

# Comprehensive Annual Financial Report

City of Norfolk, Virginia



**2019**

Year Ended June 30, 2019



**This page left intentionally blank**

**City of Norfolk, Virginia  
Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended  
June 30, 2019**

**Prepared by:  
The Department of Finance**

**Christine Garczynski  
Director of Finance**



**This page left intentionally blank**

## **CITY OF NORFOLK, VIRGINIA**

### **Code of Ethics**

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

### **Values**

Accountability, Integrity, Innovation and Respect

### **Acknowledgments**

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

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



**This page left intentionally blank**



**CITY OF NORFOLK, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2019**

**TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	<b>INTRODUCTORY SECTION:</b>	
	Municipal Officials	4-5
	Organizational Chart	6
	Transmittal Letter	7-30
	Certificate of Achievement for Excellence in Financial Reporting	31
	<b>FINANCIAL SECTION:</b>	
	<b>Independent Auditors' Report</b> .....	37
	<b>Management's Discussion and Analysis (Unaudited)</b> .....	43
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
1	Statement of Net Position .....	61
2	Statement of Activities .....	62
	<b>Fund Financial Statements:</b>	
	<b>Governmental Funds:</b>	
A-1	Balance Sheet – Governmental Funds .....	63
A-2	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	64
A-3	Statement of Revenues, Expenditures and Changes in Fund Balances.....	65
A-4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	66
	<b>Proprietary Funds:</b>	
B-1	Statement of Fund Net Position .....	67
B-2	Statement of Revenues, Expenses and Changes in Net Position.....	68
B-3	Statement of Cash Flows .....	69
	<b>Fiduciary Funds:</b>	
C-1	Statement of Fiduciary Net Position.....	70
C-2	Statement of Changes in Fiduciary Net Position – Pension Trust Fund – Employees' Retirement System .....	71
	<b>Component Units:</b>	
D-1	Statement of Net Position .....	72
D-2	Statement of Activities .....	73
	<b>Notes to the Basic Financial Statements</b>	77-160



**CITY OF NORFOLK, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2019**

**TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	<b>Required Supplementary Information (Unaudited):</b>	
	NERS Schedule of Changes in Net Pension Liability and Related Ratios .....	163
	NERS Schedule of Employer Contributions .....	164
	VRS State Constitutional Offices Schedule of Changes in Net Pension Liability and Related Ratios .....	165
	VRS State Constitutional Offices Schedule of Employer Contributions .....	166
	VRS Teachers Retirement Plan Schedule of the School Board’s Proportionate Share of the Net Pension Liability .....	167
	VRS Teachers Retirement Plan Schedule of School Board Contributions .....	168
	VRS School Board Political Subdivisions’ Schedule of Changes in the School Board’s Net Pension Liability and Related Ratios .....	169
	VRS School Board Political Subdivisions’ Schedule of Contributions .....	170
	City OPEB Liability Schedule of Changes in Total OPEB Liability and Related Ratios ...	171
	City Line of Duty OPEB Liability Schedule of Changes in Total OPEB Liability and Related Ratios .....	172
	School Board OPEB Liability Schedule of Changes in Total OPEB Liability and Related Ratios .....	173
	VRS – HIC and GLI Programs Schedule of Changes in School Board’s Share of the Net OPEB Liability.....	174-176
	VRS – HIC and GLI Programs Schedule of School Board Contributions.....	177-179
	Notes to the Required Supplementary Information related to Pensions and OPEB .....	180
<b>E-1</b>	Schedule of Revenue, Budget and Actual – General Fund .....	181
<b>E-2</b>	Schedule of Expenditures, Budget and Actual – General Fund .....	182
	Notes to Required Supplementary Information – Reconciliation of (non-GAAP) Budgetary Basis to GAAP .....	183
	<b>Other Supplementary Information:</b>	
<b>F-1</b>	Combining Balance Sheet – Nonmajor Governmental Funds.....	189
<b>F-2</b>	Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	190
<b>G-1</b>	Combining Statement of Net Position – Internal Service Funds.....	193
<b>G-2</b>	Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds.....	194
<b>G-3</b>	Combining Statement of Cash Flows – Internal Service Funds.....	195
<b>H-1</b>	Combining Balance Sheet – Agency Funds.....	199
<b>H-2</b>	Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	200
	Schedule of Expenditures of Federal Awards.....	203-204
	Notes to Schedule of Expenditures of Federal Awards.....	205-207
<b>J-1</b>	Schedule of Revenues and Expenditures – Budget and Actual – Special Revenue Funds.....	211-215
<b>J-2</b>	Schedule of Revenues and Expenditures – Budget and Actual – Internal Service Funds.....	216
<b>J-3</b>	Schedule of Expenditures – Budget and Actual - Capital Improvement Program .....	217-218



**CITY OF NORFOLK, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2019**

**TABLE OF CONTENTS**

<u>Table</u>		<u>Page</u>
	<b>STATISTICAL SECTION (Unaudited)</b>	
<b>I</b>	<b>Financial Trends Information.....</b>	
	Schedule 1 – Net Position by Category	223
	Schedule 2, 2-1 – Changes in Net Position	224-225
	Schedule 3 – Fund Balances – Governmental Funds	226
	Schedule 4 – Changes in Fund Balances, Governmental Funds	227
	Schedule 5 – Program Revenue by Function	228
	Schedule 6 – Total Revenue by Source, Governmental Funds	229
	Schedule 7 – Other Local Tax Revenues by Source, Governmental Funds	229
<b>II</b>	<b>Revenue Capacity Information.....</b>	
	Schedule 1 – Assessed Valuations and Estimated Actual Values of Taxable Property	230
	Schedule 2 – Direct Property Rates	231
	Schedule 3 – Principal Property Taxpayers	232
	Schedule 4 – Property Tax Levy and Collections by Tax Year	233
<b>III</b>	<b>Debt Capacity Information.....</b>	
	Schedule 1 – Ratios of Outstanding Debt by Type	234
	Schedule 2 – Ratios of General Bonded Debt, Total Assessed Value and Bonded Debt Per Capita	235
	Schedule 3 – Computation of Direct Bonded Debt	235
	Schedule 4 – Legal Debt Margin	236
	Schedule 5 – Revenue Bonds Debt Service Coverage, Water Utility Fund	237
	Schedule 6 – Revenue Bonds Debt Service Coverage, Wastewater Utility Fund	238
	Schedule 7 – Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt	239
<b>IV</b>	<b>Demographic and Economic Information.....</b>	
	Schedule 1 – Population Statistics	240
	Schedule 2 – Ten Largest Employers	241
	Schedule 3 – New Construction and Property Values	242
	Schedule 4 – Annual Employment Average by Industry	243
<b>V</b>	<b>Operating Information.....</b>	
	Schedule 1 – Full-Time Equivalent (FTE) Positions by Function/Program	244
	Schedule 2 – Operating Indicators by Function/Program	245
	Schedule 3 – Capital Assets and Infrastructure Statistics by Function/Program	246
	Schedule 4 – Water System Statistics	247
	Schedule 5 – Wastewater System Statistics	248
	Schedule 6 – Parking System Statistics	249
	<b>OTHER REPORTS OF INDEPENDENT AUDITORS</b>	
	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 .....	253
	Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance ..	255
	Schedule of Findings and Questioned Costs.....	257



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

**June 30, 2019**

**Municipal Officials**

**Honorable City Council**

President and Mayor  
Vice Mayor  
Member  
Member  
Member  
Member  
Member  
Member

Kenneth Cooper Alexander  
Martin A. Thomas, Jr.  
Courtney R. Doyle  
Mamie B. Johnson  
Andria P. McClellan  
Paul R. Riddick  
Thomas R. Smigiel, Jr.  
Angelia M. Williams Graves

**City Manager**

**Douglas L. Smith**

Chief Deputy City Manager  
Deputy City Manager  
Deputy City Manager  
Deputy City Manager  
City Attorney  
City Auditor  
City Clerk  
City Real Estate Assessor  
City Treasurer  
Commissioner of the Revenue  
Registrar of Voters  
Director of Budget & Strategic Planning  
Director of Cultural Facilities, Arts & Entertainment  
Acting Director of Economic Development  
Director of Emergency Preparedness & Response  
Director of Finance  
Acting Director of Fire & Rescue Services  
Director of General Services  
Director of Human Resources  
Director of Human Services  
Director of Information Technology  
Director of Libraries  
Acting Director of Marketing and Communications  
Director of National Maritime Center (Nauticus)  
Director of Neighborhood Development  
Executive Director of Norfolk Community Services Board  
Director of Office of Resilience  
Director of Planning & Community Development  
Chief of Police  
Director of Public Health  
Director of Public Works  
Director of Recreation, Parks & Open Space  
Director of Slover Library  
Director of Utilities  
Director of Zoological Park

Wynter Benda  
Michael Goldsmith  
James A. Rogers  
Catheryn R. Whitesell  
Bernard A. Pishko, Esquire  
Tammie Dantzler  
Allan Bull  
W.A. (Pete) Rodda  
Daun Hester  
C. Evans Poston, Jr.  
Stephanie Iles  
Gregory Patrick  
John S. Rhamstine  
Jared Chalk  
James Redick  
Christine Garczynski  
Michael T. Brooks  
Nikki Riddick  
Marva Smith  
Stephen Hawks  
Steven DeBerry  
Sonal Rastogi  
John S. Rhamstine  
Stephen Kirkland  
Michelle Johnson  
Sarah Paige-Fuller  
Christine Morris  
George Homewood  
Larry Boone  
Demetria Lindsay, M.D.  
Richard Broad, P.E.  
Darrell Crittendon  
Lynn B. Clements  
Kristen M. Lentz, P.E.  
Gregory Bockheim



**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2019**  
**Municipal Officials**

**JUDICIAL**

**Fourth Judicial Circuit Court**

Chief Judge  
Judge  
Judge  
Judge  
Judge  
Judge  
Judge  
Clerk

Mary Jane Hall  
Junius P. Fulton, III  
Mary Jane Hall  
John R. Doyle, III  
Everett A. Martin, Jr.  
David W. Lannetti  
Joseph A. Migliozi, Jr.  
Michelle J. Atkins  
George E. Schaefer, III

**Norfolk General District Court**

Chief Judge  
Judge  
Judge  
Judge  
Judge  
Clerk

Michael C. Rosenblum  
Bruce A. Wilcox  
S. Clark Daugherty  
Joan E. Mahoney  
Tasha D. Scott  
Thomas E. Baldwin

**Norfolk Juvenile and Domestic Relations District Court**

Chief Judge  
Judge  
Judge  
Judge  
Judge  
Clerk

Robert M. Smith  
M. Randolph Carlson, II  
Lauri D. Hogge  
Devon Paige  
Robert M. Smith  
Debra A. Hill

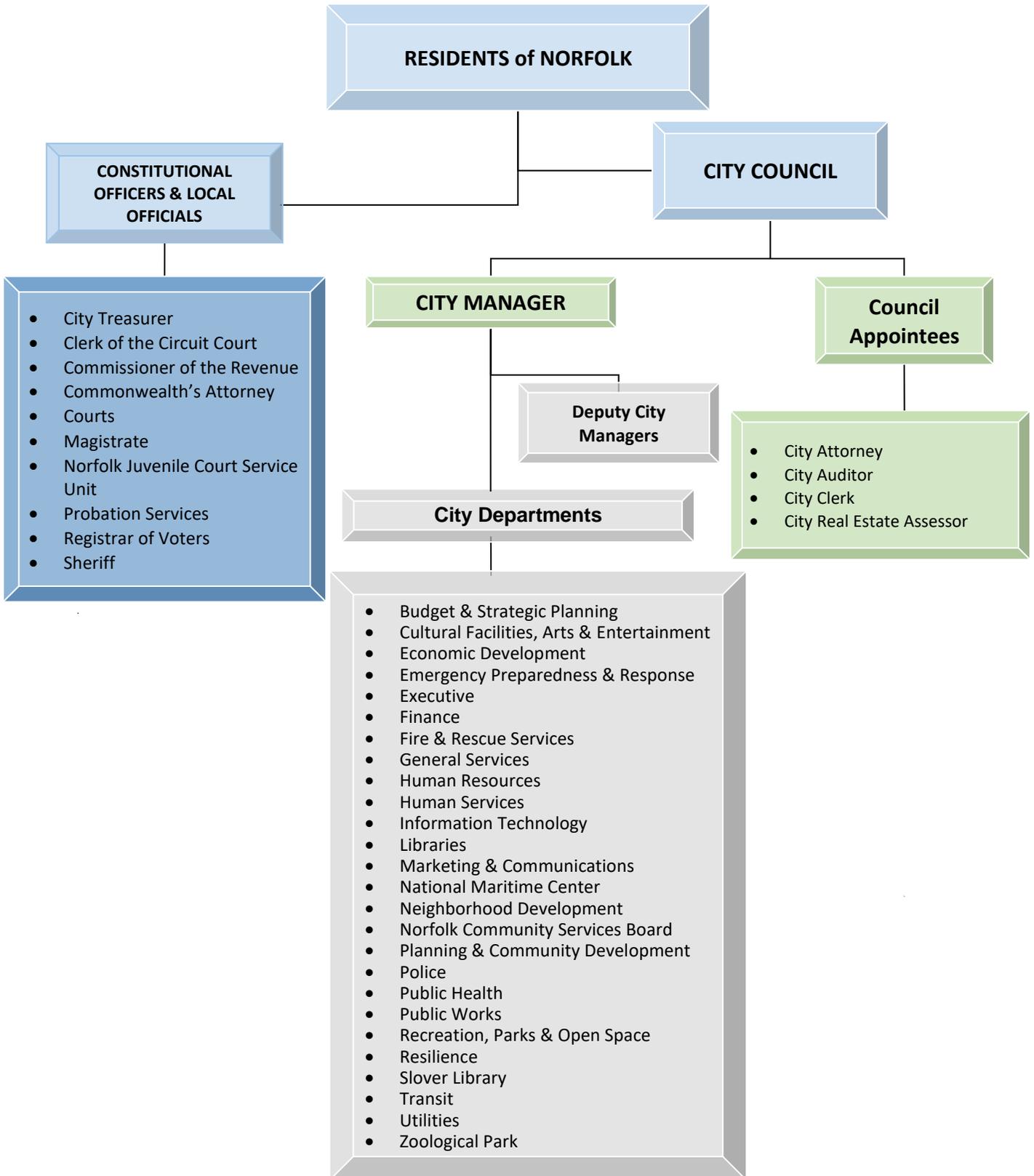
**Other Judicial Officials**

Commonwealth's Attorney  
Sheriff

Gregory D. Underwood  
Joseph P. Baron

**CITY OF NORFOLK, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2019**

**ORGANIZATIONAL  
 CHART**



November 22, 2019

To the Honorable Council and  
Residents of Norfolk, Virginia:

The Comprehensive Annual Financial Report (CAFR) of the City of Norfolk (the City) for the fiscal year that ended June 30, 2019, is hereby submitted. The *Code of Virginia* and the Charter of the City of Norfolk require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with *Government Auditing Standards* by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

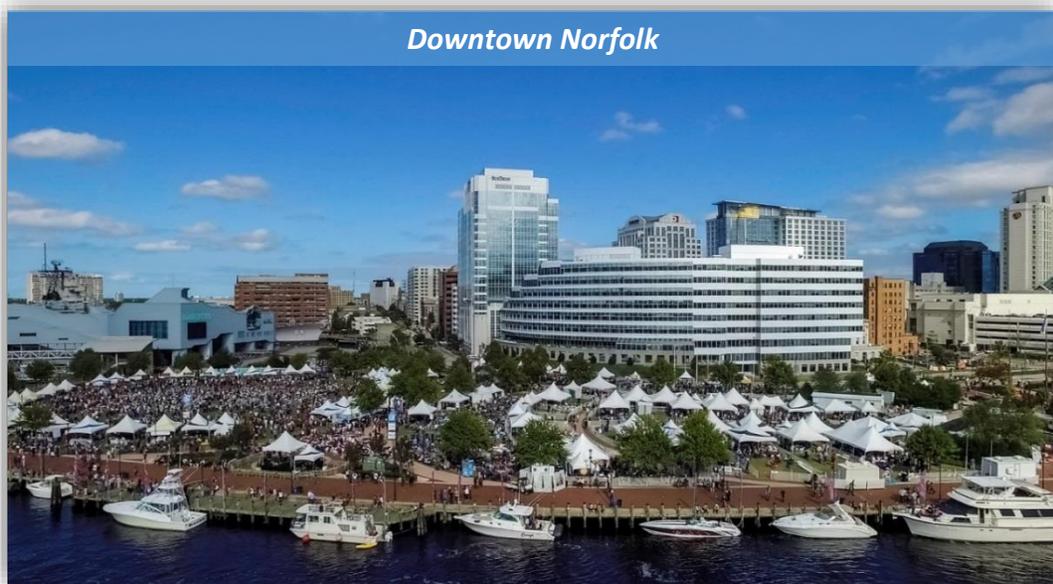
Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of various funds and component units of the City as of June 30, 2019. Extensive disclosures have been included to enable the reader to gain a comprehensive understanding of the City's financial activities.

Important information regarding the financial statements and audit is discussed under the Financial Information located on page 9.

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

## Profile of the City

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. Norfolk is the economic, business, educational and cultural center of southeastern Virginia. Norfolk is the 2<sup>nd</sup> most populated City in Virginia, and has a fun filled atmosphere with vibrant entertainment and culture, delicious cuisine, all along its 144 miles of shoreline. The City lies at the mouth of the James, Elizabeth and Nansemond Rivers and the southern shores of the Chesapeake Bay, and are adjacent to the Atlantic Ocean and the cities of Chesapeake, Portsmouth and Virginia Beach. With the bay, ocean and countless rivers in our backyard, you are never far from the water, which provide ample recreational opportunities and are the centerpiece of dozens of historic neighborhoods. The waterways have been central to Norfolk's identity and an ongoing source of its financial stability, thanks to a major international port, significant military facilities and related businesses.



The City Council is comprised of eight members, who formulate policies for the administration of the City. Seven members are elected through a ward system and the Mayor, Kenny Alexander, is elected at-large. The Vice Mayor, Martin A. Thomas, Jr., is elected by the City Council.

Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager implements the policies of the City Council, directs business procedures and appoints, with the power to remove, the heads of executive departments and other employees of the City except those otherwise specifically covered by statutory provisions. Douglas L. Smith held the position of City Manager from June of 2017 through September 2019. On August 1, 2019, the City Council named Dr. Larry “Chip” Filer, to succeed Mr. Smith and serve as the City’s 16<sup>th</sup> City Manager. Dr. Filer has held the position of City Manager since September 16, 2019.

The City provides a full range of general governmental services for its residents. These services include police protection; fire and paramedical services; public health and social services; planning and zoning management; neighborhood preservation and code enforcement; environmental storm water management; local street maintenance; traffic control; design,

construction and maintenance of public buildings and infrastructure; parks and cemeteries operations and maintenance; recreation and library services; collection and disposal of refuse and recycling; water and wastewater utilities; construction and operation of parking facilities; arts, entertainment and cultural affairs; and general administrative services.

The City budget appropriates all funds including City, state and federal pass-through funds for education, social service, correctional facilities and judicial activities. Cities in Virginia have sole jurisdiction over the entire area within their boundaries and operate independently from any other municipal government. City jurisdictions do not overlap with any other municipal jurisdiction and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation. Further, cities in Virginia are prohibited from annexation to adjust their boundaries.

### **Financial Information**

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

### **Budget Process**

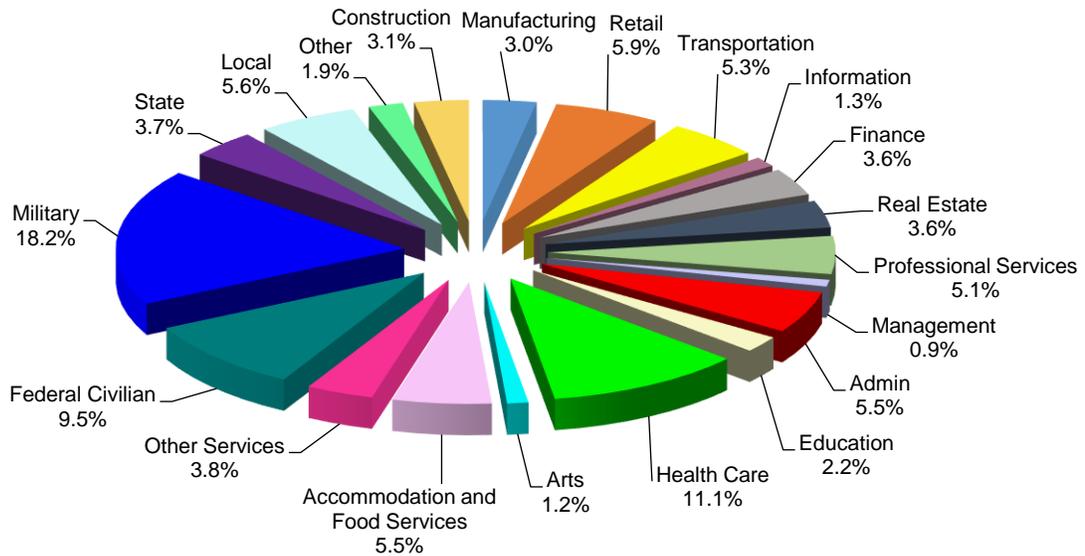
The FY 2020 Budget builds on the bold initiatives we began last year and focuses on strengthening our capacity to do great things. The budget is shaped by City Council and resident priorities and is informed by a comprehensive community engagement effort. The budget is guided by the City's financial policies, and continues to be structurally balanced, with ongoing revenues paying for ongoing expenditures. It continues to invest in information technology and fleet infrastructure to build on the investment City Council made in these areas last year. The budget also increases our cash contribution to the Capital Improvement Plan (CIP).

### **Local Economic Condition and Outlook**

The City has a stable economic base anchored by the world's largest naval station and the Port of Virginia, one of the busiest ports on the east coast. Norfolk is a leader in health care, education and finance within the Hampton Roads region. While Norfolk's economy is grounded by its maritime assets and is the core of a military region, the economy also benefits from diverse corporate strength. As shown in the following chart, except for the military, no one sector constitutes more than 12 percent of total employment. This diversity acts as a mitigating factor against any Federal Government's reduction in defense spending. In addition, the City continues to promote comprehensive urban revitalization, to foster job growth and to expand economic opportunities that enhance diversification, while capitalizing

on Norfolk’s competitive advantages. Since 2013, the City has announced approximately \$2.4 billion in new development, business and pending public/private projects. The City recognizes that expanding its business and industrial tax base will ease the burden on homeowners and it is committed to promoting economic development throughout the City.

### Norfolk Employment by Sector



Source: Bureau of Economic Analysis, total full-time and part-time employment by North American Industry Classification System industry, for 2018; Total employment – 216,643.

With 216,643 jobs, Norfolk serves its role well as the Hampton Roads region’s urban job center and has the highest job density in the region. Norfolk’s vibrancy and favorable economic climate has spurred the development of several new businesses over the last year, as well as encouraged the expansion of existing businesses. Additionally, Norfolk’s reputation as an entrepreneurial hub is fast-growing. This spirit of hard work is evident throughout the City, as residents, businesses, and military personnel and their families revitalize old spaces, create new businesses and infuse energy into emerging industries.

### Military

Norfolk is proud to be the home of the world’s largest Naval Station and the presence of the military in Norfolk has a significant impact on the local economy. According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$13.4 billion in fiscal year 2017, comprised of a total annual payroll of \$11.4 billion and the balance consumed on goods and services and procurement contracts. The impact was an increase of nearly \$600 million over the previous fiscal year. The region, and particularly the City, expect to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of more than 71,000, with an additional 5,600 military contractor personnel.

The Hampton Roads region is home to six aircraft carriers, including the Gerald R. Ford. While not a permanent homeporting, the Gerald R. Ford will be in the region for a few years due to schedule and maintenance requirements for the Navy bringing in more than 2,500 personnel to the region. The additional carrier joined the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding), USS Harry S. Truman, USS George Washington and the USS George H.W.



Bush at Naval Station Norfolk. In addition, the region is home port to approximately 65 ships and home to 39 aircraft squadrons with about 75 homeported operating units in the City. In July 2019, the Navy opened a new training facility at Naval Station Norfolk called the Combined Integrated Air and Missile Defense and Anti-Submarine Warfare Trainer. The trainer simulates the ship's Combat Information Center for cruisers and destroyers, so sailors can replicate realistic and rigorous combat. The new facility is only the second of its kind for the Navy. The first opened in 2018 at Naval Base San Diego, with the combined total for both facilities being approximately \$150 million.

The North Atlantic Treaty Organization ('NATO') approved the addition of two new Joint Force Commands one based in Norfolk, the other in Ulm, Germany. As part of NATO's defense readiness initiative, the new force will ensure alliance maritime security in the Atlantic. Together, the two command centers will employ more than 1,200 personnel.

### *The Port of Virginia and Shipping*

The Port of Virginia focuses on what matters most to our customers, our people, and our region. The City also serves as a gateway between world commerce centers and the Heartland, which offers efficient train routing between the Port of Virginia and the Midwest. With one of the world's largest natural deep-water harbors and a temperate climate, the Port of Virginia is an integral part of Norfolk's economy.



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 \$700 million, 300-acre expansion of the Port of Virginia has been announced and is expected to be the largest inter-modal center in the United States when completed in 2024. The Port is also in the process of adding 86 of the largest cranes in the world, known as rail-mounted gantry cranes, to the Port which is expected to be completed by 2020.

The Virginia Port Authority opened its 26-lane, \$42 million technology-driven North Gate complex at Norfolk International Terminals in June 2017. The gate was coupled in December 2017 with the \$176 million I-564 Intermodal Connector to give truckers direct interstate access. The Virginia Port Authority is creating a new intermodal gate complex at NIT. This project is expected to cost approximately \$29 million and connect with the I-564 intermodal connector project with the goals of easing commuting around NIT, reducing truck traffic on local roads and increasing cargo velocity and efficiency at NIT.

### Transportation



Norfolk leads the way as the most multi-modal city in the Hampton Roads region. Norfolk International Airport ("NIA") is the primary airport serving Hampton Roads and northeast North Carolina, with approximately \$100 million in construction on major projects that began in FY 2018. Designated as Virginia's first green airport, Norfolk International Airport is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by Allegiant Air, American

Airlines, Delta, Frontier, Southwest, United and their regional partners. Offering over 150 arrivals and departures daily to major cities throughout the U.S., NIA presently ranks in the top 13 percent of commercial service airport in the United States with nearly 3.6 million scheduled passengers served in 2018.

Adjacent to the celebrated Norfolk Botanical Garden, Norfolk International Airport is surrounded by year-round beauty and is a role model for reconciling air facilities and a delicate ecological sanctuary.



The City's light rail system, the Tide, has exceeded 10 million rides since it began operations in 2011. The Tide runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. The City of Norfolk and Hampton Roads



Transit partnered to embark on the environmental review process to evaluate a possible extension of high capacity transit to the Tide. The next phase of study will look at potential connections to the Military Circle/Military Highway area as shown in the City's Master Plan, JANAF Shopping Center, Sentara Leigh Hospital, Norfolk International Airport and the largest naval base in the country, Naval Station Norfolk.

Amtrak passenger rail line service connecting Norfolk to Washington, D.C. via Petersburg and Richmond. Virginia Department of Rail and Public Transportation (“DRPT”) supports passenger service in the Commonwealth for Amtrak’s Northeast Regional service. Stops include Richmond, Washington D.C., Baltimore, Philadelphia, New York City and Boston. In September 2019, the DRPT announced an addition of two trains to the Hampton Roads rail service, adding routes between Richmond and Norfolk, as well as one that travels to Newport News. The state is also already planning a third Norfolk-bound train by 2021.



There have been some new additions to Norfolk transportation. With adjustments to the existing roadway network and the development of trails and neighborhood loops, Norfolk continues to be a mobile friendly City. In April 2018, Pace, a nationwide dockless bike sharing service, which allows residents, students and visitors to make point-to-point trips in and around the City launched in Norfolk. In June 2019, the City and Lime Electronic Scooter Rentals collaborated to bring more than 500 e-scooters to Norfolk.

