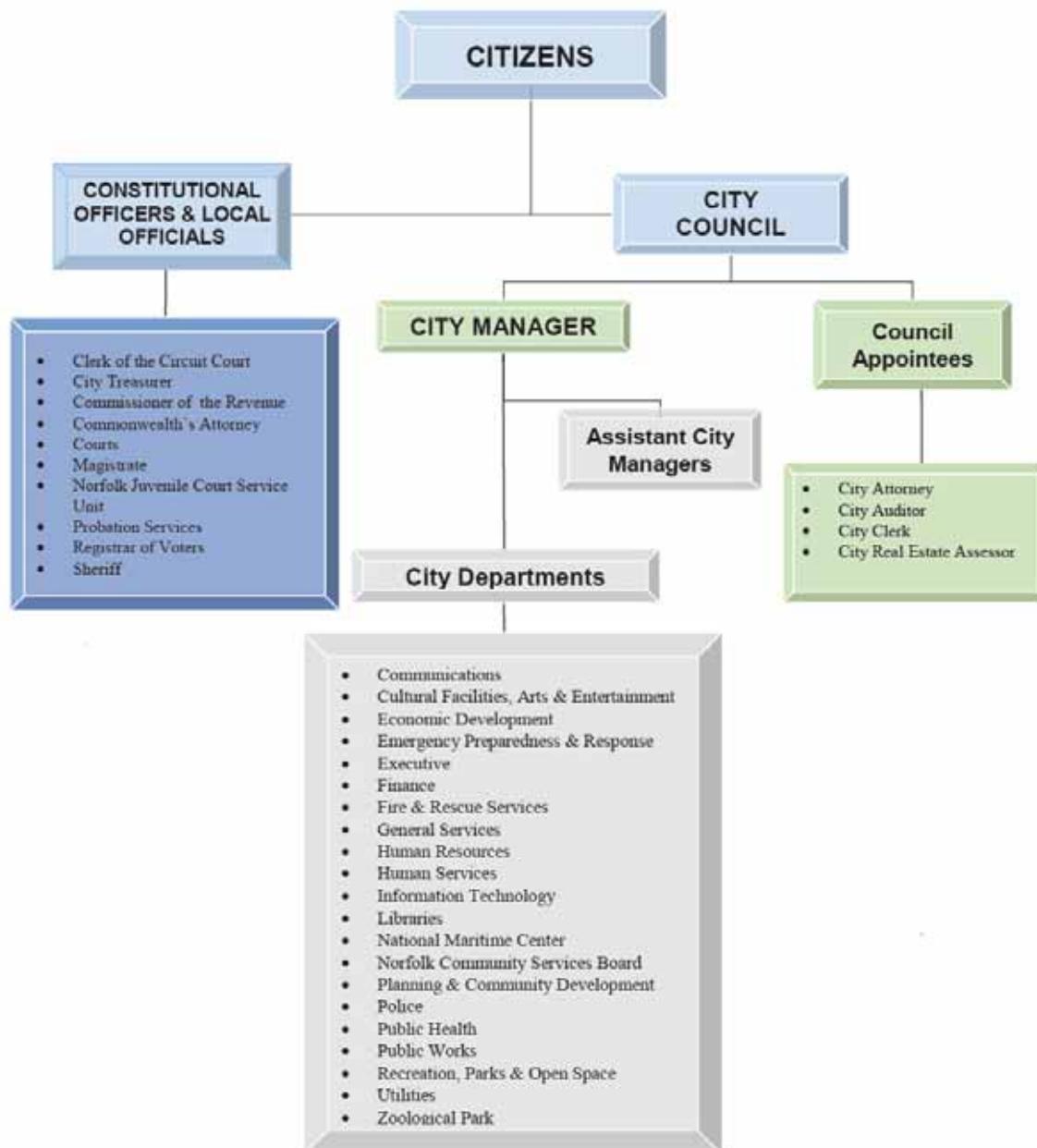
#### **Bernard A. Pishko, City Attorney**

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk, Norfolk Municipal Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Master's degree in Business Administration from the College of William and Mary, Williamsburg, Virginia, and a law degree from the Marshall-Wythe School of Law, Williamsburg, Virginia.

## **Governmental Services and Facilities**

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, solid waste disposal and general administrative services. In addition, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.

## **City Organization**



## OTHER GOVERNMENTAL ENTITIES

### *School Board of the City of Norfolk*

The seven members of the School Board are appointed by the City Council. 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 monies 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 School Board presently operates 35 elementary schools, nine middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs. For the Fiscal Year 2013 the School Board's expenditures for education totaled \$373,299,328.

### *Norfolk Airport Authority*

The 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. Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements.

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own financial 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.

### *Hampton Roads Regional Jail Authority*

The Hampton Roads Regional Jail Authority ("HRRJA") is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Virginia Code and is governed by a 12 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 regional jail facility (the "Jail"), which opened in April 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 875 inmates, 250 of which are designated to the City. The City is responsible for 28.57% of the total operating cost less the revenue derived from the Virginia Compensation Board and the per diem reimbursement from the Commonwealth for the housing of state inmates.

#### ***The Southeastern Public Service Authority of Virginia***

The Southeastern Public Service Authority ("SPSA") is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse.

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

The regional system includes solid waste transfer stations in each of the member jurisdictions, a landfill, rolling stock and ancillary facilities.

#### ***Hampton Roads Planning District Commission***

Hampton Roads Planning District Commission ("HRPDC"), 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. HRPDC 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 HRPDC is received primarily from member contributions and various state and federal grant programs. The participating governments do not have an equity interest in HRPDC, and accordingly, no equity interest has been reflected in the City's financial statements. Complete financial statements of HRPDC can be obtained from HRPDC.

#### ***Transportation District Commission of Hampton Roads***

Hampton Roads Transit ("HRT") was created on October 1, 1999, with the consolidation of the Tidewater Regional Transit and Peninsula Transportation District Commission. It is believed to be the first voluntary merger of public transit agencies in the nation. The district continues to be a political subdivision of the Commonwealth, formed as a joint exercise of governmental power in accordance with the provisions of Chapter 32 of Title 15.2 of the Virginia Code. The District provides public transportation facilities and services within cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth and Virginia Beach.

The Transportation District Commission of Hampton Roads, a political subdivision of the Commonwealth, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.2 of the Virginia Code.

### ***Hospital Authority of Norfolk***

The Hospital Authority of Norfolk (the "HAN"), which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth. The 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.

### ***Norfolk Redevelopment and Housing Authority***

The Norfolk Redevelopment and Housing Authority ("NRHA"), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The 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. The NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The NRHA develops its operating budget without approval from the City Council and executes contracts on its own behalf. The City does not exercise a significant degree of oversight responsibility for the NRHA, as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA is responsible for its own financial matters as it maintains its own books of account, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

### ***The Economic Development Authority of the City of Norfolk***

The Economic Development Authority ("EDA"), a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended). It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize 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, which is self-sustaining, maintains its own books of account, and receives revenue from administrative fees charged to borrowers.

### ***The Slover Library Foundation***

The Slover Library Foundation (the "Library Foundation"), a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a new central library for the City. The new central library opening in 2014 is named the Colonel Samuel L. Slover Memorial Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, will be joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Library Foundation will be used for construction costs and the purchase and maintenance of technology to be used in the library. The Library Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from donations made by third parties.

## ***The Chrysler Museum, Inc.***

The Chrysler Museum, Inc. (the "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 administrative fees charged to visitors and from other independent grants.

## **ECONOMIC AND DEMOGRAPHIC FACTORS**

### **Population**

As reflected in Table V-2 and V-3 below, from 2004 to 2013 the City's population grew 3.2%. The City is the second most populous city in Virginia, as shown in Table V-3.

**Table V-2**  
**Population Trend Comparisons**  
**2004 – 2013**

<b>Calendar Year</b>	<b>Norfolk <sup>(1)</sup></b>	<b>Hampton Roads MSA <sup>(1)(2)</sup></b>	<b>Virginia <sup>(3)</sup></b>	<b>U.S. <sup>(3)</sup></b>
2004	238,650	1,602,079	7,475,575	292,805,298
2005	239,396	1,612,304	7,577,105	295,516,599
2006	239,355	1,616,911	7,673,725	298,379,912
2007	241,941	1,621,986	7,751,000	301,231,207
2008	242,983	1,631,967	7,833,496	304,093,966
2009	243,957	1,636,770	7,925,937	306,771,529
2010	242,803	1,641,078	8,001,024	308,745,538
2011	243,985	1,654,311	8,105,850	311,582,564
2012	245,803	1,672,401	8,186,628	313,873,685
2013	246,392	1,682,842	8,260,405	316,128,839

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Notes: (1) Norfolk and Hampton Roads MSA population estimates are from the Weldon Cooper Center, except for the 2010 population estimates, which are from the U.S. Census Bureau.  
(2) The Hampton Roads MSA is the Virginia portion only.  
(3) U.S. and Virginia population estimates are from the U.S. Census Bureau.

**Table V-3**  
**Five Most Populous Cities in Virginia**

<b>City</b>	<b>2010 Census Population</b>	<b>2013 Population Estimate</b>
Virginia Beach	437,994	449,628
Norfolk	242,803	246,392
Chesapeake	222,209	232,977
Richmond	204,219	211,172
Newport News	180,719	183,412

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Table V-4 provides an annual comparison of per capita personal income since 2003.

**Table V-4**  
**City of Norfolk, Virginia**  
**Per Capita Personal Income Comparisons**  
**2003 – 2012**

<b>Calendar Year</b>	<b>City</b>	<b>Hampton Roads MSA</b>	<b>State</b>	<b>U.S.</b>
2003	\$29,070	\$32,660	\$35,910	\$32,676
2004	30,070	33,997	37,742	34,300
2005	31,986	35,618	39,825	35,888
2006	33,707	37,735	42,075	38,127
2007	34,990	39,541	43,921	39,804
2008	35,713	40,687	44,900	40,873
2009	35,490	40,459	44,063	39,357
2010	35,959	41,063	44,854	40,163
2011	37,729	43,051	47,126	42,298
2012	38,844	44,321	48,377	43,735

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2012 is most recent year for which data is available.

The age distribution of the City's population is presented in Table V-5.

**Table V-5**  
**City of Norfolk, Virginia**  
**City Population Distribution by Age**  
**1960 – 2010**

<b>Year</b>	<b>Population</b>	<b>Under 20</b>	<b>20-64</b>	<b>65 or Older</b>
1960	305,872	39.8%	54.5%	5.7%
1970	307,951	35.4	57.8	6.8
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2
2010	242,803	25.3	65.3	9.4

Source: U.S. Census Bureau.

### **Housing and Construction Availability**

The City saw total home sales increase by 11.9% during calendar year 2013, as compared to calendar year 2012. Total sales for calendar year 2013 were 2,621, as compared to 2,343 for calendar year 2012. The average home price in calendar year 2013 has increased approximately 6.7%, from \$182,224 to \$194,520, when compared to the average home price in calendar year 2012.

Table V-6 provides an annual breakdown of residential building permits over the past 10 Fiscal Years.

**Table V-6**  
**City of Norfolk, Virginia**  
**Residential Construction**  
**Fiscal Years 2004 – 2013**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Number of Units</b>	<b>Value (in thousands)</b>
2004	506	766	\$ 83,525
2005	560	1,191	204,391
2006	531	1,058	133,053
2007	389	491	68,476
2008	277	815	101,212
2009	209	535	35,878
2010	191	621	58,729
2011	221	479	37,298
2012	268	371	39,360
2013	385	948	67,302

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Table V-7 presents annual nonresidential construction permits, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures, over the past 10 Fiscal Years.

**Table V-7**  
**City of Norfolk, Virginia**  
**Nonresidential Construction**  
**Fiscal Years 2004 – 2013**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Value (in thousands)</b>
2004	59	\$134,197
2005	70	70,677
2006	60	165,989
2007	55	81,396
2008	35	102,714
2009	38	138,131
2010	35	104,922
2011	27	40,073
2012	26	116,401
2013	28	105,635

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

## Employment

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-8.

**Table V-8**  
**City of Norfolk, Virginia**  
**Unemployment Rates**  
**2004 – 2013**

<b>Calendar Year</b>	<b>Norfolk</b>	<b>Hampton Roads MSA</b>	<b>Virginia</b>	<b>U.S.</b>
2004	5.1%	4.0%	3.7%	5.5%
2005	5.0	3.9	3.5	5.1
2006	4.2	3.3	3.0	4.6
2007	4.1	3.2	3.1	4.6
2008	5.3	4.2	4.0	5.8
2009	8.7	7.1	6.9	9.3
2010	9.2	7.5	7.1	9.6
2011	8.5	7.1	6.4	8.1
2012	7.9	6.6	5.9	8.1
2013 <sup>(1)</sup>	6.3	5.3	4.8	6.5

Source: U.S. Bureau of Labor Statistics.

Note: (1) Figures as of December 2013.

**Table V-9**  
**City of Norfolk, Virginia**  
**Civilian Employment and Average Weekly Gross Wages**  
**3<sup>rd</sup> Quarter, 2013**

	<b>Number of Establishments</b>	<b>Number of Employees</b>	<b>Average Weekly Wage</b>	<b>Percentage of Employment</b>
Construction	361	3,798	\$883	2.80%
Manufacturing	142	6,760	1,026	4.99
Trade, Transportation & Utilities	1,212	25,217	915	18.62
Information	93	2,888	1,057	2.13
Financial Activities	574	7,964	1,011	5.88
Professional & Business Services	1,012	20,781	3,579	15.35
Education and Health Services	899	38,102	842	28.14
Leisure and Hospitality	628	13,070	831	9.65
Other Services	552	4,188	583	3.09
Public Administration	70	12,650	1,292	9.34
<b>Total</b>	<b>5,543</b>	<b>135,418</b>	<b>N/A</b>	<b>100.00%</b>

Sources: U.S. Bureau of Labor Statistics. Virginia Employment Commission, Quarterly Census of Employment & Wages Program. Totals include non-disclosable data.

## **Federal Government Impacts**

As a continuation of the federal government sequestration, which began in fiscal year 2013, federal subsidy payments to issuers of direct pay qualified bonds will be cut by 7.2% in fiscal year 2014. This cut will affect the subsidy received on the City's Series 2010B Build America Bonds, Series 2010B Recovery Zone Economic Development Bonds, Series 2010F Recovery Zone Economic Development Bonds, Series 2012D Qualified School Construction Bonds and Series 2013C Qualified Energy Conservation Bonds. The total sequestration amount expected to be deducted from the City's anticipated subsidy payment for Fiscal Year 2014 represents only 0.02% of the City's Fiscal Year 2014 budget of \$817.5 million. The City budgets for all interest payments on a gross basis, so any subsidy reduction is not expected to materially affect the City's finances.

Continued federal sequestration could result in a softening of the regional economy due to the concentration of direct and indirect federally funded employment; however, any potential adverse effects on the City's revenue sources are not expected to be material.

## **Economic Development**

Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization and commercial corridor development. Some of the City-led initiatives to stimulate commercial revitalization include: Tax Abatement Program, State Enterprise Zone, Federal Empowerment and HUB Zones, Small Area Aesthetic Matching Grant Program, Aesthetic Improvement Grant Pool, Pedestrian Commercial Overlay Zones, Tax and Grant Benefits, Concentrated Development Zone Incentives, public infrastructures and amenities. In the past 18 months, the City has seen economic development from existing and new business, as well as new retail development and redevelopment of existing infrastructure, including over \$40 million in business expansion and retention and the creation of approximately 400 jobs for existing companies; over \$50 million in investment from new business and the creation of approximately 300 jobs; over \$41 million in new retail investment and the creation of approximately 570 retail jobs; and over \$300 million in reinvestment and redevelopment projects. The following pages describe many of the economic development projects that account for these investments and employment.

## **Downtown Development**

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. The average vacancy rate for Downtown Class A office space as of March 2014 is approximately 10.96%, as shown in Table V-10 below.

**Table V-10**  
**City of Norfolk, Virginia**  
**Downtown Norfolk Vacancy**  
**March 2014**

<b>Class A</b>	<b>Rentable SF</b>	<b>Vacant SF</b>	<b>% Vacant</b>
150 West Main Street	225,498	31,513	13.97%
Crown Center	58,674	9,538	16.26
Dominion Tower	405,529	40,710	10.04
Main Street Tower	201,307	6,258	3.11
Norfolk Southern Tower	293,035	32,006	10.92
Wells Fargo Center	249,887	42,849	17.15
World Trade Center	367,000	34,491	9.40
<b>Total</b>	<b>1,800,940</b>	<b>197,365</b>	<b>10.96%</b>

Source: CoStar, March 2014.

Bank presence along Main Street includes Bank of America, BB&T, Monarch, Old Point National, PNC, SunTrust, TowneBank and Wells Fargo. Bank of Hampton Roads, Heritage, Southern Bank and several credit unions are also located downtown.

The Wells Fargo Center, a \$170 million office, retail and residential development opened June 2010, on Monticello Avenue adjacent to the Monticello Avenue light rail station, as well as to MacArthur Center, Scope and Chrysler Hall. This Class A, mixed-use development is comprised of a twenty-three story, 255,000 square foot office tower, 50,000 square feet of retail space on Monticello Avenue, 1,859 parking spaces within 2 garages and 121 luxury apartments.

The construction of a new \$121.7 million Consolidated Courts Complex, which broke ground in January 2012, is underway near City Hall adjacent to the Civic Plaza light rail station. This complex will house the General District, Circuit, and Juvenile and Domestic Relations Courts. Phase I is anticipated to be completed in May 2014, and Phase II is anticipated to be completed in December 2015.

## **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 will increase 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, including downtown. The Belmont at Freemason, located downtown adjacent to a Tide light rail station, opened in September 2010. It contains 241 apartments in two buildings and a garage with 531 parking spaces at Brambleton and Bute Streets with an estimated value of \$45 million. Plans are underway to convert the Savoy, a historical building, into affordable work force apartments. Additionally, the Metro on Granby project includes 2 new \$12 million apartment buildings; 401 Granby with 65 units and 2,100 square feet of retail, and 416

Boush with 71 units and pool/fitness center. Both are anticipated to be completed in 2014. Other new residential projects downtown include 401 Granby Street (65 units), 416 Boush (71 units), the Wainwright Apartments (126 units), Banks at Berkley (50 units), Element at Ghent (164 units), Fort Tar Lofts (13 units), The James (79 units), The Seaboard (135 units) and The Promenade Pointe (187 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 will have 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 \$2,553,000 in annual real estate taxes to the City. The East Beach community was the site of 2012 Homearama, which was the third time it was held there. 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. A \$25 million project with 80 homes to the south of East Beach, Pointe East at Harbor Walk, is being developed by Franciscus Homes. East Beach Marina Apartments, with 136 apartments, is also being developed in East Beach. This project will have waterfront boardwalk access and is expected to be completed in May 2014.

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.

The City is also redeveloping the Fort Norfolk area, which is a 30-acre urban waterfront area linking downtown Norfolk to the region's medical complex and Ghent community. Fort Norfolk Plaza, across Brambleton from the medical complex that includes Sentara Norfolk General Hospital and Eastern Virginia Medical School, is a \$70 million, 9-story medical office tower and parking garage that opened in August 2010.

### **Commercial Development**

Simon Property Group Inc. is expected to invest about \$75 million to build its second Premium Outlets mall in Hampton Roads on an existing City-owned golf course. The redevelopment plan calls for the City to retain approximately 65 acres for green space, walking trails, a possible amphitheater to host open-air music concerts, picnic areas, a pedestrian bridge over the lake, and boat rentals. Construction is expected to start in the fall of 2014, with a projected opening of fall 2015. Simon Premium Outlet Park would include approximately 90 stores, 350,000 square feet of leasable space and generate an estimated \$135 million in annual sales.

### **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 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.

A \$24 million, 10,000 square foot expansion and renovation of the Chrysler Museum of Art is underway. The Museum is anticipated to reopen in May 2014. Previously only 20% of the collection was on display and the expansion will allow for more of the collection to be seen.

A major City initiative underway is the development of a Downtown Arts and Design District, in the area north of Brambleton Avenue. Sparked by interest from the public, a workgroup was established

to explore possibilities for an arts district and to develop an implementation plan. Urban Design Associates was hired to develop a master plan for an arts district. The City engaged Team Better Block to create a "living charette" to support the vision of future development and improvements. In May 2013 the City Council adopted revisions to the D-4 downtown zoning district to create a Downtown Arts and Design zoning district with an expanded mission statement and list of permitted use more in line with the vision of the arts district.

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 moved into its 18,000-square-foot building, the Clay and Jay Barr Education Center, in August 2010. The building, 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 Education Center is the new home of the Hurrah Players, which features a 100-seat theater and two rehearsal halls. The Chrysler Museum Glass Studio, an addition to Norfolk's Chrysler Museum, opened in November 2011. The studio is a state-of-the-art, 7,000 square foot facility which supports artists working in a variety of glassmaking processes, including blown glass, casting, fusing, flameworking and cold working. Located adjacent to the museum, the facility is the only one of its kind in the Mid-Atlantic region, and spotlights the museum's extensive glass collection.

The Virginia Zoological Park completed the Trail of the Tiger exhibit in 2011. It features animals from Asia, and nearly doubled the number of large animals at the zoo. A new \$4.25 million animal wellness center, completed in February 2014, consists of an 8,000 square foot Veterinary Hospital and 3,000 square foot Nutrition Center. The hospital will provide state of the art surgical and treatment suites, laboratory and pharmacy. One wing of the hospital is for housing animals that have just arrived at the Zoo and animals that may be sick. The surgical and treatment suites have large viewing windows on the outside walls so visitors are able to see treatment in progress.

The 80,000 square foot Half Moone Cruise and Celebration Center opened in spring 2007 and is located in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. The Half Moone Center continues to serve as a multi-purpose facility for the City offering five distinct event spaces that can accommodate 50 to 1500 guests. In 2012, the City celebrated its eleventh anniversary of welcoming Carnival Cruise Lines to the Half Moone Center. Nearly 40,000 cruise passengers utilized the terminal in 2012, and the City anticipates approximately 50,000 will utilize the terminal in 2013. In June 2013, Carnival Cruise Lines announced that it would not deploy any ships from the City after 2013, but in January 2014, Carnival Cruise Lines announced that it would return to the City in 2015.

The Colonel Samuel L. Slover Memorial Library, a new main public library, is under construction and anticipated to open in December 2014. It combines the historic downtown Seaboard Building with a new architecturally significant structure designed by a nationally recognized New Haven, Connecticut architectural firm, Newman Architects. The City plans to combine the historic integrity of the Seaboard Building with a seamless expansion creating a state-of-the-art, highly efficient library complex. A \$20 million gift from Frank Batten Sr., announced in 2008, allowed the City to accelerate the planning and construction of the downtown library by at least ten years. An additional \$20 million matching grant was announced in 2010, which combined with the City's original \$20 million brings the total project investment to over \$60 million.

In the Wards Corner section of the City work was completed in March 2014 on new \$8.5 million performing arts center for Norfolk Collegiate School. Also in Wards Corner, an 8-acre shopping center anchored by Harris Teeter opened in February 2014.

Today, there are more than 350 public art programs that support thousands of artists' projects in government buildings, the airport, in libraries, in parks and in neighborhoods. Additional artwork is being displayed in the light rail stations.

## **Transportation Initiatives**

The City's light rail system, the Tide, began operation in August 2011, exceeding passenger count expectations. The Tide runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. Amtrak passenger rail line service connecting Norfolk to Washington DC via Petersburg and Richmond began operation in December 2012. Estimated annual ridership is 67,000. The intercity passenger rail will serve a multi-modal center located at Harbor Park, which includes a light rail station and will feature ferry service to Portsmouth. The initial phase will include construction of a \$3 million, 3,500 square foot train station to support the new service. The facility will link intercity passenger rail to the light rail and regional bus systems, ferry service, cruise ship facilities and provide direct interstate access.

In 2012 construction began on the Downtown Tunnel/Midtown Tunnel/MLK extension project. This \$1.9 billion project achieved financial close on its senior and subordinate funding in April 2012, is planned to occur over the next five years. The project is being financed by the Virginia Department of Transportation.

The Commonwealth is also funding the Hampton Boulevard Grade Separation project, which is an \$89 million project, expected to be completed in the summer of 2014. This project will remove 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.

In December 2012, the Commonwealth reached a commercial and financial close with US 460 Mobility Partners and Route 460 Funding Corporation of Virginia to finance, design and build a new 55-mile section of the U.S. Route 460 in southeastern Virginia. The new route will be a four-lane divided highway from Prince George County to Suffolk. The Commonwealth anticipates that this project will bring jobs and business benefits to the region and will create opportunities for distribution centers and light manufacturing that will drive cargo through the Port of Virginia. In January 2014, it was announced that construction would stop until the project receives the necessary wetlands permit from the Army Corps of Engineers. A resolution on the permit is expected by 2015. There can be no assurance that the permit will be obtained or that the project will be completed.

In 2013 construction began on the I-564 intermodal connector project. This \$170 million project is expected to alleviate congestion and improve the level of service on City and naval station streets. The road repositioning is expected to reduce truck traffic on the adjacent roadways.

In order to provide additional state funds to road construction and maintenance, effective July 1, 2013, the Commonwealth commenced collecting an increased sales and use tax and new state and regional taxes on gasoline, motor vehicle sales and other specific taxes, which includes the collection of sales and use taxes from remote sellers (i.e., retailers that, other than their sales to residents, do not have a physical presence in the Commonwealth). Under existing federal law, the Commonwealth does not have the authority to collect state and local retail sales and use tax from remote sellers, but if federal law changes, then the taxes on remote sellers will be collected. In addition, purchasers in the Hampton Roads region, which includes the City, will pay increased sales and use taxes and other specific regional taxes on transactions that take place in Hampton Roads jurisdictions. Receipts from such additional taxes must be used to pay for transportation projects within the region. Such projects will be prioritized and selected by a regional transportation planning organization, which will allocate such tax revenues for regional transportation projects. There can be no assurance that these new state and regional taxes will not be changed, but such taxes are expected to generate approximately \$880 million per year for transportation funding across the Commonwealth, with the Hampton Roads regional taxes expected to generate approximately \$200 million per year for the Hampton Roads region.

## **Norfolk Airport**

Norfolk International Airport ("NIA") is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by AirTran, American, Delta, Southwest, United and US Airways. Offering over 150 arrivals and departures daily to major cities throughout the United States, NIA presently ranks in the top 20% of the country's airports in terms of passengers served annually, with nearly 3.1 million passengers and more than 80,000 flights in 2013.

NIA generates nearly 1,700 jobs and over \$135 million in direct economic impacts annually. More than 760,000 annual visitors use NIA and other facilities in the region and contribute an additional \$565 million in indirect economic impacts that create more than 12,500 local jobs with a payroll in excess of \$210 million. Total direct and indirect/induced economic impact to the region is nearly \$1.1 billion annually, according to the Commonwealth of Virginia Statewide Impact Study – Technical Report, issued August 2011.

HMS Host, the concession provider, has completed an expansion and upgrade of the dining facilities and a \$17 million facelift to the main terminal lobby and screening area is underway.

## **Hotel Development**

Norfolk has nearly 5,000 hotel rooms, including over 1,500 in the downtown area. Tourism and conventions employ over 6,700 workers in the City and generate \$24.1 million in state taxes and \$21.2 million in local tax revenue. Travelers to the City spend over \$690 million annually. A \$126 million hotel and conference center to be constructed downtown was announced in March 2013 and will include a 50,000 square foot conference center; a 20-story hotel with 300 rooms, three restaurants, and a 600-space parking garage. It is being developed by Gold Key PHR Hotels and Resort, with delivery expected as early as spring 2016. The Norfolk Waterside Marriott, a 397 room hotel, completed a \$4.5 million renovation in October 2013.

## **Waterfront Recreation Investment**

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 for the City. Construction was completed on an \$11.5 million renovation in July 2009, the first renovation in its 25 year history.

Norfolk was chosen as one of five ports to host OpSail in 2012. The 2012 event was part of the commemoration of the bicentennial of the War of 1812 and the birth of the "Star Spangled Banner." The U.S. Navy participated in a parade of sails and events throughout the region depicting the history of the U.S. Navy. Norfolk and the Port of Hampton Roads hosted the OpSail flotilla from June 6-11, 2012, in conjunction with the City's annual Harborfest.

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline along its lakes, rivers and the Chesapeake Bay. Numerous marinas are all along Downtown's Elizabeth River, the Lafayette River, lakes, the Hampton Roads Harbor and the Chesapeake Bay.

In December 2011, the City received five proposals from a request for proposals issued by Waterside Associates LLC for the redevelopment of Waterside Festival Marketplace. The City is negotiating with the Cordish Company for an approximate \$28 million renovation that would reposition the facility into Waterside Live! a world-class dining and entertainment complex.

## **Sports and Recreation**

Norfolk has several waterfronts with the Chesapeake Bay on its north boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the

Chesapeake Bay, as well as the recently rehabilitated Haven Creek boat ramp with access to the Lafayette River. Three golf courses are also located within the City.

The Kroc Center, an \$84 million state of the art community center located in the Broad Creek is scheduled to open in April 2014. Norfolk's center is the final of 22 Kroc Centers being built across the nation by the Ray and Joan Kroc Foundation and the Salvation Army.

The Y on Granby, a 32,000 square foot YMCA facility in Park Place, opened in June 2013. The \$8 million project features an outdoor pool with slides, soundproof music room, gym and computer lab. The construction of an early childhood center is expected to be completed in late 2014 or early 2015.

The Skate Park at Northside Park is a professionally designed, 21,000 square feet skate plaza. The concrete facility integrates transitional and street style elements into one park. Designed to be one of the region's largest, tournament-style skate parks, it boasts one of the largest bowls in Hampton Roads with a 7' to 9' transition next to a mini half-pipe.

The Southside Aquatic Center, a \$7.7 million facility, opened in October 2013. The 20,000 square foot facility, located in Campostella, features a 25-yard, six-lane competition pool, as well as two 1-meter diving boards, a two-story twisty tube slide, locker rooms, instructional areas and a handicap-accessible plunge area.

Norfolk is home to the Norfolk Tides, (a AAA minor league baseball team) and the Norfolk Admirals (an AHL 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.

### **Norfolk's Educational Institutions**

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

#### **Public Schools**

Norfolk public schools have a low pupil-teacher ratio with class sizes below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary.

Norfolk continues to invest in its public schools facilities. Facilities receiving renovations and new construction include Norview High School, Blair Middle School, Bay View Elementary, Granby High School, Taylor Elementary and the School of International Studies at Meadowbrook.

Elevate Early Education, or E3, is expected to open a new 12,545 square foot preschool in Park Place in the fall of 2014. It will serve 104 children ages 1 to 5 from all income classes. This school is funded by \$10 million of philanthropic support and its goal is to grow investment in preschool education.

The new Crossroads Elementary School, housing Pre-Kindergarten - 8<sup>th</sup> grade, opened in September 2012, and replaced the existing elementary school to create a more efficient footprint on the same 10-acre site. The new school features a three story academic wing, a media center, a multi-purpose room, a gymnasium and a student dining area with a performance platform. A dedicated portion of the

facility is used by the Recreation, Parks and Open Space Department including access to many of the public portions of the building.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The School consolidated its location in downtown Norfolk on Granby Street. The \$9,000,000 renovation was completed in January 2014. The school's new amenities include: a woodshop, three computer labs and an advanced technology room, six server rooms, sewing room, drawing studios, a dark room, sculpture and ceramics room, painting studio, movement room, recording studio, chorus room, four dance studios, instrumental room, costume shop, a number of classrooms and small practice rooms, a canteen, administrative offices and the Black Box Theatre on the first floor.

Over the past decade, the City provided support to construct Norview High, Blair Middle, Coleman Place Elementary and Crossroads K-8. School construction remains a priority for the City as the City has made a commitment to build or replace five schools. The first school replaced was Crossroads Elementary and the Fiscal Year 2013 CIP included funds to construct the second and third schools and begin designing the fourth and fifth school in Fiscal Year 2016. The first \$0.02 of a \$0.04 per \$100 of assessed value increase in the real estate tax rate, effective for Fiscal Year 2014 is dedicated to fund the City's School Construction, Technology, and Infrastructure (CTI) Program and is expected to allow the City to fund the design and construction of the next four schools at a faster rate than previously planned. With the help of the School Construction, Technology, and Infrastructure (CTI) Program, the Fiscal Year 2014 CIP includes \$121.0 million in support of school capital projects. The top four schools on the School Board's list for replacement are Campostella, Broad Creek, Larchmont and Ocean View. See "PART III – FINANCIAL INFORMATION – General Governmental Revenues – Property Tax Rates, Levies and Collections."

In July 2012, the City received and accepted an unsolicited proposal to construct four schools under the Public-Private Education and Infrastructure Act of 2002, which allows private groups to make unsolicited proposals to build public buildings and allows local governments to solicit private proposals for construction projects such as prisons, fire stations and schools. The City subsequently issued a request for proposals for school construction where three total proposals were received in December 2013. The City is currently reviewing these proposals.

Student population for the past five Fiscal Years is shown in Table V-11.

**Table V-11**  
**City of Norfolk, Virginia**  
**Public Schools Student Population**  
**Fiscal Years 2009 – 2013**

<b>Fiscal Year</b>	<b>September 30 Membership</b>	<b>Percent Change</b>
2009	32,272	-2.05%
2010	31,766	-1.57
2011	31,485	-0.85
2012	31,142	-1.09
2013	30,702	-1.41

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Source: Virginia Department of Education, Superintendent's Annual Report.

## **Higher Education**

Norfolk is home to five institutions of higher learning: ODU, Norfolk State University, Virginia Wesleyan College, Tidewater Community College and Eastern Virginia Medical School. ODU is one of only 100 public research universities nationwide. Its Board of Visitors approved a new \$140 million master plan in December 2013. Norfolk State University is Virginia's largest public, historically black university and the seventh largest in the nation. Located in downtown, Tidewater Community College has five buildings, include the Jeanne and George Roper Performing Arts Center. A \$17.6 million student center at Tidewater Community College's downtown campus opened in summer 2011. Virginia Wesleyan College recently announced plans for a new academic facility for the fine arts.

An \$80 million 100,000-square-foot education and research building at Eastern Virginia Medical School opened to fall classes in 2011. It includes an auditorium, classrooms, exam rooms, training rooms, multidisciplinary labs and research space. The new building, which includes renovations to neighboring Lewis Hall, created space to increase medical student enrollment by 30% and physician assistant student enrollment by 60%.

## **Institutional Technology Parks**

Old Dominion University – University Village ("University Village"). University Village is a mixed-use development initiative by the Old Dominion University Real Estate Foundation, in partnership with the City, the NRHA and private developers, and represents the expansion of a 75-acre urban village, adjacent to the Ted Constant Convocation Center. University Village includes The District Apartments, University Village Apartments, restaurants, shops, the North Village Parking Garage, the Innovation Research Park, the president's house, Marriott SpringHill Suites Hotel, the University Bookstore and the Powhatan Sports Complex to support the expansion of the University's athletic programs. The Innovation Research Park @ ODU currently consists of two 100,000 sq. ft. Class A wet/dry lab buildings, and is one of a few research parks in the country located on the campus of its research institution. It was designed to leverage the access, proximity and infrastructure of ODU, the surrounding federal labs, and military centers to aid companies at every point in their lifecycle.

Norfolk State University – Research and Innovations to Support Empowerment Center (the "RISE Center"). The RISE Center, located on the campus of Norfolk State University, is designed to promote interaction between the university, the business sector and community and federal agencies in research and technology. The first phase of the Marie V. McDemmond Center for Applied Research houses classrooms, labs and offices for professors in areas such as materials research, engineering and computational science, as well as the office of research and technology.

## **Norfolk's Medical Institutions**

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, Children's Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional"). Sentara Norfolk General is home to the area's heart hospital, a 112-bed, 254,000 square feet center. CHKD, 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 212 rooms, 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.

Work on a major campus upgrade for Sentara Leigh Hospital has begun. The current hospital will be replaced with two five-story towers for inpatient rooms, a 48-bed orthopedic and rehabilitation center, and an internal garden, as well as a new parking deck for staff. The \$126 million expansion will increase the hospital's size by more than 40%, to 517,000 square feet. The targeted opening is in 2016.

Bon Secours DePaul Medical Center is also undergoing change. The hospital recently broke ground on a new \$25 million medical office building with specialist care and a comprehensive cancer center. The third and final phase of the campus expansion is the building of a 124-bed replacement hospital, scheduled to open in 2017.

### **The Virginia Port Authority**

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia (the "Port"), one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

The Virginia Port Authority is one of the top three ports on the east coast in terms of total value of port trade. In 2013, the port handled a total of 18,840,303 tons of general cargo, including 18,504,243 tons of containerized cargo, with 336,060 tons of breakbulk making up the remainder.

