



Popular Annual Financial Report
City of Norfolk, Virginia
For The Fiscal Year Ending June 30, 2016

Dear Citizens and Council Members,

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2016 was prepared by the Department of Finance to provide readers of interest an easy to understand summary of our financial activities. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a user-friendly manner that will summarize and communicate the City’s financial condition. The data from this report was taken from our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Both reports are available online.

The City of Norfolk has a tradition of both compliance with legal statutes and reporting in accordance with generally accepted accounting principles (GAAP). Additionally, the financial information in this report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Standards.

In addition to providing financial information, it is important to demonstrate what makes Norfolk a great place to live, study and work. Norfolk’s economy is supported by a vast network of for-profit and not-for-profit businesses. It is important for us to demonstrate the role the City government is playing in supporting these activities.

We hope you enjoy reading this report and invite you to access our audited CAFR online for more detailed information on the City’s Finances site. We welcome your questions, comments and suggestion regarding the information included in this report. You can contact our office at (757) 664-4346.

Sincerely,

The Department of Finance

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The City of Norfolk has been operating under a council-manager form of government since 1918. The City Council is comprised of eight members. Seven members are elected through a ward system and the Mayor is elected at-large. The Vice Mayor is elected by City Council. The City Manger is appointed by City Council who carries out the policies created by City Council.

City Council’s Vison for Norfolk

Norfolk is an amazing place, a vibrant and historic port city where culturally diverse citizens, the military, and business are creating the most dynamic and authentic urban waterfront community in America.



City Council Members as of June 30, 2016

City Council Priorities

Well-Managed Government: Continue to be a data-driven organization that provides effective and efficient services that are responsive, accountable, and customer focused.

Lifelong Learning: Engage residents of all ages in a culture of learning that enables them to reach their full potential and support a thriving economy.

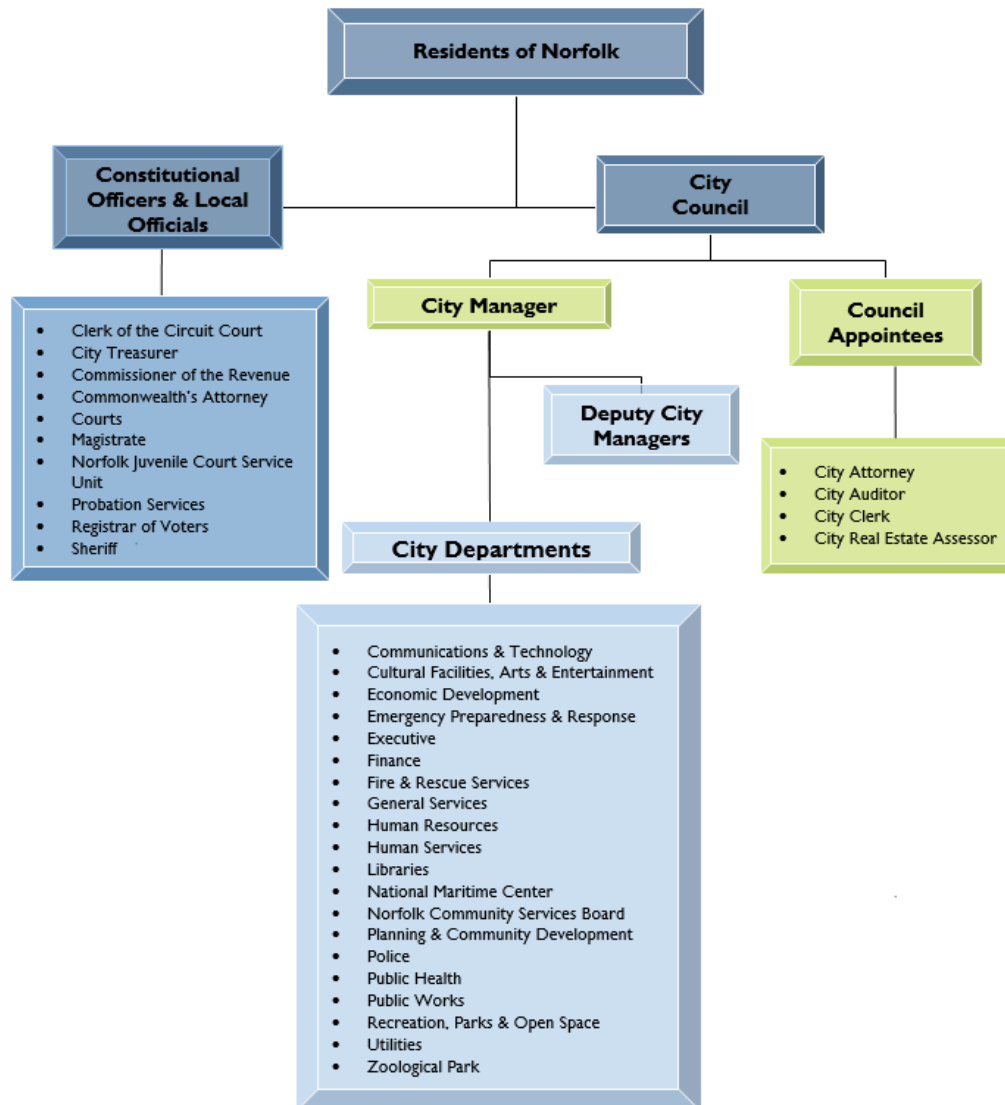
Safe, Healthy and Inclusive Communities: Encourage communication between residents to develop safe neighborhoods, thereby fostering a culture of leadership and pride in their community.