The nine-mile Elizabeth River Trail, which runs from Norfolk State University following the Elizabeth River northward to Terminal Boulevard, connects anchor institutions, employers, and economic generators, as well as 28 neighborhoods. In 2019, major improvements included the installation of a complete wayfinding signage system for the entire 10.5-mile trail, construction of the first signature trailhead at Plum Point Park and growing the new volunteer Trail Ambassador Program.

Announced in April 2019, the Hampton Roads Transportation Accountability Commission and the Virginia Department of Transportation entered into an agreement committing \$3.8 billion to the expansion of the I-64 Hampton Roads Bridge Tunnel. The project is expected to enhance existing connections between Norfolk and the peninsula and will reduce congestion. Construction began in 2019, with an estimated completion in 2025.

### Education – Pre-K to 12 and Libraries

Norfolk Public Schools is the largest urban school division and the seventh largest division overall in the Commonwealth of Virginia. The school division enrolls a racially and economically diverse population and has an array of academically challenging programs from which to choose. Norfolk offers innovative public-school programs, which include Early Childhood Education, a unique,

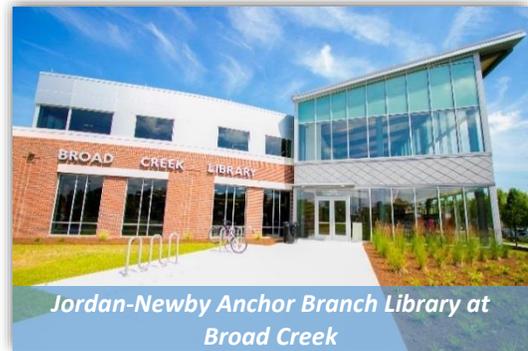




comprehensive program full-day preschool classrooms ensuring 3-year-olds and 4-year-olds enter school with critical early literacy and numeracy skills. NPS includes five middle school specialty programs, five high school specialty programs, three K-8 choice schools, one 3-8 school, two Pre-K-2 schools, two 3-5 schools and one Pre-K-8 school.

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 350 students from six cities and two counties in its Downtown location in Norfolk on Granby Street.

Following the replacement of five schools from 2012 to 2017, the City worked with the federal government on the replacement of the Camp Allen Elementary School. Camp Allen is located on Naval Station Norfolk and is part of a federal initiative to upgrade schools on military bases and serving military dependents. The U.S. Department of Defense paid 80 percent of the nearly \$28.7 million in construction cost, which was completed in November 2018.



Located adjacent to the Richard Bowling Elementary School, the new Jordan-Newby Anchor Branch Library at Broad Creek opened June 2018. The newest Anchor Branch Library offers an exciting new children's patio, a children's art room, a reading terrace, meeting rooms, study rooms and public computers.

### Higher Education

Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to several institutions of higher learning: Old Dominion University ("ODU"), Norfolk State University ("NSU"), Tidewater Community College ("TCC") and Eastern Virginia Medical School ("EVMS"). ODU is one of only 100 public research universities nationwide. NSU is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation. Located in Downtown, TCC has five buildings, including the Jeanne and George Roper Performing Arts Center.

ODU has broken ground for \$200 million worth in 2019 construction projects, including Hugo Owens Residence Hall, the Barry Art Museum and a chemistry building. Named for the Civil Rights leader, the "Owens House" will be a state-of-the-art, 470-bed student Hugo Owens residential hall. When complete in 2020, the ODU Chemistry & Biochemistry building will house a state-of-the-art digital theater to serve as a planetarium, lecture hall and laboratories for both undergraduate and graduate studies.

In 2018, NSU opened its new 6,000 square foot, \$4 million Cybersecurity Complex. NSU is a leader in cybersecurity education and research. The facility has forensic lab instruments and programming such as cybersecurity psychology. Norfolk State University's Innovation Center opened in 2019 in Downtown, with a goal to harness NSU's knowledge, experience, and the expertise in entrepreneurship to serve underserved communities. Norfolk State will also add a four-story residential facility that will be completed December 2019.

### Healthcare

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").



As the region's first magnet hospital, Sentara Norfolk General Hospital, a 525-bed tertiary care facility, is home to the area's only Level I Trauma Center, burn trauma unit and nationally ranked heart program at Sentara Heart Hospital. Sentara Norfolk General Hospital is ranked 2<sup>nd</sup> in the Commonwealth of Virginia and the top hospital in Hampton Roads, per the 2019 U.S. News and World Report's "Best Hospitals" edition.

For the 18<sup>th</sup> straight year, the Cardiology and Heart Program at Sentara Norfolk General Hospital has been ranked among the nation's Top 50 heart programs. As well as being high performing in four specialties that include Cancer, Cardiology & Heart Surgery, Nephrology and Urology. The \$199 million expansion and modernization project is anticipated to be completed in 2020. The project will add floors to two existing wings, expand the emergency department, expand and modernize 18 operating rooms, add state-of-the-art rooms, and consolidate the hospital's 54 intensive care unit beds on two floors.

Sentara Leigh Hospital's \$126 million expansion was completed in 2016. The expansion project included two five-story patient towers, an orthopedic and rehabilitation center, and a new multi-story parking garage. The Sentara Leigh campus continues to expand and broke ground in spring 2018 on a \$93.5 million, 170,000 square foot Cancer Center facility. Another addition to the campus is a \$29 million, 50,000 square foot regional orthopedic medical office building currently under construction, both facilities are anticipated to open in mid-2020.



Construction has begun to expand Eastern Virginia Medical School's campus. The \$80 million, 11-story EVMS New Education and Academic Support Building will stand on the corner of Brambleton and Colley Avenue. The building will include three stories dedicated to education, three stories for education administration and a parking deck. Construction is expected to be finished in 2020.

The CHKD broke ground in September 2019 on its new 60-bed medical-psychiatric facility for patients who require acute medical and psychiatric resources and support, a \$224 million hospital. As Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs, to be completed 2022. The CHKD also is in the process of building a \$60 million psychiatric center, with 48 inpatient beds for children as well as offering many mental health treatments and programs by day. It is expected to be completed as early as 2022.

Bon Secours DePaul Medical Center has undergone several expansions to its campus including cancer care facility and medical office building on the campus. Mercy Health and Bon Secours officials finalized a definitive merger agreement in September 2018. The combined entity comprises of 43 hospitals across seven states with more than 2,100 employed physicians. The merged entity will accrue \$8 billion in net operating revenue and \$239 million in operating income, making it the fifth largest Catholic health system in the nation.

### New Investments

Economic development initiatives are focused on the attraction, expansion and retention of businesses that play to the City's strengths: maritime, higher education, medical and research facilities, neighborhood and community revitalization and commercial corridor development. Norfolk announced approximately 800 jobs in fiscal year 2019, from a variety of industries including manufacturing, distribution and information systems companies.

Tridentis, a professional engineering, logistics and program management firm purchased the former School of Rock building in Downtown, investing \$1.5 million and will employ 70, mostly engineers. Tridentis was recently awarded a five-year, \$30 million single award contract supporting Norfolk Naval Shipyard for the USS John C. Stennis.

MS International is a leading North American importer and distributor of natural stones, countertops, landscaping tiles and porcelain. The California-based company is investing \$4.6 million in a 64,000 square foot distribution and showroom facility in the Norfolk Industrial Park.

Land & Coates is a locally owned and operated company for more than 70 years has purchased and is renovating its new corporate office in the Norfolk Industrial Park. The company includes Tidewater Power Equipment and is making a \$7 million investment for a 70,000 square foot showroom and a distribution warehouse.

HomeCo is new to the area and is investing \$12 million transforming a building into a warehouse and distribution facility for home furnishings in the Norfolk Industrial Park. HomeCo will hire 35 employees.

The 757 Angels has added \$36 million of capital investment into 16 companies demonstrating a strong investor voice that is supportive of startup and early stage companies. Norfolk-based Embody received \$1.5 million from area investment groups to develop a cutting-edge treatment for tendon and ligament injuries, including financial support from 757 Angels and the Center for Innovative Technology. The startup also has \$12 million in funding from a federal Defense Advanced Research Projects Agency grant to advance the treatment of service members and veterans.

In January, the Hampton Roads Planning District Commission announced its support for offshore wind development off the coast of Virginia. The Commonwealth issued a major roadmap for offshore wind supply chain creating big opportunities for businesses in the region including Colonna's Shipyard, General Dynamics Ligon Street Yard and others in our City to support this growing industry.

### Residential Development

One of Norfolk's greatest strength is its neighborhoods. With over 120 civic leagues and more than 95,000 housing units, Norfolk offers a diversity of housing choices that range from charming starter homes to grand residences and from downtown lofts and town homes to brand new developments along the Chesapeake Bay. By increasing the variety of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.



The St. Paul's area is under major revitalization. Three public housing communities are located within the more than 200 acre area east of downtown Norfolk - Calvert Square, Tidewater Gardens and Young Terrace. Approximately 4,200 residents live in the area's 1,700 public housing units and more than half, or 2,200, are children. In May, the Norfolk Redevelopment and Housing Authority and City of Norfolk were awarded a \$30 million

Choice Neighborhood Initiative (CNI) Implementation Grant for the Tidewater Gardens Transformation Plan, phase one of the overall redevelopment of the St. Paul's Area. With the award of the CNI Implementation Grant, Norfolk will redevelop the Tidewater Garden community into more than 700 new, mixed-income housing units; improve the neighborhood's landscape by creating new resilient, open space and increasing opportunities for local businesses; and improving families' access to quality jobs and education through a human development program called People First. The St. Paul's Area holds much potential, with an expanding light rail service and planned private and public investment.

Residential investment continues to grow throughout the City, particularly in Downtown. Several new projects have recently opened in Downtown, bringing the population to well over 7,000 residents. Another major project in the Fort Norfolk area is the River Tower at Harbor's Edge, an expansion of Harbor's Edge, a full-service, premier Life Plan Retirement Community on the Elizabeth River. When completed in 2021, the \$200 million project is expected to deliver a 24-story



River Tower with 147 new luxury residences and more than 95,000 square foot of common space. In September of 2018, the Ghent area was named a Great Place in America by the American Planning Association.

An exciting new district has sprung up, known as the "Railroad District" and has been awarded a 2018 Real Estate Development & Reuse award by the International Economic Development Council for "Catalyzing Development in Historic Districts." To allow Residential and Commercial land uses, not otherwise permitted within the industrial base zoning districts, properties located in either the Norfolk & Western Railroad or the Williamston-Woodland State and National Historic District, the City created a new historic overlay district, "Norfolk & Western Historic Overlay". Using Historic State/Federal tax credit program and the overlay, seven existing warehouses were brought back into productive use as rental housing and commercial spaces following \$80 million in rehabilitation projects. Since 2016, 271 apartments and 11 commercial uses have opened in existing light industrial warehouses, with more on the drawing table. The 167-acre district is seeing entrepreneurs moving in with trendy concepts, creating a viable live/work community. The surge in popularity of industrial breweries and loft apartments in historic buildings created a need for a successful integration of mixed-use projects, while ensuring preservation of industrial uses.



*Pinewell Station Apartments*

Also, along the Chesapeake Bay, the Ocean View community have plans of an estimated investment value of \$100 million to the area. The Pinewell Station, is being planned for the former Ramada Hotel site bringing 145 units, as well as the Villa Marina Apartments, with 111 apartments and The Tern, with 85 townhouses.

Another addition to Norfolk's residential community is the Fort Norfolk Lofts at Front Street, a multi-family apartment development consisting of 258 units, with a parking garage on the Elizabeth River. The complex will include a mixture of studio, one, two and three-bedroom units and a pedestrian walkway along the shoreline, a \$52 million investment.

The Retreat at Harbor Point, a mixed-income waterfront apartment community consisting of 250 units in Campostella Heights. This project reflects a \$56 million investment. Market Heights, a 164-unit, mixed-income apartment community complete with great amenities will be located at 630 Tidewater Drive, the project is a \$35 million investment.

### Commercial Development

Norfolk continues to see commercial development within its borders. Simon Property Group Inc. has opened the first phase of Simon Premium Outlet Park. This represents an investment of approximately \$75 million to build an outlet center on an existing City-owned golf course. The redevelopment plan calls for



*Norfolk Premium Outlets*

the City to retain approximately 65 acres for green space and walking trails around the lake creating new public open space. Phase I of the Simon Premium Outlet Park included approximately 85 stores, 332,000 square feet of leasable space and is anticipated to generate an estimated \$2.5 million in tax revenue.

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 2014, the City has realized over \$3 billion in new development, business expansion and announcements of pending projects. In December 2018, Norfolk Southern announced its plans to relocate its headquarters to Atlanta, Georgia. The relocation is anticipated to gradually occur through 2021.



Norfolk's award-winning Norfolk Works program continues to connect Norfolk residents to expanding employers and new Norfolk businesses, such as IKEA Norfolk, assisting in the recruitment of more than 250 full time jobs, and 75 seasonal jobs. Norfolk Works is collaborating with the U.S. Census Bureau to help fill more than 1,000 job openings for the decennial census, many paying \$18 per hour. Since its start in

December 2016, Norfolk Works has now completed more than 30 employment projects supporting over 1,400 job offers.

Adjacent to the Simon Norfolk Premium Outlets a 331,000 square foot IKEA opened on April 10, 2019. This is only the second IKEA in Virginia. The IKEA building has the largest solar rooftop array in Hampton Roads and charging stations for electric vehicles. The 450-seat restaurant serves IKEA's famous Swedish meatballs. IKEA is anticipated to bring more than \$2.5 million in direct tax revenue.



The Pamunkey Indian Casino is a proposed \$700 million development project, anticipated to have 500 four-diamond hotel rooms. The proposed project includes 5-7 on-site restaurants, an entertainment venue and a spa. The casino is projected to provide 3,500 new direct jobs to Norfolk. Construction jobs could range from 4,000-5,000. The General Assembly will consider legislation to permit commercial gaming in its upcoming session.