**Table V-12**  
**Virginia Port Authority Terminals**  
**General Cargo Tonnage**  
**Calendar Years 2009 – 2013**

<b>Calendar Year</b>	<b>Total General Cargo Tonnage (in thousands)</b>	<b>Percent Change over Previous Year</b>
2009	14,908	(16.40)%
2010	15,323	2.78
2011	15,616	1.91
2012	17,528	12.24
2013	18,840	7.49

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Source: Virginia Port Authority.

Increase in the port-related business use of the Virginia International Terminals drives new capital investment into the region. The Heartland Corridor gives the Port rail access to markets in Ohio, Illinois, Michigan and points west. Additionally, a 300-acre expansion of Norfolk International Terminal makes it the largest inter-modal center in the United States.

### **Business, Industry and Commerce**

Several major companies are headquartered in Norfolk, including:

- Norfolk Southern, a Fortune 500 company and one of the country's largest railroad operators;
- Landmark Communications, one of the country's largest privately owned media companies with ownership of several daily newspapers, local TV stations, and specialty publications;
- Dominion Enterprises, a wholly-owned subsidiary of Landmark Communications, Inc., is a print and internet media group that includes numerous specialty publications and online classifieds;
- FHC Health Systems, one of the top 250 largest private companies in the country, specializing in health care management, health services, and online medical reports;

- CMA CGM Inc., the America's Headquarters, one of the world's largest container transportation and shipping company;
- Portfolio Recovery Associates, a firm whose primary business is the purchase, collection and management of defaulted customer receivables and which recently expanded its regional headquarters and added approximately 350 new jobs; and
- BlackHawk Products Group, which provides tactical gear such as holsters, body armor, and backpacks to the U.S. Defense Department and law enforcement agencies throughout the world.

The \$14 million Virginia Renaissance Center (VRC) is being developed by Jacoby Development Group at the site of the former Ford Plant in Campostella. Of the 110 acre site, 40 acres have been sold to Katoen Natie for \$12 million as a warehouse and distribution center to repackage and distribute plastic pellets. Katoen Natie exercised its option to develop an adjacent 25 acre site and will expand its options. In February 2014, The Schaubach Cos. bought the VRC from VRC Ventures for \$4.1 million. Three of five parcels comprising nearly 18 acres and a 30,000 square foot building at the property were sold. Currently about 50 acres with access to a 400 foot pier and a Norfolk Southern rail connection are still available.

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There are a large variety of industrial, commercial and service employers located within the City. Table V-13 below presents data regarding the major non-government employers in the City.

**Table V-13**  
**City of Norfolk, Virginia**  
**Major Non-Government Employers in 3<sup>rd</sup> Quarter 2013**

<b>Company</b>	<b>Number of Employees</b>	<b>Product/Service</b>
	<b>1,000+</b>	
Sentara Healthcare		Hospitals
Old Dominion University		Educational Services
Children's Hospital of the King's Daughter		Hospitals
Norshipco		Transportation Equipment Manufacturing
Norfolk State University		Educational Services
Bank of America		Credit Intermediation and Related Activities
Eastern Virginia Medical School		Educational Services
Portfolio Recovery Association		Administrative and Support Services
Maersk Line Limited		Water Transportation
Bon Secours DePaul Medical Center		Hospitals
	<b>500 - 999</b>	
Wal-Mart		General Merchandise Stores
Tidewater Community College		Educational Services
Sentara Health Management		Insurance Carriers and Related Activities
Virginia International Terminal		Support Activities for Transportation
Tidewater Wholesale Grocery		Merchant Wholesalers, Nondurable Goods
CMA-CGM (America), Inc.		Support Activities for Transportation
McDonald's		Food Services
Colonna's Shipyard		Transportation Equipment Manufacturing
ODU Research Foundation		Professional, Scientific and Technical Services
Electronic Data Systems Corp		Internet Service Providers and Data Processing Services
	<b>250 - 499</b>	
Farm Fresh		Food and Beverage Stores
Metro Machine Corp.		Transportation Equipment Manufacturing
Booz, Allen and Hamilton		Professional, Scientific and Technical Services
Personal-Touch Home Care, Inc.		Ambulatory Health Care Services
Virginia Wesleyan College		Educational Services
Marine Hydraulics International		Transportation Equipment Manufacturing
Aramark Campus LLC		Food Services and Drinking Places
ITT Educational Services, Inc.		Educational Services
American Funds Service Company		Financial Investments
The Virginian-Pilot		Publishing Industries
Food Lion		Food and Beverage Stores
United Services Automobile Association		Insurance Carriers and Related Activities
Lake Taylor Hospital		Nursing and Residential Care Facilities
United Express Airtran Jet Con		Air Transportation
CP&O LLC		Support Activities for Transportation
Clark Nexsen Owen Barbieri		Professional, Scientific and Technical Services
Zim		Support Activities for Transportation
Soc LLC		Administrative and Support Services
Transit Management Company		Transit and Ground Passenger Transportation
Top Guard Inc.		Administrative and Support Services
Hampton Roads Transit		Administration of Economic Programs
Community Alternatives		Social Assistance
Norfolk Redevelopment and Housing Authority		Real Estate

Source: Virginia Employment Commission.

New development, expansion and retention of Norfolk's business community has led to continued economic growth over the past five years. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of Norfolk's local economy. Since 2008, the City has realized over \$2.0 billion in new development, business expansion and announcements of pending projects.

**Table V-14**  
**City of Norfolk, Virginia**  
**Business Growth**  
**A Sampling of Business Activity in 2008 – 2014**

Company	Type	E/N	C/D/A	Investment (mil)
201 Twenty-One	Mixed-use residential apartments & retail	N	C	\$ 40
Bauer Compressor Facility	Expansion of existing Norfolk business	E	A	15
Bay Village Condominiums	Senior only residences	N	D	15
Belmont at Freemason	Apartments	N	C	45
Colonnas Shipyard	Expansion	E	D	11
CMA CGM	Americas Headquarters, shipping line	E	C	11.5
Commander Corporate Center	Second office building for spec	N	C	12
Crossing at Campostella Station	156 apartments and 25 single-family homes	N	A	20
Court Complex	New combined Court Complex	N	D	123
Downtown Hotel and Conference Center	New hotel and conference center	N	A	126
Eastern Virginia Medical School	New education and research building	N	C	80
Element at Ghent	164 new luxury apartments	N	D	26
Fort Norfolk Plaza	Mixed-use medical office, retail	N	C	70
Ghent Station	New medical space and retail	N	A	17.5
Hampton Roads Barge Company	New transportation/shipping company	N	C	2.3
Harris Teeter Expansion	Replacement of existing grocery store	E	C	14
Harris Teeter	Construction of new store at Wards Corner	N	D	18
Hurrah Players	Theatre, dance, voice and acting troupe	N	C	1.4
Kroc Center	Community center	N	D	84
Lamberts Point	Recreation facility	N	C	7.6
Light Rail	Starter line	N	C	338.3
MacArthur Memorial	Expansion	E	C	5
Marine Hydraulics	Expansion	E	C	82
Metro on Granby	Two new apartment buildings on Granby St	N	D	24
Norfolk Premium Outlets and Park	Includes 90 to 120 new stores	N	A	75
Norfolk State University (NSU)	Library and student center	N	C	75
Old Dominion University (ODU)	Innovations Research Park II	N	C	22.5
Old Dominion University (ODU)	Student fitness center	N	C	28
Old Point National Bank	New branch office in Ghent	N	C	2.8
P & P, LLC	Office/flex (4th building on site)	E	D	1
Passenger Rail Facility	Station for new Amtrak service	N	A	3.8
Residence Inn by Marriott	Extended-stay hotel	N	C	35
Riverside Terrace / Westport	Phasing townhouses and condominiums	N	D	80
Sentara Offices	48,000 sq. ft. office at Poplar Halls	N	D	9
Sentara Garage	Colley Avenue	N	D	15
Sentara Leigh Hospital	Two new patient towers	E	D	126
Sheraton Hotel	Renovation	E	C	32
Slover Library	Construction of new main library	N	D	64
SouthWind Apartment Community	120 apartments	N	C	15
Tidewater Community College	Student center	N	C	17.6
The Market at Ghent	Expansion to existing Farm Fresh store	E	C	3
The River House Apartments	197 apartments	N	C	36
Virginia Arts Festival Headquarters	Offices and rehearsal studios	N	C	7.5
Virginia Zoo	Animal Wellness Center	E	D	4.3
Waterside Live!	Premier dining, entertainment and retail	E	D	40
Wells Fargo Center	Mixed-use office, retail and residential	N	C	<u>170</u>
			<b>Total:</b>	<u><b>\$2,041</b></u>

Source: Economic Development Department, City of Norfolk, Virginia.

Note: E/N – Expansion or New; C/D/A – Completed, Under Development or Announced.

## **Military**

The presence of the military in Norfolk has a significant impact on the local economy. The City is the home of the world's largest naval complex, with 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. Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically have a material impact on the economic condition of the City. However, in the last two years, the region has seen the arrival of the USNS Comfort, a hospital ship, and been informed that three ships, the USS New York, the USS Iwo Jima and the USS Fort McHenry are to be relocated to other home ports while a cruiser is to be relocated to the Hampton Roads region. The USNS Comfort brings with it a crew of approximately 76 personnel when in port. The Hampton Roads Planning District Commission has reported that the three departing ships carry approximately 1,847 personnel (representing approximately 2.1% of the Navy personnel in the Hampton Roads region) and their departure is estimated to result in an employment loss of between 3,000 and 6,000 throughout the Hampton Roads region and \$590 million decrease in Hampton Roads' gross regional product. In addition in January 2014, the first of three destroyers, the USS Cook, moved to Rota, Spain. Another destroyer is expected to move later in 2014, and the third is expected to move in 2015.

The United States Marine Corps is in the process of reallocating personnel and has announced that the Marine Expeditionary Forces headquarters (currently located at Camp Lejeune, NC) will be relocated to Marine Forces Command (located in the City), which is expected to bring 100 military personnel and their families to the region. In addition, there are ongoing discussions to consolidate other Marine Corps commands within the Marine Forces Command.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$14.9 billion in Fiscal Year 2011, comprised of a total annual payroll of \$8.6 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of nearly 70,000. According to the most recent data available to the City, there were 83,095 active-duty U.S. Navy military personnel in Hampton Roads in 2011, of which 59%, or 49,328, were assigned to Norfolk. In addition, the City is home port to 87 ships and home to 37 aircraft squadrons.

Norfolk is home to the Navy Reserve Forces Command. This is the global headquarters for more than 68,000 reserve sailors and is responsible for readiness, oversight, manpower management, logistics, mobilization and training of reserve sailors.

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**APPENDIX A**

**CITY OF NORFOLK, VIRGINIA  
GENERAL PURPOSE FINANCIAL  
STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2013**

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**KPMG LLP**  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## **Independent Auditors' Report**

The Honorable Members of 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, 2013 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## *Opinions*

In our opinion, 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, 2013, 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 management's discussion and analysis on pages 3 through 18, the schedules of revenue, and budgetary comparison schedules on pages 98 through 100, and the Schedule of Funding Progress on page 97, 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 Other Supplementary Information, Introductory Section, 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 them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 23, 2013

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



**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

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, 2013. 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 of the City, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2013 by \$728,731,608 (net position). Of this amount, \$101,224,218 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position increased by \$40,709,025 and unrestricted net position increased by \$3,329,169.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$146,246,831, a decrease of \$102,091,964 in comparison with the prior year. This decrease was primarily attributable to capital outlay of \$116,579,787. Approximately 37.0 percent or \$54,054,371 is unassigned.
- The General fund, on a current financial resources basis, reported a decrease in fund balance of \$1,233,533. A decrease in fund balance was planned and approved in the adoption of the fiscal year 2013 budget. The City budgeted to use approximately \$19.3 million in reserves, but due to the implementation of City-wide cost saving measures during the fiscal year only \$2.5 million was needed. These cost saving measures will continue and positively impact fiscal year 2014.
- At the end of the current fiscal year, the total unassigned fund balance for the general fund was \$54,054,371 or 6.73 percent of the General fund budget.
- The City's total outstanding bonded indebtedness decreased by \$15,787,048 during the current fiscal year.
- The Norfolk Community Services Board (the "CSB") became a department of the City effective July 1, 2012. Previously the CSB was reported as a component unit; however, effective July 1, 2012 it is presented as a non-major special revenue fund. As such, all opening balances have been restated to account for this change.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

**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 financial 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 liabilities 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 and liabilities, with the difference between the two reported as net assets. 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 assets 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 that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and Waterside Associates Limited Partnership ("Waterside Associates"). Financial information for these component units is reported separately from the financial

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

information presented for the primary government and can be found on pages 30 – 31 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 combining 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.

The basic governmental fund financial statements can be found in pages 21 - 24 of this report.

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

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

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

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

The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the Commonwealth of Virginia agency fund and other agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 28 - 29 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 32.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 97 – 100 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 101 – 104 and 107 – 109, respectively, of this report.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

**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 \$728,731,608 at the close of fiscal year 2013.

By far, the largest portion of the City's net position, \$603,151,682 or 82.8 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 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 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 3.3 percent represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$101,224,218 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

**Summary of the City of Norfolk's Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	restated*	2013	2012	2013	restated*
Current and Other Assets	\$ 228,584,641	\$ 325,653,412	\$ 190,499,816	\$ 156,582,759	\$ 419,084,457	\$ 482,236,171
Capital Assets	963,746,458	887,947,052	878,692,986	857,884,874	1,842,439,444	1,745,831,926
Total Assets	<u>1,192,331,099</u>	<u>1,213,600,464</u>	<u>1,069,192,802</u>	<u>1,014,467,633</u>	<u>2,261,523,901</u>	<u>2,228,068,097</u>
Long-Term Liabilities	738,581,960	827,340,401	678,784,199	641,426,072	1,417,366,159	1,468,766,473
Other Liabilities	96,480,741	54,141,264	18,945,393	17,137,777	115,426,134	71,279,041
Total Liabilities	<u>835,062,701</u>	<u>881,481,665</u>	<u>697,729,592</u>	<u>658,563,849</u>	<u>1,532,792,293</u>	<u>1,540,045,514</u>
Net Position:						
Net Investment in Capital Assets	323,564,236	295,205,881	279,587,446	270,912,644	603,151,682	566,118,525
Restricted	11,111,154	11,081,088	13,244,554	12,927,921	24,355,708	24,009,009
Unrestricted	22,593,008	25,831,830	78,631,210	72,063,219	101,224,218	97,895,049
Total Net Position	<u>\$ 357,268,398</u>	<u>\$ 332,118,799</u>	<u>\$ 371,463,210</u>	<u>\$ 355,903,784</u>	<u>\$ 728,731,608</u>	<u>\$ 688,022,583</u>

\*Restated as described in Note XXV

For governmental activities, total net position increased by \$25,149,599 or 7.6 percent overall during the current fiscal year. Factors that contributed to a change in total governmental net position include: an increase in revenue as a result of current economic conditions and decreases in expenses in certain functional areas (primarily public works and culture and recreation).

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

For business-type activities, net position increased by \$15,559,426 or 4.4 percent during the fiscal year. Of this amount, \$12,151,333, \$4,771,436 and (\$1,363,343) are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues remained fairly consistent with the prior year due to an increase in charges for services as a result of increases in rates for Water and Wastewater offset by declines in other revenue.

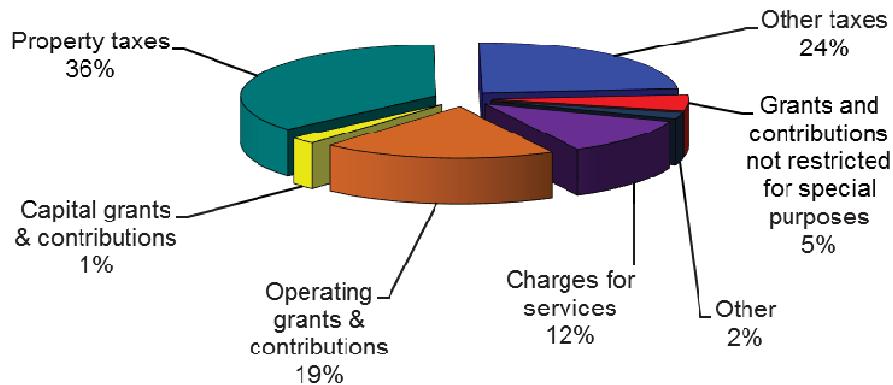
The following presents key programmatic and functional elements of these changes in government-wide net position:

**Changes in the City of Norfolk's Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 79,693,402	\$ 83,760,692	\$ 121,024,011	\$ 122,397,332	\$ 200,717,413	\$ 206,158,024
Operating Grants & Contributions	131,719,130	119,353,078	-	-	131,719,130	119,353,078
Capital Grants & Contributions	15,000,000	765,000	191,592	187,376	15,191,592	952,376
General Revenues:						
Property Taxes	246,345,296	245,438,720	-	-	246,345,296	245,438,720
Other Taxes	163,296,915	161,233,887	-	-	163,296,915	161,233,887
Grants and Contributions not restricted for specific purposes	33,539,418	32,725,568	1,625,338	370,577	35,164,756	33,096,145
Other	13,797,348	5,569,377	4,285,881	4,290,534	18,083,229	9,859,911
Total Revenues	<u>683,391,509</u>	<u>648,846,322</u>	<u>127,126,822</u>	<u>127,245,819</u>	<u>810,518,331</u>	<u>776,092,141</u>
<b>Expenses:</b>						
General Government	119,763,612	109,187,914	-	-	119,763,612	109,187,914
Judicial Administration	51,654,033	51,102,098	-	-	51,654,033	51,102,098
Public Safety	125,270,290	129,137,829	-	-	125,270,290	129,137,829
Public Works	71,324,410	91,542,273	-	-	71,324,410	91,542,273
Health and Public Assistance	90,993,168	75,428,450	-	-	90,993,168	75,428,450
Culture and Recreation	56,039,167	63,498,895	-	-	56,039,167	63,498,895
Community Development	16,157,515	17,222,565	-	-	16,157,515	17,222,565
Education	109,286,600	104,511,915	-	-	109,286,600	104,511,915
Interest on Long-Term Debt	27,867,469	26,822,070	-	-	27,867,469	26,822,070
Water Utility	-	-	60,926,645	64,473,088	60,926,645	64,473,088
Wastewater Utility	-	-	19,966,876	18,805,478	19,966,876	18,805,478
Parking Facilities	-	-	20,559,521	20,469,098	20,559,521	20,469,098
Total Expenses	<u>668,356,264</u>	<u>668,454,009</u>	<u>101,453,042</u>	<u>103,747,664</u>	<u>769,809,306</u>	<u>772,201,673</u>
Increase (decrease) in Net Position before Transfers	15,035,245	(19,607,687)	25,673,780	23,498,155	40,709,025	3,890,468
Transfers	10,114,354	10,086,978	(10,114,354)	(10,086,978)	-	-
Increase (decrease) in Net Position	<u>25,149,599</u>	<u>(9,520,709)</u>	<u>15,559,426</u>	<u>13,411,177</u>	<u>40,709,025</u>	<u>3,890,468</u>
Net Position Beginning of Year, restated (Note XXV)	332,118,799	336,667,274	355,903,784	342,492,607	688,022,583	679,159,881
Net Position End of Year	<u>\$ 357,268,398</u>	<u>\$ 327,146,565</u>	<u>\$ 371,463,210</u>	<u>\$ 355,903,784</u>	<u>\$ 728,731,608</u>	<u>\$ 683,050,349</u>

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

**Governmental Activities: Revenues by Source**



**Governmental Activities** – The City's total revenues from governmental activities were \$682,048,198 for the fiscal year ended June 30, 2013. The largest sources of revenue for the City at 36 percent are property taxes (which are comprised of real estate and personal property taxes) and other taxes. Revenues from property taxes remained relatively flat year over year. The real estate (general tax) tax rate for 2012-2013 was \$1.11 per \$100 of assessed value which has remained unchanged for the past few years. The real estate (downtown improvement district) tax rate for 2012-2013 was \$1.27 per \$100 of assessed value which has also remained unchanged from the prior year. Revenues from other taxes increased by \$2,063,028 or 1.3 percent in comparison to the prior year. Other taxes are comprised of sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes, just to name a few. This group of taxes represented 24 percent of total revenues for the fiscal year ended June 30, 2013.

Operating grants and contributions for governmental activities ended the fiscal year at \$131,719,130 which represents an increase of approximately 10.4 percent from the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and Federal agencies. For the 2013 fiscal year, the City reported \$33,539,418 in grants and contributions not restricted for specific programs which represents an increase of approximately 2.5 percent from the prior year.

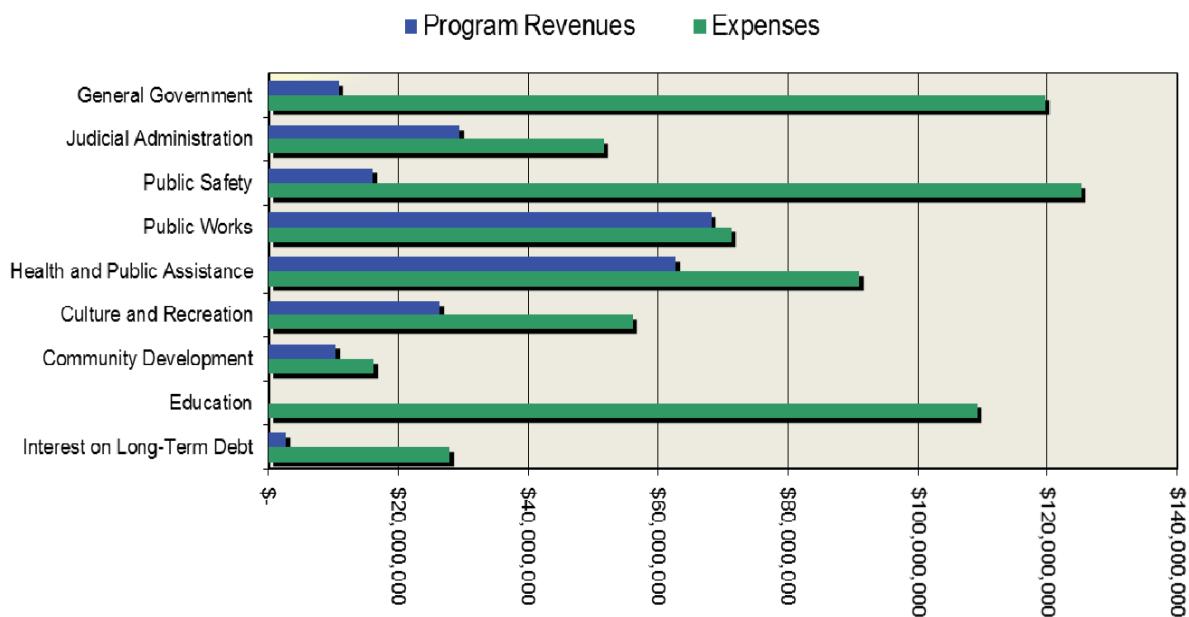
The City's expenses for governmental activities cover a wide array of services, with \$125,270,290 or 18.7 percent for fiscal year 2013 related to public safety and \$109,286,600 or 16.4 percent for fiscal year 2013 for education (including payments to the School Board, a component unit). Overall, expenses for governmental activities remained flat which was primarily driven by a \$20,217,863 or 22.1 percent decrease in

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

expenses for public works offset by increases in health and public assistance and general government. The decrease in public works expenses can be mainly attributed to a reduction in spending for capital projects in this area.

Depreciation expense for governmental activities of \$35,240,692 was recorded.

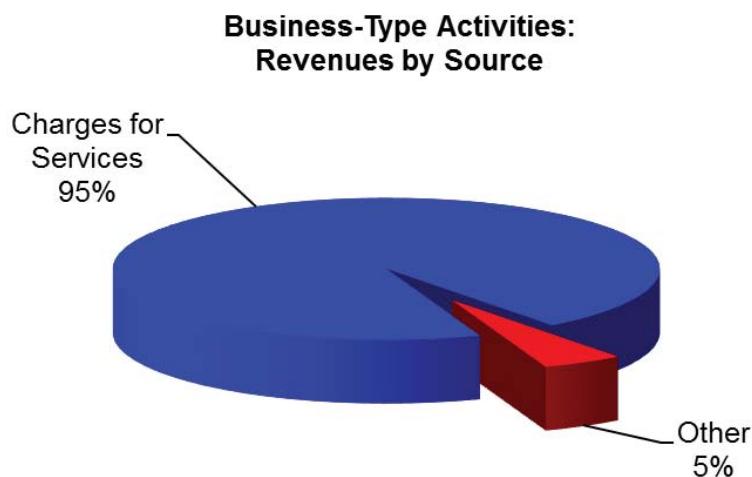
**Governmental Activities**  
**Expenses and Program Revenues**



**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

**Business-type Activities** – Business-type activities increased the City's net position by \$15,549,423. Key elements of this change are as follows:

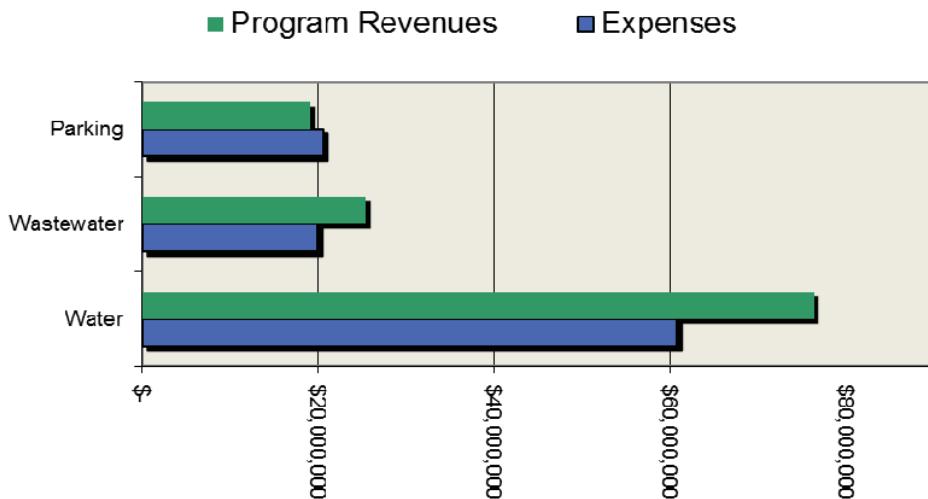
- Revenue from charges for services for business-type activities decreased by 1.12 percent. Water Utility charges for services decreased \$1,755,169. Wastewater Utility charges for services increased \$671,605 primarily as a result of rate increases. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates were increased by \$0.14/100 cubic feet and \$0.13/100 cubic feet, respectively.
- Parking facilities revenues remained relatively flat with a slight decrease of \$289,757 or 1.49 percent from the prior year.



Operating expenses for Business-type activities increased overall by \$1,983,312 or 2.50 percent. The Water Utility fund's operating expenses increased slightly by \$589,913. The Wastewater Utility fund's operating expenses increased by \$1,014,350. The Parking Facilities fund's operating expenses increased slightly by \$379,049.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

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



**Financial Analysis of the Government's Funds**

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, 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 now 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 \$146,246,831, a decrease of \$102,091,964 or 41.1 percent over the prior year. Of the total ending fund balance, \$23,783 is nonspendable and \$11,111,154 or 7.6 percent is restricted. The restricted fund balance is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$19,090,742 or 13.1 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 amount designated by City Council for the City's self-insured workers; compensation and general liability programs. Assigned fund balance is \$61,966,781 or 42.4 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 remaining \$54,054,371 or 37.0 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

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 government's and School Board's annual operating budgets or \$40,157,373.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues above projections by \$2,484,143. Total expenditures were less than appropriations by \$29,176,766.

The general fund experienced an overall increase in revenue of \$319,874 or 0.1 percent over the prior year. Overall expenditures increased by \$8,598,395 or 1.69 percent from fiscal year 2012. General fund financial and budgetary highlights of the 2013 fiscal year include:

- During fiscal year 2013, the City continuously monitored revenue levels so that it could adjust spending accordingly, if necessary. Mid-way through the year, the City implemented a City-wide forced savings strategy to offset reductions in projected revenues and capture savings for future years. This is the primary reason for \$29,176,766 in expenditure savings in fiscal year 2013.

Supplemental appropriations or amendments to the total 2013 general fund budget were:

**General Fund:**

Approved FY 2012-2013 budget	\$ 799,790,809
------------------------------	----------------

**Supplemental appropriations:**

Carryover from Norfolk Public Schools fiscal year 2012 surplus	<u>3,356,660</u>
Total supplemental appropriations	<u>3,356,660</u>
Final FY 2012-2013 budget	<u><u>\$ 803,147,469</u></u>

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

The City spent \$116,079,787 in the Capital Projects fund to fund major capital projects, including construction of the downtown main library, the new courthouse, critical repairs to City and School Board buildings, City infrastructure improvements and various improvements for neighborhood revitalization. The fund had a total fund balance of \$20,976,231. In fiscal year 2013, the City used proceeds from bonds sold in fiscal year 2012, as well as cash on hand to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year end. During the year, \$78,226,814 was transferred in from various funds to pay for an equal amount of debt service requirements.

**Proprietary Funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net assets 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 investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, 2013, amounted to \$603,151,682. 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. Infrastructure assets represent 20.5 percent of total general governmental assets.

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

- Continued construction of the new courthouse complex with over \$34.0 million spent in fiscal year 2013;
- \$8.0 million overall in total school-related capital projects which includes repairs to school buildings with the bulk of the funds being spent on completion of the construction of Crossroads Elementary;
- \$6.3 million in various neighborhood conservation and revitalization efforts throughout in the City;
- Investment of \$4.4 million in improvements to neighborhood streets throughout the City; and
- Continued construction on the new downtown main library, of which approximately \$40.7 million has been invested to date with \$23.9 million being spent in fiscal year 2013.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

Construction in progress totaled \$152.0 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$40.0 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	
	2013	restated 2012	2013	2012	2013	restated 2012
Land	\$ 87,194,729	\$ 86,163,226	\$ 48,111,635	\$ 48,003,017	\$ 135,306,364	\$ 134,166,243
Buildings, equipment and vehicles	476,988,315	424,358,186	769,448,649	722,285,444	1,246,436,964	1,146,643,630
Improvements other than buildings	48,082,451	46,275,180	16,626,522	16,154,887	64,708,973	62,430,067
Construction in progress	152,039,985	132,433,531	40,010,753	66,734,977	192,050,738	199,168,508
Intangible assets	1,496,677	981,842	4,495,427	4,706,549	5,992,104	5,688,391
Infrastructure	197,944,301	197,735,087	-	-	197,944,301	197,735,087
Total	<u>\$ 963,746,458</u>	<u>\$ 887,947,052</u>	<u>\$ 878,692,986</u>	<u>\$ 857,884,874</u>	<u>\$ 1,842,439,444</u>	<u>\$ 1,745,831,926</u>

Additional information on the City's capital assets can be found in Note VI on pages 52 - 54 of this report.

**Long-term Debt** – At June 30, 2013, the City (including the enterprise funds) had total bonded debt outstanding of \$1,272,518,545. Of this amount, \$817,078,050 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 Bonded Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 637,943,425	\$ 687,875,882	\$ 179,134,625	\$ 187,909,549	\$ 817,078,050	\$ 875,785,431
Revenue bonds	-	-	455,440,495	412,520,162	455,440,495	412,520,162
Total	<u>\$ 637,943,425</u>	<u>\$ 687,875,882</u>	<u>\$ 634,575,120</u>	<u>\$ 600,429,711</u>	<u>\$ 1,272,518,545</u>	<u>\$ 1,288,305,593</u>

The City's total debt outstanding decreased by \$15,787,048 or 1.2 percent during the fiscal year. The City issues debt based on its cash flow capital needs.

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

- Bonded debt service requirements will not exceed ten (10) percent of general governmental expenditures; and
- Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

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	Standard and Poor's	Moody's Investors Service
General Obligation	AA+	AA+	Aa2
Water Revenue	AA+	AA+	Aa2

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

State statutes limit the amount of general obligation debt the City may issue up to ten percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$1,831,994,848.

Additional information on the City's long-term debt can be found in Note VIII on pages 58 - 67 of this report.

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

- The slow economic recovery continues to have a negative impact. While the Commonwealth has experienced some positive impact as a result of the economic recovery, the City's locally generated revenues have not seen the same level of recovery. This is because, like other localities, the City is highly dependent on real property taxes which have declined as a result of the weak housing market and the economy. Considering the effects of the national, state and local economic conditions, the City focused on core service delivery in developing the fiscal year 2014 budget.
- Taxable real estate assessments are projected to rise slightly in the 2014 fiscal year by 0.28 percent.
- The following reflects major other tax change projections in comparison to the fiscal year 2013 budget:
  - Sales taxes – 2.0 percent increase;
  - Consumer's utility tax – 1.0 percent decrease;
  - Business license taxes – 2.1 percent increase;
  - Restaurant food taxes – 2.5 percent increase; and
  - Hotel and motel tax – remained flat
- Rate increases for both the Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2013**

- The City anticipates continued increases in retirement contributions as a result of the economic downturn and its impact on investments. This is mitigated slightly by contributions required by new City employees. Additionally the City anticipates increases in required pension contributions in future years as it relates to participation in any Virginia Retirement System (VRS) sponsored retirement plans, mainly through participation by the School Board and the constitutional offices of the City.

All of these factors were considered in preparing the City's budget for fiscal year 2014. The fiscal year 2014 operating budget includes transfers in from nongeneral funds of approximately \$11.8 million, as well as \$27.3 million from carrying forward unspent appropriations from prior years and closeout of accounts and fiscal year 2013 savings realized from the strategic realignment of departments.

The real estate tax rate increased in fiscal year 2014 by \$0.04. There were no changes in any other tax rates for the 2014 fiscal year. The following represents changes in fees implemented with the budget for the 2014 fiscal year:

Description	FY 2014 Approved	FY 2013 Approved
Wastewater Fees	\$3.53/100 cubic feet	\$3.39/100 cubic feet
Water Fees	\$4.30/100 cubic feet	\$4.15/100 cubic feet
Stormwater Fees – Residential	\$10.24/month	\$9.96/month
Stormwater Fees – Commercial	\$7.36/month per 2,000 sq. ft.	\$7.18/month per 2,000 sq. ft.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 810 Union Street, Suite 600, Norfolk, Virginia, 23510 or the City's website at [www.norgolk.gov](http://www.norgolk.gov).