Accessibility, Mobility and Connectivity: Provide a comprehensive network of accessibility for information and transit to connect residents, ideas, goods and information.

Economic Vitality and Workforce Development: Create a growing and diverse economy that enhances the quality of life for residents.

Environmental Sustainability: Preserve our premier waterfront and promote environmentally responsible interaction with our natural surroundings.

City of Norfolk, Virginia Organizational Chart



The City provides a full range of general governmental services for its residents. These services include police protection; fire and paramedical services; public health and social services; planning and zoning management; neighborhood preservation and code enforcement; environmental storm water management; local street maintenance; traffic control; design, construction and maintenance of public buildings and infrastructure; parks and cemeteries operations and maintenance; recreation and library services; collection and disposal of refuse and recycling; water and wastewater utilities; construction and operation of parking facilities; arts, entertainment and cultural affairs; and general administrative services.

2nd

Norfolk is the
Second Largest City
in the
Commonwealth

247,189

2015 Population of
Norfolk

3,941

City of Norfolk
Full-Time Employees

66

Norfolk Area in
Square Miles

5.6%

Norfolk
Unemployment
Rate 2015

1st

Cruise Ship Terminal
& Light Rail System in
Virginia

2

Regional Parks

72

Neighborhood Parks

106

Playgrounds

30

Community Centers

PARKING

25

Parking lots/garages

WASTEWATER

133

Pump Stations

POLICE

3

Police Stations

241,530

Service Calls

FIRE

14

Fire Stations

46,670

Incidences

PUBLIC WORKS

2,195

Miles of Streets

31,289

Streetlights

**WATER
MANAGEMENT**

65,426

Customers

Norfolk’s Higher Education

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



Old Dominion University Approximately 25,000 students

Tidewater Community College Over 44,000 students

Norfolk State University Over 6,000 students

Virginia Wesleyan College Over 1,400 students

Eastern Virginia Medical School Over 1,100 students



Norfolk's Lower Education

Norfolk public schools have a low pupil-teacher ratio with sizes below the national average. School construction remains a priority as the City made a commitment to build or replace six schools starting in 2010. The first school replaced was Crossroads Elementary, which houses Pre-Kindergarten through 8th grade. Southside STEM Academy at Campostella and Richard Bowling at Broad Creek opened September 2016. Construction is currently underway for Ocean View and Larchmont which are expected to be completed early 2018. The last school, Camp Allen, is located on the Naval Station Norfolk, and therefore the City is working with the federal government on its replacement. Construction on the replacement school is anticipated to begin in 2016, and the first phase of the facility will open for students in early 2018.