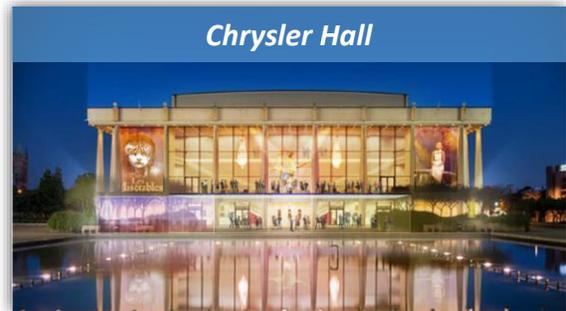
Norfolk Gateway Office Tower, a new hub for Norfolk business, collaboration and innovation, will support a variety of modern workplace

environments. The preliminary announced 20-story, 360,000-square-foot LEED Certified Class-A office tower will feature views overlooking the City and the waterfront with the first-floor retail lining St. Paul's Boulevard and structured parking. The building plans to set the new standard for resilient and sustainable design in Norfolk. The tower and its surrounding grounds are planned to reduce water use and runoff through integration of bioswales, rain gardens, green roof technologies and native landscapes. Building glazing, lighting and mechanical systems are anticipated to significantly reduce energy usage, while creating a healthier and more productive work environment for the tenants.

### Quality of Life, Arts and Culture

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourist. 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. 2019 marks the 100<sup>th</sup> Anniversary of the Attucks Theatre. All year-long it will celebrate with programs and events throughout the City.

Built in 1972, one of Norfolk's most notarized venues, Chrysler Hall is nearing its 50<sup>th</sup> anniversary. Design work is underway as Chrysler Hall is slated to receive a \$40 million upgrade, anticipated to start in late 2019.



The 80,000 square foot Peter G. Decker, Jr. Half Moone Center is located between Town Point Park and Nauticus/Battleship Wisconsin and continues to serve as a multi-purpose facility for the City offering five distinct event spaces that can accommodate from 50 to 1,500 guests. Battleship Wisconsin celebrates 75 years in 2019, the battleship was commissioned April 16, 1944 and programming will include its role in WWII, the Korean Conflict, and Operation Desert Shield.

In 2019, Carnival Cruise Lines brought several departures from the Half Moone terminal. Carnival's Triumph holds more than 2,750 passengers. The trips will include five and six-day cruises to the Bahamas. Carnival's return in 2019 alone is estimated to provide the City with over \$300,000 in new revenues.



The Barry Art Museum at Old Dominion University opened in 2019. The 24,000-square-foot, two-story facility is the result of a \$37 million gift from Richard and Carolyn Barry, the donation of money and art were both the largest in the University's history. The first exhibit features art with more than 300 works in all,

primarily from the Barry family's personal collection including 20<sup>th</sup>-century American modernist paintings, international glass sculptures, historic dolls and European automata.

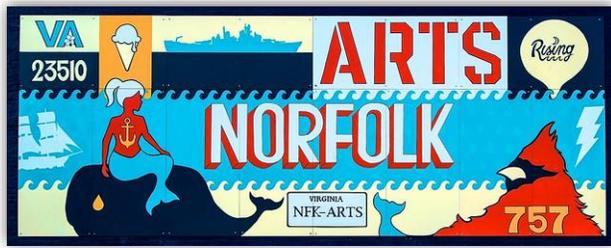


*Slover Library*

The Slover Library, the main public library, blends traditional library functions with the best of contemporary library resources and services. Nestled between The Main and Slover Library, the Selden Market, which features the area’s up-and-coming small businesses in retail, food, and more. In August of 2018, the Slover Library opened the Maker Studio in Selden Market and is fully equipped with 3D printers and more. For entrepreneurs, the market provides a rotating lineup of the City’s up-and-coming concepts in retail, food, and entrepreneurship.

*Arts District*

Norfolk's first official arts district, the NEON District, is home to a new wave of passion and creativity in downtown. NEON, or New Energy of Norfolk, draws from the neighborhood's history with the automobile. Long time cultural institutions like the Chrysler Museum of Art and Harrison Opera House anchor the District.



Tidewater Community College’s Norfolk Campus is in the heart of downtown. The urban campus is strategically located in the cultural, business and theater district

of the City. The campus includes the Jeanne and George Roper Performing Arts Center, formerly the historic Loews State Theater, as well as a student center that complements the landscape and includes an outdoor gathering space just off Granby Street.

Through a new partnership with the City, Tidewater Community College will expand in Norfolk's NEON District with its newly announced plan to build the Patricia and Doug Perry Visual and Culinary Arts and Hospitality Center at the site of the Greyhound Station. The 47,000-square-foot center will be a jewel to Downtown and could open as soon as summer 2021.



*Jeanne and George Roper Performing Arts Center*

*Hotel Development*

Norfolk has approximately 5,000 hotel rooms, including nearly 1,650 in the Downtown area. Tourism and conventions employ over 7,000 workers in the City and generate an estimated \$28.8 million in state taxes and \$23.9 million in local tax revenue. It is estimated travelers to

the City spend over \$764 million annually. The Main opened March 2017, the \$164 million public/private Downtown project includes a 50,000 square foot conference center; a 4-Star Hilton hotel with approximately 300 rooms, three full-service restaurants and a parking garage. The project has created approximately 250 jobs and an estimated \$2 million in annual tax revenue.



Tru Hotel is coming to Norfolk near the Simon Norfolk Premium Outlet. The 98-room, 4-story hotel is Hilton’s newest brand designed for the young-at-heart. Tru features a large lobby with a market, games, lounge, workspace and of course, modern rooms and amenities.

Development is underway for a Glass Light Hotel and Gallery, Marriott Autograph Collection, a boutique hotel to be located at the 200 block of Granby Street in the former Royster building. With the help of the Perry family, the \$30 million investment will have a glass art theme and is expected to open January 2020. This boutique hotel and glass gallery will host exceptional works of glass art by world renowned artists such as Dale Chihuly, Peter Bremers and Lino Tagliapietra. The hotel will have 117 rooms and a ground floor restaurant with a Michelin star chef. Meeting and event space will seamlessly connect to the gallery.

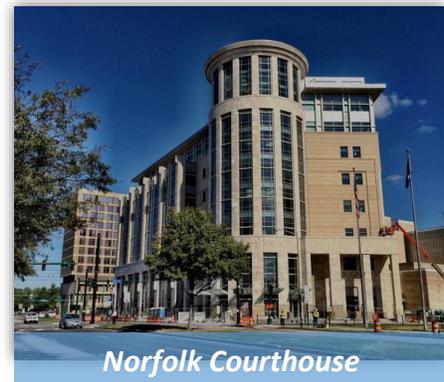


The Marriott Waterside is undergoing a \$25 million renovation to modernize the hotel. Included in the agreement is a \$4 million dollar improve to the City-owned conference center, which is a part of the hotel.

Norfolk's waterfront hotel, the Sheraton Norfolk Waterside, recently completed its \$12 million renovation. The upgrades include a renovation of its 468-rooms, a 1,100 square foot presidential suite, newly renovated lobby and a 24-hour fitness center.

### Public Safety

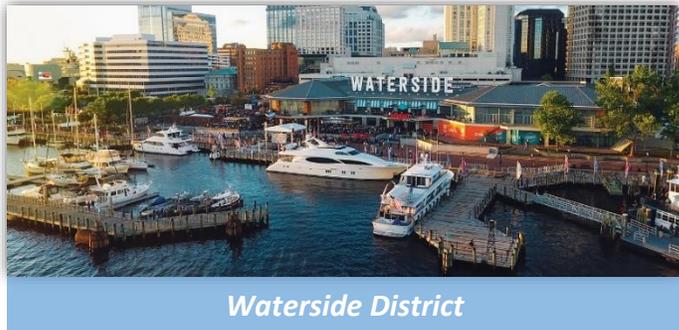
This City’s new courthouse complex houses the General District, Circuit, and Juvenile and Domestic Relations Courts. The project was completed in March of 2018 and represents Norfolk's largest investment in a public building. This state-of-the-art courts facility is a LEED-certifiable (Leadership in Energy and Environmental Design) green building.



### Waterfront Recreation Investment

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline including along Downtown's Elizabeth River, the Lafayette River, lakes, the Hampton Roads Harbor and the Chesapeake Bay. Town Point Park, located in the Downtown area along the

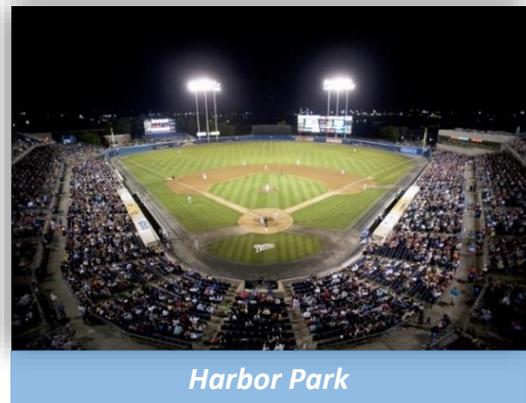
Elizabeth River, brings thousands of visitors Downtown annually and generates both tax and parking revenue.



The Waterside District is a regional destination located in the heart of the central business district and adjacent to the City's world-class waterfront and festival site. The anchor is a 30,000 square foot section known as "The Marketplace" that has businesses and restaurants, including a live performance stage and roof top deck.

### Sports and Recreation

Norfolk is home to the Norfolk Tides, a AAA minor league baseball team (the "Tides"), for the Baltimore Orioles. As part of Minor League Baseball's Copa de la Diversión initiative celebrating Hispanic heritage, the Norfolk Tides played as the Pajaritos De Norfolk (Baby Birds of Norfolk) for five games during the 2019 season. Norfolk is also home to the Norfolk Admirals, an East Coast Hockey League affiliate of the National Hockey League's (NHL) Arizona Coyotes and of the American Hockey League's (AHL) Tucson Roadrunners. Old Dominion University competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.



The recently reconstructed S.B. Ballard Stadium at Old Dominion University was completed for its home opener of the 2019 football season on August 19<sup>th</sup> between Norfolk's ODU Monarchs and NSU Spartans. The \$67.5 million includes more than 25,000 seats and luxury suites.

Additionally, located at Harbor Park is the Pernell "Sweet Pea" Whitaker Boxing and Fitness Center, named after late boxing

legend, Pernell Whitaker. The Norfolk native was an Olympic gold medal winner and a four-weight world champion. The 13,000 square foot state-of-the-art facility is equipped with two U.S.A. Boxing regulation-sized competition rings, stadium-style seating and the capacity to host large shows and championship bouts.

## **Adopted Financial Policies**

On February 26, 2019, the City Council adopted updates to its prior financial policies. The updated Financial Policies are comprehensive and further strengthen the City's financial position. The adopted Financial Policies include an increase to the General Fund Unassigned Reserve with a new minimum of 10% of General Fund Expenditures plus General Fund Transfers Out, an increase maximum funding in the Risk Management Reserve of \$8 million, no change in the existing Economic Downturn Reserve, and creation of a new Inclusive Development Opportunity Fund to be funded at \$2 million.

As of Fiscal Year 2018, the City was at the new minimum level in the General Fund Unassigned Reserve and at the maximum funding of the Economic Downturn Reserve. The City anticipates adding to the Risk Management Reserve and the Inclusive Development Opportunity Fund, over time.

The adopted Financial Policies also include a new pension funding policy, which establishes the City's contribution at the greater of the prior year's contribution or the current year's actuarially defined contribution. The adopted Financial Policies include a net tax-supported debt service maximum of 11% of the General Fund budget with a target at 10% or less and a net tax-supported debt maximum of 4.0% of total taxable property value with a target of 3.5% or less. New affordability measures include a ten-year minimum debt pay-out ratio of 55%, an overlapping debt maximum of 0.5% of taxable property, and a variable rate debt limitation at 20% by fund. The adopted Financial Policies also establish minimum days cash on hand, minimum debt service coverage, and minimum reserves for each of the City's enterprise funds.

## **Long-Term Financial Planning**

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

## **Debt Administration**

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

The City has strong credit ratings for a local government for its general obligation bonds: 'Aa2' by Moody's Investors Service ("Moody's"), 'AA+' by S&P Global Ratings ("S&P") and 'AA+' from Fitch Ratings ("Fitch"). Factors contributing to the credit rating include the City's financial position, current and future debt burden, financial management and the health of the economy.

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

**Major Initiatives**

The City Manager’s Office of Resilience implements Norfolk’s resilience strategy. At the core of our resilience strategy is a commitment by each citizen, organization, and municipal system, and by leadership from all sectors, to acknowledge our stresses and vulnerabilities and to work proactively to find solutions. In 2015, Norfolk adopted a comprehensive resilience strategy to address the challenges facing the City. Norfolk’s resilience strategy is driven by three key goals



**Goal 1:** *Design the coastal community of the future.*

**Goal 2:** *Create economic opportunity by advancing efforts to grow existing and new industry sectors.*

**Goal 3:** *Advance initiatives to connect communities, deconcentrate poverty, and strengthen neighborhoods.*

**Resilience – Designing the Coastal Community of the Future**

Norfolk is a recognized leader – domestically and internationally – in the resilience movement. Named as one of the world’s first members of 100 Resilient Cities (100RC), a program pioneered by The Rockefeller Foundation, Norfolk is helping to build a global practice of resilience by working with cities around the world. As a member of 100RC, Norfolk has taken a proactive approach to addressing the impact of sea level rise with a resilience strategy, which embraces the City’s relationship with its adjacent bay, rivers, streams, ponds and marshes.



Norfolk is undertaking many initiatives to address its resilience goals, including the following:

1. Partnering with the U.S. Navy and Virginia Beach on a Joint Use Land Study to mitigate the impacts of sea level rise on Navy operations: the study was completed July of 2019 and identifies priority flood mitigation projects for the U.S. Naval Station Norfolk, Virginia Beach, and Norfolk.
2. Encouraging or requiring resiliency as part of development activities: The City updated its zoning code and includes resilient development activities as part of its comprehensive long-term plan (PlaNorfolk 2030). These efforts go far beyond the FEMA floodplain requirements and include provisions that target Norfolk’s unique situation and circumstances.
3. Seeking grants and other outside funding to help defray the cost of resiliency projects: in 2016, Norfolk and several partners in the Commonwealth received a \$112 million



grant from the U.S. Department of Housing and Urban Development's ("HUD") National Disaster Resilience Competition. Grant funds are being used to address coastal resilience in the City's Ohio Creek watershed area with new infrastructure construction. Construction will start in late 2019 and is to be completed summer 2022.

4. In May 2019, Norfolk was also awarded a \$30 million Choice Neighborhoods Initiative Grant to redevelop the St. Paul's area of the City including the construction of a large stormwater greenway and park to resiliently manage flooding.
5. The Resilience Park will connect the Grandy Village and Chesterfield Heights neighborhoods and includes a flood berm, a restored tidal creek and wetland and other environmental features as well as a multi-use sports field and places for community gatherings, sports and play. Resilience Park strives to be a model for resilient open space that is uniquely Norfolk.