# **BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit 1**

**Statement of Net Position**

**June 30, 2013**

	<b>Primary Government</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</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	\$ 135,170,258	\$ 76,573,508	\$ 211,743,766	\$ 35,911,176		
Restricted cash held with fiscal agent	-	222,962	222,962	-		
Unrestricted short term investments	-	8,453,393	8,453,393	-		
Receivables, net:						
Taxes	41,559,705	-	41,559,705	-		
Accounts	10,575,193	19,170,843	29,746,036	396,032		
Accrued investment income	1,411	30,440	31,851	-		
Internal balances	1,321,155	(1,321,155)	-	-		
Due from other governments	37,079,970	252,312	37,332,282	33,766,656		
Due from primary government	-	-	-	2,637,626		
Inventories	2,081,947	1,840,848	3,922,795	788,248		
Prepaid items	795,002	-	795,002	-		
Restricted cash and investments	-	85,276,665	85,276,665	-		
Non-depreciable capital assets	239,303,728	90,520,853	329,824,581	487,500		
Depreciable capital assets, net	724,442,730	788,172,133	1,512,614,863	16,993,377		
Total assets	<u>\$ 1,192,331,099</u>	<u>\$ 1,069,192,802</u>	<u>\$ 2,261,523,901</u>	<u>\$ 90,980,615</u>		
<b>LIABILITIES</b>						
Vouchers payable	\$ 25,249,678	\$ 7,172,580	\$ 32,422,258	\$ 4,534,170		
Employees withholdings	983,296	-	983,296	-		
Contract retainage	3,547,170	1,285,528	4,832,698	228,082		
Accrued interest	7,944,034	3,294,414	11,238,448	-		
Accrued payroll	4,993,599	454,607	5,448,206	32,530,558		
Due to other governments	8,216,463	-	8,216,463	9,632,503		
Due to component unit	2,637,626	-	2,637,626	-		
Other current liabilities	3,725,192	432,509	4,157,701	-		
Deferred revenue	543,705	-	543,705	169,409		
Other payables	-	-	-	202,053		
Retirement system contribution	38,639,978	3,690,514	42,330,492	-		
Liabilities payable from restricted assets	-	2,615,241	2,615,241	-		
Long-term liabilities:						
Due within one year	103,063,820	84,369,034	187,432,854	7,207,067		
Due in more than one year	635,518,140	594,415,165	1,229,933,305	18,959,569		
Total liabilities	<u>\$ 835,062,701</u>	<u>\$ 697,729,592</u>	<u>\$ 1,532,792,293</u>	<u>\$ 73,463,411</u>		
<b>NET POSITION</b>						
Net investment in capital assets	\$ 323,564,236	\$ 279,587,446	\$ 603,151,682	\$ 14,405,972		
Restricted for:						
Perpetual care - nonexpendable	6,068,960	-	6,068,960	-		
Capital projects	-	2,000,000	2,000,000	815,133		
Retirees' life insurance - future expenditures	300,000	-	300,000	-		
Reserves	4,742,194	11,244,554	15,986,748	-		
Other programs	-	-	-	1,104,970		
Unrestricted	22,593,008	78,631,210	101,224,218	1,191,129		
Total net position	<u>\$ 357,268,398</u>	<u>\$ 371,463,210</u>	<u>\$ 728,731,608</u>	<u>\$ 17,517,204</u>		

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

CITY OF NORFOLK, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 119,763,612	\$ 9,488,728	\$ 1,343,591	\$ -	\$ (108,931,293)	\$ -	\$ (108,931,293)
Judicial administration	5,165,033	3,717,208	25,762,048	-	(22,174,777)	-	(22,174,777)
Public safety	125,270,290	10,154,089	5,825,989	-	(109,290,198)	-	(109,290,198)
Public works	71,324,410	38,320,032	30,005,989	-	(2,998,389)	-	(2,998,389)
Health and public assistance	90,993,168	5,348,505	57,309,328	-	(28,335,335)	-	(28,335,335)
Culture and recreation	56,039,167	10,286,605	98,7267	15,000,000	(29,752,295)	-	(29,752,295)
Community development	16,157,515	2,368,225	7,887,645	-	(5,891,645)	-	(5,891,645)
Education	109,286,600	-	2,587,269	-	(109,286,600)	-	(109,286,600)
Interest on long-term debt	27,961,469	-	131,719,130	15,000,000	(25,280,200)	-	(25,280,200)
Total governmental activities	<u>668,256,264</u>	<u>79,693,402</u>	<u>131,719,130</u>	<u>15,000,000</u>	<u>(441,943,732)</u>	<u>-</u>	<u>(441,943,732)</u>
<b>Business-type activities:</b>							
Water	60,926,645	76,392,882	-	191,592	-	15,657,829	-
Wastewater	19,966,876	25,469,025	-	-	-	5,502,149	-
Parking facilities	20,556,521	19,162,104	-	-	-	(1,397,417)	-
Total business-type activities	<u>101,453,042</u>	<u>121,024,011</u>	<u>-</u>	<u>191,592</u>	<u>-</u>	<u>19,762,561</u>	<u>-</u>
Total primary government	<u>\$ 769,809,306</u>	<u>\$ 200,777,413</u>	<u>\$ 131,719,130</u>	<u>\$ 15,191,592</u>	<u>\$ (441,943,732)</u>	<u>\$ 19,762,561</u>	<u>\$ (422,181,711)</u>
<b>Component units:</b>							
Norfolk Public Schools	\$ 373,998,328	\$ 4,348,888	\$ 224,467,615	\$ 8,205,537			
Watertide Fund	1,508,685	220,704	-	-			
Total component units	<u>\$ 374,498,013</u>	<u>\$ 4,569,572</u>	<u>\$ 224,467,615</u>	<u>\$ 8,205,537</u>			
General revenues:							
Taxes:							
General property taxes - real estate and personal property				246,345,296	-	246,345,296	-
Consumers utility taxes				43,210,668	-	43,210,668	-
Sales and use taxes				29,707,293	-	29,707,293	-
Restaurant food taxes				30,818,305	-	30,818,305	-
Business license taxes				29,300,747	-	29,300,747	-
Hotel/Motel taxes				8,073,457	-	8,073,457	-
Cigarette taxes				7,926,006	-	7,926,006	-
Admission taxes				3,831,000	-	3,831,000	-
Motor vehicle licenses				4,209,486	-	4,209,486	-
Franchise, recordation and other miscellaneous local taxes				6,219,753	-	6,219,753	-
Use of money and property				562,577	234,360	796,937	1,453,504
Grants and contributions not restricted to specific programs				33,559,418	1,625,338	35,164,756	-
Miscellaneous				11,501,048	4,042,170	15,542,218	233,312
Commonwealth of Virginia				-	-	-	31,462,706
Gain (loss) from sale of assets				1,733,723	9,351	1,743,074	-
Payment from Primary Government				-	-	-	11,237,008
Transfers				10,114,354	(10,114,354)	-	-
Total general revenues and transfers				<u>(4,203,155)</u>	<u>462,986,196</u>	<u>-</u>	<u>145,530,530</u>
Changes in net position				25,149,399	15,559,426	40,705,025	7,967,241
Net position - beginning				327,146,565	355,903,764	683,056,349	14,522,197
Adjustment to beginning net assets (Note XXV)				4,972,234	-	4,972,234	(4,972,234)
Net position - ending				<u>\$ 357,268,398</u>	<u>\$ 371,463,210</u>	<u>\$ 728,731,608</u>	<u>\$ 17,517,204</u>

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-1**

**Balance Sheet - Governmental Funds**

**June 30, 2013**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
<b>ASSETS</b>					
Cash and short term investments	\$ 64,101,669	\$ 41,588,032	\$ -	\$ 28,923,575	\$ 134,613,276
Receivables, net:					
Taxes	41,559,705	-	-	-	41,559,705
Accounts	2,931,038	-	-	6,656,036	9,587,074
Accrued investment income	1,411	-	-	-	1,411
Due from other funds	7,094,555	985,077	-	1,109,822	9,189,454
Due from other governments	25,098,122	16,931	-	11,133,298	36,248,351
Restricted cash held with fiscal agent	-	-	-	-	-
Prepays	1,468	-	-	168,533	170,001
Total assets	<u>\$ 140,787,968</u>	<u>\$ 42,590,040</u>	<u>\$ -</u>	<u>\$ 47,991,264</u>	<u>\$ 231,369,272</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ 11,372,055	\$ 9,539,811	\$ -	\$ 4,039,792	\$ 24,951,658
Employee withholdings	983,296	-	-	-	983,296
Contract retainage	117,017	3,392,734	-	37,419	3,547,170
Accrued payroll	4,443,223	-	-	502,271	4,945,494
Due to other funds	1,150,572	6,043,638	-	42,228	7,236,438
Due to other governments	-	-	-	8,216,463	8,216,463
Due to component unit	-	2,637,626	-	-	2,637,626
Deferred revenue	27,966,765	-	-	1,022,500	28,989,265
Other liabilities	3,481,383	-	-	133,648	3,615,031
Total liabilities	<u>49,514,311</u>	<u>21,613,809</u>	<u>\$ -</u>	<u>13,994,321</u>	<u>85,122,441</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	23,783	23,783
Restricted	300,000	-	-	10,811,154	11,111,154
Committed	3,000,000	13,636,950	-	2,453,792	19,090,742
Assigned	33,919,286	7,339,281	-	20,708,214	61,966,781
Unassigned	54,054,371	-	-	-	54,054,371
Total fund balances	<u>91,273,657</u>	<u>20,976,231</u>	<u>\$ -</u>	<u>33,996,943</u>	<u>146,246,831</u>
Total liabilities and fund balances	<u>\$ 140,787,968</u>	<u>\$ 42,590,040</u>	<u>\$ -</u>	<u>\$ 47,991,264</u>	<u>\$ 231,369,272</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2013**

**Exhibit A-2**

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Fund balances - total governmental funds	\$ 146,246,831
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	2,368,523,413
Accumulated depreciation	<u>(1,409,085,282)</u>
	959,438,131
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Adjustment for deferred revenue	28,445,560
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(637,943,425)
Unamortized bond premium	(26,965,217)
Retirement contribution	(38,157,329)
Other post employment benefits	(24,590,965)
Compensated absences	(16,286,074)
Workers' compensation and claims liability	(30,837,239)
Prepaid debt service	625,000
Other	(1,712,900)
Accrued interest payable	<u>(7,944,034)</u>
	(783,812,183)
Internal service funds	6,226,561
Receivable for Build America Bonds - interest rate subsidy	831,517
GASB Statement 49 Pollution Remediation Obligation	(108,019)
Net position of governmental activities	<u><u>\$ 357,268,398</u></u>

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-3**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For Fiscal Year Ended June 30, 2013**

	Major Funds			Nonmajor		Total	
	General Fund	Capital Projects	Debt Service	Governmental Funds		Governmental Funds	
<b>REVENUES</b>							
General property taxes	\$ 243,604,191	\$ -	\$ -	\$ 2,754,849		\$ 246,359,040	
Other local taxes	154,198,171	-	-	9,098,745		163,296,916	
Permits and licenses	4,098,178	-	-	-		4,098,178	
Fines and forfeitures	1,098,187	-	-	3,410		1,101,597	
Use of money and property	6,102,209	309,160	-	127,770		6,539,139	
Charges for services	33,392,110	-	-	22,685,292		56,077,402	
Miscellaneous	8,996,990	15,100,215	-	2,081,093		26,178,298	
Recovered costs	11,395,841	-	-	-		11,395,841	
Intergovernmental	114,334,309	2,227,641	-	44,585,796		161,147,746	
Total revenues	<u>577,220,186</u>	<u>17,637,016</u>	<u>-</u>	<u>81,336,955</u>		<u>676,194,157</u>	
<b>EXPENDITURES</b>							
Current operating:							
General government	112,577,244	-	-	227,450		112,804,694	
Judicial administration	47,357,216	-	-	3,562,892		50,920,108	
Public safety	107,143,672	-	-	10,282,957		117,426,629	
Public works	40,390,032	-	-	14,036,998		54,427,030	
Health and public assistance	47,300,808	-	-	41,112,071		88,412,879	
Culture and recreation	42,580,642	-	-	4,572,827		47,153,469	
Community development	8,817,670	-	-	6,310,716		15,128,386	
Education	109,286,600	-	-	-		109,286,600	
Debt service:							
Principal	-	-	50,558,810	-		50,558,810	
Interest and other charges	-	-	27,668,004	-		27,668,004	
Capital outlay	500,000	116,079,787		-		116,579,787	
Total expenditures	<u>515,953,884</u>	<u>116,079,787</u>	<u>78,226,814</u>	<u>80,105,911</u>		<u>790,366,396</u>	
Excess (deficiency) of revenues over expenditures	<u>61,266,302</u>	<u>(98,442,771)</u>	<u>(78,226,814)</u>	<u>1,231,044</u>		<u>(114,172,239)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds sale of land	800,000	1,165,921	-	-		1,965,921	
Transfers in	20,481,878	3,924,866	78,226,814	9,487,082		112,120,640	
Transfers out	(83,781,713)	(10,446,229)		(7,778,344)		(102,006,286)	
Total other financing sources and uses	<u>(62,499,835)</u>	<u>(5,355,442)</u>	<u>78,226,814</u>	<u>1,708,738</u>		<u>12,080,275</u>	
Net changes in fund balances	<u>(1,233,533)</u>	<u>(103,798,213)</u>	<u>-</u>	<u>2,939,782</u>		<u>(102,091,964)</u>	
Fund balances - beginning as restated (Note XXV)	<u>92,507,190</u>	<u>124,774,444</u>	<u>-</u>	<u>31,057,161</u>		<u>248,338,795</u>	
Fund balances - ending	<u>\$ 91,273,657</u>	<u>\$ 20,976,231</u>	<u>\$ -</u>	<u>\$ 33,996,943</u>		<u>\$ 146,246,831</u>	

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

**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 Ended June 30, 2013**

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Net change in fund balances--total governmental funds	\$ (102,091,964)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.	
Add capital acquisitions net of disposals	113,539,092
Subtract disposals	(2,498,995)
Subtract depreciation expense	<u>(34,948,516)</u>
	76,091,581
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	
	(13,744)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Add debt repayment	49,932,457
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)	(1,880,432)
Prepaid Principal pay down	625,000
Accrued interest payable	(198,111)
Premium on refunded debt	<u>2,566,293</u>
	1,112,750
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.	
	(159,928)
Adjustment for Build America Bonds interest rate subsidy	165,770
GASB Statement 49 Pollution Remediation Obligation	112,677
Change in net position of governmental activities	<u><u>\$ 25,149,599</u></u>

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-1**

**Statement of Fund Net Position - Proprietary Funds**  
**June 30, 2013**

	<b>Business-Type Activities</b>				Governmental Activities-Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Totals	
<b>ASSETS</b>					
Current assets:					
Cash and short term investments	\$ 52,186,630	\$ 8,557,980	\$ 15,828,898	\$ 76,573,508	\$ 556,982
Restricted cash held with fiscal agent	18,175	204,787	-	222,962	-
Unrestricted short term investments	330,203	5,437,436	2,685,754	8,453,393	-
Receivables, net					
Accounts	9,126,689	2,228,472	1,350,887	12,706,048	988,119
Unbilled accounts	4,998,701	1,252,303	213,791	6,464,795	-
Accrued investment income	24,433	-	6,007	30,440	-
Internal balances					-
Due from other governments	80,402	164,693	7,217	252,312	-
Inventories	1,424,894	31,013	384,941	1,840,848	2,081,947
Restricted cash and investments	59,401,998	7,830,025	18,044,642	85,276,665	-
Total current assets	<u>127,592,125</u>	<u>25,706,709</u>	<u>38,522,137</u>	<u>191,820,971</u>	<u>3,627,048</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	34,315,258	20,052,900	36,152,695	90,520,853	415,000
Buildings and equipment	637,098,904	274,201,607	194,993,783	1,106,294,294	10,940,097
Accumulated depreciation	<u>(190,415,252)</u>	<u>(64,363,420)</u>	<u>(63,343,489)</u>	<u>(318,122,161)</u>	<u>(7,046,769)</u>
Capital assets, net	<u>480,998,910</u>	<u>229,891,087</u>	<u>167,802,989</u>	<u>878,692,986</u>	<u>4,308,328</u>
Total assets	<u>\$ 608,591,035</u>	<u>\$ 255,597,796</u>	<u>\$ 206,325,126</u>	<u>\$ 1,070,513,957</u>	<u>\$ 7,935,376</u>
<b>LIABILITIES</b>					
Current liabilities:					
Vouchers payable	\$ 3,338,589	\$ 3,646,536	\$ 187,455	\$ 7,172,580	\$ 298,020
Contract retainage	623,251	662,086	191	1,285,528	-
Accrued interest	27,471	1,085,655	2,181,288	3,294,414	-
Accrued payroll	295,064	95,965	63,578	454,607	48,105
Internal balances	1,311,152	-	10,003	1,321,155	631,860
Obligations for employees retirement system	2,427,534	729,296	533,684	3,690,514	482,649
Current portion of bonds payable	7,801,047	9,148,484	66,469,729	83,419,260	-
Liabilities payable from restricted assets	2,615,241	-	-	2,615,241	-
Compensated absences	610,884	224,233	114,657	949,774	174,958
Other current liabilities	236,390	64,708	131,411	432,509	2,142
Total current liabilities	<u>19,286,623</u>	<u>15,656,963</u>	<u>69,691,996</u>	<u>104,635,582</u>	<u>1,637,734</u>
Noncurrent liabilities:					
General obligation bonds payable	538,179	101,541,588	10,677,025	112,756,792	-
Revenue bonds payable	359,545,343	41,351,301	73,878,343	474,774,987	-
Compensated absences	473,598	136,707	179,335	789,640	-
Other long-term liabilities	4,960,463	581,058	552,225	6,093,746	71,081
Total noncurrent liabilities	<u>365,517,583</u>	<u>143,610,654</u>	<u>85,286,928</u>	<u>594,415,165</u>	<u>71,081</u>
Total liabilities	<u>\$ 384,804,206</u>	<u>\$ 159,267,617</u>	<u>\$ 154,978,924</u>	<u>\$ 699,050,747</u>	<u>\$ 1,708,815</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 161,534,514	\$ 85,474,952	\$ 32,577,980	\$ 279,587,446	\$ 4,308,328
Restricted for:					
Capital projects	2,000,000	-	-	2,000,000	-
Other purposes:					
Water utility fund operations	9,000,000	-	-	9,000,000	-
Parking facilities fund operations	-	-	2,244,554	2,244,554	-
Unrestricted	<u>51,252,315</u>	<u>10,855,227</u>	<u>16,523,668</u>	<u>78,631,210</u>	<u>1,918,233</u>
Total net position	<u>\$ 223,786,829</u>	<u>\$ 96,330,179</u>	<u>\$ 51,346,202</u>	<u>\$ 371,463,210</u>	<u>\$ 6,226,561</u>

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-2**

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For Year Ended June 30, 2013**

	<b>Business-Type Activities</b>				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>Operating revenues:</b>					
Charges for services	\$ 76,392,882	\$ 25,469,025	\$ 19,162,104	\$ 121,024,011	\$ 16,003,714
Miscellaneous	3,564,166	429,764	-	3,993,930	336,047
Total operating revenues	<u>79,957,048</u>	<u>25,898,789</u>	<u>19,162,104</u>	<u>125,017,941</u>	<u>16,339,761</u>
<b>Operating expenses:</b>					
Personal services	14,364,816	4,818,414	6,573,948	25,757,178	2,556,736
Cost of goods sold	-	-	-	-	11,270,364
Plant operations	6,489,193	2,545,662	1,143,315	10,178,170	268,414
Chemicals	3,110,828	61,016	-	3,171,844	-
Provision for bad debts	236,310	153,881	-	390,191	(2,536)
Depreciation and amortization	12,348,880	5,285,491	5,552,222	23,186,593	292,176
Retirement and OPEB contribution	2,535,851	768,275	533,684	3,837,810	482,649
Administrative expenses	1,663,129	1,532,036	347,229	3,542,394	-
Other	9,121,183	1,777,134	878,322	11,776,639	1,634,868
Total operating expenses	<u>49,870,190</u>	<u>16,941,909</u>	<u>15,028,720</u>	<u>81,840,819</u>	<u>16,502,671</u>
Operating income (loss), net	<u>30,086,858</u>	<u>8,956,880</u>	<u>4,133,384</u>	<u>43,177,122</u>	<u>(162,910)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income, net of interest capitalized	134,172	-	100,188	234,360	2,982
Intergovernmental revenue	1,284,157	341,181	-	1,625,338	-
Interest expense and fiscal charges	(11,010,925)	(3,024,967)	(5,530,801)	(19,566,693)	-
Gain (loss) on sale or disposal of capital assets	11,009	(1,658)	-	9,351	-
Miscellaneous revenue (expense)	(45,530)	-	48,240	2,710	-
Total nonoperating revenues (expenses)	<u>(9,627,117)</u>	<u>(2,685,444)</u>	<u>(5,382,373)</u>	<u>(17,694,934)</u>	<u>2,982</u>
Net income (loss) before contributions and transfers	20,459,741	6,271,436	(1,248,989)	25,482,188	(159,928)
Capital contribution	191,592	-	-	191,592	-
Transfer in	-	-	-	-	-
Transfers out	(8,500,000)	(1,500,000)	(114,354)	(10,114,354)	-
Changes in net position	12,151,333	4,771,436	(1,363,343)	15,559,426	(159,928)
Total net position - beginning	<u>211,635,496</u>	<u>91,558,743</u>	<u>52,709,545</u>	<u>355,903,784</u>	<u>6,386,489</u>
Total net position - ending	<u>\$ 223,786,829</u>	<u>\$ 96,330,179</u>	<u>\$ 51,346,202</u>	<u>\$ 371,463,210</u>	<u>\$ 6,226,561</u>

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

## CITY OF NORFOLK, VIRGINIA

Exhibit B-3

Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2013

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 77,232,909	\$ 25,514,647	\$ 19,000,293	\$ 121,747,849	\$ 15,838,730
Payments to suppliers	(9,708,098)	(2,609,293)	(1,368,864)	(13,686,255)	(3,162,625)
Payments to employees	(16,903,393)	(5,572,960)	(7,173,183)	(29,649,536)	(12,202,807)
Other payments	<u>(7,434,106)</u>	<u>(3,271,962)</u>	<u>(1,230,704)</u>	<u>(11,936,772)</u>	<u>(1,566,432)</u>
Net cash and short term investments provided by (used in) operating activities	<u>43,187,312</u>	<u>14,060,432</u>	<u>9,227,542</u>	<u>66,475,286</u>	<u>(1,093,134)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity	(176,879)	(821)	10,003	(167,697)	1,343,477
Intergovernmental revenues	1,284,157	341,181	-	1,625,338	-
Operating subsidies and transfers to other funds	<u>(8,500,000)</u>	<u>(1,500,000)</u>	<u>(114,354)</u>	<u>(10,114,354)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(7,392,722)</u>	<u>(1,159,640)</u>	<u>(104,351)</u>	<u>(8,656,713)</u>	<u>1,343,477</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from capital/refunding debt	43,070,000	11,225,333	5,845,000	60,140,333	-
Capital contributions	191,592	-	-	191,592	-
Purchases of capital assets	(23,751,096)	(20,268,316)	(1,664,267)	(45,683,679)	-
Proceeds from sale of capital assets	25,397	1,756	-	27,153	-
Refunding/refinancing of debt principal	-	-	(5,940,000)	(5,940,000)	-
Principal paid on capital debt	(7,739,589)	(8,671,908)	(3,643,426)	(20,054,923)	-
Interest paid on capital debt	<u>(6,590,391)</u>	<u>(3,500,124)</u>	<u>(5,724,204)</u>	<u>(15,814,719)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>5,205,913</u>	<u>(21,213,259)</u>	<u>(11,126,897)</u>	<u>(27,134,243)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	53,005,805	(11,525,847)	3,563,381	45,043,339	-
Purchase of investments	(75,739,334)	13,772,791	(3,776,186)	(65,742,729)	-
Interest and dividends	<u>134,172</u>	<u>-</u>	<u>139,399</u>	<u>273,571</u>	<u>2,982</u>
Net cash provided by (used in) investing activities	<u>(22,599,357)</u>	<u>2,246,944</u>	<u>(73,406)</u>	<u>(20,425,819)</u>	<u>2,982</u>
Net increase (decrease) in cash and short term investments	18,401,146	(6,065,523)	(2,077,112)	10,258,511	253,325
Cash and short term investments - beginning of the year	<u>33,803,659</u>	<u>14,828,290</u>	<u>17,906,010</u>	<u>66,537,959</u>	<u>303,657</u>
Cash and short term investments - end of the year	<u>\$ 52,204,805</u>	<u>\$ 8,762,767</u>	<u>\$ 15,828,898</u>	<u>\$ 76,796,470</u>	<u>\$ 556,982</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>					
Operating income (loss)	\$ 30,086,858	\$ 8,956,880	\$ 4,133,384	\$ 43,177,122	\$ (162,910)
Adjustments to reconcile operating income (loss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense	12,348,880	5,285,491	5,552,222	23,186,593	292,176
Provision for bad debt	236,310	153,881	-	390,191	-
Loss on disposal of assets	-	-	-	-	-
Change in assets and liabilities:					
Receivables, net	(2,724,139)	(384,142)	(169,028)	(3,277,309)	(503,567)
Inventories	54,363	686	4,109	59,158	173,252
Vouchers payable	(162,440)	(3,301)	(229,658)	(395,399)	(766,902)
Accrued payroll	(111,043)	(25,250)	(65,551)	(201,844)	(34,885)
Obligations for Employees' Retirement System	-	-	-	-	(25,243)
Other liabilities	<u>3,458,523</u>	<u>76,187</u>	<u>2,064</u>	<u>3,536,774</u>	<u>(65,055)</u>
Net cash and short term investments provided by (used in) operating activities	<u>\$ 43,187,312</u>	<u>14,060,432</u>	<u>9,227,542</u>	<u>\$ 66,475,286</u>	<u>\$ (1,093,134)</u>
<b>Reconciliation of Cash and Short Term Investments to the Statement of Net Position:</b>					
Cash and short term investments	\$ 52,186,630	\$ 8,557,980	\$ 15,828,898	\$ 76,573,508	\$ 556,982
Restricted cash with fiscal agent	<u>18,175</u>	<u>204,787</u>	<u>-</u>	<u>222,962</u>	<u>-</u>
Total cash and short term investments per Statement of Net Position	<u>\$ 52,204,805</u>	<u>\$ 8,762,767</u>	<u>\$ 15,828,898</u>	<u>\$ 76,796,470</u>	<u>\$ 556,982</u>
<b>Noncash investing, capital and financing activities:</b>					
Unrealized gain / (loss) on investments	<u>\$ (45,530)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,530)</u>	<u>\$ -</u>
Acquisition of capital assets through change in contract retainage	<u>\$ (265,522)</u>	<u>\$ (43,614)</u>	<u>\$ (26,781)</u>	<u>\$ (335,917)</u>	<u>\$ -</u>
Acquisition of capital assets through vouchers payable	<u>\$ (1,218,890)</u>	<u>\$ (58,081)</u>	<u>\$ (58,284)</u>	<u>\$ (1,335,255)</u>	<u>\$ -</u>
Capitalized interest, less interest earned on certain long-term construction contracts	<u>\$ 993,407</u>	<u>\$ 463,002</u>	<u>\$ -</u>	<u>\$ 1,456,409</u>	<u>\$ -</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

**Exhibit C-1**

	<b>Pension</b>	<b>Trust</b>	<b>Employees'</b>	<b>Agency</b>
	<b>System</b>		<b>Retirement</b>	<b>Funds</b>
<b>ASSETS</b>				
Cash and short term investments	\$ 21,963,318		\$ 4,002,407	
Investments, fair value:				
United States Treasury securities	55,013,497		-	
Fixed income securities	113,792,915		-	
Equity securities	47,929,052		-	
Other	199,476		-	
Balanced commingled funds:				
Equity	519,603,045		-	
Fixed income	143,072,559		-	
Real estate	45,912,821		-	
Total investments	<u>925,523,365</u>		-	
Receivables:				
Accounts, net of allowance for uncollectible accounts	198		-	
Retirement contribution	42,330,492		-	
Accrued investment income	667,737		-	
Due from broker for securities sold	59,442,775		-	
Other	-		-	
Total assets	<u>\$ 1,049,927,885</u>		<u>\$ 4,002,407</u>	
<b>LIABILITIES</b>				
Vouchers payable	\$ 541,418		\$ 12,047	
Due to brokers for securities purchased	94,692,800		-	
Other liabilities	-		3,990,360	
Total liabilities	<u>\$ 95,234,218</u>		<u>\$ 4,002,407</u>	
<b>NET POSITION</b>				
Reserved for:				
Net position held in trust for pension benefits	<u>\$ 954,693,667</u>		<u>\$ -</u>	

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Employees' Retirement System**  
**For the Year Ended June 30, 2013**

---

**Exhibit C-2**

**2013**

**Changes to net position attributed to:**

Investment income:

Net depreciation in fair value	\$ 95,957,473
of investments	4,724,808
Interest	1,506,136
Dividends	74,948
Other	<u>102,263,365</u>
Less investment expense	<u>(1,669,392)</u>
<b>Net investment income</b>	<b>100,593,973</b>

Employer contributions	42,330,492
Employee contributions	1,007,140
<b>Total</b>	<b>143,931,605</b>

Benefit payments and expenses:

Refunds of contributions	6,037
Benefits paid to plan members and beneficiaries	74,190,481
Administrative costs	<u>540,620</u>
<b>Total</b>	<b>74,737,138</b>

<b>Net increase</b>	<b>69,194,467</b>
---------------------	-------------------

**Net position held in trust for pension benefits:**

Beginning of year	885,499,200
End of year	<u>\$ 954,693,667</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Net Position - Component Units**  
**June 30, 2013**

**Exhibit D-1**

---

	Norfolk	Waterside	Totals
	Public Schools	Associates	
<b>ASSETS</b>			
Cash and short term investments	\$ 35,851,723	\$ 59,453	\$ 35,911,176
Accounts receivable, net of allowance for uncollectible accounts	367,627	28,405	396,032
Due from primary government	2,637,626	-	2,637,626
Due from other governments	33,766,656	-	33,766,656
Inventories	788,248	-	788,248
Capital assets, net	14,405,972	3,074,905	17,480,877
Total assets	<u>\$ 87,817,852</u>	<u>\$ 3,162,763</u>	<u>\$ 90,980,615</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 4,372,895	\$ 161,275	\$ 4,534,170
Contract retainage	228,082	-	228,082
Accrued payroll	32,530,018	540	32,530,558
Unearned revenues	169,409	-	169,409
Other payables	202,053	-	202,053
Due to other government agencies	9,632,503	-	9,632,503
Current portion of long term liabilities	7,207,067	-	7,207,067
Long-term vested compensated absences	2,313,642	-	2,313,642
Long-term post employment benefits	14,092,158	-	14,092,158
Long-term claims and judgments liability	2,553,769	-	2,553,769
Total liabilities	<u>\$ 73,301,596</u>	<u>\$ 161,815</u>	<u>\$ 73,463,411</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 14,405,972	\$ -	\$ 14,405,972
Restricted for:			
Capital projects	815,133	-	815,133
Other programs	1,104,970	-	1,104,970
Unrestricted	<u>(1,809,819)</u>	<u>3,000,948</u>	<u>1,191,129</u>
Total net position	<u>\$ 14,516,256</u>	<u>\$ 3,000,948</u>	<u>\$ 17,517,204</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 Ended June 30, 2013**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grant Contributions	Capital Contributions	Norfolk Public Schools	Waterside Associates
<b>Norfolk Public Schools:</b>						
Instructional	\$ 272,337,901	\$ 2,563,426	\$ 207,885,108	\$ -	\$ (61,889,367)	\$ -
Administration, attendance and health	16,138,161	-	2,100,000	-	(16,138,161)	-
Pupil transportation	13,668,251	-	-	-	(11,568,251)	-
Operation and maintenance	34,551,026	-	-	-	(34,551,026)	-
Information technology	10,373,231	-	-	-	(10,373,231)	-
School facilities	9,160,289	-	-	8,207,537	(952,752)	-
Food services	16,820,587	1,785,442	14,482,507	-	(552,638)	-
Community services	249,882	-	-	-	(249,882)	-
<b>Total Norfolk Public Schools</b>	<b>373,299,328</b>	<b>4,348,868</b>	<b>224,467,615</b>	<b>8,207,537</b>	<b>(136,275,308)</b>	<b>-</b>
<b>Waterside Associates:</b>						
Cultural and recreational	1,508,685	220,704	-	-	-	-
<b>Total component units</b>	<b>\$ 374,808,013</b>	<b>\$ 4,569,572</b>	<b>\$ 224,467,615</b>	<b>\$ 8,207,537</b>	<b>\$ (136,275,308)</b>	<b>\$ (1,287,981)</b>
General revenues:						
Use of money and property			1,262,108	191,396	1,453,504	
Payment from Primary Government			107,186,600	5,192,408	112,379,008	
Miscellaneous			235,312	-	235,312	
Commonwealth of Virginia			31,462,706	-	31,462,706	
Total general revenues			140,146,726	5,383,804	145,530,530	
Changes in net position			3,871,418	4,095,823	7,967,241	
Net position (deficit) - beginning			10,644,838	(1,094,875)	9,549,963	
Net position - ending			<b>\$ 14,516,256</b>	<b>\$ 3,000,948</b>	<b>\$ 17,517,204</b>	

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



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# **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, 2013**

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**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, 2013**

**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 246,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

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

**Discretely Presented Component Units:** Although 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 government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

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

*Waterside Associates Limited Partnership (Waterside Associates)* was originally formed on November 20, 1981, for the purpose of developing and operating a retail festival marketplace (Waterside) in Norfolk, Virginia which opened June 1, 1983. On December 31, 1998, the Norfolk Redevelopment and Housing Authority (NRHA) and the City Development Corporation (CDC), a component unit of NRHA, purchased the partnership from its owners, creating a new entity with the same name. NRHA owns 14.5% of the Partnership and CDC owns 85.5%. Beginning July 1, 2010, the City began providing internal and financial support to

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

Waterside as well as managing operation activities. Separate financial statements are not prepared for Waterside Associates.

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)

As described in Note XXV, effective July 1, 2012 the Community Services Board became a special revenue fund of the City.

**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 nonfiduciary activities of the Primary Government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate *component units* for which the *Primary Government* is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items 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 as 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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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 and proprietary 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.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**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 revenue. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

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

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

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.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, and depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, less restrictive resources next – committed, assigned, and finally unassigned resources.

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

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revenue fund, Golf special revenue fund, Towing & Recovery Operations special revenue fund, Tax Increment Financing special revenue fund, Community Services Board special revenue fund and internal service funds. Project length budgets are appropriated for the Capital Projects 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 approvals by City Council.

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

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in 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 E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. generally accepted accounting principles.

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.

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

Investments of the City, as well as its component units, are reported at fair value. Short-term investments are recorded at amortized cost, which approximates fair value. The United States Treasury Securities and fixed income securities traded on a national or international securities exchange are valued based on equivalent values of comparable securities with similar yield and risk. Investments that do not have an established market are reported at estimated fair value, primarily net asset value determined based on the fair value of the underlying securities. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments, 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 creditors through debt covenants, grantors or laws or regulations of other governments.

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**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. Since the City's Internal Service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide financial statements. A discrete presentation of the City's Internal Service funds can be found in the "Other Supplementary Information" section of this document.

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

**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 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 fixed assets are recorded at their estimated fair value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are 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

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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.

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Capital assets of the Primary Government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives (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	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100	-	-
Intangibles	5-10	5-10	5-10

**J. 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 respective funds in the government-wide financial statements.

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

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**K. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

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) by City Council. 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 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 City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

**L. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**M. Bond Premiums, Discounts and Issuance Costs**

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance 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 used. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

The City maintains a cash and investments pool for all funds except the Pension Trust and Permanent funds. Each fund's portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short term investments. The cash and investments of the Pension Trust and Permanent 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% to 130% of all public deposits held by the bank, based on rating determined under the Act; and therefore 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 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

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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.

**Segmented Time Distribution (as of June 30, 2013)**

**Primary Government**

Investment Type	Fair Value	Investment Maturities				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Debt	\$ 9,124,814	\$ 4,073,332	\$ 2,194,914	\$ 1,193,100	\$ 819,000	\$ 844,469
Futures/Options/Swaps	422,075	(439,071)	86,919	(67,025)	(12,471)	853,723
Asset Backed Securities	6,643,387	-	377,526	-	1,116,717	5,149,145
US Government Securities	64,049,044	1,838,945	28,390,948	14,142,974	19,676,177	-
Mortgage Backed Securities	88,986,622	629	-	3,799,526	9,078,844	76,107,624
Repurchase Agreements	13,900,000	13,900,000	-	-	-	-
Certificates of Deposit	200,000	200,000	-	-	-	-
Common Stock	5,839,854	-	-	-	-	5,839,854
Master Limited Partnerships	42,089,198	-	-	-	-	42,089,198
Municipal Bonds	8,168,595	285,165	-	-	650,340	7,233,090
Foreign government securities	646,898	646,898	-	-	-	-
Fixed Income Funds	143,072,559	-	-	-	-	143,072,559
Domestic Equity Funds	519,603,045	-	-	-	-	519,603,045
Real Estate Funds	45,912,821	-	-	-	-	45,912,821
Money Market Funds	136,991,835	136,991,835	-	-	-	-
<b>Total</b>	<b>\$ 1,085,650,747</b>	<b>\$ 157,497,733</b>	<b>\$ 31,050,307</b>	<b>\$ 19,068,575</b>	<b>\$ 31,328,607</b>	<b>\$ 846,705,528</b>

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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 short term investments	\$ 211,743,766
Restricted cash held with fiscal agents	222,962
Investments	8,453,393
Restricted cash and investments	<u>85,276,665</u>
Total	<u>\$ 305,696,786</u>
Per Exhibit C-1 (Fiduciary):	
Cash and short term investments	25,965,725
Investments	<u>925,523,365</u>
Total	<u>\$ 951,489,090</u>
Total Primary Government and Fiduciary	<u><u>\$ 1,257,185,876</u></u>
Less cash	171,535,129
Deposits and investments reported above	<u><u>\$ 1,085,650,747</u></u>

**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 Services ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's ("S&P"), are not permitted without the written permission of the board. PIMCO has been given the authority by the board to invest 20% of the portfolio in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the Retirement System's financial statements. Investments in derivatives with a fair value of \$422,075 were held at June 30, 2013. For accounting purposes, all derivative instruments are considered to be investments and not hedges. The System 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, 2013 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.

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### The Primary Government's Rated Debt Investment

The City's Pension Trust fund held \$519,603,045 and \$45,912,821 in Domestic Equity and Real Estate Funds respectively, and an additional \$143,072,559 in Fixed Income Funds which are unrated securities.

## Concentration of Credit Risk

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

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

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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 fund's exposure to foreign currency risk is presented as follows:

<b>Currency</b>	<b>Fixed-Income</b>
Brazilian Real	732,669
Canadian Dollar	(17,039)
Japanese Yen	(153,349)
Mexican Peso	1,329,027
	<hr/> <u>\$ 1,891,308</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.

**School Board**

At June 30, 2013, the School Board has investments of \$17,838,236 in an Aaa rated money market mutual fund and other cash of \$22,794,931 including \$4,781,444 held in agency funds.