5
High Schools

8
Middle Schools

33
Elementary Schools

10
Other



Crossroads Elementary School

Richard Bowling at Broad Creek



Southside STEM Academy at Campostella

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourist. Norfolk’s entertainment and theater 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.

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



Chrysler Glass Studio



Chrysler Hall



Chrysler Museum of Art



Festevents



Harrison Opera House



Attucks Theatre



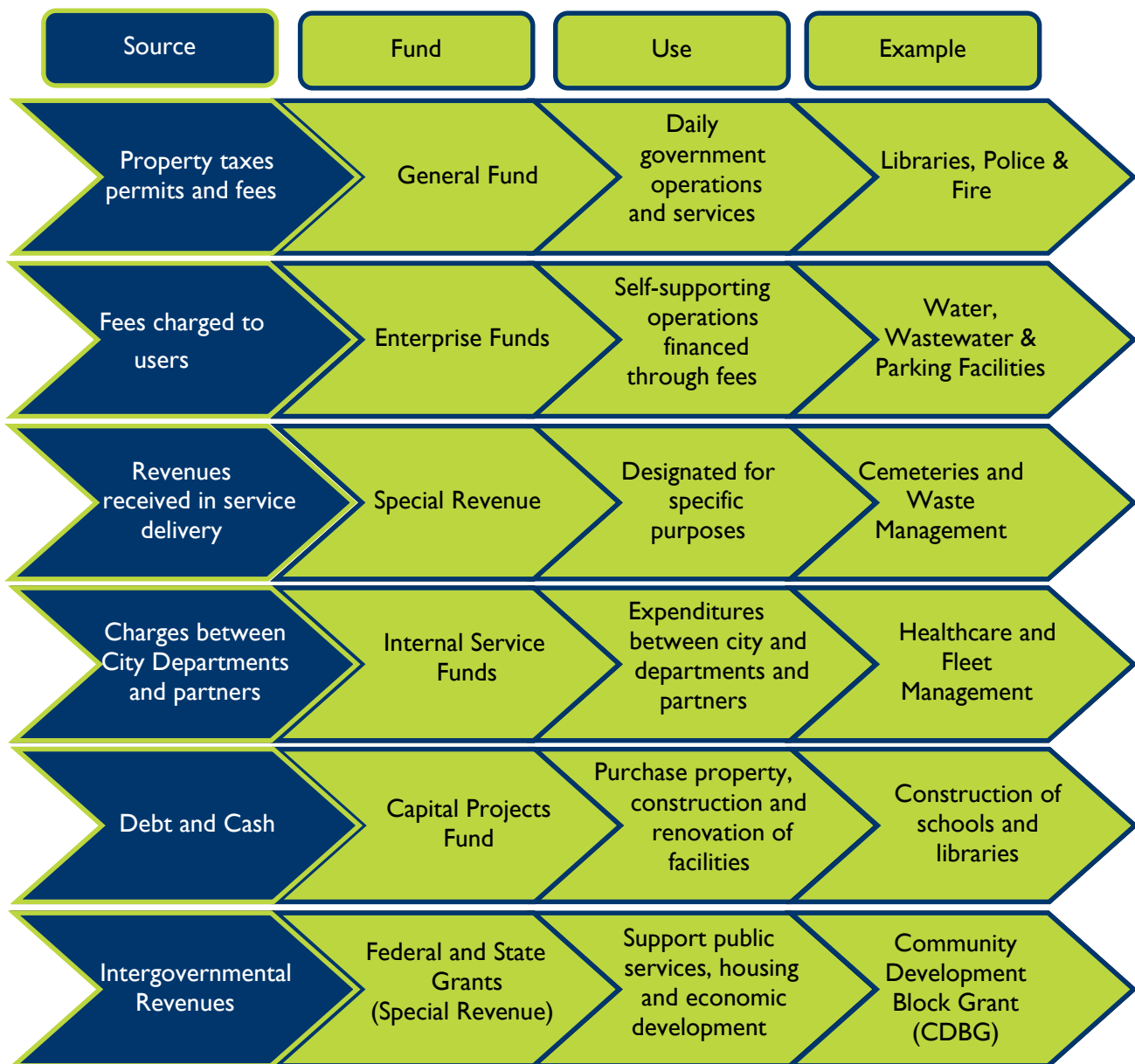
The Virginia Zoo



Virginia Arts Festival

Where the Money Comes From

The City has six different types of funds. The General fund provides funding for the daily operations and services of the City. Internal Service, Special Revenue and Enterprise funds have specific sources of revenue and have restrictions on how the City uses them. For example, the revenues received from parking garages can only pay for parking related items. Capital projects and Grant funds are restricted for capital construction and grant related activities.



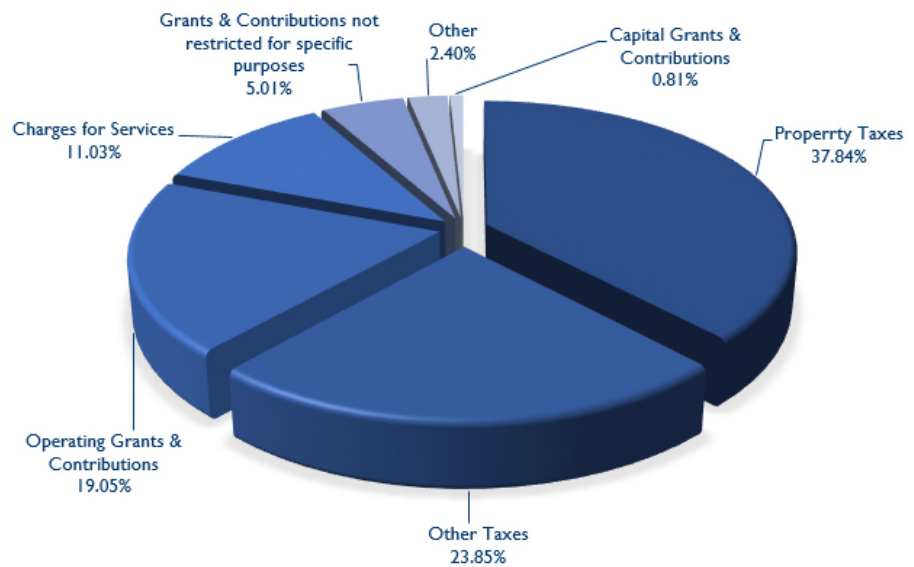
Revenues

Governmental activities captures the general revenues and continuing expenditures of primary governmental activities including public safety (police and fire), public works (roads and bridges), parks recreation and cultural affairs and general government. Revenues for fiscal year 2016 totaled \$696 million, a \$19 million increase from fiscal year 2015.

Governmental Activities Revenue	Fiscal Year		
	2016	2015	2014
Program Revenues:			
Charges for Services	\$ 76,753,079	\$ 76,555,572	\$ 69,915,807
Operating Grants & Contributions	132,611,088	125,802,403	120,713,320
Capital Grants & Contributions	5,672,118	1,000,000	15,932,623
General Revenues:			
Property Taxes	263,395,351	263,490,017	254,357,446
Other Taxes	166,033,611	164,270,397	161,499,026
Grants and Contributions not restricted for special purposes	34,863,429	33,793,343	33,788,087
Other	16,684,723	12,079,430	15,346,710
Total Revenues	\$ 696,013,399	\$ 676,991,162	\$ 671,553,019

Governmental Activities: Revenues by Source

Property and other taxes comprise the vast majority of the governmental fund revenues at 61.7 percent of the total. Operating grants and contributions comes in second with 19.05 percent followed by charges for services.