To effectively align opportunities, connect internal and external stakeholders and resources, in fiscal year 2019 the City created a multi-disciplinary Resilience Office to expand and institutionalize this integrated approach to building the City's resilience to the environmental, economic, and social stresses and potential shocks that challenge the City. The Resilience Office will continue to actively leverage opportunities and resources across City departments, local community, as well as national and international partners.



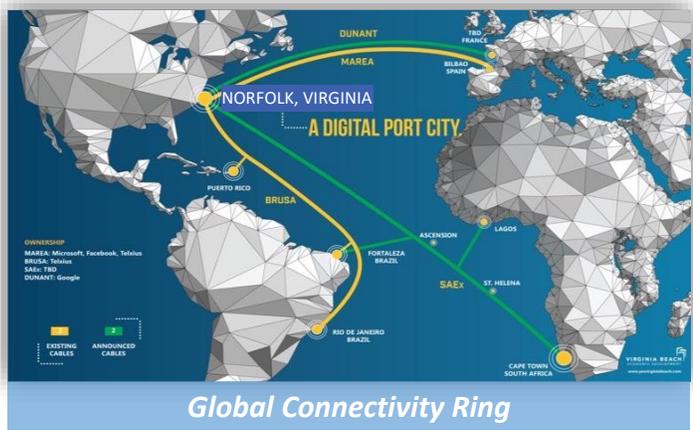
### **Norfolk is a Smart City**

The Resilience Office is working with the City's Right of Way and Public Works Department to test low-cost sensors that have the capability to detect water levels, optimize flood infrastructure effectiveness, and inform residents of flood risk. Currently over 40 sensors are collecting data that will allow the City to better understand and respond to flood risk.

A Smart City integrates multiple technologies to enhance the quality of life, livability, workability, and sustainability for residents, businesses, and visitors. As dependency on technology grows, the City needs to be able to accommodate changes that allow connectivity with our mobile customers. By using a holistic approach to technology integration, service delivery becomes intelligent, interconnected, and efficient.

As a Smart City, technology and data analytics are embedded in the infrastructure to improve real time responses. In support of the Smart City initiative, in fiscal year 2018 Norfolk joined the Regional Connectivity Ring (RCR) to bring faster broadband internet services to the region. Norfolk finds itself in a unique position as it relates to high speed technology, as a result of two major transatlantic fiber lines. Together these cables provide access to expanded economic markets, as well as research and development hubs. This combined with the transatlantic cables will mean that fiber companies will be interested in building infrastructure in our region. This ring will be approximately 103 miles of fiber which will connect the five cities to the

superhighway of the transatlantic cables. It will also create opportunities for regional government collaboration, connecting high education centers, and providing opportunities for businesses throughout the region. Norfolk's section is identified on the map by the gold section of the ring.



## Community Engagement

Community engagement has become a year-round conversation with residents. Participation in government creates ownership at all levels, empowers citizens, engages people in decision-making, and ensures transparency. Community engagement improves resource management and the ability of local authorities to solve problems, creates more inclusive and cohesive communities, and increases the number and quality of initiatives. We are committed to continually improve methods for residents to connect and define the City's future.

## **INTERNAL CONTROL AND BUDGET ACCOUNTING**

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

The City's control environment reflects the attitude of management at all levels towards ethical behavior, organizational values, competence, integrity and the well-being of the organization. The City's Ethical Fitness: Setting the Tone at the Top initiative requires all new employees to complete a bi-annual Ethics and Compliance awareness training. The Culture of the Team Norfolk training program includes a series of training modules geared towards promoting a professional environment and ethical culture throughout the City.

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

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

## **AWARDS AND RECOGNITION**

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

**Top Citizen Engaged Communities in the U.S. for 2018 to 2020, Public Technology Institute, 2019; #43 100 Best Fleets, The 100 Best Fleets in the Americas, 2019; #43 Best Fleets in North America, National Automotive Fleet Association, 2019; Ranked 1<sup>st</sup> for Digital City (Population 125,000 to 249,999), the Center for Digital Government's, 2019; Ranked Top 10 in Cities Where Millennials Are Moving, SmartAsset, 2019; Ranked 4<sup>th</sup> Among Top Charming Cities in the South, CNN Travel, 2018; Best Places to Visit in Virginia, U.S. New & World Report, 2019; Norfolk's Continued Participation in the What Works Cities Initiative, Bloomberg Philanthropies, 2019; Norfolk received the highly coveted Pinnacle Award for Seldon Market, International Downtown Association, 2018; Norfolk Fiscal Year 2018 Employees' Retirement System Received 14<sup>th</sup> consecutive GFOA recognition for its CAFR, Government Finance Officers Association of the United States and Canada, 2018; Norfolk's Fiscal Year 2018 Popular Annual Financial Report (PAFR) Received GFOA recognition for its PAFR, Government Finance Officers Association of the United States and Canada, 2019; Norfolk's Fiscal Year 2018 Report to Our Citizens Received a Certificate of Excellence in Citizen-Centric Reporting,**

*Association of Government Accountants (AGA), 2019; **Norfolk Fiscal Year 2019 Distinguished Budget Presentation Award**, Government Finance Officers Association of the United States and Canada, 2019.*

## **INDEPENDENT AUDIT**

According to the City Charter and Section 15.2-2511 of the *Code of Virginia*, as amended, an annual audit by an independent auditor of the City is required. Accordingly, the records have been audited by CliftonLarsonAllen LLP. As a result of an audit of the City's financial records, CliftonLarsonAllen LLP has issued an unmodified opinion with respect to the City's financial statements for the year ended June 30, 2019. The independent auditors' report is presented in the financial section of this report.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the 33<sup>rd</sup> consecutive year that the City received this prestigious award.

This award is valid for a period of one year only. We believe that the FY 2019 CAFR continues to meet the requirements and it will be submitted to GFOA again this year.

[Remainder of Page Intentionally Left Blank]

## ACKNOWLEDGMENTS

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

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

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

In closing, credit must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances. The City Council's oversight of the financial affairs has resulted in this strong financial report and is commended for their dedication in supporting the policies and practices that made it so.

Respectfully submitted,



Dr. Larry "Chip" Filer  
City Manager



Christine Garczynski  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Norfolk  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO



**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2019**

# **FINANCIAL SECTION**

**~ Independent Auditors' Report ~**

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

**~ Basic Financial Statements ~**

**Government-wide Financial Statements**

**Fund Financial Statements**

**Notes to the Basic Financial Statements**

**Required Supplementary Information  
(Unaudited)**

**Other Supplementary Information**





**This page left intentionally blank**

# **INDEPENDENT AUDITORS' REPORT**





**This page left intentionally blank**



## 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, to 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.

#### *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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Members of City Council  
City of Norfolk, Virginia

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 22, 2019



**This page left intentionally blank**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**(Unaudited)**





**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2019. Readers are encouraged to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements which follows this section. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

**Financial Highlights**

- The assets and deferred outflows of resources of the City, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$775,535,503 (net position). Of this amount, there is a negative unrestricted net position of \$6,723,779. Total net position increased by \$60,002,257 and unrestricted net position increased by \$3,111,281 from the prior fiscal year end.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$192,544,921, an increase of \$162,430,503 in comparison with the prior year. This increase was primarily attributable the issuance of bonds offset by the continuous usage of the City's line of credit for funding of capital projects. The City issued \$136,210,377 in general obligation bonds in fiscal year 2019.
- The General fund, on a current financial resources basis, reported an increase in fund balance of \$27,335,392 from the prior year.
- At the end of the current fiscal year, the total unassigned fund balance for the General fund was \$76,510,303 or 8.7 percent of the original General fund budget.
- The City's total outstanding bonded indebtedness decreased by \$84,762,851 during the current fiscal year primarily due to the pay down of the line of credit offset by the issuance of bonds.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Overview of the Financial Statements**

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

**Government-wide financial statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the government's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. The *government-wide financial statements* are comprised of the Statement of Net Position and the Statement of Activities.

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

the City is financially accountable: Norfolk Public Schools (“School Board”) and Norfolk Economic Development Authority (“EDA”). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 72 - 73 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found in pages 63 - 66 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, 2019**

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

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City had two internal service funds, Fleet Management and Healthcare during fiscal year 2019. The internal service funds are allocated to governmental activities at the entity wide level.

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

The basic proprietary fund financial statements can be found on pages 67 – 69 of this report.

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

The fiduciary fund financial statements can be found in pages 70 - 71 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 77.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General fund, the City's Net Pension Liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 163 – 180 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 189 - 190 and 193 -195, respectively, of this report.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**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 and deferred outflows exceeded liabilities and deferred inflows by \$775,535,503 at the close of fiscal year 2019.

By far, the largest portion of the City's net position, \$747,068,430 or 96.3 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 4.5 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$6,723,779 of unrestricted net position is due to the adoption of GASB 68 and GASB 75 and the recognition of the net pension liability to the City's employee retirement system and the Virginia retirement system and total OPEB liability.

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 307,430,909	\$ 297,830,502	\$ 166,075,993	\$ 181,716,449	\$ 473,506,902	\$ 479,546,951
Capital Assets	1,212,050,208	1,208,714,466	1,019,926,618	1,014,922,454	2,231,976,826	2,223,636,920
Total Assets	<u>1,519,481,117</u>	<u>1,506,544,968</u>	<u>1,186,002,611</u>	<u>1,196,638,903</u>	<u>2,705,483,728</u>	<u>2,703,183,871</u>
Deferred Outflows of Resources	110,187,571	105,724,255	29,595,694	30,710,653	139,783,265	136,434,908
Total Assets and Deferred Outflows of Resources	<u>\$ 1,629,668,688</u>	<u>\$ 1,612,269,223</u>	<u>\$ 1,215,598,305</u>	<u>\$ 1,227,349,556</u>	<u>\$ 2,845,266,993</u>	<u>\$ 2,839,618,779</u>
Long-Term Liabilities	\$ 1,234,226,691	\$ 1,102,672,228	\$ 692,698,113	\$ 733,195,460	\$ 1,926,924,804	\$ 1,835,867,688
Other Liabilities	93,254,494	240,341,499	25,600,442	27,473,102	118,854,936	267,814,601
Total Liabilities	<u>1,327,481,185</u>	<u>1,343,013,727</u>	<u>718,298,555</u>	<u>760,668,562</u>	<u>2,045,779,740</u>	<u>2,103,682,289</u>
Deferred Inflows of Resources	22,603,373	19,250,936	1,348,377	1,152,308	23,951,750	20,403,244
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,350,084,558</u>	<u>\$ 1,362,264,663</u>	<u>\$ 719,646,932</u>	<u>\$ 761,820,870</u>	<u>\$ 2,069,731,490</u>	<u>\$ 2,124,085,533</u>
Net Position:						
Net Investment in Capital Assets	382,093,155	351,887,472	364,975,275	330,978,901	747,068,430	682,866,373
Restricted	6,689,562	6,485,061	28,501,290	36,016,872	35,190,852	42,501,933
Unrestricted	(109,198,587)	(108,367,973)	102,474,808	98,532,913	(6,723,779)	(9,835,060)
Total Net Position	<u>\$ 279,584,130</u>	<u>\$ 250,004,560</u>	<u>\$ 495,951,373</u>	<u>\$ 465,528,686</u>	<u>\$ 775,535,503</u>	<u>\$ 715,533,246</u>

For governmental activities, total net position increased by \$29,579,570 or 11.8 percent overall during the current fiscal year. Factors that contributed to the change in total governmental net position include a reduction in other liabilities primarily due to paying down the line of credit liability.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

For business-type activities, net position increased by \$30,422,687 or 6.5 percent during the fiscal year. Of this amount, an increase of \$23,186,067, \$10,014,851, and a decrease of \$2,778,231 are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues increased by \$28,009,070 compared to prior year due to increases in rates and consumption for Water and Wastewater Utilities funds, a large one-time contract renewal payment for the Water Utility fund and an increase in activity for Parking Facilities fund.

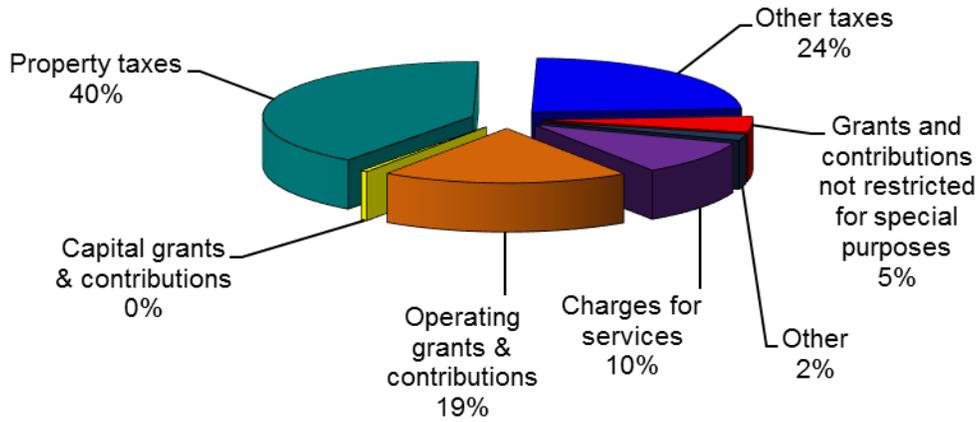
The following presents key programmatic and functional elements of changes in government-wide net position:

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 75,887,233	\$ 73,176,531	\$ 165,092,161	\$ 139,291,143	\$ 240,979,394	\$ 212,467,674
Operating Grants & Contributions	142,804,187	151,518,592	-	-	142,804,187	151,518,592
Capital Grants & Contributions	3,806,128	11,954,157	380,664	144,186	4,186,792	12,098,343
General Revenues:						
Property Taxes	303,622,810	277,131,597	-	-	303,622,810	277,131,597
Other Taxes	177,263,305	174,138,870	-	-	177,263,305	174,138,870
Grants and Contributions not restricted for specific purposes	35,965,314	28,158,027	-	-	35,965,314	28,158,027
Other	13,889,588	31,459,597	4,791,650	2,820,076	18,681,238	34,279,673
Total Revenues	<u>753,238,565</u>	<u>747,537,371</u>	<u>170,264,475</u>	<u>142,255,405</u>	<u>923,503,040</u>	<u>889,792,776</u>
<b>Expenses:</b>						
General Government	157,320,255	152,832,372	-	-	157,320,255	152,832,372
Judicial Administration	46,124,063	57,118,257	-	-	46,124,063	57,118,257
Public Safety	138,889,690	160,378,339	-	-	138,889,690	160,378,339
Public Works	66,078,582	69,193,737	-	-	66,078,582	69,193,737
Health and Public Assistance	91,735,421	87,826,832	-	-	91,735,421	87,826,832
Culture and Recreation	58,961,688	46,798,591	-	-	58,961,688	46,798,591
Community Development	29,381,236	23,320,454	-	-	29,381,236	23,320,454
Education	136,659,606	131,136,839	-	-	136,659,606	131,136,839
Interest on Long-Term Debt	28,817,125	24,965,263	-	-	28,817,125	24,965,263
Water Utility	-	-	63,966,663	61,275,639	63,966,663	61,275,639
Wastewater Utility	-	-	20,201,303	21,011,809	20,201,303	21,011,809
Parking Facilities	-	-	25,365,151	23,083,990	25,365,151	23,083,990
Total Expenses	<u>753,967,666</u>	<u>753,570,684</u>	<u>109,533,117</u>	<u>105,371,438</u>	<u>863,500,783</u>	<u>858,942,122</u>
Increase (decrease) in Net Position before Transfers	(729,101)	(6,033,313)	60,731,358	36,883,967	60,002,257	30,850,654
Transfers	30,308,671	10,000,000	(30,308,671)	(10,000,000)	-	-
Increase (decrease) in Net Position	<u>29,579,570</u>	<u>3,966,687</u>	<u>30,422,687</u>	<u>26,883,967</u>	<u>60,002,257</u>	<u>30,850,654</u>
Net Position Beginning of Year, Restated	250,004,560	246,037,873	465,528,686	438,644,719	715,533,246	684,682,592
Net Position End of Year	<u>\$ 279,584,130</u>	<u>\$ 250,004,560</u>	<u>\$ 495,951,373</u>	<u>\$ 465,528,686</u>	<u>\$ 775,535,503</u>	<u>\$ 715,533,246</u>

**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

**Governmental Activities: Revenues by Source**



**Governmental Activities** – The City’s total revenues from governmental activities were \$753,238,565 for the fiscal year that ended June 30, 2019. The largest sources of revenue for the City are property taxes and other taxes which comprise 60 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by \$26,491,213 compared to prior year. The real estate (general tax) tax rate for fiscal year 2019 was \$1.25 per \$100 of assessed value which had previously changed to set aside \$0.02 for school construction technology and infrastructure spending. Revenues from other taxes increased by \$3,124,435 or 1.8 percent in comparison to the prior year. Other taxes include sales & use, consumers’ utility, restaurant food, business license and hotel/motel taxes.

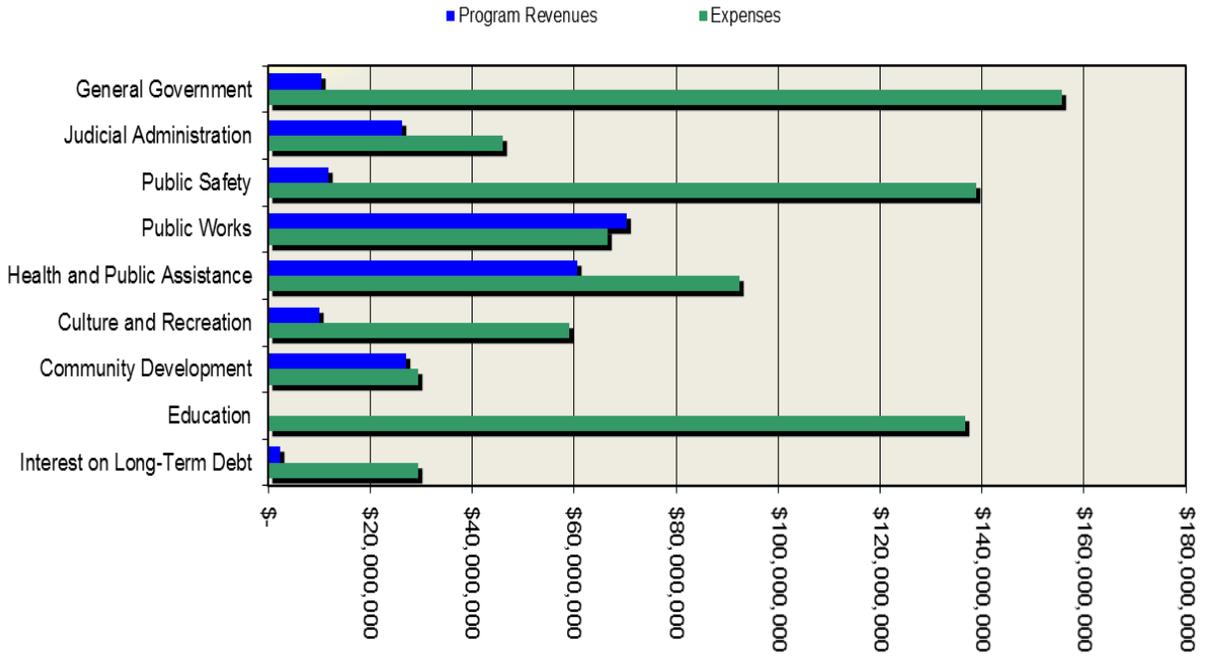
Operating grants and contributions for governmental activities ended the fiscal year at \$142,804,187 which represents a decrease of approximately 5.8 percent from the prior year. For the 2019 fiscal year, there was \$35,965,314 in grants and contributions not restricted for specific programs which represents an increase of approximately 27.8 percent from the prior year. Other revenue decreased by \$17,570,009 in comparison to prior year.

The City’s expenses for governmental activities cover a wide array of services, with \$138,889,690 or 18.4 percent related to public safety, \$157,320,255 or 20.9 percent related to general government and \$136,659,606 or 18.1 percent for education, (including payments to the School Board, a component unit). Overall, expenses for governmental activities increased by 0.1 percent primarily due to cost of living increases.

Depreciation expense for governmental activities of \$49,518,810 was recorded.

**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

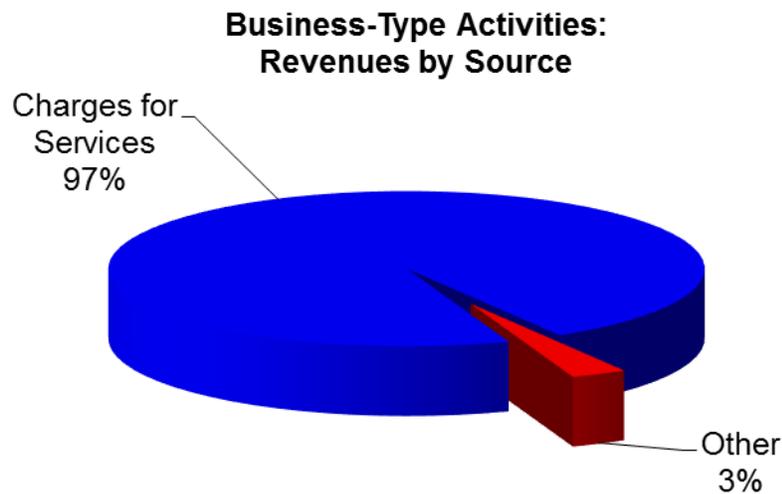
**Governmental Activities  
Expenses and Program Revenues**



**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

**Business-type Activities** – Business-type activities increased the City's net position by \$30,422,687. Key elements of this change are as follows:

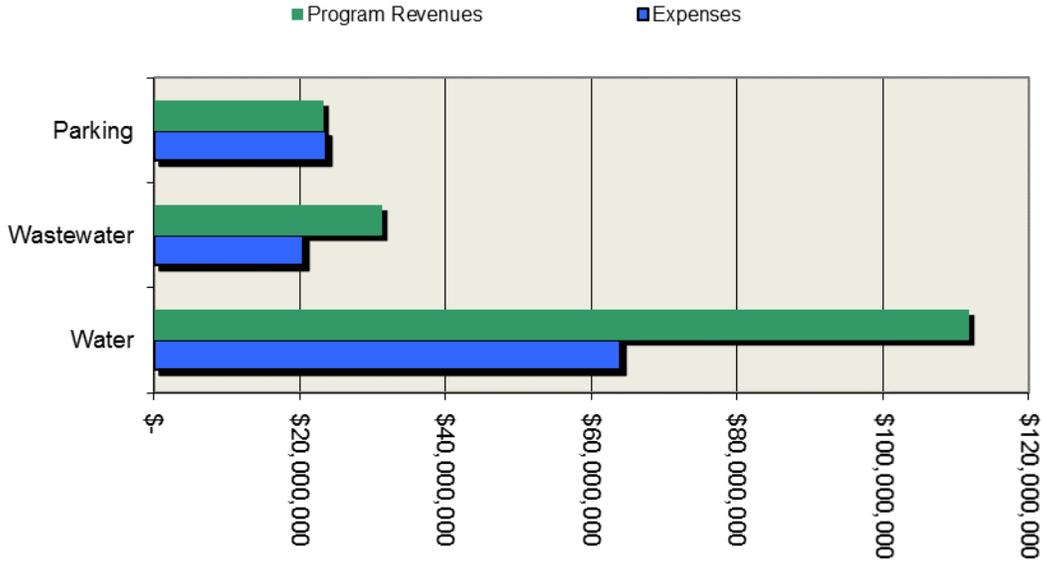
- Revenue from charges for services for business-type activities increased by 19.1 percent. Water Utility charges for services increased \$24,604,084 and Wastewater Utility charges for services increased \$1,021,380.
- Parking Facilities revenues increased \$175,554 or 0.8 percent from the prior year.



Total operating expenses for business-type activities increased overall by \$3,528,793 or 4.0 percent. The Water Utility fund's expenses increased by 2,232,838. The Wastewater Utility fund's expenses increased by \$241,402. The Parking Facilities fund's expenses increased by \$963,553.

**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

**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 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 balance of \$192,544,921, an increase of \$162,430,503 over the prior year due to the issuance of \$136,210,377 in general obligation bonds and an increase in “transfers in” from one of the City’s proprietary funds resulting from of a one-time contract payment of \$20,000,000 from an external customer. Of the total ending fund balance, \$6,689,562 is restricted. The restricted fund balance is that portion of fund

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

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 awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$21,841,997 of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers' compensation and general liability programs. Assigned fund balance is \$87,569,167 of total ending fund balance and represents funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining \$76,444,195 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 ten percent of the combination of general fund operation expenditures and transfers out, which was \$65,788,060 for fiscal year 2019.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues over projections by \$17,132,008. Total expenditures were less than appropriations by \$27,951,001.

The general fund experienced an overall increase in revenue of \$30,840,650 or 5.1 percent over the prior year. Overall expenditures increased by \$15,919,882 or 3.0 percent from fiscal year 2019. General fund financial and budget highlights of the 2019 fiscal year include:

- General property tax revenues increased by \$25,221,807 or 9.5 percent;
- Other local tax revenues increased by \$2,889,654 or 1.8 percent;
- General government expenditures increased by \$6,375,186 or 5.4 percent; and
- Education expenditures increased by \$2,000,000 or 1.7 percent.
- The Department of Fire and Rescue exceeded its expenditure budget by \$873,103 or 1.9 percent as a result of increases in overtime due to staffing shortages during the year.

The City spent \$43,183,971 from the Capital Projects fund to support major capital projects, including construction of the second phase of the new courthouse, a new school, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund balance \$4,104,634. In fiscal year 2019, the City issued bonds, but also used cash on hand and a line of credit to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. During the year bonds were issued to refund existing debt and new debt was also

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

issued. Additionally, a net \$146,553,635 was repaid to the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type funds.

**Proprietary Funds** – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net position of these funds to finance continuing operations of the enterprise operations. Factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets** – The City’s net investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$747,068,430. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Infrastructure assets represent 17.0 percent of total general governmental assets.

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

- \$7.1 million in improvements to various civic facilities;
- \$3.6 million in improvements to various cultural facilities;
- \$2.8 million in improvements to neighborhood streets throughout the City; and
- \$5.3 million for new school construction.

Construction in progress totaled \$87.8 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$38.2 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 104,795,532	\$ 99,348,960	\$ 52,123,178	\$ 52,119,012	\$ 156,918,710	\$ 151,467,972
Buildings, equipment and vehicles	728,791,909	737,437,422	909,917,238	901,129,087	1,638,709,147	1,638,566,509
Improvements other than buildings	83,782,338	80,141,523	14,242,510	14,647,761	98,024,848	94,789,284
Construction in progress	87,840,303	89,634,487	38,158,785	43,166,572	125,999,088	132,801,059
Intangible assets	449,553	582,199	5,484,907	3,860,022	5,934,460	4,442,221
Infrastructure	206,390,573	201,569,875	-	-	206,390,573	201,569,875
<b>Total</b>	<b>\$ 1,212,050,208</b>	<b>\$ 1,208,714,466</b>	<b>\$ 1,019,926,618</b>	<b>\$ 1,014,922,454</b>	<b>\$ 2,231,976,826</b>	<b>\$ 2,223,636,920</b>

**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

Additional information on the City’s capital assets can be found in Note VI on pages 98 - 100 of this report.

**Long-term Debt** – At June 30, 2019, the City (including the enterprise funds) had total bonded debt outstanding of \$1,369,655,020. Of this amount, \$973,735,281 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 751,911,783	\$ 656,212,948	\$ 202,803,498	\$ 242,888,532	\$ 954,715,281	\$ 899,101,480
Line of Credit	9,800,000	156,573,635	9,220,000	10,000,000	19,020,000	166,573,635
Revenue bonds	-	-	395,919,739	388,742,756	395,919,739	388,742,756
Total	<u>\$ 761,711,783</u>	<u>\$ 812,786,583</u>	<u>\$ 607,943,237</u>	<u>\$ 641,631,288</u>	<u>\$ 1,369,655,020</u>	<u>\$ 1,454,417,871</u>

The City’s total debt outstanding decreased by \$84,762,851 or 5.8 percent during the fiscal year.