**Waterside Associates**

At June 30, 2013, Waterside had \$59,453 of cash and short term investments.

**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, 2013, on each \$100 of assessed value, were \$1.11 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 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 Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements. Disabled veterans pay a discounted rate of \$3.00 on each \$100 of assessed for personal property.

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The property tax calendar is as follows:

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

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

#### IV. Accounts Receivable

#### **A. Unbilled Accounts Receivable**

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2013:

Storm Water special revenue fund	\$ 766,072
Water Utility fund	4,998,701
Wastewater Utility fund	1,252,303
Parking Facilities fund	213,791
	<hr/>
	\$ 7,230,867

The associated revenue is included in charges for services. All amounts were billed in July 2013.

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**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, 2013 are as follows:

**Primary Government:**

General Fund:	
Taxes	\$ 13,830,623
Accounts	<u>22,493,103</u>
Total - General Fund	36,323,726

Community Service Board special revenue fund	371,169
Storm Water special revenue fund	447,800
Parking Facilities Fund	9,789,695
Water Utility fund	2,700,000
Wastewater Utility fund	<u>850,000</u>
Total - Primary Government	<u>\$ 50,482,390</u>

**Component Units:**

Waterside Associates	\$ 23,801
Total - Component Units	<u>\$ 23,801</u>

**V. Due From Other Governments**

Amounts due from other governments, at June 30, 2013 are as follows:

	General Fund	Total Primary Government	Component Unit	
			School	Board
Commonwealth of Virginia:				
Shared expenses	\$ 5,783,707	\$ 5,783,707	\$	-
Categorical aid	381,962	385,936	-	-
Non-categorical aid	17,697,893	17,697,893	17,071,311	-
Non-major governmental funds grants	-	4,544,971	38,403	-
Enterprise funds	-	100,199	-	-
Total - Commonwealth of Virginia	<u>23,863,562</u>	<u>28,512,706</u>	<u>17,109,714</u>	-
Federal Government:				
Major governmental funds	1,234,560	1,247,517	16,194,990	-
Non-major governmental funds grants	-	6,588,327	461,952	-
Build America Bonds interest subsidy	-	831,619	-	-
Enterprise funds	-	152,113	-	-
Total - Federal Government	<u>1,234,560</u>	<u>8,819,576</u>	<u>16,656,942</u>	-
Total - Due from other governments	<u>\$ 25,098,122</u>	<u>\$ 37,332,282</u>	<u>\$ 33,766,656</u>	-

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**VI. Capital Assets**

A summary of changes in capital assets, at June 30, 2013 follows:

	<b>Primary Government</b>			
	<b>Beginning Balance, as restated</b>	<b>Additions</b>	<b>Retirements/Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 86,163,226	\$ 3,084,403	\$ (2,052,900)	\$ 87,194,729
Intangible Assets	69,014	-	-	69,014
Construction in progress	132,433,531	84,616,233	(65,009,779)	152,039,985
Total non-depreciable assets	218,665,771	87,700,636	(67,062,679)	239,303,728
Depreciable assets:				
Buildings	687,681,006	67,746,530	(75,650)	755,351,886
Improvements other than buildings	64,516,731	3,787,061	-	68,303,792
Equipment and vehicles	132,010,887	8,432,720	(5,900,679)	134,542,928
Intangible assets	4,109,969	1,041,301	(114,213)	5,037,057
Infrastructure	1,176,709,634	9,840,624	(9,211,141)	1,177,339,117
Total depreciable assets	2,065,028,227	90,848,236	(15,301,683)	2,140,574,780
Less accumulated depreciation/amortization:				
Buildings	(309,693,706)	(14,693,026)	77,388	(324,309,344)
Improvements other than buildings	(18,241,551)	(1,979,790)	-	(20,221,341)
Equipment and vehicles	(85,640,001)	(8,525,201)	5,568,047	(88,597,155)
Intangible assets	(3,197,141)	(415,975)	3,722	(3,609,394)
Infrastructure	(978,974,547)	(9,626,700)	9,206,431	(979,394,816)
Total accumulated depreciation/amortization	(1,395,746,946)	(35,240,692)	14,855,588	(1,416,132,050)
Depreciable assets, net	669,281,281	55,607,544	(446,095)	724,442,730
Total governmental activities capital assets, net	\$ 887,947,052	\$ 143,308,180	\$ (67,508,774)	\$ 963,746,458
<b>Business-Type activities:</b>				
Non-depreciable capital assets:				
Land	\$ 48,003,017	\$ 108,618	\$ -	\$ 48,111,635
Intangible assets	2,330,682	67,783	-	2,398,465
Construction in progress	66,734,977	39,409,952	(66,134,176)	40,010,753
Total non-depreciable assets	117,068,676	39,586,353	(66,134,176)	90,520,853
Depreciable assets:				
Land improvements	19,876,613	862,333	-	20,738,946
Buildings	370,489,016	16,400,322	(14,441)	386,874,897
Equipment and vehicles	640,505,615	52,943,862	(1,026,710)	692,422,767
Intangible assets	5,903,872	353,813	-	6,257,685
Totals depreciable assets	1,036,775,116	70,580,330	(1,041,151)	1,106,294,295
Less accumulated depreciation/amortization:				
Land improvements	(3,721,726)	(390,698)	-	(4,112,424)
Buildings	(102,000,345)	(8,144,827)	14,441	(110,130,731)
Equipment and vehicles	(186,708,842)	(14,018,350)	1,008,908	(199,718,284)
Intangible assets	(3,528,005)	(632,718)	-	(4,160,723)
Total accumulated depreciation/amortization	(295,958,918)	(23,186,593)	1,023,349	(318,122,162)
Depreciable assets, net	740,816,198	47,373,737	(17,802)	788,172,133
Business-Type activities capital assets, net	\$ 857,884,874	\$ 86,960,090	\$ (66,151,978)	\$ 878,692,986
<b>Component units activities:</b>				
Non-depreciable capital assets:				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in progress	775,510	-	(775,510)	-
Total non-depreciable assets	1,263,010	-	(775,510)	487,500
Depreciable assets:				
Buildings and mobile classrooms	11,837,044	-	-	11,837,044
Improvements other than buildings	90,910	-	-	90,910
Building improvements	-	-	-	-
Equipment and vehicles	34,002,827	4,863,165	(1,395,915)	37,470,077
Intangible assets	-	981,770	-	981,770
Total depreciable assets	45,930,781	5,844,935	(1,395,915)	50,379,801
Less accumulated depreciation:				
Buildings and mobile classrooms	(6,097,683)	(527,293)	-	(6,624,976)
Improvements other than buildings	(90,910)	-	-	(90,910)
Equipment and vehicles	(25,393,065)	(2,421,176)	1,340,057	(26,474,184)
Intangible assets	-	(196,354)	-	(196,354)
Total accumulated depreciation	(31,581,658)	(3,144,823)	1,340,057	(33,386,424)
Depreciable assets, net	14,349,123	2,700,112	(55,858)	16,993,377
Component units activities capital assets, net	\$ 15,612,133	\$ 2,700,112	\$ (831,368)	\$ 17,480,877

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

<b>Governmental activities:</b>		
General government	\$	4,457,741
Judicial administration		514,917
Public safety		6,760,106
Public works, which includes the depreciation of infrastructure assets		17,112,200
Health and public assistance		999,106
Culture and recreation		4,530,382
Community development		574,064
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.		292,176
Total depreciation expense	\$	<u>35,240,692</u>
<b>Business-type activities:</b>		
Water Utility fund	\$	12,348,880
Wastewater Utility fund		5,285,491
Parking Facilities fund		5,552,222
Total depreciation expense	\$	<u>23,186,593</u>
<b>Component unit activities</b>		
School Board	\$	2,872,830
Waterside Associates		271,993
Total depreciation expense	\$	<u>3,144,823</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2013:

	<b>Expense</b>	<b>Revenue</b>	<b>Capitalized</b>
Water Utility fund	\$ 1,121,665	\$ (128,258)	\$ 993,407
Wastewater Utility fund	523,713	(60,711)	463,002
	<u>\$ 1,645,378</u>	<u>\$ (188,969)</u>	<u>\$ 1,456,409</u>

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**VII. Short-Term Obligations**

**A. Bond Anticipation Notes**

On March 24, 2011, the City issued a \$51,655,000 General Obligation Bond Anticipation Note (BAN), Series 2011A (Tax-Exempt). The 2011A BAN consisted of a \$36,930,000 Note with an interest rate of 3.00% and a \$14,725,000 Note with an interest rate of 2.000%. The proceeds of the Series 2011A BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010C.

On March 24, 2011, the City issued a \$23,650,000 General Obligation BAN, Series 2011B (Taxable) with an interest rate of 2.090% to yield 2.090%. The proceeds of the Series 2011B BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010D (Taxable).

Interest on both the Series 2011A and the Series 2011B BANs is payable semi-annually on January 1 and July 1.

Moody's Investors Service, Inc. ("Moody's") reaffirmed the City's existing long-term rating "Aa2" on both the Series 2011A and the Series 2011B BANs. Moody's additionally assigned a short-term rating of "MIG-1" on both the Series 2011A and the Series 2011B BANs. On September 26, 2013, Standard & Poor's Ratings Services upgraded the City's credit rating from "AA" to "AA+" on all outstanding general obligations of the City, including the Series 2011A and Series 2011B BANs. Both the Series 2011A and the Series 2011B BANs are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

Both the \$51,655,000 General Obligation BAN, Series 2011A (Tax-Exempt) and the \$23,650,000 General Obligation BAN, Series 2011B (Taxable) are included in the City's Outstanding General Obligation Bonds, and are classified as long-term obligations in the current year.

On November 7, 2013, the City refunded the Series 2011A and Series 2011B BANs with a portion of the proceeds of its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable). See additional information on the new bond issuances included in Note XXV. Subsequent Events.

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**B. 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, 2013, \$29,675,000 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.

Since the Series 2007 Bonds financed a project that is used by private cruise ship lines, interest paid to the bondholders initially was subject to the alternative minimum tax (AMT). Taking advantage of a provision in the American Recovery and Reinvestment Act of 2009 (ARRA) that provided a holiday from the AMT for bonds issued in 2009 and 2010, the City permanently converted the Series 2007 Bonds from AMT to non-AMT tax status on August 27, 2009. The Series 2007 Bonds were issued pursuant to the provisions of the Indenture of Trust dated as of March 1, 2007, (the "Original Indenture") between the City and Regions Bank, as bond trustee (the "Trustee"). To effect the conversion, an Amended and Restated Indenture of Trust dated as of August 1, 2009, between the City and the Trustee (the "Amended and Restated Indenture") was executed for purposes of amending and restating the Original Indenture.

The Amended and Restated Indenture provides that 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.

Additionally, the Amended and Restated Indenture provides that a portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 is subject to mandatory redemption. As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Series 2007 Bonds, plus accrued interest thereon to the redemption date. 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.

Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate. Liquidity for the payment of the purchase price of Bonds tendered for purchase by the owners is provided pursuant to a Standby Bond Purchase Agreement (the "Liquidity Facility") between the City and Lloyds TSB Bank plc (the "Bank") at a liquidity fee of 12.5 basis points (0.125%). The interest rate on the Bonds is subject to conversion to another interest rate mode, except from a Fixed Rate to another interest rate period, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Period to

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another mode, subject to certain limitations, accompanied by a preliminary written opinion of Bond Counsel stating that such Conversion is authorized under the Indenture and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes.

The Liquidity Facility, which expires March 28, 2014, provides for the purchase of the Bonds which have been tendered, but not remarketed. The unremarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate in accordance with the Liquidity Facility. The Bank Rate on the Bank Bonds will be computed for the first 30 days to be the Base Rate, which for any day is the higher of the Prime Rate or the Federal Funds Rate, plus fifty basis points (0.50%) per annum. The Bank Rate on the Bank Bonds for days 31 to day 90 will be computed as the Base Rate plus 1.50%. At 91 days and onward, any advances made under the Liquidity Facility, if any, will constitute a Term Loan and interest will be calculated as the Base Rate, plus 2.00% (the "Term Loan Rate"). Repayment of the Term Loan shall be repaid by the City in sixty (60) equal monthly installments the first of which installments will be paid on the 90<sup>th</sup> day following the commencement date of the Term Loan; however the Term Loan may be prepaid by the City, without premium or penalty, upon one (1) business day notice in whole or in part, but if in part, in a minimum aggregate principal amount of \$500,000 and integral multiples of \$100,000 in excess thereof. In preparation for the expiration of the current Liquidity Facility on March 28, 2014, the City issued a Request for Proposal (RFP) to select a qualified firm to provide a replacement direct pay Letter of Credit or a Standby Bond Purchase Agreement to support the Bonds. The City received eight (8) responses to the RFP that closed December 4, 2013. The City preliminarily plans to evaluate the proposals and select a new liquidity facility provider during December 2013. It is anticipated that the City will begin remarketing the Bonds with the new liquidity facility provider by the end of February 2014.

Through June 30, 2013, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

**Parking System Revenue Refunding Bond, Series 2012 (Taxable)**

On August 15, 2012, the City issued a \$5,845,000 Parking System Revenue Refunding Bond, Series 2012 (Taxable) to the Bank of America, N.A. to refinance the previously issued Variable-Rate Parking Revenue Bonds, Series 2004A (Taxable). Proceeds from the issuance of the 2012 Bond, along with other available funds, were used to defease the outstanding aggregate principal amount of \$5,940,000 of the 2004A Bonds.

Interest on the 2012 Bond is paid in arrears on each February 1, May 1, August 1 and November 1, commencing on November 1, 2012, at an interest rate of LIBOR, plus 1.10%. Mandatory Sinking Fund amounts are paid annually, beginning August 1, 2013, with a final maturity of August 1, 2018.

On November 7, 2013, the 2012 Bond was refunded with a portion of the proceeds from the issuance of the City's \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) and \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B

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(Taxable). See additional information on the new bond issuances included in Note XXV. Subsequent Events.

**VIII. Long-Term Obligations**

**A. General Obligation and Revenue Bonds**

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

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

On November 7, 2013, the City refunded all of its outstanding Parking System Revenue Bonds with General Obligation Bonds, utilizing a portion of the proceeds from its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable). With the Series 2013 Refunding, the Parking System Master Indenture of Trust has been defeased. See additional information on the new bond issuances included at Note XXV. Subsequent Events.

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A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2013, follows:

	Governmental Activities - General Obligation Bonds	Enterprise Funds					Total Enterprise Funds
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds			
General obligation bonds outstanding at July 1, 2012	\$ 687,875,882	\$ 1,838,422	\$ 111,501,658	\$ 74,569,469		\$ 187,909,549	
Bonds retired	(49,932,457)	(739,589)	(6,946,909)	(1,088,426)			(8,774,924)
Bonds refunded	-	-	-	-			-
Bonds transferred	-	-	-	-			-
Bonds reamortized	-	-	-	-			-
Bonds issued	-	-	-	-			-
Bonds outstanding at June 30, 2013	<u>637,943,425</u>	<u>1,098,833</u>	<u>104,554,749</u>	<u>73,481,043</u>		<u>179,134,625</u>	
Unamortized (discount) premium	<u>26,965,217</u>	<u>(9,607)</u>	<u>4,177,824</u>	<u>815,711</u>		<u>4,983,928</u>	
General obligation bonds outstanding at June 30, 2013, adjusted for unamortized (discount) premium	<u><u>\$ 664,908,642</u></u>	<u><u>\$ 1,089,226</u></u>	<u><u>\$ 108,732,573</u></u>	<u><u>\$ 74,296,754</u></u>		<u><u>\$ 184,118,553</u></u>	
Revenue bonds outstanding at July 1, 2012	\$ 296,375,000	\$ 33,890,162	\$ 82,255,000	\$ 412,520,162			
Bonds retired	(7,000,000)	(1,725,000)	(2,555,000)	(11,280,000)			
Bonds refunded	-	-	(5,940,000)	(5,940,000)			
Bonds issued	43,070,000	11,225,333	5,845,000	60,140,333			
Bonds outstanding at June 30, 2013	<u>332,445,000</u>	<u>43,390,495</u>	<u>79,605,000</u>	<u>455,440,495</u>			
Unamortized (discount) premium	<u>34,350,343</u>	<u>(81,695)</u>	<u>(2,876,657)</u>	<u>31,391,991</u>			
Revenue bonds outstanding at June 30, 2013, adjusted for unamortized (discount) premium	<u><u>\$ 366,795,343</u></u>	<u><u>\$ 43,308,800</u></u>	<u><u>\$ 76,728,343</u></u>	<u><u>\$ 486,832,486</u></u>			
Total bonds outstanding at June 30, 2013,	<u><u>\$ 367,884,569</u></u>	<u><u>\$ 152,041,373</u></u>	<u><u>\$ 151,025,097</u></u>	<u><u>\$ 670,951,039</u></u>			

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General obligation and revenue bonds outstanding at June 30, 2013, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities		Business-type Activities			Balance Outstanding
				Public Improvement Allocation	Water Utility Allocation	Wastewater Utility Allocation	Parking Facilities Allocation		
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
Series 2001 QZAB	11/23/2000	3,637,170	none	279,782	-	-	-	-	279,782
Series 2001 QZAB	12/27/2001	1,062,830	none	184,041	-	-	-	-	184,041
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.38%	3,400,000	-	-	-	-	3,400,000
Series 2003 VRA	4/8/2003	9,423,794	2.00%	-	-	6,275,562	-	-	6,275,562
Series 2003 Capital Improvement and Refunding	11/15/2003	69,375,000	3.63%	2,800,010	-	54,990	-	-	2,855,000
Series 2004 Refunding	3/1/2004	96,395,000	4.00 - 5.00%	14,304,743	-	2,400,257	-	-	16,705,000
Series 2004 Property Acquisition	7/29/2004	1,775,000	7.00%	960,435	-	-	-	-	960,435
Series 2004 VRA	9/17/2004	11,100,000	3.10%	-	-	8,110,532	-	-	8,110,532
Series 2005 Capital Improvement and Refunding	3/16/2005	94,355,000	4.125 - 5.00%	28,640,717	-	3,624,283	-	-	32,265,000
Series 2006 VRA	3/14/2006	11,187,809	2.25%	-	-	8,885,198	-	-	8,885,198
Series 2006B VRA	9/28/2006	14,250,000	none	-	-	10,687,500	-	-	10,687,500
Series 2006 Capital Improvement and Refunding	11/15/2006	115,055,000	4.00 - 5.00%	17,423,662	-	1,505,029	496,308	-	19,425,000
Variable - June 30, 2013, rate									
Series 2007 VRDB	3/29/2007	32,365,000	of 0.08%	29,675,000	-	-	-	-	29,675,000
Series 2008A&B Refunding	2/13/2008	17,160,000	3.00 - 4.625%	8,060,000	-	-	-	-	8,060,000
Series 2008C Capital Improvement	6/30/2008	153,605,000	4.70 - 5.00%	78,175,000	-	17,290,000	-	-	95,465,000
Series 2009A Capital Improvement	5/21/2009	55,280,000	2.00 - 4.375%	41,580,000	-	-	-	-	41,580,000
Series 2009B Refunding	5/21/2009	21,895,000	3.00 - 5.00%	7,794,181	1,098,833	674,057	282,930	-	9,850,000
Series 2010A Capital Improvement	1/21/2010	49,875,000	1.75 - 5.00%	24,818,786	-	1,788,510	3,732,704	-	30,340,000
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	2.00 - 4.00%	-	-	-	-	-	4,500,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	2.50 - 5.60%	4,500,000	-	-	-	-	4,500,000
Series 2010G Refunding	5/21/2009	90,165,000	2.50 - 5.00%	83,098,006	-	6,867,368	199,626	-	90,165,000
Series 2011A Bond Anticipation Note	3/24/2011	51,655,000	2.00 - 3.00%	10,561,863	-	-	41,093,137	-	51,655,000
Series 2011B Bond Anticipation Note	3/24/2011	23,650,000	2.09%	-	-	-	21,550,018	-	23,650,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	61,445,313	-	5,958,367	1,626,320	-	69,030,000
Series 2012B Refunding	5/30/2012	7,805,000	2.00 - 4.00%	7,805,000	-	-	-	-	7,805,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	2.00 - 5.00%	92,645,000	-	21,625,000	-	-	114,270,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	-	-	7,350,000
Total General Obligation Bonds				\$ 637,943,425	\$ 1,098,833	\$ 104,554,749	\$ 73,481,043	\$ 817,078,050	

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities			Balance Outstanding
			Water Utility	Wastewater Utility	Parking Facilities	
Series 1999 Parking System Revenue	2/15/1999	4.70 - 5.00%	-	-	12,340,000	12,340,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	5.50%	-	-	15,155,000	15,155,000
Series 2004B Parking System Revenue and Refunding	10/28/2004	4.00 - 5.00%	-	-	21,935,000	21,935,000
Series 2005 Water Revenue and Refunding	3/23/2005	3.50 - 5.00%	17,020,000	-	-	17,020,000
Series 2005 Parking System Revenue Refunding	6/15/2005	4.00 - 5.00%	-	-	24,330,000	24,330,000
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	14,025,000	-	14,025,000
Series 2008 Water Revenue	4/23/2008	3.00 - 5.00%	54,385,000	-	-	54,385,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	6,750,000	-	6,750,000
Series 2010 Water Revenue	9/30/2010	2.00 - 4.50%	45,580,000	-	-	45,580,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	9,500,000	-	9,500,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	8,179,745	-	8,179,745
Series 2012 Water Revenue Refunding	4/4/2012	2.00 - 5.00%	172,390,000	-	-	172,390,000
Variable - June 30, 2013, rate						
Series 2012 Parking System Revenue Refunding	8/15/2012	of 1.298%	-	-	5,845,000	5,845,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	4,935,751	-	4,935,751
Series 2013 Water Revenue	2/20/2013	5.00%	43,070,000	-	-	43,070,000
Total Revenue Bonds			\$ 332,445,000	\$ 43,390,495	\$ 79,605,000	\$ 455,440,495

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The Parking System Revenue Refunding Bond, Series 2012 reset at an interest rate of 1.298% as of June 30, 2013.

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 0.08% as of June 30, 2013.

**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>
2014	89,191,397	27,648,588	71,361,310	5,767,230
2015	46,510,754	25,168,691	8,874,461	3,863,119
2016	42,707,184	23,166,161	7,651,869	3,549,337
2017	42,326,491	21,242,811	7,577,023	3,271,215
2018	40,066,588	19,417,786	7,319,448	3,012,450
2019-2023	183,060,922	70,629,662	35,285,004	11,924,784
2024-2028	130,646,518	33,724,241	32,659,081	5,514,002
2029-2033	54,133,571	9,027,192	8,406,429	985,342
2034-2038	4,650,000	1,743,750	-	-
2039-2043	4,650,000	581,250	-	-
<b>Total</b>	<b>\$ 637,943,425</b>	<b>\$ 232,350,132</b>	<b>\$ 179,134,625</b>	<b>\$ 37,887,478</b>

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

<b>Year Ending June 30,</b>	<b>Water Utility Fund</b>		<b>Wastewater Utility Fund</b>		<b>Parking Facilities Fund</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	551,047	41,165	7,190,984	3,739,135	63,619,279	1,986,929
2015	547,786	13,695	7,346,109	3,454,629	980,566	394,795
2016	-	-	6,893,794	3,219,245	758,075	330,092
2017	-	-	6,983,574	2,974,010	593,450	297,205
2018	-	-	6,727,142	2,732,506	592,306	279,944
2019-2023	-	-	32,348,159	10,814,362	2,936,845	1,110,422
2024-2028	-	-	29,903,559	4,956,497	2,755,522	557,505
2029-2033	-	-	7,161,429	884,504	1,245,000	100,838
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
	<b>\$ 1,098,833</b>	<b>\$ 54,860</b>	<b>\$ 104,554,749</b>	<b>\$ 32,774,888</b>	<b>\$ 73,481,043</b>	<b>\$ 5,057,730</b>

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**C. Revenue Bonds**

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

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

As of November 7, 2013, the Parking System Master Indenture of Trust has been defeased. Therefore, this covenant is no longer applicable to the Parking Facilities Fund after that date as all of the outstanding debt under the Master Indenture of Trust was refunded with a portion of the proceeds of the City's \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable). See additional information on the new bond issuances included in Note XXV. Subsequent Events.

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

**CITY OF NORFOLK, VIRGINIA**  
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Year Ending June 30,	Water Utility Revenue		Parking Facilities Revenue		Wastewater Utility Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 7,250,000	\$ 15,630,219	\$ 2,850,000	\$ 3,703,952	\$ 1,957,500	\$ -
2015	7,805,000	15,398,269	2,985,000	3,569,082	2,369,150	-
2016	8,750,000	15,047,794	3,100,000	3,449,724	2,369,150	-
2017	10,655,000	14,591,519	3,255,000	3,312,934	2,369,150	-
2018	13,860,000	13,994,269	3,400,000	3,169,365	2,369,150	-
2019-2023	83,990,000	58,512,744	19,785,000	13,422,161	11,845,749	-
2024-2028	82,380,000	36,581,581	24,495,000	8,273,929	11,845,749	-
2029-2033	48,575,000	21,352,163	17,655,000	2,244,333	7,620,749	-
2034-2038	42,395,000	11,175,566	2,080,000	99,674	644,150	-
2039-2043	26,785,000	2,556,681	-	-	-	-
<b>Total</b>	<b>\$ 332,445,000</b>	<b>\$ 204,840,803</b>	<b>\$ 79,605,000</b>	<b>\$ 41,245,154</b>	<b>\$ 43,390,496</b>	<b>\$ -</b>

**D. 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.

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At June 30, 2013, the following defeased bonds from advance refunding are still outstanding:

**General Obligation**

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2011	2003	28,550,000	12/1/2013
2011	2005	20,950,000	3/1/2015
2011	2006	7,650,000	10/1/2014
2011	2008C	23,135,000	4/1/2017
2012	2004	505,000	8/1/2013
2012	2004	12,030,000	8/1/2014
2012	2005	5,580,000	3/1/2015
2012	2006	<u>55,745,000</u>	10/1/2014
		<u>\$ 154,145,000</u>	

**Water**

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2012	2005	<u>2,720,000</u>	11/1/2015
		<u>\$ 2,720,000</u>	

**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 \$5,181,894 for the fiscal year ended June 30, 2013.

Future year lease obligations are listed below:

<b>Year Ending June 30,</b>	<b>Lease Obligations</b>
2014	\$ 5,141,942
2015	4,681,185
2016	4,132,795
2017	1,931,977
2018	616,542
Thereafter	<u>2,593,285</u>
Total minimum lease payments	<u>\$ 19,097,726</u>

Effective July 1, 2012, the Norfolk Community Services Boards (CSB) became a special revenue fund of the City and as a result the City has assumed responsibility for its leases. CSB's leases are included in the preceding table.

**CITY OF NORFOLK, VIRGINIA**  
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**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 10 years of post-close care costs beyond December 31, 2010. The \$1,412,900 reported as an obligation for landfill closure and post-closure costs at June 30, 2013, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

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

Primary Government:	
Governmental activities:	
General fund	\$ 15,477,134
Non-major governmental and internal service funds	<u>1,055,080</u>
Total governmental	<u><u>\$ 16,532,214</u></u>
Enterprise funds:	
Water Utility fund	\$ 1,084,482
Wastewater Utility fund	360,940
Parking Facilities fund	293,992
Total enterprise funds	<u><u>\$ 1,739,414</u></u>
Component Unit - School Board	<u><u>\$ 9,254,571</u></u>

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**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, 2013, the City's debt limit is \$1,831,994,848 of which \$1,013,926,798 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, 2013 are as follows:

<b>Projects</b>	<b>Total</b>
<b>Bonds Authorized and Unissued:</b>	
<b>Capital Fund Projects</b>	
General Capital Improvement Projects	\$ 181,938,455
Maritime Center Capital Improvement Projects	-
Towing and Recovery Capital Improvement Projects	3,091,084
Storm Water Capital Improvement Projects	<u>3,500,000</u>
Capital Fund Projects Total	<u>\$ 188,529,539</u>
Water Utility Fund Projects	75,235,932
Wastewater Utility Fund Projects	12,485,748
Parking Facilities Fund Projects	<u>74,554,084</u>
<b>Bonds Authorized and Unissued</b>	<u><u>\$ 350,805,303</u></u>

**CITY OF NORFOLK, VIRGINIA**  
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**L. Changes in Long-Term Obligations**

A summary of fiscal year 2013 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance, restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds and Notes Payable:					
General obligation bonds	\$ 717,407,392	\$ -	\$ 52,498,750	\$ 664,908,642	\$ 89,191,397
Other Liabilities:					
Vested compensated absences	16,502,311	8,832,413	9,048,650	16,286,074	10,105,000
Other post-employment benefits	22,870,641	5,765,923	4,045,599	24,590,965	-
Retiree's life insurance	330,000	-	30,000	300,000	30,000
Self-insurance	31,400,391	4,300,564	4,863,716	30,837,239	3,584,723
Landfill closure and post-closure costs	1,658,438	-	245,538	1,412,900	-
Total Other Liabilities	<u>72,761,781</u>	<u>18,898,900</u>	<u>18,233,503</u>	<u>73,427,178</u>	<u>13,719,723</u>
Governmental Activities					
Long-term liabilities	790,169,173	18,898,900	70,732,253	738,335,820	102,911,120
Internal Service Funds:					
Vested compensated absences	290,231	70,048	114,139	246,140	152,700
Total Internal Service Funds	<u>290,231</u>	<u>70,048</u>	<u>114,139</u>	<u>246,140</u>	<u>152,700</u>
Total Governmental Activities	<u>\$ 790,459,404</u>	<u>\$ 18,968,948</u>	<u>\$ 70,846,392</u>	<u>\$ 738,581,960</u>	<u>\$ 103,063,820</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Bonds and Notes Payable:					
Water	\$ 328,226,642	\$ 43,070,000	\$ 3,412,073	\$ 367,884,569	\$ 7,801,047
Wastewater	149,898,381	11,225,334	9,082,342	152,041,373	9,148,484
Parking facilities	155,013,920	5,845,000	9,833,823	151,025,907	66,469,729
Total Bonds and Notes Payable	<u>633,138,943</u>	<u>60,140,334</u>	<u>22,328,238</u>	<u>670,951,039</u>	<u>83,419,260</u>
Other Liabilities:					
Vested compensated absences	1,730,979	982,505	974,070	1,739,414	949,774
Other post employment benefits	2,588,340	604,229	423,950	2,768,619	-
Contractual obligations	-	3,325,128	-	3,325,128	-
Total Other Liabilities	<u>4,319,319</u>	<u>4,911,862</u>	<u>1,398,020</u>	<u>7,833,161</u>	<u>949,774</u>
Total Business-Type Activities	<u>\$ 637,458,262</u>	<u>\$ 65,052,196</u>	<u>\$ 23,726,258</u>	<u>\$ 678,784,200</u>	<u>\$ 84,369,034</u>
<b>COMPONENT UNITS:</b>					
Bonds and Notes Payable:					
Waterside Associates	\$ 4,285,529	\$ -	\$ 4,285,529	\$ -	\$ -
Other Liabilities - Norfolk Public Schools:					
Vested compensated absences	8,967,984	10,662,048	10,375,461	9,254,571	6,940,929
Other post employment benefits	11,711,300	6,309,396	3,928,538	14,092,158	-
Pollution remediation	1,078,555	-	1,078,555	-	-
Workers' compensation claims	2,728,126	603,341	557,744	2,773,723	262,384
Claims liability	39,550	190,664	184,030	46,184	3,754
Component Units long-term obligations	<u>\$ 28,811,044</u>	<u>17,765,449</u>	<u>\$ 20,409,857</u>	<u>\$ 26,166,636</u>	<u>\$ 7,207,067</u>

**CITY OF NORFOLK, VIRGINIA**  
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**IX. Pension Plans**

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

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

**Plan Description**

The Employees' Retirement System of the City of Norfolk (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 and Constitutional Officers' employees who are covered by the Virginia Retirement System. The ERS provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service. Cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The ERS and its benefits are established by Section 37 of the Code of the City of Norfolk, Virginia as amended. All employees hired on or after October 5, 2010 contribute 5% of compensation to the benefit plan with the exception of Norfolk Community Services Board employees at June 30, 2012 who became City employees on July 1, 2012. The ERS is included as a Pension Trust fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA 23510.

**Funding Policy**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The contribution requirement of \$42,330,492 for the fiscal year ended June 30, 2013 was based on 23.8% of covered payroll for general employees and for public safety employees. This contribution requirement is recorded in the City's *Statement of Net Position* as a liability payable to the Pension Trust fund and will be made in fiscal year 2014.

**Annual Pension Cost**

For fiscal year 2013, the ERS's annual pension cost was equal to the City's required and actual (to be made in fiscal year 2014) contribution. The required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age normal method. The amortization method used is level dollar open except for the public safety retirement enhancement program which is amortized over a closed 20-year period commencing July 1, 2005 and the Voluntary Retirement Incentive

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Program which is amortized over a closed 20-year period commencing July 1, 2012. Significant actuarial assumptions included: (a) 7.0% investment rate of return (net of administrative expenses), (b) projected average salary increases of 5.64% for general employees and 6.68% for public safety employees and (c) an assumed inflation rate of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2013 was 12 years.

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2011	\$ 42,828,229	100%	\$ -
June 30, 2012	\$ 41,466,456	100%	\$ -
June 30, 2013	\$ 42,330,492	100%	\$ -

**Funding Status and Funding Progress**

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

**CITY - EMPLOYEES' RETIREMENT SYSTEM**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Accrued Liability (AAL)</b>	<b>Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>% of Covered Payroll</b>
June 30, 2013	\$954,500,000	\$1,159,700,000	\$205,200,000	82.3%	\$184,100,000	-111.5%

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**B. School Board – Retirement Plan**

**Plan Description – Virginia Retirement System (VRS)**

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. 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. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, 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%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier.

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

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for 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, VA 23218-2500.

**Funding Policy**

Title 51.1 of the *Code of Virginia* (1950) requires plan members, as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's professional and non-professional employees' contribution rates for the fiscal year ended June 30, 2013 were 11.66% and 11.10% of annual covered payroll (not including assumed 5%). The School Board's contributions to the VRS for the fiscal years ended June 30, 2013, 2012, and 2011 for professional employees were \$24,033,904, \$22,597,524, and \$18,557,452, respectively, such amounts comprising 100% of the required statutory contributions for each of the three years.

**CITY OF NORFOLK, VIRGINIA**  
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**Annual Pension Cost – Agent Multiple-Employer Plan**

For 2013, the School Board's annual pension costs of \$1,741,681 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) 7.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% to 5.6% and (c) 2.5% per year cost-of-living adjustments for Plan 1 members and 2.25% cost-of-living adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The amortization method is level percentage of projected payroll on an open basis and the remaining amortization period is 30 years.

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

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2011	\$ 1,932,102	100%	\$ -
June 30, 2012	\$ 1,866,524	100%	\$ -
June 30, 2013	\$ 1,741,681	100%	\$ -

**Funding Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the agent multiple employer plan was 74.31% funded. The actuarial accrued liability for benefits was \$83,259,850, and the actuarial value of assets was \$61,872,968 resulting in an unfunded actuarial accrued liability (UAAL) of \$21,386,853. The covered payroll (annual payroll of active employees covered by the plan) was \$14,886,664 and the ratio of the UAAL to the covered payroll was 143.66%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

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

**SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded)		Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
			Accrued Liability	Actuarial Accrued Liability (UAAL)			
June 30, 2012	\$61,872,968	\$83,259,820	\$21,386,853	74.3%	\$14,886,664	143.7%	

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

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

**Plan Description**

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent, which administers a multiple-employer defined benefit pension plan for the City of Norfolk. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA 23218-2500.

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**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate (including the assumed 5%) for the fiscal year ended June 30, 2012 was 13.34% of annual covered payroll.

**Annual Pension Cost**

For 2013, the City's annual pension cost of \$3,134,547 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. These rates are effective from July 1, 2010 through June 30, 2012. The actuarial assumptions included: (a) 7% investment rate of return; (b) projected salary increases that range between 3.75% to 5.6% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 30 years.

Trend information for the City VRS plan is as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2011	\$3,289,129	100%	\$ -
June 30, 2012	\$3,212,447	100%	\$ -
June 30, 2013	\$3,134,547	100%	\$ -

**Funding Status and Funding Progress**

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

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**CITY - VRS EMPLOYEES**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded)		Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Actuarial Accrued Liability (UAAL)			
June 30, 2012	\$59,996,468	\$76,354,459	\$16,357,991	78.6%	\$24,676,799	66.3%	

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

**X. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral may be up to 25% of gross income up to a maximum of \$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.

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

**Plan Description**

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with 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 health care coverage using the same health care plans and premium structures available to active employees. Retiree

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participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the Schools' benefits offices based on the participation guidelines established by Norfolk City Council and Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued. The Plan is considered a single-employer plan.