Revenues

Business-type activities include the operations of the City’s Water and Wastewater Utilities and the Parking Facilities. Total revenues for 2016 were \$131,260,882 with the majority from fees categorized as charges for services of \$128,183,788.

Business-Type Revenue	Fiscal Year		
	2016	2015	2014
Program Revenues:			
Charges for Services	\$ 128,183,788	\$ 130,659,266	\$ 126,629,580
Capital Grants & Contributions	337,654	3,005,824	2,760,836
General Revenues:			
Grants and Contributions not restricted for specific purposes	-	214,199	218,551
Other	2,739,440	2,614,234	3,570,498
Total Revenues	\$ 131,260,882	\$ 136,493,523	\$ 133,179,465

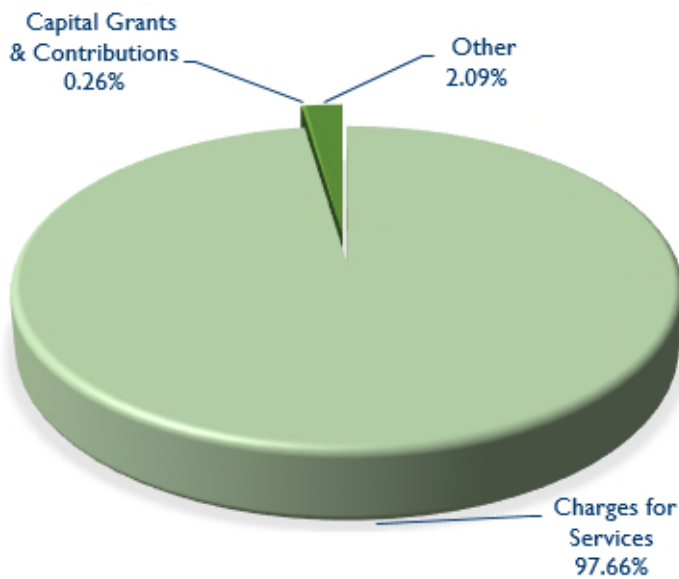
Business-Type Activities Revenues

Charges for Services includes:

Water Utility
\$80,749,120

Wastewater Utility
\$27,822,842

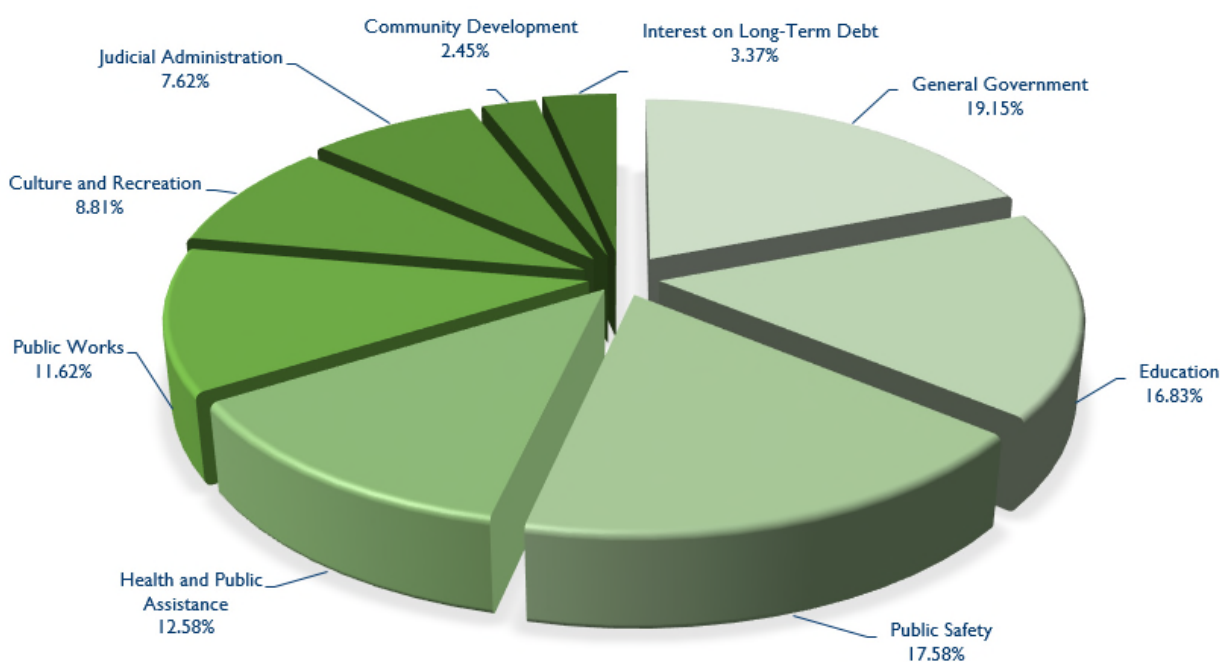
Parking Facilities
\$19,611,826



Where the Money Goes

The City’s governmental activities include a variety of services with the majority of spending (34.4 percent) being for public education and public safety. Total expenses for governmental activities in fiscal year 2016 were \$681,751,703 and increase of 0.9 percent from fiscal year 2015.

Governmental Expenses



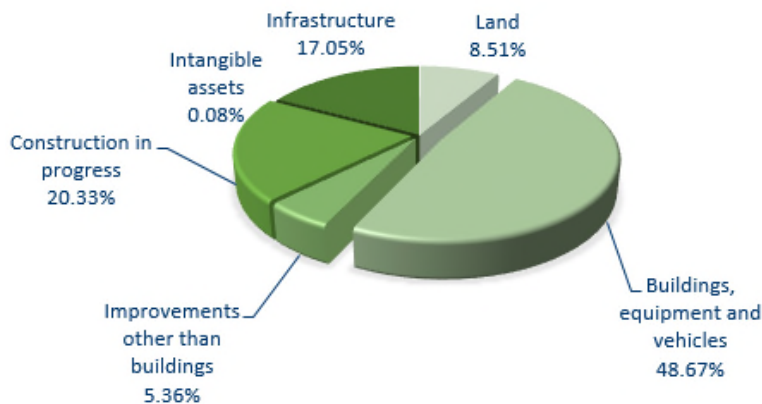
Governmental Activities Expense	Fiscal Year		
	2016	2015	2014
General Government	\$ 130,549,665	\$ 126,958,918	\$ 122,656,635
Education	114,768,522	117,721,922	109,466,754
Public Safety	119,827,879	120,709,855	125,121,896
Health and Public Assistance	85,730,329	86,775,904	90,919,215
Public Works	79,200,166	81,170,952	66,908,888
Culture and Recreation	60,064,216	58,443,117	56,498,810
Judicial Administration	51,926,496	49,056,265	55,062,139
Community Development	16,733,929	13,040,139	12,622,530
Interest on Long-Term Debt	22,950,501	22,059,855	25,187,109
Total	\$ 681,751,703	\$ 675,936,927	\$ 664,443,976

Capital Assets

Assets can be generally defined as the items the City owns that will provide a benefit in the future. Specifically, the City's capital assets are owned primarily for their contribution to the quality of the community, for instance, a parcel of land that is owned and used as a park (governmental activity), or a public parking garage that charges for permit parking (business-type activity). The City's capital assets are assigned as either assets associated with governmental activities or as assets associated with business-type activities.