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

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

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

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

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

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

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue up to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$2,034,460,380.

Additional information on the City's long-term debt can be found in Note IX on pages 105 - 112 of this report.

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

- The City has shown signs of rebounding from the recession. Real estate assessments which drive the City's largest locally generated revenue is projected to rise for the seventh straight year with fiscal year 2020 bringing the largest growth since fiscal year 2009. Residential assessments which make up the majority of overall real estate assessments are projected to rise for the sixth straight year as the housing market continues to recover. Significant economic development as a result of the City's public-private partnerships are also beginning to come to fruition and are expected to generate new jobs and tax revenue. Considering the effects of the national, state and local economic conditions, the City has taken a diversified approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy, share services, and leverage resources to develop the fiscal year 2020 budget as in prior years.
- Taxable real estate assessments are projected to rise in the 2020 fiscal year by 3.7 percent.
- The following reflects major other tax change projections in comparison to the fiscal year 2020 budget:
  - Hotel taxes – 11.6 percent increase;
  - Restaurant food taxes – 3.2 percent increase; and
  - Personal property taxes – 2.0 percent increase.
- Rate increases for the Storm Water, Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2020. The fiscal year 2020 operating budget includes transfers in from non-general funds of approximately \$19.9 million and carrying forward prior year unspent appropriations and closeout of accounts totaling approximately \$5.3 million.

**CITY OF NORFOLK, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

The following table represents changes in the Storm Water, Waste Management, Wastewater and Water Utility fees implemented with the City's fiscal year 2020 budget.

Description	FY 2020 Approved	FY 2019 Approved
Stormwater Fees – Residential	\$12.05/month	\$11.70/month
Stormwater Fees – Commercial	\$12.05/month per 2,000 sq. ft.	\$8.38/month per 2,000 sq. ft.
Wastewater Fees	\$4.47/100 cubic feet	\$4.30/100 cubic feet
Water Fees	\$5.29/100 cubic feet	\$5.11/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$27.01/unit/month	\$25.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$45.94/container/month	\$43.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$88.19/unit/month	\$86.19/unit/month

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2019**

**Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**





**This page left intentionally blank**

CITY OF NORFOLK, VIRGINIA

Exhibit 1

Statement of Net Position  
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and short-term investments	\$ 195,334,675	\$ 124,388,040	\$ 319,722,715	\$ 37,357,970
Receivables, net:				
Taxes	44,169,327	-	44,169,327	-
Accounts	15,466,897	21,400,168	36,867,065	9,832,824
Notes	-	-	-	287,505
Accrued investment income	234,253	192,562	426,815	-
Internal balances	15,604,216	(15,604,216)	-	-
Due from other governments	35,558,756	-	35,558,756	26,864,071
Due from primary government	-	-	-	2,642,563
Due from component unit	-	-	-	-
Due from other fiduciary funds	-	-	-	-
Inventories	-	3,156,124	3,156,124	1,498,511
Deposits	175,000	-	175,000	-
Property held for resale	-	-	-	832,952
Prepaid items	887,785	734,058	1,621,843	2,424,138
Restricted cash and investments	-	31,809,257	31,809,257	2,041,287
Non-depreciable capital assets	192,700,849	94,898,008	287,598,857	2,402,823
Depreciable capital assets, net	1,019,349,359	925,028,610	1,944,377,969	29,440,145
Total assets	<u>\$ 1,519,481,117</u>	<u>\$ 1,186,002,611</u>	<u>\$ 2,705,483,728</u>	<u>\$ 115,624,789</u>
<b>Deferred outflows of resources</b>				
Related to pensions	\$ 82,467,439	\$ 7,558,273	\$ 90,025,712	\$ 35,423,357
Related to OPEB	6,381,704	504,984	6,886,688	11,360,041
Loss on defeasance of bonds	21,338,428	21,532,437	42,870,865	-
Total deferred outflow of resources	<u>110,187,571</u>	<u>29,595,694</u>	<u>139,783,265</u>	<u>46,783,398</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 1,629,668,688</u>	<u>\$ 1,215,598,305</u>	<u>\$ 2,845,266,993</u>	<u>\$ 162,408,187</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 31,358,043	\$ 7,762,492	\$ 39,120,535	\$ 3,857,539
Employees withholdings	714	-	714	-
Contract retainage	7,060,393	970,127	8,030,520	5,181
Accrued interest	10,070,026	5,361,240	15,431,266	-
Accrued payroll	4,858,808	391,317	5,250,125	34,599,129
Accrued expenses	-	-	-	-
Due to other agencies	-	-	-	-
Internal balances	-	-	-	-
Due to other governments	8,510,438	-	8,510,438	4,315,220
Due to primary government	-	-	-	319,367
Due to component unit	1,427,739	-	1,427,739	-
Unearned revenue	10,733,264	-	10,733,264	649,904
Other current liabilities	9,435,067	1,895,266	11,330,333	602,724
Line of credit	9,800,000	9,220,000	19,020,000	-
Long-term liabilities:				
Due within one year	71,072,971	31,201,497	102,274,468	8,075,726
Due in more than one year	813,503,335	631,564,459	1,445,067,794	21,679,689
Net pension liability	285,883,476	26,779,104	312,662,580	267,206,011
Net OPEB liability	63,766,911	3,153,053	66,919,964	93,839,838
Total liabilities	<u>\$ 1,327,481,185</u>	<u>\$ 718,298,555</u>	<u>\$ 2,045,779,740</u>	<u>\$ 436,603,682</u>
<b>Deferred inflows of resources</b>				
Related to pensions	\$ 8,664,235	\$ 1,049,701	\$ 9,713,936	\$ 53,167,336
Related to OPEB	13,767,396	284,349	14,051,745	16,889,577
Gain on defeasance of bonds	171,742	14,327	186,069	-
Total deferred inflows of resources	<u>22,603,373</u>	<u>1,348,377</u>	<u>23,951,750</u>	<u>70,056,913</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>\$ 1,350,084,558</u>	<u>\$ 719,646,932</u>	<u>\$ 2,069,731,490</u>	<u>\$ 506,660,595</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 382,093,155	\$ 364,975,275	\$ 747,068,430	\$ 15,522,968
Restricted for:				
Endowed care - nonexpendable	5,797,777	-	5,797,777	-
General government	135,000	-	135,000	-
Judicial administration	30,576	-	30,576	-
Public safety	552,485	-	552,485	-
Health and public assistance	-	-	-	-
Culture and recreation	159,351	-	159,351	-
Community development	12,506	-	12,506	-
Public works	1,867	-	1,867	-
Capital projects	-	-	-	1,697,768
Water utility	-	25,221,583	25,221,583	-
Wastewater utility	-	-	-	-
Parking fund	-	3,279,707	3,279,707	-
Other Programs	-	-	-	11,443,314
Unrestricted	(109,198,587)	102,474,808	(6,723,779)	(372,916,458)
Total net position (deficit)	<u>\$ 279,584,130</u>	<u>\$ 495,951,373</u>	<u>\$ 775,535,503</u>	<u>\$ (344,252,408)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 1,629,668,688</u>	<u>\$ 1,215,598,305</u>	<u>\$ 2,845,266,993</u>	<u>\$ 162,408,187</u>

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

CITY OF NORFOLK, VIRGINIA

Exhibit 2

Statement of Activities  
For the Year Ending June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 157,320,255	\$ 7,267,157	\$ 3,109,052	\$ -	\$ (146,944,046)	\$ -	\$ (146,944,046)	\$ -
Judicial administration	46,124,063	2,395,854	23,877,928	-	(19,850,281)	-	(19,850,281)	-
Public safety	138,889,690	8,503,707	3,258,247	-	(127,127,736)	-	(127,127,736)	-
Public works	66,078,582	40,168,620	30,053,912	3,806,128	7,950,078	-	7,950,078	-
Health and public assistance	91,735,421	5,498,189	55,209,429	-	(31,027,803)	-	(31,027,803)	-
Culture and recreation	58,961,688	9,809,910	240,544	-	(48,911,234)	-	(48,911,234)	-
Community development	29,381,236	2,243,796	24,774,218	-	(2,363,222)	-	(2,363,222)	-
Education	136,659,606	-	-	-	(136,659,606)	-	(136,659,606)	-
Interest on long-term debt	28,817,125	-	2,280,857	-	(26,536,268)	-	(26,536,268)	-
Total governmental activities	<u>753,967,666</u>	<u>75,887,233</u>	<u>142,804,187</u>	<u>3,806,128</u>	<u>(531,470,118)</u>	<u>-</u>	<u>(531,470,118)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water utility	63,966,663	111,545,952	-	380,664	-	47,959,953	47,959,953	-
Wastewater utility	20,201,303	31,222,044	-	-	-	11,020,741	11,020,741	-
Parking facilities	25,365,151	22,324,165	-	-	-	(3,040,986)	(3,040,986)	-
Total business-type activities	<u>109,533,117</u>	<u>165,092,161</u>	<u>-</u>	<u>380,664</u>	<u>-</u>	<u>55,939,708</u>	<u>55,939,708</u>	<u>-</u>
Total primary government	<u>\$ 863,500,783</u>	<u>\$ 240,979,394</u>	<u>\$ 142,804,187</u>	<u>\$ 4,186,792</u>	<u>\$ (531,470,118)</u>	<u>\$ 55,939,708</u>	<u>\$ (475,530,410)</u>	<u>\$ -</u>
<b>Component units:</b>								
Norfolk Public Schools	\$ 350,828,821	\$ 3,336,791	\$ 219,201,991	\$ 2,925,520	-	-	-	\$ (125,364,519)
Norfolk Economic Development Authority	4,139,637	503,887	-	-	-	-	-	(3,635,750)
Total component units	<u>\$ 354,968,458</u>	<u>\$ 3,840,678</u>	<u>\$ 219,201,991</u>	<u>\$ 2,925,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,000,269)</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
General property taxes - real estate and personal property					303,622,810	-	303,622,810	-
Consumption utility taxes					39,946,629	-	39,946,629	-
Sales and use taxes					33,258,839	-	33,258,839	-
Restaurant food taxes					39,209,550	-	39,209,550	-
Business license taxes					29,929,232	-	29,929,232	-
Hotel/Motel taxes					11,794,011	-	11,794,011	-
Cigarette taxes					7,889,222	-	7,889,222	-
Admissions taxes					4,368,982	-	4,368,982	-
Motor vehicle licenses					4,902,594	-	4,902,594	-
Franchise, recordation and other miscellaneous local taxes					5,964,246	-	5,964,246	-
Use of money and property					1,212,247	2,506,859	3,719,106	3,351,883
Gain on Investment					-	-	-	45,925
Grants and contributions not restricted to specific programs					35,965,314	134,120	36,099,434	-
Miscellaneous					12,677,341	2,150,671	14,828,012	698,351
Commonwealth of Virginia					-	-	-	33,974,859
Payment from Primary Government					-	-	-	127,480,277
Transfers					30,308,671	(30,308,671)	-	-
Total general revenues and transfers					<u>561,049,688</u>	<u>(25,517,021)</u>	<u>535,532,667</u>	<u>165,551,295</u>
Changes in net position					29,579,570	30,422,687	60,002,257	36,551,026
Net position (deficit) - beginning					250,004,560	465,528,686	715,533,246	(380,803,434)
Net position (deficit) - ending					<u>\$ 279,584,130</u>	<u>\$ 495,951,373</u>	<u>\$ 775,535,503</u>	<u>\$ (344,252,408)</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, 2019**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
<b>ASSETS</b>					
Cash and short-term investments	\$ 129,155,100	\$ 15,288,116	\$ -	\$ 37,260,149	\$ 181,703,365
Receivables, net:					
Taxes	43,374,919	-	-	785,003	44,159,922
Accounts	5,316,485	-	-	6,126,159	11,442,644
Accrued investment income	187,263	40,698	-	6,292	234,253
Due from other funds	6,386,604	15,468,939	-	58,093	21,913,636
Due from other governments	23,374,941	848,041	-	10,612,618	34,835,600
Due from Other Agencies	-	-	-	-	-
Deposits	-	175,000	-	-	175,000
Prepaid items	44,726	-	-	-	44,726
Total assets	<u>\$ 207,840,038</u>	<u>\$ 31,820,794</u>	<u>\$ -</u>	<u>\$ 54,848,314</u>	<u>\$ 294,509,146</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
Vouchers payable	\$ 20,506,113	\$ 4,112,618	\$ -	\$ 5,122,903	\$ 29,741,634
Employee withholdings	472,283	-	-	-	472,283
Contract retainage	18,253	6,988,446	-	53,694	7,060,393
Accrued payroll	4,455,744	-	-	360,690	4,816,434
Notes payable	-	9,800,000	-	-	9,800,000
Due to other funds	47,672	5,387,357	-	874,391	6,309,420
Due to other governments	36,253	-	-	-	36,253
Due to component unit	-	1,427,739	-	-	1,427,739
Unearned revenue	-	-	-	8,474,185	8,474,185
Other liabilities	1,258,136	-	-	53,258	1,311,394
Total liabilities	<u>26,794,454</u>	<u>27,716,160</u>	<u>-</u>	<u>14,939,121</u>	<u>69,449,735</u>
<b>Deferred Inflow of Resources</b>					
Revenues' levied for the next year and unavailable revenue	<u>29,137,828</u>	<u>-</u>	<u>-</u>	<u>3,376,662</u>	<u>32,514,490</u>
<b>FUND BALANCES</b>					
Restricted	135,000	-	-	6,554,562	6,689,562
Committed	10,032,013	4,104,634	-	7,705,350	21,841,997
Assigned	65,230,440	-	-	22,338,727	87,569,167
Unassigned	76,510,303	-	-	(66,108)	76,444,195
Total fund balances (deficit)	<u>151,907,756</u>	<u>4,104,634</u>	<u>-</u>	<u>36,532,531</u>	<u>192,544,921</u>
Total liabilities and fund balances	<u>\$ 207,840,038</u>	<u>\$ 31,820,794</u>	<u>\$ -</u>	<u>\$ 54,848,314</u>	<u>\$ 294,509,146</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, 2019**