**Funding Policy**

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

The annual required contribution was determined as part of the July 1, 2012 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 3.5% investment rate of return and (b) projected salary increases of 3.5% per year. Both (a) and (b) include a medical inflation component of 9.0% (pre-Medicare grading to 4.0% over 15 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 School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 43 and 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Trend information for the City's and School's 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>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>City Employees and Retirees</b>			
June 30, 2011	\$ 7,990,415	37%	\$ 20,162,141
June 30, 2012	\$ 8,066,866	40%	\$ 25,458,971
June 30, 2013	\$ 6,370,152	59%	\$ 27,359,584
<b>School Employees and Retirees</b>			
June 30, 2011	\$ 6,001,485	35%	\$ 8,065,446
June 30, 2012	\$ 5,806,648	80%	\$ 11,711,301
June 30, 2013	\$ 4,728,548	83%	\$ 14,092,158

The actuarial liabilities of the Plans as of July 1, 2012 are shown below:

	<b>City</b>	<b>Schools</b>	<b>Total</b>
Actuarial liability:			
Active employees	\$33,069,053	\$49,719,144	\$82,788,197
Retirees	\$24,124,005	19,777,515	\$43,901,520
Total actuarial liability	<u>\$57,193,058</u>	<u>\$69,496,659</u>	<u>\$126,689,717</u>
Less: plan assets	-	-	-
Unfunded actuarial accrued liability	<u>\$57,193,058</u>	<u>\$69,496,659</u>	<u>\$126,689,717</u>

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

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	City	Schools	Total
<b>Net OPEB obligation as of June 30, 2011</b>	\$20,162,151	\$8,065,445	\$28,227,596
Annual required contribution (ARC) for FY2012	\$8,007,917	\$5,776,435	\$13,784,352
Interest on net OPEB obligation	825,737	423,080	1,248,817
Adjustment to ARC	(766,769)	(392,867)	(1,159,636)
Annual OPEB cost	\$8,066,885	\$5,806,648	\$13,873,533
Plus: adjustment to FY2011 contributions	481,278	2,511,565	2,992,843
Less: expected contributions made	(3,251,333)	(4,672,358)	(7,923,691)
Increase in net OPEB obligation	\$5,296,830	\$3,645,855	\$8,942,685
<b>Net OPEB obligation as of June 30, 2012</b>	<b>\$25,458,981</b>	<b>\$11,711,300</b>	<b>\$37,170,281</b>
Annual required contribution (ARC) for FY2013	\$6,357,790	\$4,721,902	\$11,079,692
Interest on net OPEB obligation	865,369	465,225	1,330,594
Adjustment to ARC	(853,007)	(458,579)	(1,311,586)
Annual OPEB cost	\$6,370,152	\$4,728,548	\$11,098,700
Plus: adjustment to FY2012 contributions	(734,140)	1,580,848	846,708
Less: expected contributions made	(3,735,409)	(3,928,538)	(7,663,947)
Increase in net OPEB obligation	\$1,900,603	\$2,380,858	\$4,281,461
<b>Net OPEB obligation as of June 30, 2013</b>	<b>\$27,359,584</b>	<b>\$14,092,158</b>	<b>\$41,451,742</b>

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accrued liability for benefits was \$126 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$126 million. The combined covered payroll of active City and School employees covered by the plan was \$354 million, and the ratio of the UAAL to the covered payroll was 35.8%. 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.

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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 (Overfunded)			Covered Payroll	UAAL as a % of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll		
<b>CITY EMPLOYEES AND RETIREES</b>							
July 1, 2012	\$ -	\$ 57,193,058	\$ 57,193,058	0.0%	\$ 167,592,964		34.1%
<b>SCHOOL EMPLOYEES AND RETIREES</b>							
July 1, 2012	\$ -	\$ 69,496,659	\$ 69,496,659	0.0%	\$ 186,413,340		37.3%

**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, 2012 with results projected for the fiscal year ended June 30, 2013. The entry age normal actuarial cost method was used with a level percent open amortization method over 30 years. A discount rate of 3.5% was used. Annual rates of health care inflation used were 9.0% (pre-Medicare) grading to 4.0% over 15 years and the annual rate of salary increases used was 3.5%.

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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**XII. Interfund Receivable and Payable Balances**

The composition of interfund activity as of June 30, 2013 is as follows:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
General fund	Capital Projects fund	\$ 5,109,315
	Grants fund	42,228
	Internal Service funds	631,860
	Water Utility fund	1,311,152
	<b>Total General fund</b>	<b>\$ 7,094,555</b>
Capital Projects fund	General Fund	\$ 975,074
	Parking Fund	10,003
	<b>Total Capital Projects fund</b>	<b>\$ 985,077</b>
Non-major governmental funds	General fund	\$ 175,499
	Capital Projects fund	934,323
	<b>Total Non-major governmental funds</b>	<b>\$ 1,109,822</b>
	<b>Total Governmental funds</b>	<b>\$ 9,189,454</b>
<b><u>Payable Fund</u></b>	<b><u>Receivable Fund</u></b>	
General fund	Grants fund	\$ 111,882
	EOC Fund	63,617
	<b>Capital Projects Fund</b>	<b>975,073</b>
	<b>Total General fund</b>	<b>\$ 1,150,572</b>
Capital Projects fund	General fund	\$ 4,993,964
	Stormwater fund	9,313
	Grants fund	373,256
	EOC/911 fund	5,185
	Land Acquisition Fund	115,351
	Public Amenities fund	351,616
	Cemeteries fund	7,902
	Tax Increment fund	62,050
	Community Services Board Fund	104,106
	Golf fund	4,853
	Towing and Recovery fund	16,042
	<b>Total Capital Projects fund</b>	<b>\$ 6,043,638</b>
Nonmajor governmental funds	General fund	\$ 42,228
	<b>Total Nonmajor governmental funds</b>	<b>\$ 42,228</b>
	<b>Total Governmental funds</b>	<b>\$ 7,236,438</b>
<b><u>Payable Fund</u></b>	<b><u>Receivable Fund</u></b>	
Water Utility fund	General fund	\$ 1,311,152
	<b>Total Water Utility fund</b>	<b>\$ 1,311,152</b>
Parking Fund	Capital Projects fund	\$ 10,003
	Total Parking fund	10,003
	<b>Total Enterprise funds</b>	<b>\$ 1,321,155</b>
<b><u>Payable Fund</u></b>	<b><u>Receivable Fund</u></b>	
Internal Service funds	General fund	\$ 631,860
	<b>Total Internal Service funds</b>	<b>\$ 631,860</b>

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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.

**XIII. Interfund Transfers**

The following interfund transfers occurred during fiscal year 2013:

Fund	In	Out
General fund	\$ 20,481,878	\$ 83,781,713
Capital Projects fund	3,924,866	10,446,229
Debt Service fund	78,226,814	-
Nonmajor governmental funds	9,487,082	7,778,344
Enterprise:		
Water Utility fund	-	8,500,000
Wastewater Utility fund	-	1,500,000
Parking Facilities fund	-	114,354
	<hr/> <u>\$ 112,120,640</u>	<hr/> <u>\$ 112,120,640</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$20,481,878 include \$8,500,000 from the Water Utility fund and \$1,500,000 from the Wastewater Utility fund which represent a return on investment back to the General fund, \$521,295 from the Grants special revenue fund which represents the return of unspent match portion of grant monies, \$9,846,2269 from the Capital Projects fund for equipment and vehicles purchases and \$114,354 from the Parking Facilities fund to cover parking costs of cruise customers at the Maritime Facility.

The General fund transfers out of \$83,781,713 represent a transfer of \$74,590,545 to the Debt Service fund to fund general obligation debt; \$609,666 to the Capital Projects fund as a contribution for the annual capital improvement plan budget; \$3,048,450 to the Community Services Board fund in support of the facility operations, \$4,051,242 to the Grants special revenue fund in support of grant projects; \$220,000 to the Cemeteries special revenue fund, \$848,810 to the Emergency Operations Center/E-911 special revenue fund and \$413,000 to the Golf special revenue fund for operational support of these funds.

Debt service transfers of \$78,226,814 include \$2,750,027 from the Storm Water special revenue fund, \$309,950 from the Public Amenities special revenue fund, \$34,311 from the Towing and Recovery special revenue fund, \$541,981 from the Tax Increment

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special revenue fund and \$74,590,545 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$2,750,027 to the Debt Service fund to cover its general obligation debt service cost, \$2,315,200 to the Capital Project Fund to support the fund's capital related projects.

The Capital Projects fund transferred \$600,000 to the Grants special revenue fund in support of grant projects and \$9,846,229 to the General fund for equipment and vehicle purchases.

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 \$309,950 to cover its general obligation debt service cost.

The Towing Recovery Operation special revenue fund transferred \$34,311 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 special revenue fund transferred \$541,981 to the Debt Service fund to fund current fiscal year debt service payments.

The Water Utility and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000, respectively, to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$114,354 to the General fund to cover parking costs of cruise customers at Maritime Facility.

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**XIV. 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				
- Prepaid expenses	\$ -	\$ -	\$ 23,783	\$ 23,783
Total Nonspendable	-	-	23,783	23,783
Restricted				
- General government	300,000	-	-	300,000
- Judicial administration	-	-	-	-
- Public safety	-	-	-	-
- Public works	-	-	1,574,145	1,574,145
- Health and public assistance	-	-	2,156,243	2,156,243
- Culture and recreation	-	-	6,153,022	6,153,022
- Community development	-	-	927,744	927,744
- Education	-	-	-	-
- Other purposes	-	-	-	-
Total Restricted	300,000	-	10,811,154	11,111,154
Committed				
- General government	3,000,000	328	-	3,000,328
- Public works	-	-	2,199,045	2,199,045
- Health and public assistance	-	-	-	-
- Culture and recreation	-	13,799	254,747	268,546
- General services	-	-	-	-
- Other purposes capital	-	13,622,823	-	13,622,823
Total Committed	3,000,000	13,636,950	2,453,792	19,090,742
Assigned				
- General government	10,452,066	3,146	267,195	10,722,407
- Judicial administration	-	-	680,713	680,713
- Public safety	-	-	112,541	112,541
- Public works	2,973	949,042	606,272	1,558,287
- Health and public assistance	-	-	2,907,148	2,907,148
- Culture and recreation	70,656	1,791,167	14,036,382	15,898,205
- Community development	3,817,961	4,523,111	2,097,963	10,439,035
- General services	-	-	-	-
- Education	-	-	-	-
- Debt Service	-	-	-	-
- Other purposes (FY-14 Budget appropriation)	19,575,630	72,815	-	19,648,445
Total Assigned	33,919,286	7,339,281	20,708,214	61,966,781
Unassigned	54,054,371	-	-	54,054,371
Total Unassigned	54,054,371	-	-	54,054,371
Total fund balances	<u><u>\$ 91,273,657</u></u>	<u><u>\$ 20,976,231</u></u>	<u><u>\$ 33,996,943</u></u>	<u><u>\$ 146,246,831</u></u>

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**XV. Recovered Costs**

Recovered costs consist of revenues recovered from expenses associated with employee costs, debt service, administrative costs, outside agencies and the public.

Recovered cost in the General fund:	
Debt service recoveries	\$ 2,421,449
Retirement System	308,468
Information Systems recoveries	1,726,270
Other	3,837,339
Administrative cost recoveries from Enterprise funds	3,102,315
Total recovered costs in the General fund	<u><u>\$ 11,395,841</u></u>

**XVI. Other Liabilities**

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

**Governmental Funds:**

General fund - miscellaneous	\$ 3,481,383
Nonmajor funds - miscellaneous	133,648
	<u><u>\$ 3,615,031</u></u>

**Internal Service Funds:**

Fleet Management fund - miscellaneous	\$ 2,142
	<u><u>\$ 2,142</u></u>
	<u><u>\$ 2,142</u></u>

**Enterprise Funds:**

Water Utility fund - miscellaneous	\$ 236,390
Wastewater Utility fund - miscellaneous	64,708
Parking Facilities fund - miscellaneous	141,414
	<u><u>\$ 442,512</u></u>

**Fiduciary Funds:**

Other Agency fund	\$ 3,975,925
Commonwealth of Virginia	14,435
	<u><u>\$ 3,990,360</u></u>

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**XVII. Supplemental Appropriations**

The following supplemental appropriation was made to the general fund operating budget during the fiscal year:

**General Fund:**

Approved FY 2012-2013 budget	\$ 799,790,809
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**Supplemental appropriations:**

Expenditure of Norfolk Public Schools fiscal year 2012 fund balance	<u>3,356,660</u>
Total supplemental appropriations	<u>3,356,660</u>
Final FY 2012-2013 budget	<u><u>\$ 803,147,469</u></u>

**XVIII. Deferred Revenue**

Deferred revenue, as represented in the fund financial statements at June 30, 2013, totals \$28,989,265 and is comprised of the following:

**A. Non-major Governmental Funds**

In the special revenue funds, deferred revenue totaled \$1,022,500. In the Community Development fund, the deferred revenue represents deferred payment rehabilitation loans of \$543,705 as of June 30, 2013. Deferred revenue in the Storm Water special revenue fund of \$478,795 represents deferred billings that have been earned but are not available for funding current expenditures at June 30, 2013.

**B. Deferred Property Tax Revenue**

Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2012 is \$27,966,765.

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**XIX. Commitments and Contingencies**

**A. Capital Projects**

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2013, are as follows:

Water Utility development projects	\$17,040,756
Wastewater Utility development projects	11,225,270
Parking Facilities development projects	616,305
Total	<u><u>\$28,882,331</u></u>

See Exhibit J-3 Capital Projects Fund Schedule of Expenditures for listing of projects capital projects in the Governmental Activities, authorized at June 30, 2013.

The starter light rail system in Norfolk began operations on August 19, 2011. The approximately \$318.3 million system was funded through a combination of federal, state and local sources and is operated by the Hampton Roads Transit. At June 30, 2013, no outstanding expenditures remain.

**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 \$5,150,880 of VRA debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2013. See Note XXIII for more information on this guarantee 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.

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**D. Pollution Remediation Obligation**

GASB Statement 49, *Accounting and Financial Reporting for 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
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

During the fiscal year the City recognized the following liabilities for pollution remediation obligations: \$53,208 associated with the cleanup of the Battleship Wisconsin, in order to open it to the public for tours, \$34,811 associated with extensive renovation on the Seaboard Building and \$20,000 associated with asbestos abatement for replacing windows in the City jail. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates. The potential for a change to the estimate is minimal.

The School Board evaluates its exposure to certain environmental liabilities throughout the year at each of its locations. Estimates of liabilities are made based on consultants with industry experts and often arise when school buildings are replaced.

Primary Government					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Pollution remediation obligation	\$ 220,696	\$ -	\$ 112,677	\$ 108,019	\$ 108,019
<b>COMPONENT UNITS:</b>					
Norfolk Public Schools:					
Pollution remediation obligation	\$ 1,078,555	\$ -	\$ 1,078,555	\$ -	\$ -

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**E. Encumbrances**

Encumbrances as of June 30, 2013 in the General Fund and Capital Projects fund totaled \$7,187,027 and \$77,931,722 respectively. Encumbrances as of June 30, 2013 for nonmajor governmental funds in the aggregate totaled \$17,198,244.

**F. Lamberts Point Landfill**

On October 19, 2011, the City determined that a portion of the shoreline adjacent to the former Lamberts Point landfill was eroding likely due to tidal forces associated with the August 2011 hurricane. The landfill ceased receiving materials in 1980 and was closed in accordance with environmental and health regulatory requirements in effect at that time. In 2005, a golf course was built on the landfill. The City implemented a short-term solution and worked with the Virginia Department of Environmental Quality (DEQ) and other federal and state regulatory agencies on the development of a long-term solution for stabilization of the shoreline. On October 29, 2012, the City issued a Notice to Proceed for stabilization of the Lamberts Point landfill shoreline. Design and construction cost was approximately \$2,800,000. This project was completed during 2013.

**XX. Surety Bonds and Insurance**

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

**XXI. Self and Purchased Insurance Programs**

The City is exposed to various risks of losses related to torts; theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover 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 2013 was \$6,800,013.

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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, 2013, these liabilities were estimated at \$30,837,239 with \$3,584,723 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2013 were determined by an independent actuary.

Changes in the City's claims liability amount in the fiscal years 2012 through 2013 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
2012	\$ 31,673,082	\$ 4,403,895	\$ 4,676,586	\$ 31,400,391
2013	\$ 31,400,391	\$ 4,300,564	\$ 4,863,716	\$ 30,837,239

The City in its General fund has committed \$3,000,000 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 participate in the program and its future expected self-insured losses as of June 30, 2013 projected at \$2,819,907 of which \$266,138 is the current portion and a longer-term projection of \$2,553,769. 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 Public Schools operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2012 through 2013 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
2012	\$ 2,610,119	\$ 1,204,019	\$ 1,046,462	\$ 2,767,676
2013	\$ 2,767,676	\$ 794,005	\$ 741,774	\$ 2,819,907

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**XXII. Jointly Governed Organizations**

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

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

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of HRRJA can be obtained from HRRJA.

**B. Hampton Roads Planning District Commission (the Commission)**

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

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of the Commission can be obtained from the Commission.

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

TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. TDC was established in accordance with Chapter 45 of Title 15.2 of the Code of Virginia. TDC provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TDC

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rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) which 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, 2013. Complete financial statements of TDC can be obtained from TDC.

**XXIII. Joint Venture**

**Southeastern Public Service Authority (SPSA)**

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a sixteen-member Board of Directors consisting of eight members appointed by the Governor and eight members appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

In May 2009, SPSA consolidated its lines of credit into a single line of credit in the amount of \$17,200,000 guaranteed equally by the City of Norfolk and the City of Chesapeake. Outstanding amounts were paid in full in September 2009 and the line of credit was closed effective March 30, 2010, and the guarantee agreement was rescinded.

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resource 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, 2013 were as follows:

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<b>Member community</b>	<b>Guarantee percentage</b>	<b>Principal guarantee</b>
Chesapeake	22.49%	\$ 6,822,340
Franklin	0.97%	294,250
Isle of Wight	3.98%	1,207,330
Norfolk	16.98%	5,150,880
Portsmouth	10.27%	3,115,400
Southampton	2.10%	637,040
Suffolk	12.87%	3,904,120
Virginia Beach	30.34%	9,203,640
	100.00%	\$ 30,335,000

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 at June 30, 2013. Complete financial statements of the SPSA can be obtained from SPSA.

**XXIV. Related Organizations**

**A. Norfolk Redevelopment and Housing Authority (NRHA)**

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

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**B. Norfolk Airport Authority**

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter; the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

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

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

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

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum 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

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independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

**E. The Hospital Authority of Norfolk (HAN)**

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

**F. 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 new central library for the City. Construction began in early 2012. The new central library will be named the Samuel. L. Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, will be joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Foundation will be used for construction costs as well as purchase and maintenance of technology to be 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 donations made by third parties.

**XXV. Adjustments to Beginning Fund Balance and Net Position**

The Norfolk Community Services Board (CSB) was incorporated into the city department and fund structure effective July 1, 2012 as a result of an ordinance adopted by City Council. Previously the CSB was reported as a component unit; however, effective July 1, 2012, it is presented as a non-major special revenue fund. The effect of this change in reporting entity is as follows:

	<u>Primary Government Governmental Activities</u>	
Fund Balance, June 30, 2012, As Previously Reported	Net Position \$ 327,146,565	Non-major funds \$ 26,312,160
CSB's Current Assets	7,247,357	7,247,357
CSB's Capital Assets	1,104,404	-
CSB's Current Liabilities	(3,120,005)	(2,502,356)
CSB's Long-term Liabilities	(259,522)	-
Net Adjustment	<u>4,972,234</u>	<u>4,745,001</u>
Fund Balance, June 30, 2012, As Restated	<u>\$ 332,118,799</u>	<u>\$ 31,057,161</u>

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

**Forward General Obligation Refunding**

On October 2, 2013, the City entered into a Bond Purchase and Loan Agreement with Banc of America Preferred Funding Corporation, under which the City has the ability to issue three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds") to currently refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2005 and General Obligation Capital Improvement and Refunding Bonds, Series 2006 on June 2, 2014, March 2, 2015 and October 1, 2014, respectively. The City has the ability to terminate the Forward Refunding Agreement without issuing any or all of the Forward Refunding Bonds, and Banc of America is not required to purchase any Forward Refunding Bond unless the City satisfies certain advance conditions specified in the Forward Refunding Agreement.

**General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt)**

**General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable)**

**General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable)**

On November 7, 2013, the City issued its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (collectively the "2013 Bonds"). The aggregate true interest cost of the 2013 Bonds was 3.97%. Aggregate total savings of \$3,804,009, or 5.16% of the refunded bonds, benefitted the Parking Facilities Fund.

This refunding replaced all of the Parking Facilities Fund's Revenue Bonds outstanding on that date with General Obligation Bonds; however, the debt service continues to be paid by the Parking Facilities Fund. Additionally, with the refunding of the outstanding Parking System Revenue Bonds, the Parking System Master Indenture of Trust has been defeased.

**General Obligation Variable Rate Bond, Series 2013D (Taxable)**

Additionally, on November 7, 2013, the City entered into a private placement variable rate loan, the \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable) (the "2013D Bond"), with Bank of America, N.A which, along with other available funds, and a portion of the 2013B Bonds, refunded the City's General Obligation Bond Anticipation Note, Series 2011B (Taxable). The 2013D Bond was issued at a rate of LIBOR, plus 0.95%, with the initial interest rate being 4.22%, and with a final maturity of August 1, 2025.

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**Wastewater System Revenue Bond, Series 2013**

On December 12, 2013, the City issued a \$10,000,000 Wastewater System Revenue Bond, with the Virginia Resources Authority (VRA). In conjunction with the State Water Control Board, the VRA administers and manages the Virginia Water Facilities Revolving Fund. The Bond was sold at a true interest cost of 0.00%.

**Dissolution of Central Storehouse**

As part of the budget policy process, the City dissolved the centralized storehouse in July 2013. Inventory used for emergency repairs was sold to the Water or Storm Water funds and the remainder was liquidated or used. Residual balances will be recorded as miscellaneous revenue in the General fund.

**XXVII. Accounting Pronouncements Issued But Not Yet Implemented**

The GASB has issued several pronouncements that may 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. 65: *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to clarify GASB's conceptual definitions of deferred outflows of resources and deferred inflows of resources elements to a broader range of items to enhance consistency in state and local government financial statements. The statement reclassifies or recognizes certain items currently reported as assets and liabilities as one of four financial statement elements — deferred outflows of resources, outflows of resources, deferred inflows of resources or inflows of resources. Before this guidance, many items that appeared to meet the definition of deferred outflows of resources and deferred inflows of resources in Concepts Statement No. 4, *Elements of Financial Statements*, were not specifically identified as such in the GASB's authoritative literature, because the Concepts Statement limits recognition of deferred outflows and deferred inflows to those instances identified in authoritative GASB pronouncement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.
- GASB Statement 66: *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement also amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local*

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**For the Year Ended June 30, 2013**

*Governments.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

- GASB Statement 67: *Financial Reporting for Pension Plans—an amendment of GASB Statement No.25 and No.50.* This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50 for pension plans that are administered through trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. Statement 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.
- GASB Statement 68: *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.27.* This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Governments providing defined benefit pensions will be required to recognize their long-term obligation for pension benefits as a liability and to recognize more pension expense immediately. The Statement also requires revised and new disclosures, and required supplementary information. It also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014; however, earlier application is encouraged.
- GASB Statement 69: *Government Combinations and Disposals of Government Operations.* This Statement provides specific accounting and financial reporting guidance for the combination and disposal of entities in a governmental environment. This Statement also enhances the disclosures around these types of activities to improve the usefulness of financial reporting in this area. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged.
- GASB Statement 70: *Accounting and Financial Reporting for Non-exchange Financial Guarantees.* This Statement requires specific accounting for governments that extend a non-exchange financial guarantee as well as governments that have issued obligations guaranteed in non-exchange transactions. This Statement also specifies the information required to be disclosed in relation to these types of transactions. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged.



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

**(Unaudited)**





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**CITY OF NORFOLK, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Funding Progress for Pension and Other Post-Employment Benefit Plans (Unaudited)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded)</u>		<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>					
			<u>Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>								
<b><u>Retirement Plans:</u></b>												
<b>CITY - EMPLOYEES' RETIREMENT SYSTEM</b>												
June 30, 2008	\$ 937,800,000	\$ 1,009,100,000	\$ 71,300,000	92.9%	\$ 175,400,000		40.6%					
June 30, 2009	\$ 885,600,000	\$ 1,029,600,000	\$ 144,000,000	86.0%	\$ 179,600,000		80.2%					
June 30, 2010	\$ 817,700,000	\$ 1,046,800,000	\$ 229,100,000	78.1%	\$ 175,200,000		130.8%					
June 30, 2011	\$ 832,000,000	\$ 1,064,000,000	\$ 232,000,000	78.2%	\$ 171,000,000		135.7%					
June 30, 2012	\$ 923,200,000	\$ 1,144,400,000	\$ 221,200,000	80.7%	\$ 167,600,000		132.0%					
June 30, 2013	\$ 954,500,000	\$ 1,159,700,000	\$ 205,200,000	82.3%	\$ 184,100,000		111.5%					
<b>CITY - VRS EMPLOYEES</b>												
June 30, 2007	\$ 41,467,595	\$ 40,237,331	\$ (1,230,264)	103.1%	\$ 24,931,958		-4.9%					
June 30, 2008	\$ 47,154,626	\$ 52,000,548	\$ 4,845,922	90.7%	\$ 25,854,549		18.7%					
June 30, 2009	\$ 51,470,652	\$ 58,287,883	\$ 6,817,231	88.3%	\$ 25,997,389		26.2%					
June 30, 2010	\$ 54,256,199	\$ 67,356,664	\$ 13,100,465	80.6%	\$ 24,538,680		53.4%					
June 30, 2011	\$ 57,891,181	\$ 71,530,754	\$ 13,639,573	80.9%	\$ 24,538,681		55.6%					
June 30, 2012	\$ 59,996,468	\$ 76,354,459	\$ 16,357,991	78.6%	\$ 24,676,799		66.3%					
<b>SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES</b>												
June 30, 2007	\$ 61,180,012	\$ 66,118,525	\$ 4,938,513	92.5%	\$ 15,236,207		32.4%					
June 30, 2008	\$ 66,558,849	\$ 72,573,728	\$ 6,014,879	91.7%	\$ 17,520,165		34.3%					
June 30, 2009	\$ 65,474,071	\$ 74,800,079	\$ 9,326,008	87.5%	\$ 16,948,926		55.0%					
June 30, 2010	\$ 64,120,661	\$ 80,984,997	\$ 16,864,336	79.2%	\$ 16,243,835		103.8%					
June 30, 2011	\$ 63,440,533	\$ 81,830,629	\$ 18,390,096	77.5%	\$ 15,357,257		119.7%					
June 30, 2012	\$ 61,872,968	\$ 83,259,820	\$ 21,386,852	74.3%	\$ 14,886,664		143.7%					
<b>Other Post-employment Benefits (OPEB):</b>												
<b>CITY EMPLOYEES AND RETIREES</b>												
July 1, 2009	\$ -	\$ 59,910,937	\$ 59,910,937	0.0%	\$ 171,944,051		34.8%					
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%					
<b>SCHOOL EMPLOYEES AND RETIREES</b>												
July 1, 2009	\$ -	\$ 80,250,361	\$ 80,250,361	0.0%	\$ 198,943,586		40.3%					
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%					
<b>TOTAL</b>												
July 1, 2009	\$ -	\$ 140,161,298	\$ 140,161,298	0.0%	\$ 370,887,637		37.8%					
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	\$ -	\$ 126,689,717	\$ 126,689,717	0.0%	\$ 354,006,304		35.8%					

See accompanying independent auditors' report

**Schedule of Revenue, Budget and Actual (Unaudited)**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	\$ 244,871,000	\$ 244,871,000	\$ 243,604,191	\$ (1,266,809)
Other local taxes	154,180,000	154,180,000	154,198,171	18,171
Permits, privilege fees and licenses	3,900,928	3,900,928	4,098,178	197,250
Fines and forfeitures	1,235,800	1,235,800	1,098,187	(137,613)
Use of money and property	6,417,000	6,353,200	6,106,064	(247,136)
Charges for services	36,921,738	36,985,538	37,091,919	106,381
Miscellaneous revenue	10,864,776	10,864,776	11,857,652	992,876
Recovered costs	11,372,200	11,372,200	11,395,841	23,641
Non-categorical aid - Virginia	31,982,000	31,982,000	32,897,808	915,808
Shared expense - Virginia	19,333,200	19,333,200	19,238,147	(95,053)
Categorical aid - Virginia	237,923,794	237,923,794	247,549,682	9,625,888
Categorical aid - Federal	4,845,200	4,845,200	6,588,650	1,743,450
Other sources and transfers	35,943,173	39,299,833	29,907,122	(9,392,711)
 Total revenue budget	 \$ 799,790,809	 \$ 803,147,469	 \$ 805,631,612	 \$ 2,484,143

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

The budget variances in categorical aid and other sources and transfers resulted from the recognition of deferred revenue in 2013 that was not expected at the time the budget was adopted.

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-2**

**Schedule of Expenditures, Budget and Actual (Unaudited)  
General Fund  
For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 4,549,986	\$ 4,656,972	\$ 4,553,248	\$ 103,724
Executive	2,052,514	2,021,440	1,999,626	21,814
Department of Law	3,930,466	3,971,366	3,964,308	7,058
Finance, City Treasurer, Commissioner of Revenue	8,530,291	8,484,523	8,556,243	(71,720)
Department of Human Resources	3,287,514	3,229,622	3,021,374	208,248
Courts, Sheriff and Detention	47,334,967	47,948,407	47,550,212	398,195
Department of Public Health	4,025,735	4,012,135	3,843,227	168,908
Department of Human Services	47,955,440	48,726,413	47,259,355	1,467,058
Department of Public Works	42,000,527	41,388,452	40,029,593	1,358,859
Recreation Parks and Open Space, Maritime Center	22,980,800	22,763,400	22,782,072	(18,672)
Education	302,033,320	305,389,980	290,894,594	14,495,386
Norfolk Public Libraries	7,905,341	7,825,341	7,840,885	(15,544)
Elections	873,086	873,419	835,276	38,143
Department of Planning & Community Development	7,165,972	7,148,325	7,073,200	75,125
Department of Cultural Facilities, Arts & Entertainment	6,354,130	6,655,863	6,650,099	5,764
Departmental Support	24,191,236	23,564,143	15,976,259	7,587,884
Outside Agencies	38,964,756	38,527,313	37,651,286	876,027
Department of Police	65,619,393	65,497,352	65,578,998	(81,646)
Department of Fire and Rescue	40,147,147	41,348,001	41,358,687	(10,686)
Debt service	78,098,397	78,048,397	77,250,657	797,740
Budget and Management	1,568,094	1,543,574	1,241,720	301,854
General Services	20,482,889	20,035,775	19,207,396	828,379
Economic Development	1,894,169	1,841,369	1,794,140	47,229
Communications and Public Relations	2,466,674	2,457,947	2,396,442	61,505
Department of Information Technology	10,892,475	10,722,276	10,272,540	449,736
Virginia Zoological Park	4,159,200	4,155,860	4,133,667	22,193
Office of Homelessness	326,290	309,804	255,599	54,205
 Total expenditure budget	 \$ 799,790,809	 \$ 803,147,469	 \$ 773,970,703	 \$ 29,176,766

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**  
**Notes to Required Supplementary Information**  
**Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)**  
**June 30, 2013**

	General Fund
<b><u>Sources/inflows of resources:</u></b>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 805,631,612
<b>Differences--budget to GAAP:</b>	
The effects of accounting for school revenue as a component unit	(198,552,789)
The effects of accounting for transfer from fund balance	(19,271,473)
General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(20,481,878)
The effects of accounting for bond financed equipment as revenues	9,846,229
The effects of interest rate subsidies	48,385
The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund	100
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 577,220,186</u></u>
<b><u>Uses/outflows of resources:</u></b>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 773,970,703
<b>Differences--budget to GAAP:</b>	
The effects of accounting for school expenditures as a component unit	(183,707,994)
Equipment purchased with bond proceeds	9,846,229
The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund	718,141
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	(1,091,482)
General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(83,781,713)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds	<u><u>\$ 515,953,884</u></u>

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2013.

# **OTHER SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

**~ Nonmajor Governmental Funds ~**

**~ Agency Funds ~**

**~ Internal Service Funds ~**

## **OTHER SCHEDULES**

**~ Schedule of Expenditures of Federal Awards ~**

**~ Notes to Schedule of Expenditures of Federal Awards ~**

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

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

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



# Nonmajor Governmental Funds

## Special Revenue Funds

**The Special Revenue funds are used to account for 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.

**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.

**Community Services Board:** To account for mental health, mental retardation and substance abuse services provided to the residents of the City of Norfolk.