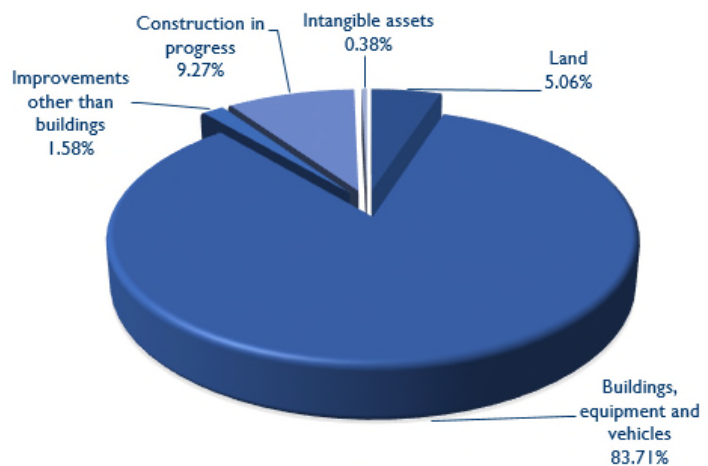
The City's total capital assets at June 30, 2016 was \$2,133,160,949 consisting of \$1,156,366,101 in governmental assets and \$976,794,848 in business-type assets. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress. Infrastructure assets represent 17.05 percent of total general governmental assets.

Governmental Capital Assets



Major assets completed and in progress in governmental activities include the construction of five new schools, the Slover library, the Main conference center and the consolidated court complex.

Business-Type Capital Assets



Assets completed and in progress in business-type activities include the conference center parking garage and water and sewer replacements.

Statement of Net Position

The financial balance sheet, known in accounting terms as the “Statement of Net Position”, provides a picture of the health of the City at the end of a fiscal year, which can then be compared against other fiscal years. The City’s fiscal year is twelve months beginning July 1st, and running until June 30th.

The City’s financial activities in total are made up of two broad classifications: governmental and business-type activities. Governmental activities include all primary governmental functions like public safety, public works, parks and recreation and general government. Business-type activities include water, wastewater and parking facilities.

The City owns things of value called *assets*; amounts owed to others are called *liabilities* or debt. Deferred outflows and inflows of resources are new terms for things that are similar to assets and liabilities, but that didn’t meet the technical definition. The difference between assets and liabilities is called *net position*. Positive net asset position balance indicates a measure of financial stability. Net Position is the common measurement term for both the governmental and business-type activities when they are reported together. This allows all activities to be combined and shown as *government-wide* totals for the primary government. The categories of net position are listed in order of decreasing restrictions, with net investment in capital assets being generally unavailable for spending and unrestricted net position being available for use without restriction.

	Total		
	2016	2015	2014
Current and Other Assets	\$ 385,380,345	\$ 356,493,287	\$ 431,100,011
Capital Assets	2,133,160,949	1,987,430,287	1,900,757,752
Deferred Outflows of Resources	65,332,740	71,927,649	68,563,405
Total Assets and Deferred Outflows of Resources	2,583,874,034	2,415,851,223	2,400,421,168
Long-Term Liabilities	1,786,575,709	1,531,362,658	1,604,795,043
Other Liabilities	109,398,119	178,105,851	216,285,803
Deferred Inflows of Resources	23,540,373	88,254,374	117,956
Total Liabilities and Deferred Inflows of Resources	1,919,514,201	1,797,722,883	1,821,198,802
Net Position			
Net Investment in Capital Assets	687,980,646	694,586,563	597,308,429
Restricted	44,178,779	40,095,757	54,556,871
Unrestricted	(67,799,592)	(116,553,979)	(72,642,934)
Total Net Position	\$ 664,359,833	\$ 618,128,341	\$ 579,222,366

Income Statement

The City's income statement is known as the Statement of Activities and presents information showing how the government's net position changed during the fiscal year for governmental and business-type activities. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reporting in this statement on an accrual basis. Governmental funds such as the general fund are reported on a modified accrual basis of accounting, but are included in this statement on an accrual basis like the business-type funds.