**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.)**

### **Permanent Fund**

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



**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2013**

<b>Special Revenue Funds</b>						
	Storm Water	Towing	Grants	Community Development	Cemeteries	
<b>ASSETS</b>						
Cash and short term investments	\$ 305,670	\$ 503,985	\$ 4,340,251	\$ 95,173	\$ 259,047	
Receivables, net	2,380,182	8,029	1,056,794	584,084	119,240	
Due from other funds	9,313	16,042	485,138	-	7,902	
Due from other governments	154,639	-	10,968,999	-	5,194	
Prepays	-	23,783	-	-	-	
<b>Total assets</b>	<b><u>\$ 2,849,804</u></b>	<b><u>\$ 551,839</u></b>	<b><u>\$ 16,851,182</u></b>	<b><u>\$ 679,257</u></b>	<b><u>\$ 391,383</u></b>	
<b>LIABILITIES</b>						
Vouchers payable	\$ 98,261	\$ 35,384	\$ 2,726,065	\$ 76,134	\$ 44,901	
Contract retainage	-	-	37,419	-	-	
Accrued payroll	73,042	8,287	64,867	-	-	
Accrued expenses	-	-	-	-	-	
Due to other funds	-	-	42,228	-	-	
Due to other governments	-	-	8,073,411	59,418	-	
Deferred revenue	478,795	-	-	543,705	-	
Other liabilities	661	12,725	-	-	120,262	
<b>Total liabilities</b>	<b><u>650,759</u></b>	<b><u>56,396</u></b>	<b><u>10,943,990</u></b>	<b><u>679,257</u></b>	<b><u>165,163</u></b>	
<b>FUND BALANCES</b>						
Nonspendable	-	23,783	-	-	-	
Restricted	-	-	3,197,519	-	-	
Committed	2,199,045	-	254,747	-	-	
Assigned	-	471,660	2,454,926	-	226,220	
Unassigned	-	-	-	-	-	
<b>Total fund balances</b>	<b><u>2,199,045</u></b>	<b><u>495,443</u></b>	<b><u>5,907,192</u></b>	<b><u>-</u></b>	<b><u>226,220</u></b>	
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,849,804</u></b>	<b><u>\$ 551,839</u></b>	<b><u>\$ 16,851,182</u></b>	<b><u>\$ 679,257</u></b>	<b><u>\$ 391,383</u></b>	

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2013**

Community Services Board	Golf	Special Revenue Funds				Total Special Revenue	Permanent Funds		Nonmajor Governmental Funds
		Public Amenities	EOC/ 911	Tax Increment	Non-Expendable trust				
\$ 3,456,353	\$ 183,416	\$ 11,524,138	\$ 169,926	\$ 2,033,685	\$ 22,871,644	\$ 6,051,931	\$ 28,923,575		
1,938,196	-	552,486	-	-	6,639,011	17,025	6,656,036		
104,106	4,853	351,616	68,802	62,050	1,109,822	-	1,109,822		
-	-	-	4,466	-	11,133,298	-	11,133,298		
144,746	-	-	-	-	168,529	4	168,533		
<b>\$ 5,643,401</b>	<b>\$ 188,269</b>	<b>\$ 12,428,240</b>	<b>\$ 243,194</b>	<b>\$ 2,095,735</b>	<b>\$ 41,922,304</b>	<b>\$ 6,068,960</b>	<b>\$ 47,991,264</b>		
\$ 1,003,128	\$ 17,382	\$ -	\$ 38,537	\$ -	\$ 4,039,792	\$ -	\$ 4,039,792		
-	-	-	-	-	37,419	-	37,419		
263,959	-	-	92,116	-	502,271	-	502,271		
-	-	-	-	-	-	-	-		
-	-	-	-	-	42,228	-	42,228		
83,634	-	-	-	-	8,216,463	-	8,216,463		
-	-	-	-	-	1,022,500	-	1,022,500		
-	-	-	-	-	133,648	-	133,648		
<b>1,350,721</b>	<b>17,382</b>	<b>-</b>	<b>130,653</b>	<b>-</b>	<b>13,994,321</b>	<b>-</b>	<b>13,994,321</b>		
-	-	-	-	-	23,783	-	23,783		
1,460,613	84,062	-	-	-	4,742,194	\$ 6,068,960	10,811,154		
-	-	-	-	-	2,453,792	-	2,453,792		
2,832,067	86,825	12,428,240	112,541	2,095,735	20,708,214	-	20,708,214		
-	-	-	-	-	-	-	-		
<b>4,292,680</b>	<b>170,887</b>	<b>\$ 12,428,240</b>	<b>112,541</b>	<b>\$ 2,095,735</b>	<b>\$ 27,927,983</b>	<b>\$ 6,068,960</b>	<b>\$ 33,996,943</b>		
<b>\$ 5,643,401</b>	<b>\$ 188,269</b>	<b>\$ 12,428,240</b>	<b>\$ 243,194</b>	<b>\$ 2,095,735</b>	<b>\$ 41,922,304</b>	<b>\$ 6,068,960</b>	<b>\$ 47,991,264</b>		

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

<b>Special Revenue Funds</b>						
	Storm Water	Towing	Grants	Community Development	Cemeteries	Community Services Board
<b>REVENUES</b>						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	3,410	-	-	-
Use of money and property	8,592	1,348	3,487	-	-	7,508
Charges for services	13,856,067	1,211,907	31,371	-	1,173,615	5,243,899
Miscellaneous	-	78,480	1,780,272	195,932	-	26,409
Intergovernmental:						
Commonwealth of Virginia	60,690	-	11,618,719	-	5,194	10,457,388
Federal government	289,752	4,804	12,462,464	5,283,723	-	3,237,084
Total revenue	<u>14,215,101</u>	<u>1,296,539</u>	<u>25,899,723</u>	<u>5,479,655</u>	<u>1,178,809</u>	<u>18,972,288</u>
<b>EXPENDITURES</b>						
General government	-	-	227,450	-	-	-
Judicial administration	-	-	3,562,892	-	-	-
Public safety	-	-	4,603,362	-	-	-
Public works	10,135,817	1,413,960	2,487,221	-	-	-
Health and public assistance	-	-	17,878,431	760,581	-	22,473,059
Cultural and recreation	-	-	923,580	-	1,841,156	-
Community development	-	-	1,472,003	4,719,074	-	-
General services	-	-	-	-	-	-
Education	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	<u>10,135,817</u>	<u>1,413,960</u>	<u>31,154,939</u>	<u>5,479,655</u>	<u>1,841,156</u>	<u>22,473,059</u>
Excess (deficiency) of revenue over (under) expenditures	<u>4,079,284</u>	<u>(117,421)</u>	<u>(5,255,216)</u>	<u>-</u>	<u>(662,347)</u>	<u>(3,500,771)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	4,651,242	-	525,580	3,048,450
Transfers out	(5,065,227)	(34,311)	(521,295)	-	-	-
Total other financing sources and uses	<u>(5,065,227)</u>	<u>(34,311)</u>	<u>4,129,947</u>	<u>-</u>	<u>525,580</u>	<u>3,048,450</u>
Net change in fund balances	(985,943)	(151,732)	(1,125,269)	-	(136,767)	(452,321)
Fund balances--beginning	3,184,988	647,175	7,032,461	-	362,987	4,972,234
Adjustment to beginning net assets (Note XXV)	-	-	-	-	-	(227,233)
Fund balances--ending	<u>\$ 2,199,045</u>	<u>\$ 495,443</u>	<u>\$ 5,907,192</u>	<u>\$ -</u>	<u>\$ 226,220</u>	<u>\$ 4,292,680</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

Golf	Special Revenue Funds				Permanent Funds		Total Nonmajor Governmental Funds
	Public Amenities	EOC/ 911	Tax Increment	Total Special Revenue	Non-Expendable Trust		
\$ -	\$ -	\$ -	\$ 2,754,849	\$ 2,754,849	\$ -	\$ 2,754,849	
-	5,527,149	3,571,596	-	9,098,745	-	9,098,745	
-	-	-	-	3,410	-	3,410	
100,928	-	-	-	121,863	5,907	127,770	
989,834	-	4,129	-	22,510,822	174,470	22,685,292	
-	-	-	-	2,081,093	-	2,081,093	
-	-	-	-	-	-	-	
-	-	1,162,560	-	23,304,551	-	23,304,551	
-	-	3,418	-	21,281,245	-	21,281,245	
1,090,762	5,527,149	4,741,703	2,754,849	81,156,578	180,377	81,336,955	
-	-	-	-	227,450	-	227,450	
-	-	-	-	3,562,892	-	3,562,892	
-	-	5,679,595	-	10,282,957	-	10,282,957	
-	-	-	-	14,036,998	-	14,036,998	
-	-	-	-	41,112,071	-	41,112,071	
1,423,015	385,076	-	-	4,572,827	-	4,572,827	
-	-	-	119,639	6,310,716	-	6,310,716	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
1,423,015	385,076	5,679,595	119,639	80,105,911	-	80,105,911	
(332,253)	5,142,073	(937,892)	2,635,210	1,050,667	180,377	1,231,044	
413,000	-	848,810	-	9,487,082	-	9,487,082	
-	(1,309,950)	-	(541,981)	(7,472,764)	(305,580)	(7,778,344)	
413,000	(1,309,950)	848,810	(541,981)	2,014,318	(305,580)	1,708,738	
80,747	3,832,123	(89,082)	2,093,229	3,064,985	(125,203)	2,939,782	
90,140	8,596,117	201,623	2,506	25,090,231	6,194,163	31,284,394	
-	-	-	-	(227,233)	-	(227,233)	
\$ 170,887	\$ 12,428,240	\$ 112,541	\$ 2,095,735	\$ 27,927,983	\$ 6,068,960	\$ 33,996,943	

**Combining Balance Sheet - Agency Funds**  
**June 30, 2013**

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	Commonwealth of Virginia			
	Other	Virginia	Total	
<b>ASSETS</b>				
Cash and short term investments	\$ 3,987,972	\$ 14,435	\$ 4,002,407	
Receivables, net of allowance for uncollectible accounts	-	-	-	
Other	-	-	-	
Total assets	<u>\$ 3,987,972</u>	<u>\$ 14,435</u>	<u>\$ 4,002,407</u>	
<b>LIABILITIES</b>				
Vouchers payable	\$ 12,047	\$ -	\$ 12,047	
Due to other agencies	3,975,925	14,435	3,990,360	
Total liabilities	<u>\$ 3,987,972</u>	<u>\$ 14,435</u>	<u>\$ 4,002,407</u>	

## Agency Funds

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

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



**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2013**

<b>Other</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2013</b>
<b>ASSETS</b>				
Cash and short term investments	\$ 3,957,184	\$ 8,513,733	\$ 8,482,945	\$ 3,987,972
Other receivables	10,524		10,524	
Total assets	<u>\$ 3,967,708</u>	<u>\$ 8,513,733</u>	<u>\$ 8,493,469</u>	<u>\$ 3,987,972</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 29,625	\$ 1,269,592	\$ 1,287,170	\$ 12,047
Due to other agencies	3,938,083	8,252,422	8,214,580	3,975,925
Total liabilities	<u>\$ 3,967,708</u>	<u>\$ 9,522,014</u>	<u>\$ 9,501,750</u>	<u>\$ 3,987,972</u>
<b>Commonwealth of Virginia</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2013</b>
<b>ASSETS</b>				
Cash and short term investments	\$ 17,709	\$ 9,030,652	\$ 9,033,926	\$ 14,435
Total assets	<u>\$ 17,709</u>	<u>\$ 9,030,652</u>	<u>\$ 9,033,926</u>	<u>\$ 14,435</u>
<b>LIABILITIES</b>				
Due to the Commonwealth of Virginia	\$ 17,709	\$ 9,030,652	\$ 9,033,926	\$ 14,435
Total liabilities	<u>\$ 17,709</u>	<u>\$ 9,030,652</u>	<u>\$ 9,033,926</u>	<u>\$ 14,435</u>
<b>Total</b>				
	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2013</b>
<b>ASSETS</b>				
Cash and short term investments	\$ 3,974,893	\$ 17,544,385	\$ 17,516,871	\$ 4,002,407
Other receivables	10,524	-	10,524	-
Total assets	<u>\$ 3,985,417</u>	<u>\$ 17,544,385</u>	<u>\$ 17,527,395</u>	<u>\$ 4,002,407</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 29,625	\$ 1,269,592	\$ 1,287,170	\$ 12,047
Due to other agencies	3,955,792	17,283,074	17,248,506	3,990,360
Total liabilities	<u>\$ 3,985,417</u>	<u>\$ 18,552,666</u>	<u>\$ 18,535,676</u>	<u>\$ 4,002,407</u>

## Internal Service Funds

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

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

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



**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2013**

	Storehouse	Fleet	Management	Total
<b>ASSETS</b>				
Current assets:				
Cash and short term investments	\$ 554,186	\$ 2,796	\$ 556,982	
Receivables, net	-	988,119	988,119	
Inventories	1,891,193	190,754	2,081,947	
Total current assets	<u>2,445,379</u>	<u>1,181,669</u>	<u>3,627,048</u>	
Noncurrent assets:				
Capital assets:				
Land	-	415,000	415,000	
Buildings and equipment, net	10,722	3,882,606	3,893,328	
Total noncurrent assets	<u>10,722</u>	<u>4,297,606</u>	<u>4,308,328</u>	
Total assets	<u>\$ 2,456,101</u>	<u>\$ 5,479,275</u>	<u>\$ 7,935,376</u>	
<b>LIABILITIES</b>				
Current liabilities:				
Vouchers payable	\$ 16,994	\$ 281,026	\$ 298,020	
Due to other funds	-	631,860	631,860	
Compensated absences	17,427	157,531	174,958	
Accrued payroll	2,277	45,828	48,105	
Obligations for employees' retirement	42,568	440,081	482,649	
Other liabilities	-	2,142	2,142	
Total current liabilities	<u>79,266</u>	<u>1,558,468</u>	<u>1,637,734</u>	
Noncurrent liabilities:				
Compensated absences	3,569	67,512	71,081	
Total noncurrent liabilities	<u>3,569</u>	<u>67,512</u>	<u>71,081</u>	
Total liabilities	<u>\$ 82,835</u>	<u>\$ 1,625,980</u>	<u>\$ 1,708,815</u>	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 10,722	\$ 4,297,606	\$ 4,308,328	
Unrestricted	2,362,544	(444,311)	1,918,233	
Total net position	<u>\$ 2,373,266</u>	<u>\$ 3,853,295</u>	<u>\$ 6,226,561</u>	

**Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position - Internal Service Funds  
For the Year Ended June 30, 2013**

	Storehouse	Fleet Management	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,340,914	\$ 12,662,800	\$ 16,003,714
Miscellaneous	3,638	332,409	336,047
Total operating revenues	<u>3,344,552</u>	<u>12,995,209</u>	<u>16,339,761</u>
<b>OPERATING EXPENSES</b>			
Personal services	225,753	2,330,983	2,556,736
Cost of goods sold	2,743,913	8,526,451	11,270,364
Plant operations	6,998	261,416	268,414
Depreciation	4,524	287,652	292,176
Retirement and OPEB contributions	42,568	440,081	482,649
Provision for bad debts	-	(2,536)	(2,536)
Other	70,022	1,564,846	1,634,868
Total operating expenses	<u>3,093,778</u>	<u>13,408,893</u>	<u>16,502,671</u>
Operating income (loss)	<u>250,774</u>	<u>(413,684)</u>	<u>(162,910)</u>
<b>NONOPERATING REVENUE</b>			
Interest and investment income	-	2,982	2,982
Total nonoperating revenue	<u>-</u>	<u>2,982</u>	<u>2,982</u>
Net income (loss)	<u>250,774</u>	<u>(410,702)</u>	<u>(159,928)</u>
Change in net position	<u>250,774</u>	<u>(410,702)</u>	<u>(159,928)</u>
Net Change in Net Position	<u>250,774</u>	<u>(410,702)</u>	<u>(159,928)</u>
Net position--beginning	<u>2,122,492</u>	<u>4,263,997</u>	<u>6,386,489</u>
Net position--ending	<u><u>\$ 2,373,266</u></u>	<u><u>\$ 3,853,295</u></u>	<u><u>\$ 6,226,561</u></u>

**Combining Statement of Cash Flows - Internal Service Funds**  
**For the Year Ended June 30, 2013**

	Storehouse	Management	Fleet	
			Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 3,344,552	\$ 12,494,178	\$ 15,838,730	
Payments to suppliers	(312,364)	(2,850,261)	(3,162,625)	
Payments to employees	(2,825,961)	(9,376,846)	(12,202,807)	
Other payments	-	(1,566,432)	(1,566,432)	
Net cash provide by (used in) operating activities	<u>206,227</u>	<u>(1,299,361)</u>	<u>(1,093,134)</u>	
<b>CASH FLOWS FROM NONCAPITAL</b>				
<b>FINANCING ACTIVITIES:</b>				
Interfund activity	46,024	1,297,453	1,343,477	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends	-	2,982	2,982	
Net cash provided by investing activities	<u>-</u>	<u>2,982</u>	<u>2,982</u>	
Net increase in cash and short term investments	252,251	1,074	253,325	
Cash and short term investments - beginning of the year	301,935	1,722	303,657	
Cash and short term investments - end of the year	<u>\$ 554,186</u>	<u>\$ 2,796</u>	<u>\$ 556,982</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>				
<b>Provided by (used in) Operating Activities</b>				
Operating income (loss)	\$ 250,774	\$ (413,684)	\$ (162,910)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	4,524	287,652	292,176	
Provision for bad debts				-
Change in assets and liabilities:				
Receivables, net	-	(503,567)	(503,567)	
Inventories	3,906	169,346	173,252	
Vouchers payable	(8,934)	(757,968)	(766,902)	
Accrued payroll	(4,047)	(30,838)	(34,885)	
Obligation for Employees' Retirement System	(25,243)	-	(25,243)	
Other liabilities	(14,753)	(50,302)	(65,055)	
Net cash provided by (used in) operating activities	<u>\$ 206,227</u>	<u>\$ (1,299,361)</u>	<u>\$ (1,093,134)</u>	

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**Schedule I**

<b>Federal Granting Agency/Recipient</b>	<b>CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Federal Expenditures</b>	<b>ARRA Expenditures</b>
Recipient State Agency/Grant program				
<b><u>Department of Agriculture:</u></b>				
Direct Payments:				
Food Stamp Program - Administration	10.561		4,142,968	
Pass-through Payments:				
State Department of Agriculture:				
National School Breakfast Program	10.553		3,401,595	
National School Lunch Program	10.555		9,219,327	
National School Lunch Program (Commodities)	10.556		1,142,297	
National VA Child & Adult Care Food Program	10.558		5,832	
National Summer Food Service Program	10.559		713,453	
USDA School Nutrition Program	10.559		79,250	
<b><u>Department of Housing and Urban Development:</u></b>				
Direct Payments:				
Community Development Block Grant	14.218		5,283,723	
For Kids, Inc. Haven Family Services	14.231		55,000	
Salvation Army	14.231		34,000	
Ecumenical Family Shelter	14.231		61,185	
St Columbia Ecumenical	14.231		27,411	
YWCA South Hampton Roads	14.231		15,713	
Shelter Plus Care Program	14.238		462,893	
Supportive Housing Program	14.239		324,000	
HOME CHDO Operating	14.239		272,348	
Office to End Homelessness	14.239		72,175	
NRHA - Homebuyer Assistance	14.239		649,218	
HOME NRHA Administration	14.239		183,502	
HOME - Rapid Exit Program	14.239		37,561	
ARRA - CDBG R	14.253			14,088
Pass-Through Payments:				
Neighborhood Stabilization	14.228		27,025	
<b><u>Department of Justice:</u></b>				
Direct Payments:				
State Criminal Alien Assistance Program	16.606		1,714	
Community Oriented Policing Services:				
Justice Assistance Grant	16.523		57,266	
Edward Byrne Memorial Grant	16.523		254,924	
Bulletproof Vests Grant	16.607		18,265	
Asset Forfeiture - Special Police Grant	16.922		61,238	
COPS Hiring Program	16.710		466,557	
ARRA - COPS Hiring Program	16.710			292,897
Justice and Mental Health Collaboration Program	16.745		28,886	
ARRA - Justice Assistance Grant	16.804			581,895
Pass-Through Payments:				
US Marshall Service	16.000			-
Department of Criminal Justice Services:				
Project Safe Neighborhoods	16.609		139	
Juvenile Accountability Block Grant	16.520	12-N3213JB10	36,315	
VSTOP Prosecutorial Project	16.540	12-Q9223VA11	44,659	
Evening Reporting	16.540	13-D5997JJ11	46,171	
Second Chance Act Grant	16.579		67,138	
Criminal Justice Information Technology	16.738		840	
<b><u>Department of Labor:</u></b>				
Direct Payments:				
VETS - Homeless Veterans Program	17.805		1,334	
<b><u>Department of Transportation:</u></b>				
Direct Payments:				
Pass-Through Payments:				
ARRA - Citywide Repaving	20.205	U000-122-219 U000-122-		804,440
Citywide Traffic Signal	20.205	S46/S55/S56	467,941	
Highway Safety Project	20.607		12,000	
Selective Enforcement	20.600		52,018	

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**Schedule I**

<b>Federal Granting Agency/Recipient</b> Recipient State Agency/Grant program	<b>CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Federal Expenditures</b>	<b>ARRA Expenditures</b>
<b><u>Environmental Protection Agency:</u></b>				
Pass-Through Payments:				
Virginia Resources Authority - Revolving Loan	66.458	C-515433-02	1,008,908	
Virginia Resources Authority - Revolving Loan	66.458	C-515464-02	5,389,743	
Virginia Resources Authority - Revolving Loan	66.458	C-515492-o1b	4,885,751	
<b><u>Department of Homeland Security</u></b>				
Pass-Through Payments:				
Port Security Grant	97.056		661,213	
FEMA Hazard Mitigation	97.039		7,047	
FEMA Hazard Mitigation	97.092		159,597	
Urban area Security Initiative	97.008		354,750	
Homeland Security Grant	97.073		54,332	
<b><u>Department of Education:</u></b>				
Direct Payments:				
School Assistance in Federally Affected Areas	84.041		4,240,677	
Pass-Through Payments:				
Department of Education:				
Education Consolidation and Improvement Act of 1981:				
Adult Literacy	84.002	V002A100047	304,840	
Title I:				
Educationally Deprived Children- Programs Operated by LEA's	84.010	S010A030046	22,147,499	
ARRA - Title 1 Part A Entitlements	84.389	S389A090046		17,130
School Improvement - Title I	84.010	S010A100046	2,526	
School Improvement Grant - Title	84.010	S010A100046	88,676	
ARRA - 1003g School Improvement Funds of ARRA	84.388	S388A090047		3,203,507
Negligent Delinquent Children	84.010	S010A030046	153,732	
Program for Neglected Children	84.013	S013A090046	51,966	
Evenstart Program	84.213	S213C080047	(909)	
ARRA - Neglected, Delinquent or At-Risk	84.389	S389A090046		3,503
Title III:				
Limited English	84.365	S365A10046	45,421	
Immigrant and Youth State Grant	84.365	S365A110046	29,226	
Title VI-B:				
Assistance to States for Education of Handicapped				
Children:				
Special Education Flow Thru (Federal)	84.027	H027A100107	7,345,315	
Handicapped Preschool Incentive Grant	84.173	H173A120112	335,144	
Virginia Incentive Program for Speech - Language Pathologist	84.027	H027A120107	24,000	
Virginia Department of Education Mini Grants	84.027	H027A100107	82	
Title IV-B:				
Vocational Education:				
Carl Perkins Vocational	84.048	VA048A110046	712,944	
Health & Medical Sciences	84.048	VA48A110046	82	
<b><u>Department of Education (continued):</u></b>				
Special Projects:				
Math Solutions Study Project (National Science Foundation)	47.076	918313	36,565	
McKinney Homeless Assistance	84.196	G11810	25,856	
Enhancing Education with Tech Phase II	84.318	S318X10046	75,829	
1003g School Improvement Grant (Award 2009)	84.377	S377A090047	116,026	
1003g School Improvement Grant (Award 2010)	84.377	S377A100047	1,215,258	
21st Century Community Learning Center	84.287		344,877	
Early Reading First	84.359	S359B090116	1,257,125	
State Council of Higher Education	84.367	12-150-513861	17,033	
Teacher & Principal Training	84.367	S367A100044	2,345,832	
Investing in Innovations 13	84.411A	12-219-317101	261,384	
National Science Foundation	47.082	DUE-0926537	49,046	
Fruit and Vegetable Program	10.582	PAPER	194,084	
ARRA - Longitudinal Data Systems	84.384	R384A100037		4,200
Dept of Mental Health, Mental Retardation and Substance Abuse				
Mental Retardation Early Intervention	84.181		243,625	
<b><u>Department of Energy</u></b>				
Direct Payments:				
ARRA - Energy Efficiency and Conservation Block Grant	81.128			157,040
<b><u>Department of the Navy:</u></b>				
Pass-Through Payments:				
Hampton Roads Full Scale Training	12.607		6,168	

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**Schedule I**

<b>Federal Granting Agency/Recipient</b>	<b>CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Federal Expenditures</b>	<b>ARRA Expenditures</b>
Recipient State Agency/Grant program				
<b>Federal Emergency Management Agency</b>				
Direct Payments:				
Noreaster Disaster Assistance	97.036		2,690,371	
<b>Department of Health and Human Services:</b>				
Direct Payments:				
HIV/AIDS Grant	93.914		5,321,777	
Substance Abuse and Mental Health Services Administration	93.243		453,716	
Pass-Through Payments:				
Projects for Assistance in Transition to Homeless (PATH)	93.150		99,374	
Youth & Family Services Grant	93.556		190,724	
Temporary Assistance to Needy Families	93.558		4,102,100	
Refugee and Entrant Assistance State Administered Prog	93.566		14,229	
Local-Income Home Energy Assistance	93.568		356,094	
Payments to States for Child Care Assistance	93.575		(624)	
Child Development Care	93.596		594,488	
Independent Living Program - Education and Training	93.599		15,593	
Family Preservation	93.645		21,460	
<b>Department of Health and Human Services (continued):</b>				
Foster Care - Title IV - E	93.658		2,536,231	
Adoptive Assistance	93.659		1,527,354	
Social Services Block Grant	93.667		3,632,392	
Independent Living Initiative Program	93.674		51,494	
FAMIS Outreach Grants	93.767		100,758	
Medical Assistance Program - Administrative	93.778		2,460,097	
Mental Health Federal Block Grant	93.958		143,153	
Substance Abuse Federal Block Grant	93.959		1,800,153	
<b>Other Federal Assistance:</b>				
Sheriff Social Security	N/A		4,600	
<b>Totals</b>			<b><u>108,134,684</u></b>	<b><u>5,078,700</u></b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

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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	\$ 21,064,410
Non-major governmental funds	21,281,245
Total revenues from federal government	<u>42,345,655</u>

**Component Unit - School Board**

Total Federal Grants Awarded	58,786,105
Direct Payments:	
Navy Junior ROTC	478,187
Erate - Universal Service Funds	363,766
Medicaid	1,426,472
Total - Norfolk Public Schools	61,054,530
<b>Total federal financial assistance reported in basic financial statements</b>	<u>\$ 103,400,185</u>

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

Enterprise - VRA Loan - Wastewater Fund	11,284,402
CSA Federal Revenue	1,025,487
Disaster Assistance Federal Revenue	247,813
Federal awards not reported on the SEFA:	
Norfolk Public Schools Direct Payments	(2,268,425)
US Marshall Services	(259,890)
Build America Bond Interest Rate Subsidy	(99,737)
Other reconciling items	(116,451)
<b>Total federal awards</b>	<u>\$ 113,213,384</u>

**Reconciliation to Exhibit A-3**

Revenues from federal government	\$ 42,345,655
Revenues from Commonwealth of Virginia	118,802,091
<b>Total intergovernmental revenue</b>	<u>\$ 161,147,746</u>

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

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**4. Clusters**

Clustered programs for the year ended June 30, 2013 were as follows:

<b>Grant Program / Cluster</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
National School Breakfast Program	10.553	3,401,595
National School Lunch Program	10.555	9,219,327
National School Lunch Program (Commodities)	10.556	1,142,297
USDA School Nutrition Program	10.559	79,250
National VA Child & Adult Care Food Program	10.558	5,832
National Summer Food Service Program	10.559	713,453
<b>Total Child Nutrition Cluster</b>		<b>14,561,754</b>
Food Stamp Program - Administration	10.561	4,142,968
<b>Total Supplemental Nutrition Assistance Program (SNAP) Cluster</b>		<b>4,142,968</b>
Community Development Block Grants/Entitlement Grants	14.218	5,283,723
ARRA - Community Development Block Grant	14.253	14,088
<b>Total CDBG - Entitlement Grants Cluster</b>		<b>5,297,811</b>
Neighborhood Stabilization	14.228	27,025
<b>Total CDBG - State-Administered CDBG Cluster</b>		<b>27,025</b>
ARRA - Justice Assistance Grant	16.804	581,895
<b>Total JAG Program Cluster</b>		<b>581,895</b>
ARRA - Citywide Repaving	20.205	804,440
Citywide Traffic Signal	20.205	467,941
<b>Total Highway Planning and Construction Cluster</b>		<b>467,941</b>
Selective Enforcement	20.600	52,018
Highway Safety Project	20.607	12,000
<b>Total Highway Safety Cluster</b>		<b>64,018</b>
Educationally Deprived Children- Programs Operated by LEA's	84.010	22,147,499
School Improvement - Title I	84.010	2,526
School Improvement Grant - Title	84.010	88,676
Negligent Delinquent Children	84.010	153,732
Program for Neglected Children	84.013	51,966
ARRA -School Improvement Fund	84.388	3,203,507
ARRA - Neglected, Delinquent or At-Risk	84.389	3,503
ARRA - Title 1 Part A Entitlements	84.389	17,130
<b>Total Title I, Part A Cluster</b>		<b>25,668,539</b>
Special Education Flow Thru (Federal)	84.027	7,345,315
Virginia Incentive Program for Speech - Language Pathologist	84.027	24,000
Handicapped Preschool Incentive Grant	84.173	335,144
Virginia Department of Education Mini Grants	84.027	82
<b>Total Special Education Cluster (IDEA)</b>		<b>7,704,541</b>
School Assistance in Federally Affected Areas	84.041	4,240,677
<b>Total Impact Aid Cluster</b>		<b>4,240,677</b>
Mental Retardation Early Intervention	84.181	243,625
<b>Total Early Intervention Services (IDEA) Cluster</b>		<b>243,625</b>
McKinney Homeless Assistance	84.196	25,856
<b>Total Education of Homeless Children and Youth Cluster</b>		<b>25,856</b>
Enhancing Education with Tech Phase II	84.318	75,829
<b>Total Education Technology State Grants Cluster</b>		<b>75,829</b>

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

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<b>Clusters (continued):</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>Grant Program / Cluster</b>		
1003g School Improvement Grants (Award 2009)	84.377	116,026
1003g School Improvement Grants (Award 2010)	84.377	1,215,258
ARRA - 1003g School Improvement Funds of ARRA	84.388	3,203,507
<b>Total School Improvement Grants Cluster</b>		<b>4,534,791</b>
Longitudinal Data Systems	84.384	4,200
<b>Total Statewide Data Systems Cluster</b>		<b>4,200</b>
Temporary Assistance to Needy Families (TANF)	93.558	4,102,100
<b>Total TANF Cluster</b>		<b>4,102,100</b>
Payments to States for Child Care Assistance	93.575	(624)
Child Development Care	93.596	594,488
<b>Total CCDF Cluster</b>		<b>593,864</b>
Medical Assistance Program - Administrative	93.778	2,460,097
<b>Total Medicaid Cluster</b>		<b>2,460,097</b>

**5. Sub-recipients**

Federal funds passed through to subrecipients for the year ended June 30, 2013 were as follows:

<b>Federal Granting Agency / Grant Program</b>	<b>Amount</b>
<b>Department of Housing and Urban Development</b>	
Community Development Block Grant (14.218)	2,961,490
HOME Grant Program (14.239)	1,312,100
Emergency Shelter Grant Program (14.231)	187,429
<b>Total Department of Housing and Urban Development</b>	<b>4,461,019</b>
<b>Department of Health and Human Services</b>	
Temporary Assistance for Needy Families (93.558)	266,916
Goodwill	266,916
Child Development Care (93.596)	235,445
The Planning Council	235,445
Total Child Care Development	
HIV/AIDS Grant (93.914)	4,085,089
Bayview Pharmacy	166,624
EVMS - Center for Comprehensive Care Of Immune Deficiency	1,196,593
Community Psychological Group	117,975
ACCESS	670,815
Hampton / Newport News CSB	-
Health and Home Support Services	246,139
International Black Womens Congress	166,760
Norfolk Community Health Center	285,945
Norfolk Community Services Board	-
Peninsula Institute of Community Health	408,330
Portsmouth Community Health Center	284,559
Tidewater AIDS Community Task Force	330,284
Urban League of Hampton Roads	170,826
Virginia Beach Department of Health	40,239
Williamsburg AIDS Network	-
Total HIV/AIDS Grant	
<b>Total Department of Health and Human Services</b>	<b>4,587,450</b>
<b>Total Payment to Sub-Recipients</b>	<b>9,048,469</b>



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

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**



**Schedule of Revenues and Expenditures - Budget and Actual  
Towing and Recovery Operations Special Revenue Fund  
For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 1,200	\$ 1,348	\$ 148
Charges for services	1,617,750	1,211,907	(405,843)
Intergovernmental - federal	-	4,804	4,804
Miscellaneous	85,050	78,480	(6,570)
<b>Total revenue</b>	<b><u>\$ 1,704,000</u></b>	<b><u>\$ 1,296,539</u></b>	<b><u>\$ (407,461)</u></b>
<b>Expenditures and transfers:</b>			
Towing and recovery	<u>\$ 1,704,000</u>	<u>\$ 1,448,271</u>	<u>\$ 255,729</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Storm Water Utility Special Revenue Fund  
For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 2,400	\$ 8,592	\$ 6,192
Charges for services	14,187,800	13,856,067	(331,733)
Intergovernmental - federal	-	289,752	289,752
Intergovernmental - state	-	60,690	60,690
Rollover from prior year	1,000,000	-	(1,000,000)
<b>Total revenue</b>	<b><u>\$ 15,190,200</u></b>	<b><u>\$ 14,215,101</u></b>	<b><u>\$ (975,099)</u></b>
<b>Expenditures and transfers:</b>			
Storm water	<u>\$ 15,190,200</u>	<u>\$ 15,201,044</u>	<u>\$ (10,844)</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Golf Special Revenue Fund**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 974,463	\$ 989,834	\$ 15,371
Use of money and property	84,000	100,929	16,929
Transfer in	439,137	413,000	(26,137)
<b>Total revenue</b>	<b><u>\$ 1,497,600</u></b>	<b><u>\$ 1,503,763</u></b>	<b><u>\$ 6,163</u></b>
<b>Expenditures:</b>			
Operations	<u>\$ 1,497,600</u>	<u>\$ 1,423,015</u>	<u>\$ 74,585</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Emergency Operations Special Revenue Fund (EOC 911)**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Recovered cost	1,263,409	1,170,107	(93,302)
Rollover from last year	688,061	-	(688,061)
Transfer in	437,934	848,810	410,876
<b>Total revenue</b>	<b><u>\$ 5,961,000</u></b>	<b><u>\$ 5,590,513</u></b>	<b><u>\$ (370,487)</u></b>
<b>Expenditures:</b>			
Operations	<u>\$ 5,961,000</u>	<u>\$ 5,679,595</u>	<u>\$ 281,405</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Cemeteries Special Revenue Fund**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Charges for services	\$ 1,026,476	\$ 1,173,615	\$ 147,139
Miscellaneous	305,613	-	(305,613)
Recovered Cost	300,000	-	(300,000)
Transfer in	464,540	525,580	61,040
Intergovernmental - state	-	5,194	5,194
Rollover from last year	116,971	116,971	-
<b>Total revenue</b>	<b><u>\$ 2,213,600</u></b>	<b><u>\$ 1,821,360</u></b>	<b><u>\$ (392,240)</u></b>
<b>Expenditures:</b>			
Operations	<u>\$ 2,213,600</u>	<u>\$ 1,841,156</u>	<u>\$ 372,444</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Public Amenities Special Revenue Fund**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Taxes-Hotel & Restaurant	<u>\$ 5,524,200</u>	<u>\$ 5,527,149</u>	<u>\$ 2,949</u>
<b>Expenditures:</b>			
Transfer out (CIP)	\$ 1,000,000	\$ 1,000,000	\$ -
Transfer out (Debt Service)	309,950	309,950	-
Tourism Opportunity Grants	250,000	250,000	-
All purpose	3,964,250	135,076	3,829,174
<b>Total expenditures</b>	<b><u>\$ 5,524,200</u></b>	<b><u>\$ 1,695,026</u></b>	<b><u>\$ 3,829,174</u></b>

**Schedule of Revenues and Expenditures - Budget and Actual  
Tax Increment Financing Special Revenue Fund  
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual Budgetary Basis</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Taxes-real property	<u>\$ 2,754,849</u>	<u>\$ 2,754,849</u>	<u>\$ -</u>
Expenditures:			
Transfers out	\$ 920,386	\$ 541,981	\$ 378,405
Community development	1,834,463	119,639	1,714,824
Total expenditures	<u>\$ 2,754,849</u>	<u>\$ 661,620</u>	<u>\$ 2,093,229</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Fleet Internal Service Fund**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 12,608,759	\$ 12,662,800	\$ 54,041
Miscellaneous & recovered costs	104,790	335,391	230,601
Other Sources and Transfer In	367,751	-	(367,751)
Total revenue	<u>\$ 13,081,300</u>	<u>\$ 12,998,191</u>	<u>\$ (83,109)</u>
Expenditures:			
Fleet	<u>\$ 13,081,300</u>	<u>\$ 13,408,893</u>	<u>\$ (327,593)</u>

**Schedule of Revenues and Expenditures - Budget and Actual**  
**Storehouse Internal Service Fund**  
**For the Year Ended June 30, 2013**

	Budget	Actual Budgetary Basis*	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 576,800	\$ 600,639	\$ 23,839
Expenditures:			
Storehouse	<u>\$ 576,800</u>	<u>\$ 349,865</u>	<u>\$ 226,935</u>