	2016	2015	2014
Revenues:			
Program Revenues:			
Charges for Services	\$ 204,936,867	\$ 207,214,838	\$ 196,545,387
Operating Grants & Contributions	132,611,088	125,802,403	120,713,320
Capital Grants & Contributions	6,009,772	4,005,824	18,693,459
General Revenues:			
Property Taxes	263,395,351	263,490,017	254,357,446
Other Taxes	166,033,611	164,270,397	161,499,026
Grants and Contributions not restricted for specific purposes	34,863,429	34,007,542	34,006,638
Other	19,424,163	14,693,664	18,917,208
Total Revenues	<u>827,274,281</u>	<u>813,484,685</u>	<u>804,732,484</u>
Expenses:			
Governmental Activities	681,751,703	675,936,927	664,443,976
Water Utility	59,414,650	59,455,257	61,608,972
Wastewater Utility	19,225,868	19,141,968	20,128,611
Parking Facilities	20,650,568	20,044,558	23,677,028
Total Expenses	<u>781,042,789</u>	<u>774,578,710</u>	<u>769,858,587</u>
Increase in Net Position	46,231,492	38,905,975	34,873,897
Net Position Beginning of Year	618,128,341	755,198,602	720,324,705
Restatement from Implementation of GASB 68 and 71	-	(175,976,236)	-
Restated Net Position Beginning of Year	<u>618,128,341</u>	<u>579,222,366</u>	<u>720,324,705</u>
Net Position End of Year	<u>\$ 664,359,833</u>	<u>\$ 618,128,341</u>	<u>\$ 755,198,602</u>

Credit Rating

Please see the below table of credit ratings of the three major national agencies Moody's, Investors Services, S&P Global Inc. and Fitch Ratings as of April 2015.

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

*No underlying ratings for Wastewater Revenue Bonds

**Contact the appropriate agency for an explanation of what each rating means

General Obligation Debt Limit

The Commonwealth of Virginia state statues limit general obligation outstanding (GO) debt to 10% of a local government's assessed valuation for property tax purposes. The City's GO debt that applies to the debt limit is \$988 million, which is 51.73 percent of assessed valuation and is significantly less than the current calculated statutory debt limit of \$1.9 billion.

Outstanding Debt

The City debt structure includes general obligation debt that is backed by the full faith and credit and revenue debt that is supporting by income from operations. The City also maintains a line of credit to fund short-term needs before issuance of long-term debt.

	Governmental Activities		
	2016	2015	2014
General Obligation Bonds	\$ 570,456,274	\$ 617,328,942	\$ 665,384,732
Line of Credit	175,289,003	-	-
Total	\$ 745,745,277	\$ 617,328,942	\$ 665,384,732
	Business-Type Activities		
	2016	2015	2014
General Obligation Bonds	\$ 225,811,662	\$ 236,071,186	\$ 247,315,611
Line of Credit	16,710,997	-	-
Revenue Bonds	390,890,944	394,015,923	374,149,628
Total	\$ 633,413,603	\$ 630,087,109	\$ 621,465,239
Total Outstanding Debt	\$1,379,158,880	\$1,247,416,051	\$1,286,849,971

Norfolk Recognition

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

Finance Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 30th consecutive year that the City received this prestigious award. This award is valid for a period of one year only. We believe that the FY 2016 CAFR continues to meet the requirements and it will be submitted to GFOA again this year.

About this Report

Although this report is largely based on the City's 2016 Comprehensive Annual Financial Report, this report is not prepared in accordance with the generally accepted accounting principles ("GAAP"). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of this PAFR as well as the City's audited 2016 CAFR, which is prepared in accordance with GAAP, is located at <http://www.norfolk.gov/index.aspx?nid=325>.

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Videos pertaining Norfolk Planning Commission

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Get updates on the latest City news

Hear about community events

Learn about City facilities and programs

See photos of current City Projects

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Recent Headlines

Upcoming Events

This Popular Annual Financial Report is a publication of the

Department of Finance

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For more information about the City's Department of Finance,
visit <http://www.norfolk.gov/index.aspx?NID=318>