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

**CITY OF NORFOLK, VA**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2013**

<b>Expenditures</b>						
	Project Budget	Prior Years	Current	Total	Available	
<b>Community Development</b>						
Neighborhood Project Development	\$ 14,028,070	\$ 13,392,376	\$ 163,134	\$ 13,555,510	\$ 472,560	
Neighborhood Conservation/Revitalization	86,011,218	70,670,083	4,417,078	75,087,162	10,924,056	
Broad Creek Renaissance	22,995,695	15,821,318	1,230,575	17,051,893	5,943,802	
Neighborhood Streets Improvements	2,300,000	1,743,198	239,457	1,982,655	317,345	
Neighborhood commercial Improvements	12,792,780	10,752,973	28,565	10,781,538	2,011,242	
Create Special Service Areas	500,000	246,905	221,540	468,445	31,555	
Other	270,000	267,402	372	267,774	2,226	
Community Development Total	<b>138,897,763</b>	<b>112,894,255</b>	<b>6,300,722</b>	<b>119,194,977</b>	<b>19,702,786</b>	
<b>Cultural Facilities</b>						
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)	
Scope and Chrysler Hall Improvements	19,162,162	17,352,232	442,637	17,794,870	1,367,292	
Chrysler Museum Improvements	9,808,912	8,780,703	1,008,684	9,789,387	19,524	
Civic Building Improvements	1,229,595	1,229,595	-	1,229,595	-	
Conference Center	61,468,277	14,949,155	98,645	15,047,801	46,420,476	
Harrison Opera House Improvements	404,856	404,856	-	404,856	-	
MacArthur Memorial Improvements	2,651,629	2,615,601	6,436	2,622,037	29,592	
Nauticus/Maritime Center Improvements	3,582,500	3,529,218	18,705	3,547,923	34,577	
USS Wisconsin Improvements	6,704,060	2,818,452	3,287,406	6,105,858	598,202	
Other	5,631,612	3,575,657	4,267,067	7,842,724	(2,211,112)	
Cultural Facilities Total	<b>113,194,231</b>	<b>57,814,231</b>	<b>9,129,581</b>	<b>66,943,812</b>	<b>46,250,418</b>	
<b>Economic Development</b>						
Acquire/Dispose/Upgrade City Property	49,891,933	43,900,397	3,977,650	47,878,046	2,013,887	
Nauticus/Cruise Terminal Development	38,390,000	38,258,594	16,989	38,275,583	114,417	
Huntersville Redevelopment	1,000,000	70,882	-	70,882	929,118	
Wachovia Center Development	5,375,000	3,553,101	-	3,553,101	1,821,899	
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,222	
Other	13,314,793	12,183,501	389,814	12,573,314	741,479	
Economic Development Total	<b>111,971,726</b>	<b>101,961,253</b>	<b>4,384,452</b>	<b>106,345,705</b>	<b>5,626,021</b>	
<b>General/Other</b>						
Campostella Landfill Closure	2,500,000	1,458,959	153,112	1,612,071	887,929	
Beach Erosion Control	26,693,500	20,816,300	3,062,933	23,879,233	2,814,267	
Transfer to Debt Service	1,600,000	5,194,024	-	5,194,024	(3,594,024)	
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)	
Waterway Dredging Projects	5,409,701	4,501,299	82,580	4,583,879	825,821	
Conservation and Green Vision Implementation	5,488,874	4,025,142	241,106	4,266,248	1,222,627	
Public Safety Radio Communication System Upgrade	5,900,000	4,457,414	246,660	4,704,074	1,195,926	
Other	10,127,198	7,557,308	1,716,054	9,273,362	853,836	
General/Other Total	<b>63,619,497</b>	<b>53,910,853</b>	<b>5,502,445</b>	<b>59,413,298</b>	<b>4,206,199</b>	
<b>Public Buildings and Facilities</b>						
Fire Station Emergency Generation Program	906,700	897,037	-	897,037	9,663	
Infrastructure Improvements	4,289,253	3,759,997	39,583	3,799,579	489,673	
Annual Roof Maintenance	8,021,461	7,521,546	211,656	7,733,202	288,260	
Library Facilities - Anchor Branch	10,305,787	10,297,655	5,475	10,303,130	2,657	
Police Precinct Replacement	20,848,453	20,141,992	186,662	20,328,654	519,799	
Courts Replacement and Renovations	93,096,138	19,443,211	34,038,950	53,482,161	39,613,977	
Jail Renovations	2,529,451	1,558,381	32,558	1,590,940	938,511	
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-	
City Hall Building Renovations	11,747,477	11,296,589	91,162	11,387,752	359,726	
Tow Yard Acquisition	697,045	360,017	-	360,017	337,028	
Fire Facilities Replacement/Improvements	3,758,848	3,743,460	7,014	3,750,473	8,373	
Police Training Facilities	656,000	656,000	-	656,000	-	
Main Library Construction	68,227,997	16,885,406	23,857,460	40,742,867	27,485,131	
Design /Construct Government Center Plaza	1,150,000	590,302	-	590,302	559,698	
Other	12,483,166	8,169,657	1,744,047	9,913,704	2,569,461	
Public Buildings and Facilities Total	<b>247,118,319</b>	<b>113,721,794</b>	<b>60,214,568</b>	<b>173,936,362</b>	<b>73,181,956</b>	

**CITY OF NORFOLK, VA**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2013**

	<b>Expenditures</b>				
	Project Budget	Prior Years	Current	Total	Available
<b>Parks/Recreational Facilities</b>					
Zoo Master Plan	27,093,422	24,429,016	2,115,295	26,544,311	549,111
Titustown Recreation Center Improvements	3,550,000	3,208,961	-	3,208,961	341,039
Botanical Gardens	2,494,414	1,986,205	12,158	1,998,363	496,051
Existing Recreation Center Improvements	11,597,413	9,409,423	1,037,415	10,446,838	1,150,574
Norview Recreation Center	7,949,500	7,947,756	-	7,947,756	1,744
Lambert's Point Golf Course	9,050,000	9,050,000	-	9,050,000	-
Lambert's Point Community & Recreational Center	7,023,281	6,824,444	19,504	6,843,948	179,333
Harbor Park Improvements	1,424,947	1,260,415	103,827	1,364,243	60,704
Athletic Field Renovations	2,789,000	2,569,158	88,739	2,657,898	131,102
Norfolk Fitness & Wellness Center Renovations	1,803,543	1,800,349	3,320	1,803,669	(127)
Broadcreek & Westside Neighborhood Parks	2,616,468	2,470,012	20,000	2,490,012	126,456
Town Point Park Improvements	11,525,000	11,478,749	-	11,478,749	46,251
Martin Luther King Park	120,999	116,020	-	116,020	4,980
Waterside Waterfront Renovations	833,600	833,241	-	833,241	359
Ingleside Gymnasium	6,723,072	5,731,494	780,593	6,512,087	210,985
Other	13,139,460	6,854,146	5,108,254	11,962,400	1,177,060
<b>Parks/Recreational Facilities Total</b>	<b>109,734,118</b>	<b>95,969,390</b>	<b>9,289,106</b>	<b>105,258,497</b>	<b>4,475,622</b>
<b>Schools</b>					
Blair Middle School Replacement	7,071,710	7,070,242	79	7,070,321	1,389
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	2,250,000	-	-	-	2,250,000
High School Athletic Field	1,500,000	1,495,091	-	1,495,091	4,909
Coleman Place Elementary Replacement	20,293,969	20,249,413	42,922	20,292,335	1,635
Crossroads Elementary Replacement	29,468,525	19,226,348	6,764,622	25,990,969	3,477,556
Other	22,128,622	14,768,384	1,229,119	15,997,503	6,131,118
<b>Schools Total</b>	<b>117,843,485</b>	<b>97,938,593</b>	<b>8,036,742</b>	<b>105,975,334</b>	<b>11,868,151</b>
<b>Storm Water</b>					
Storm Water Quality Improvements	17,220,000	11,908,140	1,888,649	13,796,789	3,423,211
Storm Water Facility Improvements	3,584,478	2,530,017	89,634	2,619,650	964,828
Old Dominion University Master Plan	1,788,255	1,788,255	-	1,788,255	-
Drain Line Clean & Slip Lining	997,267	995,843	-	995,843	1,424
Neighborhood Flood Reduction	12,916,000	10,191,295	1,550,762	11,742,057	1,173,943
Bulkheading Master Project	2,100,000	2,087,100	-	2,087,100	12,900
Other	2,012,975	201,775	-	201,775	1,811,200
<b>Storm Water Total</b>	<b>40,618,975</b>	<b>29,702,424</b>	<b>3,529,045</b>	<b>33,231,469</b>	<b>7,387,506</b>
<b>Transportation</b>					
Old Dominion University Master Plan	6,868,600	6,930,894	9,258	6,940,153	(71,553)
VDOT Urban Support Program	9,773,025	8,073,752	7,681	8,081,433	1,691,593
Bridge Maintenance & Repair Program	31,667,241	21,332,567	418,958	21,751,525	9,915,716
Signal & Intersection Enhancements	10,705,294	7,811,667	978,332	8,789,999	1,915,295
Citywide Soundwall Program	8,405,784	8,219,558	117,882	8,337,439	68,345
Neighborhood Streets Improvements	62,954,067	45,517,630	4,374,341	49,891,971	13,062,095
Atlantic City Development	14,414,200	11,557,561	475,605	12,033,166	2,381,034
Citywide Boat Ramp Improvements	2,388,822	1,927,648	4,521	1,932,169	456,653
Construct Light Rail	105,017,974	69,287,362	903,510	70,190,872	34,827,102
Develop Multi-Modal Transfer Station at Harbor Park	4,350,000	279,840	1,558,228	1,838,069	2,511,931
Other	22,498,806	13,454,835	844,809	14,299,643	8,199,163
<b>Transportation Total</b>	<b>279,043,814</b>	<b>194,393,314</b>	<b>9,693,125</b>	<b>204,086,439</b>	<b>74,957,375</b>
<b>Grand Total</b>	<b>\$ 1,222,041,927</b>	<b>\$ 858,306,107</b>	<b>\$ 116,079,787</b>	<b>\$ 974,385,894</b>	<b>\$ 247,656,034</b>

\* Note: Some prior year amounts were reclassified to reflect proper classification

**STATISTICAL  
SECTION  
(Unaudited)**



**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2013**

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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. The City implemented GASB 34 in 2002; schedules presenting government wide information includes information beginning in that year.



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

		Fiscal Year									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>											
Net investment in capital assets	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 323,564	
Restricted	55,786	6,788	6,605	6,731	6,890	64,397	120,974	6,744	11,081	11,111	
Unrestricted	86,959	91,869	96,705	127,479	90,917	63,013	76,365	5,347	25,832	22,593	
Subtotal governmental activities net position	554,738	502,234	494,702	467,198	422,980	379,538	353,293	336,667	332,119	357,268	
<b>Business-type activities:</b>											
Net investment in capital assets	223,018	237,044	259,198	268,503	241,203	237,307	229,693	267,107	270,913	279,587	
Restricted	36,041	-	2,526	2,506	39,306	40,056	12,928	12,928	13,245	13,245	
Unrestricted	20,293	48,563	43,383	34,373	72,387	43,921	63,316	62,458	72,063	78,631	
Subtotal business-type activities net position	279,352	285,607	302,581	305,402	316,096	320,534	333,065	342,493	355,904	371,463	
<b>Primary government:</b>											
Net investment in capital assets	635,011	640,621	650,590	601,491	566,376	489,435	385,647	591,683	566,119	603,151	
Restricted	91,827	6,788	6,605	9,257	9,396	103,703	161,030	19,672	24,009	24,356	
Unrestricted	107,252	140,432	140,088	161,852	163,304	106,934	139,681	67,805	97,895	101,224	
Total primary government net position	\$ 834,090	\$ 787,841	\$ 797,283	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 728,731	

## (UNAUDITED)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489
Judicial administration	402	498	200	778	931	935	3,501	3,629	3,690	3,717
Public safety	6,727	11,608	13,041	2,708	2,307	2,797	5,627	7,942	8,424	10,154
Public works	16,829	9,081	10,121	24,181	27,156	26,989	35,451	36,890	50,597	38,320
Health and public assistance	154	130	134	101	166	134	83	82	50	5,349
Culture and recreation	6,688	7,034	6,198	6,126	6,710	6,232	9,224	10,101	9,751	10,287
Community development	11	5	1,063	907	760	1,539	2,259	1,479	1,807	2,368
Capital grant contributions	-	-	-	-	-	16,933	7,175	-	765	15,000
Operating grants and contributions	105,466	116,399	116,827	115,779	112,960	112,419	127,665	116,648	119,353	131,719
Total governmental activities program revenue	136,808	145,530	148,814	153,030	153,159	169,788	204,141	195,401	203,878	226,413
Business-type activities:										
Charges for Services										
Water utility	60,964	61,002	74,218	69,816	74,240	74,454	78,983	80,573	78,148	76,584
Wastewater utility	18,633	21,329	22,375	22,314	24,917	23,125	23,815	24,362	24,798	25,469
Parking facilities	21,354	21,059	20,911	21,599	20,425	20,048	18,786	19,682	19,452	19,162
Capital grants and contributions	205	-	78	731	219	504	366	130	187	-
Total business-type activities program revenues	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,215
Total primary government program revenues	237,964	248,920	266,396	267,490	272,960	287,919	326,090	320,148	326,463	347,628
<b>Expenses</b>										
Governmental activities:										
General government	86,081	74,344	94,763	113,279	113,142	111,629	112,874	103,550	109,188	119,764
Judicial administration	36,635	40,319	42,494	46,944	48,593	52,209	52,020	59,980	51,102	51,054
Public safety	99,975	107,531	106,705	111,803	126,609	120,703	130,263	129,721	129,138	125,270
Public works	124,833	144,438	109,907	119,176	118,888	134,274	132,176	101,137	91,542	71,324
Health and public assistance	77,668	84,173	91,443	93,775	95,234	93,495	91,923	82,368	75,428	90,993
Culture and recreation	42,495	46,267	44,933	52,965	56,890	63,488	73,342	64,352	63,499	56,039
Community development	10,471	16,974	14,930	14,772	15,345	10,867	15,429	18,638	17,223	16,158
Education	90,020	91,885	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287
Interest on long-term debt	17,461	18,516	19,365	19,618	21,457	23,788	26,014	27,931	26,822	27,867
Intergovernmental	6,140	-	-	-	-	-	-	-	-	-
Total governmental activities expenses:	591,779	624,427	617,335	669,927	697,283	714,914	735,052	682,188	668,454	688,356
Business-type activities:										
Water utility	60,069	60,207	62,009	60,511	64,877	66,980	64,316	67,852	64,473	60,927
Wastewater utility	11,754	11,957	15,448	17,377	18,614	21,227	18,983	19,707	18,866	19,367
Parking facilities	16,869	18,640	18,356	18,861	21,559	19,036	20,008	22,050	20,469	20,559
Total business-type activities expenses	88,692	90,804	95,813	96,749	105,030	107,253	103,307	109,609	103,748	101,453
Total primary government expenses	630,471	715,231	713,148	766,676	802,283	822,167	838,359	791,797	772,202	769,809
<b>Net (Expense) Revenue</b>										
Governmental activities	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(441,943)
Business-type activities	12,464	12,586	21,769	17,711	14,771	10,878	18,642	15,138	18,837	19,762
Total primary government net expense	\$ (442,507)	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,739)	\$ (422,181)

## (UNAUDITED)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes:										
Real estate and personal property	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,337	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345
Consumption utility	-	43,387	43,337	42,586	46,582	44,142	44,053	48,360	43,588	43,211
Sales and use	-	29,497	30,652	32,402	31,791	29,484	28,249	28,411	27,599	29,707
Restaurant food	-	26,669	27,277	28,578	28,758	28,079	27,292	24,094	30,300	30,818
Business licenses	-	22,015	24,412	25,268	26,343	27,692	26,009	25,849	28,667	29,301
Cigarette	-	6,948	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926
Motor vehicle licenses	-	2,605	3,576	3,529	3,498	4,005	4,308	4,313	4,318	4,210
Franchise, admission, recordation and other miscellaneous local taxes	-	19,356	21,544	19,800	18,025	17,192	16,528	15,698	18,665	18,124
Other *	140,675	-	-	-	-	-	-	-	-	-
Interest and investment earnings	2,377	4,916	7,306	6,536	5,307	2,789	892	1,065	916	563
Grants and contributions not restricted to specific programs	77,601	68,219	68,133	66,524	69,352	60,513	32,892	32,642	32,726	33,539
Miscellaneous	18,504	8,496	15,851	4,845	11,881	9,600	5,637	5,901	4,653	11,501
Gain on disposal of assets	-	-	3,249	65	62	-	-	-	-	1,734
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	-	-	-	-
Transfers between governmental and business-type activities	10,000	10,000	11,888	10,988	10,212	10,215	13,054	10,052	10,087	10,114
Total governmental activities	430,603	435,264	481,811	489,393	499,876	501,684	502,816	470,161	455,055	467,093
Business-type activities:										
Interest and investment earnings	609	864	3,161	2,739	3,046	925	618	511	314	234
Grants and contributions not restricted to specific programs	-	-	333	-	-	148	557	371	371	1,626
Unrealized gain (loss) on investments	(640)	-	-	-	-	-	-	-	-	-
Miscellaneous	4,624	3,657	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042
Gain (Loss) on disposal of assets	-	(852)	-	(6)	-	-	2,744	(157)	26	9
Transfers between governmental and business-type activities	(10,000)	(10,000)	(11,888)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)
Total business-type activities	(5,407)	(6,331)	(4,796)	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)
Total primary governmental activities	425,196	428,933	477,015	485,025	495,798	495,244	496,704	464,451	449,630	462,890
<b>Change in Net Position</b>										
Governmental activities	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,150
Business-type activities	7,057	6,255	16,973	13,343	10,693	4,438	12,550	9,428	13,412	15,559
Total Primary Government changes in net position	\$ (17,311)	\$ (37,378)	\$ 30,283	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 40,709

Note:

1. \*All taxes listed except real estate taxes were reported as "other" in the CAFR prior to fiscal year 2005.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General fund:</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	395	330	300
Committed	-	-	-	-	-	-	-	1,899	3,000	3,000
Assigned	-	-	-	-	-	-	-	38,014	34,839	33,919
Unassigned	-	-	-	-	-	-	-	55,968	54,338	54,055
Reserved*	8,152	14,172	16,057	17,223	11,669	7,842	8,296	-	-	-
Unreserved*	53,948	54,007	66,619	71,056	56,302	50,784	53,840	-	-	-
<b>Total general fund</b>	<b>62,100</b>	<b>68,179</b>	<b>82,676</b>	<b>88,279</b>	<b>67,971</b>	<b>58,626</b>	<b>62,136</b>	<b>96,281</b>	<b>92,507</b>	<b>91,274</b>
<b>Capital projects fund:</b>										
Nonspendable	-	-	-	-	-	-	-	-	41,063	95,053
Restricted	-	-	-	-	-	-	-	11,978	14,376	13,637
Committed	-	-	-	-	-	-	-	26,307	15,345	7,339
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	80,034	82,373	20,885	48,894	57,186	50,987	60,696	-	-	-
Unreserved*	14,132	3,394	-	15,424	64,504	25,939	86,260	-	-	-
<b>Total capital projects fund</b>	<b>94,166</b>	<b>85,767</b>	<b>20,885</b>	<b>64,318</b>	<b>121,690</b>	<b>76,926</b>	<b>146,956</b>	<b>79,348</b>	<b>124,774</b>	<b>20,976</b>
<b>All Other governmental funds:</b>										
Nonspendable	-	-	-	-	-	-	-	22	23	24
Restricted	-	-	-	-	-	-	-	2,621	9,474	10,811
Committed	-	-	-	-	-	-	-	11,259	3,246	2,454
Assigned	-	-	-	-	-	-	-	9,877	13,569	20,708
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	10,509	27,161	19,075	20,123	30,716	27,049	34,634	-	-	-
Unreserved*	14,058	3,992	17,131	24,211	13,987	12,535	14,008	-	-	-
<b>Total Other governmental funds</b>	<b>24,567</b>	<b>31,153</b>	<b>36,206</b>	<b>44,334</b>	<b>44,703</b>	<b>39,584</b>	<b>48,642</b>	<b>23,779</b>	<b>26,312</b>	<b>33,997</b>
<b>Total fund balance, governmental funds</b>	<b>\$ 180,833</b>	<b>\$ 185,099</b>	<b>\$ 139,767</b>	<b>\$ 196,931</b>	<b>\$ 234,364</b>	<b>\$ 175,136</b>	<b>\$ 257,734</b>	<b>\$ 199,408</b>	<b>\$ 243,593</b>	<b>\$ 146,247</b>

Note:

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
General property taxes	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359
Other local taxes	2,005	2,006	157,616	159,119	162,573	157,927	153,615	153,886	161,234	163,297
Licenses and permits	193,293	211,788	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098
Fines and forfeitures	150,477	157,616	1,461	1,605	1,317	1,260	1,164	1,298	1,108	1,102
Use of money and property	3,542	4,088	10,498	11,105	11,105	8,332	7,746	7,169	6,695	6,539
Charges for services	1,763	1,461	32,772	37,071	40,159	40,345	50,540	47,955	47,859	56,077
Miscellaneous	10,232	10,498	33,494	11,691	17,923	12,911	18,080	14,850	11,643	26,178
Recovered costs	29,129	32,772	12,667	8,408	8,622	8,952	9,503	10,723	10,312	11,396
Intergovernmental	18,951	33,494	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148
<b>Total Revenues</b>	<b>587,753</b>	<b>647,016</b>	<b>614,141</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>Expenditures:</b>										
Current										
General government	76,127	67,434	92,062	102,031	110,974	102,426	97,061	80,855	100,504	112,804
Judicial administration	35,603	38,110	41,795	45,173	47,331	50,347	48,726	47,535	48,233	50,920
Public safety	94,979	102,278	105,634	108,565	116,208	118,073	115,488	115,975	116,296	117,427
Public works	80,613	64,497	46,959	49,161	60,370	56,146	59,574	70,124	62,320	54,447
Health and public assistance	76,221	83,451	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413
Culture and recreation	40,081	40,290	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153
Community development	8,048	12,716	13,552	11,158	10,745	9,899	10,851	16,565	15,142	15,128
General Services	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287
Education										
Debt Service:	32,731	47,407	37,560	35,872	40,260	48,092	46,052	50,865	57,683	50,559
Principal retirement	16,820	18,061	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668
Interest and other charges	6,140	-	-	-	-	-	-	-	-	-
Intergovernmental	45,026	85,144	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580
<b>Total Expenditures</b>	<b>602,409</b>	<b>651,253</b>	<b>675,221</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>(Deficiency) of revenues (under) expenditures</b>	<b>(14,656)</b>	<b>(4,237)</b>	<b>(61,080)</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>Other Financing Sources (Uses):</b>										
Contingent liability - settlement bonds										
Proceeds of refunding bonds	83,219	30,389	-	15,480	-	-	16,000	-	84,136	74,859
Proceeds of capital leases	4,430	4,702	4,828	-	121,705	145,663	55,280	-	-	-
Proceeds of debt (general obligation bonds and notes)	69,685	70,840	-	(15,480)	-	(16,000)	156,208	2,821	109,835	-
Payment to refunded bonds escrow agent	(83,219)	(30,389)	-	2,070	5,785	1,707	3,633	(84,136)	(74,859)	-
Premium on bonds issued	389	2,259	-	(122)	66	62	-	505	15,311	-
Miscellaneous	(7)	-	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	1,062	82,354	97,185	89,254	109,901	105,641	104,007	104,873	2,700	1,966
Operating transfers in	75,587	82,354	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	107,136	112,121
Operating transfers (out)	(65,587)	(72,354)	-	-	-	-	-	-	(97,899)	(102,006)
<b>Total other financing sources (uses)</b>	<b>85,559</b>	<b>87,801</b>	<b>15,749</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>Net change in fund balances</b>	<b>\$ 70,903</b>	<b>\$ 83,564</b>	<b>\$ (45,331)</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>Debt service as a percentage of noncapital expenditures</b>	<b>8.89%</b>	<b>11.56%</b>	<b>9.67%</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>

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

(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	Inter-Governmental Revenues	Totals
2004	\$ 178,361	\$ 140,675	\$ 3,204	\$ 1,627	\$ 8,333	\$ 31,342	\$ 17,339	\$ 12,297	\$ 160,118	\$ 553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	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
Change 2004-2013	38.1%	16.1%	27.9%	-32.3%	-21.5%	78.9%	51.0%	-7.3%	0.6%	22.2%

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

Fiscal Year	Consumer's Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Totals
2004	\$ 39,231	\$ 27,867	\$ 21,808	\$ 20,279	\$ 7,639	\$ 3,456	\$ 20,395	\$ 140,675
2005	39,371	29,497	22,550	22,015	6,948	2,605	27,491	150,477
2006	43,337	30,652	27,277	24,412	6,819	3,576	21,543	157,616
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	163,296
Change 2004-2013	10.1%	6.6%	41.3%	44.5%	3.8%	21.8%	-11.1%	16.1%

Note:

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

**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
2004	10,029,639	1,503,713	281,578	11,814,930	11,814,930
2005	10,960,812	1,569,991	305,154	12,835,957	12,835,957
2006	12,691,527	1,655,021	316,863	14,663,411	14,663,411
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

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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Downtown improvement district	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.16	0.16	0.16
Personal property	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33
Machinery and tools	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.40	1.35	1.27	1.11	1.11	1.11	1.11	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.01	0.50	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	1.62	1.63	1.55	1.45	1.25	1.23	1.19	1.19	1.21	1.22

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

As determined by the City Assessor	100%	100%	100%	100%	100%	100%	96%	100%	100%	98%
As determined by the Commonwealth's Department of Taxation	86%	65%	76%	76%	93%	96%	N/A	N/A	N/A	N/A

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2004 through 2013.
3. The most recent Virginia Assessment/Sales ratio study is for 2013
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

(UNAUDITED)

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

Taxpayer	2004			2013		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Dominion Virginia Power	171,710,644	2	1.71%	\$ 292,679,729	1	1.60%
MacArthur Shopping Center LLC (Taubman Co.)	152,762,300	3	1.52%	160,697,300	2	0.88%
Norfolk Western Railway Company	69,757,900	4	0.70%	130,136,689	3	0.71%
Verizon Virginia, Inc.	180,911,591	1	1.80%	114,436,112	4	0.62%
Old Dominion University Real Estate Foundation				97,755,300	5	0.53%
Norfolk Southern				86,978,700	6	0.47%
Virginia Natural Gas, Inc.	37,482,438	10	0.37%	70,699,085	7	0.39%
Dominion Enterprises				66,624,400	8	0.36%
Wells Fargo Building Military Circle Ltd.				65,577,400	9	0.36%
Partnership	69,467,700	6	0.69%	58,279,300	10	0.32%
Cox Virginia Telecom	52,428,800	9	0.52%			
Bank of America	69,658,599	5	0.69%			
Ford Motor Company	65,183,800	7	0.65%			
New Life Tower	56,803,929	8	0.57%			
Total	<u>\$ 926,167,701</u>		<u>9.23%</u>	<u>\$ 1,143,864,015</u>		<u>6.24%</u>
Total Assessed Value	\$ 10,029,638,801			\$ 18,319,948,478		

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	Adjusted	Current	Percentage of Current Collections to Tax Levy (2)	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy (2)
	Tax Levy	Tax Levy (1)	Collections				
2004	\$ 191,397	\$ 166,456	\$ 165,100	99.19%	\$ 1,332	\$ 166,432	99.99%
2005	209,202	183,406	180,348	98.33%	3,005	183,353	99.97%
2006	227,796	202,908	197,669	97.42%	5,145	202,814	99.95%
2007	254,703	230,243	219,993	95.55%	10,083	230,076	99.93%
2008	258,016	243,614	220,253	90.41%	20,906	241,159	98.99%
2009	261,535	252,376	233,725	92.61%	16,433	250,158	99.12%
2010	258,544	258,328	239,192	92.59%	16,631	255,823	99.03%
2011	254,756	254,350	235,518	92.60%	15,890	251,408	98.84%
2012	247,528	247,529	233,396	94.29%	10,990	244,386	98.73%
2013	244,309	244,309	229,872	94.09%	-	229,872	94.09%

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.

## (UNAUDITED)

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

Fiscal Year	General Obligation Bonds	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
<b>Governmental Activities</b>							
2004	\$ 398,238	\$ 1,110	\$ -	\$ 399,348	\$ 1,688	5.98%	1.39
2005	436,860	446	-	437,306	1,832	6.20%	1.15
2006	397,306	239	-	397,545	1,661	5.37%	1.24
2007	484,782	227	-	469,725	1,962	5.92%	0.99
2008	590,712	2,000	-	592,712	2,450	7.15%	0.71
2009	587,743	1,000	-	588,743	2,423	6.81%	0.64
2010	699,748	1,812	-	701,560	2,876	N/A	0.50
2011	651,755	1,208	-	652,963	N/A	N/A	0.52
2012	717,407	-	-	717,407	N/A	N/A	0.46
2013	664,909	-	-	664,909	N/A	N/A	0.53
<b>Business Type Activities</b>							
2004	\$ 88,843	\$ -	\$ 357,022	\$ 445,865	\$ 1,885	6.68%	0.63
2005	91,085	-	372,427	463,512	1,942	6.57%	0.62
2006	92,871	-	364,535	467,258	1,952	6.31%	0.65
2007	107,752	-	355,841	463,593	1,937	5.84%	0.66
2008	125,363	-	413,213	538,576	2,226	6.49%	0.59
2009	159,902	-	410,377	570,279	2,347	6.60%	0.56
2010	201,701	-	403,485	605,186	2,481	N/A	0.55
2011	189,782	-	445,687	635,469	N/A	N/A	0.54
2012	193,729	-	439,410	633,139	N/A	N/A	0.56
2013	184,119	-	486,832	670,951	N/A	N/A	0.55
<b>Total Primary Governmental Activities</b>							
2004	\$ 487,081	\$ 1,110	\$ 357,022	\$ 845,213	\$ 3,573	12.66%	0.99
2005	527,945	446	372,427	900,818	3,775	12.77%	0.87
2006	490,177	239	364,535	864,803	3,612	11.69%	0.92
2007	592,534	227	355,841	933,318	3,899	11.76%	0.83
2008	716,075	2,000	413,213	1,131,288	4,676	13.64%	0.65
2009	747,645	1,000	410,377	1,159,022	4,770	13.41%	0.60
2010	901,449	1,812	403,485	1,306,746	5,356	N/A	0.53
2011	841,537	1,208	445,687	1,288,432	N/A	N/A	0.53
2012	911,136	-	439,410	1,350,546	N/A	N/A	0.51
2013	849,028	-	486,832	1,335,860	N/A	N/A	0.54

N/A - not available

- Population is detailed in Debt Capacity Information Schedule 2.

(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**

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
2004	\$ 487,081	\$ 88,843	\$ 398,238	\$ 11,814,930	238,650	4.12%	2,041
2005	527,945	91,085	436,860	12,835,957	239,396	4.11%	2,205
2006	490,177	92,871	397,306	14,663,411	239,355	3.34%	2,048
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	243,895	3.94%	3,450
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	N/A	4.23%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2002 through 2009 and 2011 through 2012 population estimates is the Weldon Cooper Center for Public Service, University of Virginia & U.S. Census Bureau. The source for the 2010 population estimate is the U.S. Census Bureau. Data was not available for 2013

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2013**

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 849,028	100%	\$ 849,028

Notes:

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

(UNAUDITED)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total assessed value of real property	\$10,029,638,801	\$10,960,812,421	\$12,691,527,668	\$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
Overall debt -10% of assessed valuation	1,002,963,880	1,096,081,242	1,269,152,767	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
Net debt applicable to debt limitation	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050
Legal Debt Margin - Within 10% Limitation	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 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
Net debt percentage of 10% limitation	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.85%

(UNAUDITED)

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

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Principal	Debt Service	Total	Coverage
2000	\$ 64,456,322	\$ 28,198,244	\$ 36,258,078	\$ 4,475,000	\$ 13,616,718	\$ 18,091,718	2.00
2001	64,459,300	29,732,203	34,727,097	4,680,000	13,411,636	18,091,636	1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180	1.83
2004	64,366,942	33,740,297	30,626,645	5,955,000	14,336,043	20,291,043	1.51
2005	69,183,154	34,643,668	34,539,486	6,250,000	14,041,059	20,291,059	1.70
2006	78,788,158	34,144,763	44,643,395	6,580,000	14,827,960	21,407,960	2.09
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

Notes:

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

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

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Principal	Debt Service	Total	Coverage
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

Notes:

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

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 7**  
**Revenue Bonds Debt Service Coverage**  
**Parking Facilities Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Principal (3)	Debt Service	Total	Coverage
				Interest (3)(4)			
2004	\$ 21,614,695	\$ 8,503,800	\$ 13,110,895	\$ 1,155,000	\$ 4,232,717	\$ 5,387,717	2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463	1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423	2.01
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,456,598	6,391,598	1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29
2011	20,079,618	10,513,723	9,565,895	2,445,000	4,009,864	6,454,864	1.48
2012	19,683,823	9,157,207	10,526,616	2,565,000	3,894,835	6,459,835	1.63
2013	19,310,532	9,476,498	9,834,034	2,555,000	3,821,440	6,376,440	1.54

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation and amortization.
3. Excludes subordinate debt service.
4. Reflects actual interest paid on the Variable Rate Parking System Revenue Bonds, Series 2000A and 2004A.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity**  
**Schedule 8**  
**Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt**  
**Last Ten Years**  
**to Total General Expenditures**

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds		Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
			Interest on Serial Bonds	Interest on Other Debt				
2004	\$ 32,735,609	\$ 4,988,796	\$ 16,781,410	\$ 494,610	\$ 55,000,425	\$ 490,944,275		11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834		12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836		12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519		10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092		11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217		12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,377,918		12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780		13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686		13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698		13.17%

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>
2003	236,550	\$ 6,674,414	\$ 27,720	98,485	5.3
2004	238,650	7,054,054	29,152	98,538	5.1
2005	239,396	7,399,230	30,875	96,697	5.0
2006	239,355	7,937,282	32,609	95,812	4.2
2007	241,941	8,292,887	34,375	99,265	4.1
2008	242,983	8,521,652	35,330	100,322	5.3
2009	243,957	8,325,135	34,441	100,849	8.7
2010	242,803	8,567,847	35,271	106,876	9.0
2011	243,985	8,946,520	36,873	107,278	8.4
2012	245,803	9,547,230	38,844	103,838	7.3

Note:

1. Population from Weldon Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2013.
2. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2013.
3. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2013.
4. All data on an average annual calendar year.

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

<u>Employer</u>	<u>Rank</u>	
	<u>2004</u>	<u>2013</u>
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City School Board	2	3
City of Norfolk	4	4
Old Dominion University, Norfolk	7	5
Children's Hospital of the King's Daughters	8	6
Norshipco	-	7
Eastern Virginia Medical School	-	8
Norfolk State University	9	9
Bank of America	6	10
United States Postal Service	10	
Ford Motor Company	5	
Total Employment	94,385	138,691

## Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2013 is the quarter ended March 2013, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2013 total employment data was not available therefore 2012 data was used.
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 **		
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)	
2004	506	601	\$ 75,801	71	\$ 14,658	
2005	560	1,191	204,391	80	80,316	
2006	531	1,058	133,053	60	165,989	
2007	389	491	688,476	55	81,396	
2008	277	815	101,212	35	102,714	
2009	217	543	36,458	38	138,131	
2010	193	554	58,800	35	104,922	
2011	221	479	37,298	27	40,073	
2012	268	371	39,360	26	116,401	
2013	385	948	67,302	28	105,635	

Notes:

\* The source of residential and nonresidential construction is the City's planning department.

\*\* Nonresidential 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)**

	2003	2004	2005	2006	2007	Fiscal Year	2008	2009	2010	2011	2012
Goods-Producing Industries:											
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***	***
Construction	5.7	6.1	6.1	6.1	6.2	6.0	4.9	4.8	4.4	4.1	4.1
Manufacturing	9.8	9.8	9.6	8.7	7.9	7.3	7.3	6.7	3.2	6.8	6.8
Service-Providing Industries:											
Wholesale trade	5.2	5.0	5.0	5.0	5.1	4.6	4.2	4.0	3.3	3.7	3.7
Retail trade	14.0	14.2	14.0	14.3	14.6	13.8	13.0	12.9	12.9	12.6	12.6
Transportation and warehousing	10.1	9.7	9.9	9.3	9.4	9.5	8.6	8.8	8.8	9.0	9.0
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Information	4.0	4.2	4.0	3.5	3.7	3.4	2.8	2.6	2.1	2.9	2.9
Finance and insurance	6.9	7.1	6.7	6.0	6.6	6.6	5.7	5.5	5.5	5.3	5.3
Real estate and rental and leasing	2.8	2.7	2.8	2.9	2.9	2.7	2.7	2.6	2.3	2.5	2.5
Professional and technical services	8.1	10.2	10.1	10.2	10.7	11.3	11.6	11.5	10.2	11.0	11.0
Management of companies and enterprises	3.8	3.6	3.7	2.7	2.4	2.5	2.2	2.1	1.0	2.0	2.0
Administrative, support, and waste services	7.8	7.5	7.5	7.4	7.4	7.6	6.5	6.7	5.5	6.8	6.8
Educational services	14.5	14.7	15.2	15.5	15.6	16.4	16.6	16.4	1.0	16.0	16.0
Health care and social assistance	18.9	19.2	19.6	20.1	20.6	21.3	20.8	21.4	20.5	22.4	22.4
Arts, entertainment and recreation	2.2	2.2	2.3	2.4	2.4	2.4	2.2	2.2	2.7	2.3	2.3
Accommodation and food services	10.7	11.1	10.9	11.1	10.6	10.3	10.2	10.4	10.5	10.9	10.9
Public administration	15.1	12.3	12.1	12.2	12.1	13.7	14.1	14.0	14.5	14.4	14.4
Other services	4.1	4.2	4.3	4.1	4.0	3.9	3.7	3.8	4.0	4.1	4.1
Total (adjusted for rounding)	144.5	144.6	144.6	142.3	143.0	144.1	137.1	136.4	110.8	136.8	136.8

Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.

2. All information on an average annual calendar year.

3. Asterisks indicate non-discretionable data.

4. This schedule includes data for the ten year period 2003 - 2012 as calendar year 2013 data was not available.

(UNAUDITED)

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

Function/Program	Fiscal Year						2013
	2004	2005	2006	2007	2008	2009	
<b>Governmental activities:</b>							
General government	396	457	450	477	264	481	492
Judicial administration	25	20	16	17	18	16	12
Public safety							
Police	875	858	839	1,031	887	878	891
Fire	491	507	499	508	508	517	510
Other	84	84	84	-	-	84	83
Public works							
Health and public assistance	389	389	392	379	346	414	440
Culture and recreational	604	513	562	469	598	487	485
Community development	484	483	406	478	569	558	509
Business-type activities:							
Water utility	251	279	264	261	290	268	269
Wastewater utility	84	91	95	96	103	99	95
Parking facilities	72	77	78	90	88	89	87
Total full-time equivalent positions	3,827	3,832	3,755	3,865	3,766	4,073	4,050
							4,103
							4,079
							3,993

Notes:

1. Fiscal years 2004 through 2013's average FTE data obtained from City's human resources information system

(UNAUDITED)

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

Function/Program	Fiscal Year						2012	2013
	2004	2005	2006	2007	2008	2009		
Police:								
Service calls	206,644	206,378	191,037	237,451	258,254	242,139	245,336	241,282
Arrests	25,923	22,799	22,235	22,222	24,050	26,583	28,069	27,930
Reports filed	34,087	34,167	29,600	31,986	31,220	32,477	31,487	30,507
Fire:								
Incidences (fires, EMS)	38,509	39,605	40,337	31,266	41,212	39,714	40,234	40,641
Highways and Streets:								
Streets resurfacing (miles)	131	83	77	70	80	66	69	67
Sanitation:								
Total solid waste collected and disposed (tons)	105,079	104,247	99,131	97,143	93,799	92,333	100,480	84,162
Water Utilities:								
Water delivered to water mains (gallons in thousands)	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560
Total water consumption (gallons in thousands)	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000
Percent of unmetered water	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%	6.11%	7.25%
Average daily delivery (gallons in thousands)	67,820	67,740	68,090	66,650	66,200	62,900	62,100	62,494
Maximum daily pumpage (gallons in thousands)	77,960	81,470	83,640	83,600	82,000	79,000	76,400	80,200
Minimum daily pumpage (gallons in thousands)	59,340	58,410	57,200	56,200	52,200	52,000	52,200	52,350

## (UNAUDITED)

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Fiscal Year									
Public Safety:										
Police Stations	2	2	3	3	3	3	3	3	3	3
Fire Stations	15	15	14	14	14	14	14	14	14	14
Fire stations										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	9	9	9	9	9	8	8	8	8
Elementary (K - 8 & Pre K - 8)	35	35	35	35	35	35	35	35	34	33
Other educational facilities	13	11	11	11	11	11	9	5	6	6
Libraries	10	10	10	10	10	11	11	11	11	11
Public Recreation:										
Parks:										
Acreage	589	590	591	587	586	587	587	587	587	587
Regional parks	1	1	1	1	1	2	2	2	2	2
Neighborhood parks	121	121	121	85	85	71	71	71	71	71
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	3	3	3	1	1	1	1	1	1	1
Playgrounds	45	45	45	79	123	100	101	101	101	102
Hiking trails (miles)	9	10	11	1	2	2	2	2	2	2
Recreation:										
Acreage	243	243	231	860	868	954	957	957	957	957
Recreational and senior centers	26	22	22	18	19	25	30	30	30	30
Swimming pools	4	6	6	6	8	6	6	6	6	6
Tennis Courts	146	152	152	101	134	148	148	148	142	142
Baseball/softball diamonds	36	36	36	63	99	86	86	86	86	86
Football/soccer fields	18	18	18	47	65	49	49	49	49	49
Field hockey	4	4	4	4	5	5	3	3	3	3
Basketball courts	42	42	42	229	179	204	203	203	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal Golf courses	1	1	2	3	3	3	3	3	3	3
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,013	2,015	2,183	2,193	2,210	2,193	2,188	2,188	2,189	2,174
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	968
Bridges	50	50	50	49	49	49	50	50	50	50
Signalized intersections	294	299	299	283	287	284	301	304	305	304
Street lights	31,694	31,721	29,888	30,200	30,583	30,653	30,717	31,277	31,132	31,138
Utilities:										
Water fund capital assets (in thousands)	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,855	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999
Wastewater fund capital assets (in thousands)	\$ 110,360	\$ 120,685	\$ 134,152	\$ 147,020	\$ 163,068	\$ 177,928	\$ 183,974	\$ 198,842	\$ 214,308	\$ 229,095
Total utilities assets (in thousands)	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,244	\$ 684,774	\$ 710,094
Water customer accounts	63,343	64,905	65,548	65,000	65,549	64,433	66,140	64,289	64,440	64,654
Miles of water main in the system	817	817	825	827	829	832	835	838	824	826
Convention Center:										
Meeting rooms	4	7	7	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
Meeting/ballroom space (square feet)	5,230	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Parking Facilities:										
Parking lots/garages	28	28	28	21	23	23	26	25	24	24
Parking meters	579	600	660	718	669	614	584	584	756	738
Stormwater Management:										
Miles of storm sewers	351	351	351	357	357	357	357	357	357	366

**(UNAUDITED)**  
**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 4**  
**Water System Statistics**  
**As of June 30, 2013**

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

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2009	17.3	33.4	4.2	3.5	58.4
2010	17.6	33.4	4.1	3.2	58.3
2011	17.4	33.7	4.3	2.2	57.6
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5

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

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2009	\$ 32,847,000	6,627,000	\$ 4.96
2010	33,401,000	6,432,000	5.19
2011	34,472,000	6,362,000	5.42
2012	33,537,000	6,241,000	5.37
2013	33,813,000	6,134,000	5.51

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

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2009	\$ 25,257,000	12,344,100	\$ 2.05
2010	26,742,000	12,189,000	2.19
2011	28,703,000	12,307,800	2.33
2012	25,519,000	11,826,000	2.16
2013	25,968,000	11,739,000	2.21

**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> )
2009	\$ 8,112,000	1,536,000	\$ 5.28
2010	8,108,000	1,479,000	5.48
2011	8,837,000	1,562,000	5.66
2012	8,534,000	1,460,000	5.85
2013	8,768,000	1,444,000	6.07

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

Fiscal Year	Average Cost		
	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )
2009	\$ 5,860,000	1,182,000	\$ 4.96
2010	6,048,000	1,180,000	5.13
2011	4,299,000	803,000	5.35
2012	4,691,000	840,000	5.58
2013	5,099,000	897,500	5.68

<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, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

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, 2013**

**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	242,800 citizens
Total wastewater pumping stations	131.0 pump stations
Miles of gravity wastewater mains	844.4 miles
Miles of wastewater force mains	66.4 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 Eric G. Tucker is the Assistant Director 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>
2013	\$3.39 per 100 cubic feet
2014	\$3.53 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

**Largest Users**

	<b>Entity</b>	<b>Usage (CCF)</b>
1	Norfolk Redevelopment and Housing Authority	426,351
2	Old Dominion University	139,464
3	Virginia International Terminals & Norfolk International Termin	139,053
4	S.L. Nusbaum Realty	83,053
5	Norfolk State University	80,598

**Operating Income**

	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2013</b>
Total Operating Revenues	\$ 25,695,602	\$ 25,898,789
Total Operating Expenses	<u>15,927,559</u>	<u>16,941,909</u>
Total Operating Income	<u>\$ 9,768,043</u>	<u>\$ 8,956,880</u>

**City of Norfolk, Virginia  
Operating Information  
Schedule 6  
Parking System Statistics  
As of June 30, 2013**

**Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages**

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.00	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	2.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	3.00	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	5.00		
4 to 5 Hours	7.00		
5 to 6 Hours	9.00		
6 to 7 Hours	10.00		
7 to 8 Hours	11.00		
Maximum Daily Rate (up to 24 Hours)	12.00		
Lost Ticket/Per Day	12.00		

**Short-term Parking Rates at the MacArthur Center Garages**

Monday - Friday	Saturday & Sunday
\$1.00 for first hour - third hour	\$1.00 for entry prior to 6 PM
\$2.00 for each additional hour until 6 PM	\$2.00 for entry after 6 PM
\$2.00 for entry after 6 PM	Maximum of \$10.00 per 24-hour period
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	\$0.35 per 15 minutes
Tier 2	All streets west of St. Paul's Boulevard and east of Duke Street; north of City Hall Avenue and south of Charlotte Street	\$0.25 per 15 minutes
Tier 3	All remaining downtown areas with meters; generally north of Charlotte to Princess Anne Road to east of Llewellyn to west of Monticello	\$0.15 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.25 per 15 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	\$0.25 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	\$15.00	No Parking - This Side	\$25.00
Overtime Parking - Time Zone	30.00	No Stopping Zone	35.00
Overtime Parking - Meter Feeding	25.00	Restricted City Lot	30.00
No Parking	30.00	No/Expired City License	50.00
No Parking - Fire Hydrant	50.00	Handicapped Parking	250.00
No Parking - Cross Walk	35.00	Taxi Stand	35.00
No Parking - Loading Zone	30.00	Blocking Driveway	30.00
No Parking - Here to Corner	30.00	Overnight Parking	25.00
No Parking - Facing Wrong Way	25.00	Parking off of Roadway	35.00
No Parking - Bus Stop	35.00	Blocking Fire Lane	100.00
No Parking - Street Cleaning	35.00		

**Parking Fines**

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2009	71,800	\$1,979,005	77%
2010	62,670	2,072,073	81
2011	62,731	2,062,060	82
2012	58,928	2,169,813	87
2013	56,751	1,822,693	85

**Additional Information**

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

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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## **OTHER REPORTS OF INDEPENDENT AUDITORS**



## COMPLIANCE SECTION





**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 City Council  
City of Norfolk, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (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 (the City) as of and for the year ended June 30, 2013, 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 23, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 herein 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 findings and responses as items 2013-010 through 2013-014.

## **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* and the Specifications in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KPMG LLP*

Norfolk, Virginia  
December 23, 2013



**KPMG LLP**  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Norfolk's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Basis for Qualified Opinion on Disaster Grants – Public Assistance***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the reporting requirements regarding CFDA 97.036 Disaster Grants – Public Assistance as described in finding number 2013-008. Compliance with such reporting requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Qualified Opinion on Disaster Grants – Public Assistance***

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, 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 CFDA 97.036 Disaster Grants – Public Assistance for the year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as the following items:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2013-003	93.558	Temporary Assistance for Needy Families	Eligibility
2013-004	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
2013-005	16.804 (ARRA)	Justice Assistance Grant	Reporting
2013-005	16.710 (ARRA)	Public Safety Partnership and Community Policing Grants	Reporting
2013-006	93.959	Substance Abuse Prevention and Treatment Block Grant	Procurement and Suspension and Debarment
2013-006	84.010, 84.389 (ARRA)	Title 1, Part A	Procurement and Suspension and Debarment
2013 – 006	84.377, 84.388 (ARRA)	School Improvement Grants	Procurement and Suspension and Debarment
2013 – 008	97.036	Disaster Grants – Public Assistance	Reporting
2013-009	20.205 (ARRA)	Highway Planning and Construction	Reporting

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-008 for reporting under the Disaster Grant – Public Assistance, CFDA#20.205 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as the following items to be significant deficiencies:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Non-Cooperation
2013-002	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Refusal to Work
2013-003	93.558	Temporary Assistance for Needy Families	Eligibility
2013-005	16.804 (ARRA)	Justice Assistance Grant	Reporting
2013-005	16.710 (ARRA)	Public Safety Partnership and Community Policing Grants	Reporting
2013-006	93.959	Substance Abuse Prevention and Treatment	Procurement and

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
		Block Grant	Suspension and Debarment
2013-006	84.010, 84.389 (ARRA)	Title 1, Part A	Procurement and Suspension and Debarment
2013-006	84.388 (ARRA)	School Improvement Grants	Procurement and Suspension and Debarment
2013-007	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, and Earmarking
2013-009	20.205 (ARRA)	Highway Planning and Construction	Reporting

The City's responses to the internal control over compliance 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements. The 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Norfolk, Virginia  
December 23, 2013

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### (1) Summary of Auditors' Results

#### *Financial Statements*

- (a) The type of report issued on the financial statements: **Unmodified opinion**
- (b) Material weaknesses in internal control were disclosed by the audit of the financial statements: **None**
- (c) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **None**
- (d) Noncompliance, which is material to the financial statements: **None**

#### *Federal Awards*

- (a) Material weaknesses in internal control over major programs: **2013-008**
- (b) Significant deficiencies in internal control over major programs: **2013-001 through 2013-003, 2013-005 through 2013-007, and 2013-009**
- (c) The type of report issued on compliance each for major program:

<b>Federal programs</b>	<b>CFDA No.</b>	<b>Opinion type</b>
Temporary Assistance for Needy Families (TANF)	93.558	Unqualified
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unqualified
Justice Assistance Grant	16.804 (ARRA)	Unqualified
Disaster Grants – Public Assistance	97.036	Qualified
Substance Abuse Prevention and Treatment Block Grant	93.959	Unqualified
Capitalization Grants for Clean Water State Revolving Funds	66.458	Unqualified
Title I, Part A Cluster	84.010 and 84.389 (ARRA)	Unqualified
School Improvement Grants Cluster	84.377 and 84.388 (ARRA)	Unqualified
Highway Planning and Construction	20.205(ARRA)	Unqualified
HIV Emergency Relief Project Grants	93.914	Unqualified
Public Safety Partnership and Community Policing Grants	16.710 (ARRA)	Unqualified

- (d) Any audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133: **2013-003 through 2013-6, 2013-8 and 2013-009.**
- (e) Major programs:
  - Temporary Assistance for Needy Families (TANF): CFDA No. 93.558

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

- State Administrative Matching Grants for the Supplemental Nutrition Assistance Program: CFDA No. 10.561
- Justice Assistance Grant: CFDA No. 16.804 (ARRA)
- Disaster Grants – Public Assistance: CFDA No. 97.036
- Substance Abuse Prevention and Treatment Block Grant: CFDA No. 93.959
- Capitalization Grants for Clean Water State Revolving Funds: CFDA No. 66.458
- Title I, Part A Cluster: CFDA Nos. 84.010 and 84.389 (ARRA)
- School Improvement Grants Cluster: CFDA Nos. 84.377 and 84.388 (ARRA)
- Highway Planning and Construction: CFDA No. 20.205 (ARRA)
- HIV Emergency Relief Project Grants: CFDA No. 93.914
- Public Safety Partnership and Community Policing Grants: CFDA No. 16.710 (ARRA)

(i) Dollar threshold used to determine Type A programs: \$3,000,000

(j) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: No

### **(2) Financial Statement Findings**

None

### **(3) Findings and Questioned Costs Related to Federal Awards**

#### **Finding# 2013-001: Special Tests and Provisions – Child Support Non-Cooperation**

*Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number*

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2013, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

#### ***Recipient***

City of Norfolk

#### ***Criteria***

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

#### ***Condition Found***

In a sample of 80 instances of noncooperation tested, one family received an additional monthly payment after benefits should have been terminated.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### *Perspective and Questioned Costs*

Out of 80 instances of noncooperation selected for testwork, 1 family received an additional payment of \$240. The total amount sampled was \$21,337. Because the City is the administrator of these local funds and the State provides payments directly to the individuals, there are no questioned costs to the City in relation to these findings.

### *Cause and Effect*

The requirement to stop benefits based on a DCSE referral was not administered in a timely manner, indicating inconsistencies in the process.

### *Recommendation*

The City should enhance its process to ensure that benefits are terminated timely for all cases referred by the DCSE due to noncooperation.

### *Views of Responsible Officials*

Management agrees with the finding. The TANF and VIEW workers continue to receive refresher training on DCSE policy. Notifications are received on the first of the month from the ADAPT notification system. On the 6th of the month, the Supervisor receives an alert on cases that have not been processed and alerts the worker to process immediately. Supervisors will continue to review 100% of case actions. Program Supervisors, on the 9th of the month, will check the notification system to make sure the case actions have been taken in ADAPT and on the work list. Standard operating procedures have been established to ensure timely and accurate processing of cases. All workers are advised to review the wrap-up menu screens in ADAPT to ensure accurate TANF payments. Workers will establish a claim or create a benefit adjustment as soon as possible following the discovery of an error.

### **Finding# 2013-002: Special Tests and Provisions – Refusal to Work (VIEW)**

#### *Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number*

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

### *Recipient*

City of Norfolk

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***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 our sample of 80 Refusal to Work (VIEW) sanctions tested, one family received an additional two months of TANF benefit payments after assistance should have been terminated and one family did not have a sanction imposed in a timely manner.

### ***Perspective and Questioned Costs***

One out of 80 sanctions selected for testwork received additional payments of \$640. Each sanction selected for testwork represented the last full monthly payment for assistance. The total amount sampled was \$24,246. Another family did not have a sanction imposed in a timely manner; however, no additional payments were made due to an unrelated sanction on the recipient's account. Because the City is the administrator of these funds and the State provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding.

### ***Cause and Effect***

The requirement to stop benefit payments based on a sanction was not administered in a timely manner, indicating inconsistencies in the process.

### ***Recommendation***

The City should implement a process to ensure that all sanctions are imposed in a timely manner.

### ***Views of Responsible Officials***

Management agrees with the finding. The request to sanction continues to be sent immediately by the VIEW unit to the TANF Benefits Supervisor. The benefit worker sends the Advanced Notice of Proposed Action within three working days. On the 23rd of each month, the VIEW worker checks the profile to make sure the case is discontinued or suspended. If the action was not taken, the Benefit Supervisor follows up to ensure all actions are taken before the end of the month. The Benefit Supervisor will review the cases with a more precise level of detail and more often so that if an error is found, it can be corrected in a timely manner.

### **Finding# 2013-003: Eligibility**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***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 individuals applying for TANF assistance. Specifically, the 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 40 cases tested for eligibility, one family received two months of TANF benefit payments for a total of \$305 before a signed application was received from the applicant. The signature by the applicant evidences the applicant's final approval of the accuracy of the information contained in the application. Another family did not have the completed application to support the criteria above. This family received 5 months of TANF benefit payments in the amount of \$1,015.

In addition, in one out of 80 sample items for the special tests and provisions - noncooperation, an ineligible recipient was receiving benefit payments. The individual selected for noncooperation testwork reapplied for benefits after March 1, 2012 and based on eligibility criteria, was erroneously approved. The family received two months of ineligible payments in the amount of \$501.

### ***Perspective and Questioned Costs***

Two out of 40 cases selected for eligibility testwork were deemed inappropriately determined. Another case was identified in error during the testing of another compliance requirement. Eligibility is tested on an attribute and case basis and the total population tested is not quantified.

### ***Cause and Effect***

The City should implement a process to ensure that all eligibility applications are properly reviewed, approved, and maintained. We further recommend that the City increase the frequency and precision of management's review of applications for benefits to ensure errors are detected and resolved in a timely manner.

### ***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 to ensure errors are detected and resolved in a timely manner.

### ***Views of Responsible Officials***

Management agrees with the finding. Individual training on proper procedures and TANF policies have been reinforced with all workers.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### **Finding# 2013-004: Subrecipient Monitoring**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with 2 CFR section 25.110 and appendix A to 2 CFR part 25, the City is required to ensure that all Non-ARRA subrecipients have provided a Dun and Bradstreet Data Universal Number system (DUNS) number as part of their subaward application or, if not with the application, then before any award is made. In accordance with 2 CFR section 25.205, the City may not make an award to an entity until a valid DUNS number is obtained. In accordance with 2 CFR section 25.210, the City can add the DUNS number to an renewal contract if the contract had previously been approved.

#### ***Condition Found***

For one subrecipient tested, management of the TANF grant did not obtain the DUNS number from the subrecipient prior to the approval of the subrecipient's contract renewal for fiscal year 2013.

#### ***Perspective and Questioned Costs***

There are no questioned costs associated with the failure to obtain the DUNS number as management was able to subsequently obtain the required information

#### ***Cause and Effect***

Management's controls did not operate effectively to ensure that the City was in compliance with the requirement regarding the acquisition of the DUNS number.

#### ***Recommendation***

We recommend that the City develop procedures and policies to ensure it obtains DUNS numbers for all subrecipients prior to approval of subawards and upon subaward renewals.

#### ***Views of Responsible Officials***

Management agrees with the finding. Department management has worked with the City's Purchasing Agent to enhance the existing procurement policy by requiring departments to submit a copy of the applicable federal grant when submitting requisitions and requests for proposals that will utilize federal grant funding. This requirement will alert the Office of Purchasing of all funding requirements including that of obtaining a DUNS numbers prior to approval of the procurement. Additionally, management will ensure that all subrecipients obtain a DUNS number, and will confirm DUNS numbers and active status each year prior to contract renewals.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### **Finding# 2013-005: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

- Justice Assistance Grant: CFDA No. 16.804 (ARRA), Program Year 2013, U.S. Department of Justice, award 2009-SB-B9-1941.
- Public Safety Partnership and Community Policing Grants: CFDA No. 16.710 (ARRA), Program Year 2013, U.S. Department of Justice, award 2009RJWX0085.

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with the American Recovery and Reinvestment Act of 2009, the City of Norfolk is required to accurately complete and submit to FederalReporting.gov, a report under Section 1512, ARRA Funds Received and Expenditures Made, for each quarter no later than the 10th day after the end of each calendar quarter.

#### ***Condition Found***

*Justice Assistance Grant:* Of the two Section 1512 ARRA reports tested, both reports were inaccurately submitted to FederalReporting.gov. In addition our sample of two Section 1512 ARRA reports were found to have been prepared, reviewed, and submitted by the same individual.

*Public Safety Partnership and Community Policing Grants:* Of the three Section 1512 ARRA reports tested, one report was inaccurately submitted to FederalReporting.gov. In addition, in our sample of three Section 1512 ARRA reports, all three were found to have been prepared, reviewed, and submitted by the same individual.

#### ***Perspective and Questioned Costs***

*Justice Assistance Grant:* Of the two Section 1512 ARRA reports tested, one report overstated expenditures by \$175,619 and one report understated expenditures by \$177,156, for a total net difference of \$1,537.

*Public Safety Partnership and Community Policing Grants:* The report identified understated expenditures by \$29,861.

#### ***Cause and Effect***

The requirement to accurately report ARRA expenditures to the federal government during the quarter was not administered consistently, which led to inaccurate reporting. In addition, the absence of proper segregation of duties increases the risk of reporting errors.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***Recommendation***

We recommend that the City implement a control to ensure that all reports are reviewed by someone other than the preparer prior to their submission to ensure that the reports are completed in an accurate manner.

### ***Views of Responsible Officials***

Management agrees with the finding in that the reports are required to be submitted with accurate information reflecting the activities for the quarter. The City has reviewed the reporting requirements related to Section 1512 ARRA funds and also improved procedures on oversight in order to ensure accuracy of information provided to the federal government.

### **Finding# 2013-006: Procurement and Suspension and Debarment**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

- Substance Abuse Prevention and Treatment Block Grant: CFDA No. 93.959, Program Year 2013, U.S. Department of Health and Human Services (HHS) – Virginia Department of Behavioral Health and Developmental Services, awarded through a performance contract that did not disclose an award number.
- Title 1, Part A, CFDA No. 84.010 and 84.389 (ARRA), Program Years 2010, 2011, 2012, and 2013, U.S. Department of Education, Virginia Department of Education, awards 2010-S010A100046, 2011-S010A110046, 2012-S010A120046, and 2013-S010A130046.
- School Improvement Grants, CFDA No. 84.377 and 84.388 (ARRA), Program Year 2013, U.S. Department of Education, Virginia Department of Education, awards 118-S388A090047 – 42990 and 118-S377A090047 – 43040.

### ***Recipient***

City of Norfolk and the Norfolk Public Schools

### ***Criteria***

In accordance with 2 CFR part 180, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. “Covered Transactions” include those procurement contracts for goods or services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (now called System for Award Management “SAM”), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***Condition Found***

*Substance Abuse Prevention and Treatment Block Grant (City of Norfolk):* For two out of three vendors sampled, management was unable to provide documentation demonstrating the required review of the vendor's suspension and debarment status prior to awarding the vendor a contract. For one of the two vendors, a suspension and debarment certification was supposed to be included in the bid package received. However, a different document was incorrectly submitted in place of the certification in the final bid package and the omission was not identified or remediated.

*Title I (Norfolk Public Schools):* In a sample of seven vendors tested, management was unable to provide documentation of management's review of suspension and debarment prior to use of vendor's services.

For four of the seven vendors selected for testwork, management utilized a cooperative agreement, under which they purchase goods or services through a procurement process performed by another municipality or school district. For these four instances, management was unable to provide documentation as to its assessment of suspension and debarment prior to use of the vendor.

*School Improvement (Norfolk Public Schools):* Management utilized a cooperative agreement, under which they purchase goods or services through a procurement process performed by another municipality or school district, for one of four vendors selected for testwork. For this procurement, management was unable to provide documentation as to its assessment of suspension and debarment prior to use of the vendor.

### ***Perspective and Questioned Costs***

There were no questioned costs as none of the vendors noted were identified as being suspended or debarred based on a subsequent review of the System for Award Management.

### ***Cause and Effect***

Management had not implemented a process for all types of contracts that supported management's determination and verification that a vendor was not suspended or debarred at the time of procurement.

### ***Recommendation***

The City and Schools should implement a process to verify and document vendors' suspension and debarment through the SAM, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity before entering into the contract with the vendor.

### ***Views of Responsible Officials***

City Officials:

Management agrees with the finding and has remedied the situation for future procurements by including a specific memorandum that asks the buyer to certify that the vendor is neither suspended nor debarred before entering into the contract.

School Officials:

Management agrees with the finding and has remedied the condition for future procurements by utilizing SAM.gov for all contracts. A screen shot of the SAM search will be placed in the contract folder as

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

evidence of the verification. The purchasing department's web page has also been updated to include a link to the SAM site and all buyers have established login credentials.

### **Finding# 2013-007: Matching, Level of Effort, and Earmarking**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

HIV Emergency Relief Grant: CFDA No. 93.914, Program Years March 1, 2012 through February 28, 2013 and March 1, 2013 through February 28, 2014, U.S. Department of Health and Human Services (HHS), awards H89HA00053 and H89HA0053-14-00.

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with 42 USC 300ff-15(a)(1)(B-C), each political subdivision within the metropolitan area is required to maintain its level of expenditures use for HIV-related services to individuals with HIV disease at a level equal to its level of such expenditures for the preceding fiscal year. Political subdivisions within the Transitional Grant Area (TGA) may not use funds received under the HIV grants to maintain the required level of HIV-related services in accordance with 42 USC 300ff-15(a)(1)(B).

#### ***Condition***

Upon initial inquiry, management was not aware of all Transitional Grant Area costs expensed; therefore, management did not effectively monitor political subdivision spending within the Transitional Grant Area in accordance with the criteria above.

#### ***Perspective and Questioned Costs***

There were no questioned costs associated with this finding.

#### ***Cause and Effect***

Ineffective monitoring of political subdivision spending can lead to noncompliance with the requirement to spend an amount that is equal to or exceeds the amount spent on HIV related expenditures in the preceding fiscal year.

#### ***Recommendation***

The City should implement a process to ensure that HIV related expenditures spent by the TGA are effectively monitored during the year to ensure that the compliance requirement is satisfied.

#### ***Views of Responsible Officials***

An effort has been made to identify all sources of local expenditures spent by the members of the TGA. In the future, these local costs will be monitored on a periodic basis throughout the year to ensure compliance with the maintenance of effort requirement.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### **Finding# 2013-008: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Disaster Grants – Public Assistance: CFDA No. 97.036, Program Year March 21, 2012 through March 28, 2013, U.S. Department of Homeland Security, award FEMA-4024-PW-00756.

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with the Commonwealth of Virginia Department of Emergency Management information for the City of Norfolk dated April 10, 2012, the City of Norfolk is required to complete and submit to the Virginia Department of Emergency Management (VDEM) quarterly progress reports on outstanding large projects no later than 15th day after a quarter-end. The performance report is required under 44 CFR 13.40.

#### ***Condition***

One outstanding large project existed during the fiscal year 2013; project number 756 for the Lamberts Point Golf Course. The respective project worksheet was signed by FEMA for approval of the obligated funds on March 21, 2012. No quarterly progress reports were completed and submitted to VDEM during the 2012 or 2013 fiscal year for this outstanding large project.

In addition, the final reporting and requirements for reimbursement from the state were not performed on a timely basis. The state requires actual receipts to be submitted to the state agency in order to provide reimbursement to the City. Other than the Lambert Golf Course, all allowable federal expenditure activity caused by the Hurricane Irene event between August 26, 2011 and August 28, 2011 was incurred by the City as of June 30, 2012. At the time of the audit field work for the June 30, 2013 audit, management had not submitted the reimbursement requests to the state.

#### ***Perspective and Questioned Costs***

There were no questioned costs associated with this finding.

#### ***Cause and Effect***

Management was not aware of the requirement to accurately and timely report to the state on outstanding large projects.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***Recommendation***

The City should implement a process to ensure that all reports are completed and submitted in a timely and accurate manner while monitoring which projects are open and which projects are ongoing.

### ***Views of Responsible Officials***

The City concurs with the recommendation, and will assure that the City, will prepare progress reports as guided by the grant primary recipient, VDEM, and that agency's established reporting systems. Previously, there was a misunderstanding that reports were required when no new activity or significant change in project status had occurred during the reporting periods.

### **Finding# 2013-009: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number:***

Highway Paving and Construction, CFDA No. 20.205 (ARRA), Program Year 2013, U.S. Department of Transportation, Virginia Department of Transportation, project number U000-122-219 (UPC 94434).

#### ***Criteria***

In accordance with the American Recovery and Reinvestment Act Information for Virginia Localities dated February 1, 2010, the City of Norfolk is required to complete and submit to the Virginia Department of Transportation (VDOT) the Monthly Status Report (1585), Employment Summary Report (1587), and Project Certifications through the VDOT reporting tool no later than the 5th, 13th, and 30th of each month, respectively.

#### ***Condition***

Upon review of 4 months of VDOT report submissions, none of the monthly status reports and the employment status reports were submitted within the required timelines. However, all the project certifications were submitted within the required timelines.

In addition, the information in relation to the percentage of completion and amount disbursed contained in the monthly status report did not agree to source documentation in 4 out of 4 instances; although, the information is available from other sources such as the monthly reimbursement requests.

#### ***Perspective and Questioned Costs***

This is a repeat finding from the prior year audit. The project was substantially complete before the prior year audit report was issued. There are no known questioned costs associated with this finding.

#### ***Cause and Effect***

The requirement to accurately and timely report to the state was not administered consistently, which lead to instances of noncompliance in the process.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***Recommendation***

City management should develop and implement a policy to ensure that all reports are completed and submitted in a timely and accurate manner.

### ***Views of Responsible Officials***

Management agrees with the finding in that reports are required to be submitted accurately and on time even in instances when there is no activity to report. The City has reviewed the reporting and certification requirements and due dates with VDOT in order to ensure timely submission of data. The City will improve procedures on oversight to ensure reports are submitted by the required due dates.

Information will never match on the monthly status reports because the grant flows through two entities, VDOT and the City. The amount dispersed is the amount VDOT reimbursed the City plus any administrative costs charged to the grant. VDOT is the recipient of the grant and would be the entity that reconciles the amount.

### **(4) Findings and Questioned Costs Relating to Commonwealth of Virginia**

#### ***State Finding 2013-010: Comprehensive Services Act Pool Fund Disbursements***

In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities, and Towns, Chapter 3*, Section 12, local government officials are required to determine the allowability of expenditures for troubled youths and families prior to disbursing the funds. In a sample of 25 payments tested, one payment was made for room and board in the amount of \$3,565. The amount was approved, but it was not specifically approved by a Comprehensive Service Act representative as required by the *Chapter 3, Section 12*. City management should develop and implement a process to ensure that allowable costs are approved by the appropriate personnel prior to being processed for disbursement with CSA funds.

### ***Views of Responsible Officials***

Management concurs with this finding. The City has updated our expenditure approval process to accommodate unusual and irregular fund source changes that require additional approvals to ensure expenditures have the necessary approvals affixed to supporting documents in the future.

#### ***State Finding 2013-011: Terminated Users***

In accordance with the Auditor of Public Accounts *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 10 terminated employees, four employees were not terminated within the three-day threshold. 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.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***Views of Responsible Officials***

Management concurs with this finding. The City will implement a management review control over the access termination process to ensure that access is terminated within the appropriate time frame.

### ***State Finding 2013-012: Business Continuity Plan***

In accordance with the Auditor of Public Accounts *Specification for Counties, Cities, and Towns, Chapter 3, Section 15*, local government officials are required to prepare a written Business Continuity Plan based on the Department Plan Template updated within the previous 12 months. KPMG obtained the Business Continuity Plan, noting that the Plan had not been updated since August 2011. We recommend the City develop and implement a process to ensure the Business Continuity Plan is being updated on an annual basis.

### ***Views of Responsible Officials***

Management concurs with this finding. The City is currently working to update the business continuity plan with a goal of having it completed by the end of the year.

### ***State Finding 2013-013: Annual Access Review***

In accordance with the Auditor of Public Accounts *Specification for Counties, Cities, and Towns, Chapter 3, Section 15*, local government officials are required to review local employees' access to systems to determine whether the current computer access request form on file is appropriate and matches the access granted in the system. Local government officials are also required to review the access at least once per year. In a sample of 25 employees, one individual had access to the OASIS system, that was not authorized on their computer access request form.

Additionally, there was no direct evidence of review that was performed by local government for any of the 25 employees selected in fiscal year 2013.

### ***Views of Responsible Officials***

Management concurs with this finding. While the City did conduct a review of the access granted to our systems for our employees, the certifications/documentation reviewed did not satisfy the new APA guidelines that were issued in July 2013. The City will communicate and work with the State Security Office to ensure that the City's future processes will satisfy the new APA requirements.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### ***State Finding 2013-014: Unclaimed Property***

In accordance with the Virginia Uniform Disposition of Unclaimed Property Act in Chapter 11.1 of Title 55 of the Code of Virginia, local governments holding funds or other property presumed abandoned under the Act must file a report listing the unclaimed property as of June 30 of each year. Section 55-210.9 states that all intangible property (checks are defined as intangible property in accordance with 55.210.2) held for the owner by any public authority that has remained unclaimed by the owner for more than one year after it became payable is presumed abandoned. Management filed the reports timely, but in our testwork of 30 outstanding checks at June 30, two checks totaling \$932.59 were improperly excluded from the reports filed with the state. We recommend that management implement a control across the City to ensure that all unclaimed property is accurately and completely submitted to the state.

### ***Views of Responsible Officials***

Management concurs with this finding. One check was not timely escheated due to human error. With regard to the second check that was not timely escheated, the City was awaiting response from another agency as it dealt with an offender's open case file. Internal controls in this area have been enhanced such that a separate individual will review and verify the list of checks that need to be escheated to ensure unclaimed property is submitted by the required deadlines.

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

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April 2, 2014

Mayor and Council of the  
City of Norfolk, Virginia  
Norfolk, Virginia

**\$65,155,000**  
**City of Norfolk, Virginia**  
**General Obligation Refunding Bonds,**  
**Series 2014**

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance and sale by the City of its \$65,155,000 General Obligation Refunding Bonds, Series 2014 (the "Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to the opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the Bonds, (ii) certifications of public officials furnished to us, and (iii) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by Public Financial Management, Inc., financial advisor to the City, the mathematical accuracy of which was verified by Robert Thomas CPA, LLC, relating to the yield on investments in the escrow fund established with a portion of the proceeds of the Bonds and the yield on the Bonds.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the owners of the Bonds, (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the City as to facts material to the opinion, and (ii) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificates and related documents for the Bonds (the "Tax Certificates") contain covenants (the "Covenants") with which the City has agreed to comply. Failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated March 12, 2014, and the Official Statement of the City dated March 18, 2014. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is dated as of April 2, 2014 (the "Closing Date") and made by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its \$65,155,000 General Obligation Refunding Bonds, Series 2014 (the "Bonds"), pursuant to Ordinance No. 45,247, adopted by the City Council of the City on September 10, 2013 (the "Ordinance"). The proceeds of the Bonds are being used by the City, together with other available funds, if any (i) to refund, in advance of their first optional redemption dates, certain outstanding general obligation bonds of the City and (ii) to pay the underwriters' discount and costs of issuance of the Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated March 18, 2014 (the "Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

**"Annual Financial Information"** with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-5, Assessed Valuation and Change in Property Tax Levy," "Table III-6, Real and Personal Property Tax Levies and Collections," "Table III-7, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

**"Dissemination Agent"** shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

**"Fiscal Year"** shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

**"Holder"** shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

**"Make Public"** or **"Made Public"** has the meaning set forth in Section 4 of this Disclosure Agreement.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board.

**"Participating Underwriter"** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

**"Rule"** shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

**"SEC"** shall mean the U.S. Securities and Exchange Commission.

**Section 2. Purpose of the Disclosure Agreement; Representation.** This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

**Section 3. Obligations of the City.** (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City;\*
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year.

**Section 4. Information Made Public.** Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or

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\* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

**Section 5. Incorporation by Reference.** Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

**Section 6. CUSIP Numbers.** The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

**Section 7. Termination of Reporting Obligation.** The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

**Section 8. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

**Section 9. Identifying Information.** All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

**Section 10. Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

**Section 11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

**Section 12. Default.** Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder,

whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

**Section 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

**CITY OF NORFOLK, VIRGINIA**

By: \_\_\_\_\_

Marcus D. Jones  
City Manager, City of Norfolk, Virginia

By: \_\_\_\_\_

Alice M. Kelly  
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

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Office of the City Attorney  
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

**APPENDIX D**  
**BOOK-ENTRY ONLY SYSTEM**

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## **BOOK-ENTRY ONLY SYSTEM**

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