Exhibit A-2

Fund balances - total governmental funds	\$	192,544,921
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		2,854,994,247
Accumulated depreciation		<u>(1,646,051,669)</u>
		1,208,942,578
Recognition of deferred inflows as revenue in government wide statements		28,918,990
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Deferred inflows related to pensions		(8,591,461)
Deferred outflows related to pensions		81,461,261
Deferred inflows related to OPEB		(13,731,377)
Deferred outflows related to OPEB		6,318,792
Loss on defeasance		21,338,428
Gain on defeasance		(171,742)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(751,911,783)	
Unamortized bond premium	(79,925,621)	
Net pension liability	(282,515,827)	
Other post-employment benefits	(63,370,395)	
Compensated absences	(19,477,258)	
Workers' compensation and claims liability	(30,208,137)	
Prepaid debt service	843,059	
Other	(2,771,614)	
Accrued interest payable	<u>(10,070,026)</u>	
		(1,239,407,602)
Internal service funds		1,238,186
Receivable for Build America Bonds - interest rate subsidy		723,156
Net position of governmental activities	<u>\$</u>	<u>279,584,130</u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ending June 30, 2019**

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
<b>REVENUES</b>					
General property taxes	\$ 297,514,769	\$ -	\$ -	\$ 5,855,000	\$ 303,369,769
Other local taxes	166,543,602	-	-	10,719,703	177,263,305
Permits and licenses	4,117,711	-	-	-	4,117,711
Fines and forfeitures	1,026,622	-	-	700	1,027,322
Use of money and property	9,870,335	1,082,364	-	144,883	11,097,582
Charges for services	20,825,291	-	-	40,080,130	60,905,421
Miscellaneous	8,610,224	9,370	-	2,667,642	11,287,236
Intergovernmental	136,264,389	3,806,128	-	41,952,237	182,022,754
Total revenues	<u>644,772,943</u>	<u>4,897,862</u>	<u>-</u>	<u>101,420,295</u>	<u>751,091,100</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	133,760,262	-	-	3,226,788	136,987,050
Judicial administration	42,543,907	-	-	3,370,581	45,914,488
Public safety	119,238,659	-	-	8,370,993	127,609,652
Public works	26,553,243	-	-	35,957,590	62,510,833
Health and public assistance	69,052,789	-	-	18,501,112	87,553,901
Culture and recreation	43,178,862	-	-	2,220,354	45,399,216
Community development	16,506,700	-	-	11,705,585	28,212,285
Education	122,971,922	-	-	-	122,971,922
Debt service:					
Principal	-	-	49,121,542	-	49,121,542
Interest and other charges	-	-	32,211,611	-	32,211,611
Debt issuance costs	699,530	1,123,933	-	-	1,823,463
Capital outlay	5,500,000	43,183,971	-	1,106,077	49,790,048
Total expenditures	<u>580,005,874</u>	<u>44,307,904</u>	<u>81,333,153</u>	<u>84,459,080</u>	<u>790,106,011</u>
Excess (deficiency) of revenues over expenditures	<u>64,767,069</u>	<u>(39,410,042)</u>	<u>(81,333,153)</u>	<u>16,961,215</u>	<u>(39,014,911)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of refunding bonds	-	-	-	-	-
Issuance of debt	-	144,820,377	-	-	144,820,377
Proceeds sale of capital assets	1,377,711	-	-	-	1,377,711
Payment to bond refunding escrow agent	-	-	-	-	-
Premium on bonds	-	24,938,655	-	-	24,938,655
Transfers in	39,065,338	4,129,134	81,333,153	4,381,968	128,909,593
Transfers out	<u>(77,874,726)</u>	<u>(1,574,798)</u>	<u>-</u>	<u>(19,151,398)</u>	<u>(98,600,922)</u>
Total other financing sources and uses	<u>(37,431,677)</u>	<u>172,313,368</u>	<u>81,333,153</u>	<u>(14,769,430)</u>	<u>201,445,414</u>
Net changes in fund balances	27,335,392	132,903,326	-	2,191,785	162,430,503
Fund balances - beginning	124,572,364	(128,798,692)	-	34,340,746	30,114,418
Fund balances - ending	<u>\$ 151,907,756</u>	<u>\$ 4,104,634</u>	<u>\$ -</u>	<u>\$ 36,532,531</u>	<u>\$ 192,544,921</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 Ending June 30, 2019**

Net change in fund balances--total governmental funds		\$ 162,430,503
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	52,884,996
	Subtract disposals	(192,153)
	Subtract depreciation expense	<u>(49,243,253)</u>
		3,449,590
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		(153,716)
Bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
	Less debt issued	(144,820,377)
	Add debt repayment	49,121,542
	Premium on bond sale	(24,938,655)
	Loss on defeasance of debt	(2,300,309)
	Gain on defeasance of debt	27,616
	Amortization of premiums, gains and losses	<u>8,980,153</u>
		(113,930,030)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Change in non-capital long-term liabilities (Note VIII)	
	Compensated absences	(25,752)
	Retires life insurance	10,000
	Net OPEB Liability, Net of changes in deferred inflows and outflows	(2,193,958)
	Unpaid claims	1,408,363
	Prepaid debt service	(986,072)
	Landfill closure	(59,557)
	Net Pension Liability, Net of changes in deferred inflows and outflows	(15,388,567)
	Accrued interest payable	<u>51,045</u>
		(17,184,498)
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.		(4,998,964)
Adjustment for federal interest rate subsidy		(33,315)
Change in net position of governmental activities		<u>\$ 29,579,570</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, 2019

	Business-Type Activities				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>ASSETS</b>					
Current assets:					
Cash and short-term investments	\$ 73,954,052	\$ 23,496,860	\$ 26,937,128	\$ 124,388,040	\$ 13,631,310
Restricted short-term investments	-	1,318	-	1,318	-
Receivables, net					
Accounts	9,610,349	3,141,305	1,554,336	14,305,990	4,033,658
Unbilled accounts	5,105,268	1,512,301	476,609	7,094,178	-
Accrued investment income	156,706	15,734	20,122	192,562	-
Internal balances	-	-	-	-	-
Inventories	3,127,445	28,679	-	3,156,124	-
Prepaid Expenses	66,489	667,569	-	734,058	-
Restricted cash and investments	25,221,583	-	6,586,356	31,807,939	-
Total current assets	<u>117,241,892</u>	<u>28,863,766</u>	<u>35,574,551</u>	<u>181,680,209</u>	<u>17,664,968</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable capital assets	34,558,742	22,882,770	37,456,496	94,898,008	415,000
Depreciable capital assets	804,358,131	358,185,263	231,511,593	1,394,054,987	11,048,426
Accumulated depreciation	(268,601,855)	(101,033,376)	(99,391,146)	(469,026,377)	(8,355,795)
Capital assets, net	<u>570,315,018</u>	<u>280,034,657</u>	<u>169,576,943</u>	<u>1,019,926,618</u>	<u>3,107,631</u>
Total assets	<u>\$ 687,556,910</u>	<u>\$ 308,898,423</u>	<u>\$ 205,151,494</u>	<u>\$ 1,201,606,827</u>	<u>\$ 20,772,599</u>
Deferred outflows of resources					
Related to pensions	5,114,211	1,452,215	991,847	7,558,273	1,006,178
Related to OPEB	343,409	98,644	62,931	504,984	62,912
Loss on defeasance of bonds	12,306,829	2,878,571	6,347,037	21,532,437	-
Total deferred outflows	<u>\$ 17,764,449</u>	<u>\$ 4,429,430</u>	<u>\$ 7,401,815</u>	<u>\$ 29,595,694</u>	<u>\$ 1,069,090</u>
Total assets and deferred outflows of resources	<u>\$ 705,321,359</u>	<u>\$ 313,327,853</u>	<u>\$ 212,553,309</u>	<u>\$ 1,231,202,521</u>	<u>\$ 21,841,689</u>
<b>LIABILITIES</b>					
Current liabilities:					
Vouchers payable	\$ 4,884,573	\$ 2,525,190	\$ 352,729	\$ 7,762,492	\$ 1,628,813
Contract retainage	362,248	576,984	30,895	970,127	-
Accrued interest	2,550,839	783,510	2,026,891	5,361,240	-
Accrued payroll	255,552	82,405	53,360	391,317	43,411
Internal balances	397,127	-	15,207,089	15,604,216	-
Unearned Revenue	-	-	-	-	7,137,764
Current portion of bonds payable	13,830,000	11,869,395	4,543,127	30,242,522	-
Notes Payable	-	-	9,220,000	9,220,000	-
Compensated absences	689,027	198,237	71,711	958,975	157,021
Other current liabilities	517,793	212,460	1,165,013	1,895,266	7,651,066
Total current liabilities	<u>23,487,159</u>	<u>16,248,181</u>	<u>32,670,815</u>	<u>72,406,155</u>	<u>16,618,075</u>
Noncurrent liabilities:					
General obligation bonds payable	-	72,150,516	135,753,966	207,904,482	-
Revenue bonds payable	343,176,644	79,837,441	-	423,014,085	-
Net pension liability	18,292,798	5,280,218	3,206,088	26,779,104	3,367,649
Net OPEB liability	2,153,843	621,729	377,481	3,153,053	396,514
Compensated absences	396,347	143,131	106,414	645,892	112,472
Total noncurrent liabilities	<u>364,019,632</u>	<u>158,033,035</u>	<u>139,443,949</u>	<u>661,496,616</u>	<u>3,876,635</u>
Total liabilities	<u>\$ 387,506,791</u>	<u>\$ 174,281,216</u>	<u>\$ 172,114,764</u>	<u>\$ 733,902,771</u>	<u>\$ 20,494,710</u>
Deferred inflows of resources					
Related to Pensions	413,137	209,751	\$ 426,813	\$ 1,049,701	\$ 72,774
Related to OPEB	164,053	56,872	63,424	284,349	36,019
Gain on bonds refunding	-	13,297	1,030	14,327	-
Total deferred inflows of resources	<u>\$ 577,190</u>	<u>\$ 279,920</u>	<u>\$ 491,267</u>	<u>\$ 1,348,377</u>	<u>\$ 108,793</u>
Total liabilities and deferred inflows of resources	<u>\$ 388,083,981</u>	<u>\$ 174,561,136</u>	<u>\$ 172,606,031</u>	<u>\$ 735,251,148</u>	<u>\$ 20,603,503</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 222,121,938	\$ 116,447,480	\$ 26,405,857	\$ 364,975,275	\$ 3,107,631
Restricted for:					
Other purposes:					
Water Utility fund operations	25,221,583	-	-	25,221,583	-
Wastewater Utility fund operations	-	-	-	-	-
Parking Facilities fund operations	-	-	3,279,707	3,279,707	-
Unrestricted	69,893,857	22,319,237	10,261,714	102,474,808	(1,869,445)
Total net position	<u>\$ 317,237,378</u>	<u>\$ 138,766,717</u>	<u>\$ 39,947,278</u>	<u>\$ 495,951,373</u>	<u>\$ 1,238,186</u>
Total liabilities and net position	<u>\$ 705,321,359</u>	<u>\$ 313,327,853</u>	<u>\$ 212,553,309</u>	<u>\$ 1,231,202,521</u>	<u>\$ 21,841,689</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 the Year Ending June 30, 2019

	Business-Type Activities				Governmental
	Water Utility	Wastewater Utility	Parking Facilities	Total	Activities - Internal Service Funds
<b>Operating revenues:</b>					
Charges for services	\$ 111,545,952	\$ 31,222,044	\$ 22,324,165	\$ 165,092,161	\$ 91,600,068
Miscellaneous	2,039,985	87,662	-	2,127,647	52,641
Total operating revenues	<u>113,585,937</u>	<u>31,309,706</u>	<u>22,324,165</u>	<u>167,219,808</u>	<u>91,652,709</u>
<b>Operating expenses:</b>					
Personal services	15,648,860	4,682,296	7,442,119	27,773,275	2,851,192
Healthcare costs	-	-	-	-	84,520,311
Cost of goods sold	-	-	-	-	3,879,166
Plant operations	6,081,738	2,897,150	1,408,765	10,387,653	4,262,782
Chemicals	2,855,450	41,924	2,865	2,900,239	-
Depreciation and amortization	14,768,317	6,839,022	6,843,672	28,451,011	275,557
Retirement and OPEB expense	3,526,714	993,290	537,449	5,057,453	662,579
Administrative expenses	1,692,746	1,351,187	465,410	3,509,343	-
Other	9,803,046	1,476,005	2,463,027	13,742,078	200,086
Total operating expenses	<u>54,376,871</u>	<u>18,280,874</u>	<u>19,163,307</u>	<u>91,821,052</u>	<u>96,651,673</u>
Operating income (loss), net	<u>59,209,066</u>	<u>13,028,832</u>	<u>3,160,858</u>	<u>75,398,756</u>	<u>(4,998,964)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	1,971,776	272,328	262,755	2,506,859	-
Intergovernmental revenue	-	134,120	-	134,120	-
Interest expense and fiscal charges, net of capitalized interest	(9,614,502)	(1,927,579)	(5,274,126)	(16,816,207)	-
Gain (loss) on sale or disposal of capital assets	24,710	7,150	(927,718)	(895,858)	-
Gain (loss) on investments	-	-	-	-	-
Miscellaneous revenue (expense)	23,024	-	-	23,024	-
Total nonoperating revenues (expenses)	<u>(7,594,992)</u>	<u>(1,513,981)</u>	<u>(5,939,089)</u>	<u>(15,048,062)</u>	<u>-</u>
Net income (loss) before contributions and transfers	51,614,074	11,514,851	(2,778,231)	60,350,694	(4,998,964)
Capital contribution	380,664	-	-	380,664	-
Transfers out	(28,808,671)	(1,500,000)	-	(30,308,671)	-
Changes in net position	23,186,067	10,014,851	(2,778,231)	30,422,687	(4,998,964)
Total net position - beginning	294,051,311	128,751,866	42,725,509	465,528,686	6,237,150
Total net position - ending	<u>\$ 317,237,378</u>	<u>\$ 138,766,717</u>	<u>\$ 39,947,278</u>	<u>\$ 495,951,373</u>	<u>\$ 1,238,186</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  
For the Year Ending June 30, 2019

	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	\$ 112,970,562	\$ 30,861,246	\$ 22,546,968	\$ 166,378,776	\$ 91,823,868
Payments to suppliers	(8,549,661)	(2,726,725)	(1,417,073)	(12,693,459)	(3,253,341)
Payments to employees	(17,883,848)	(5,328,873)	(7,381,551)	(30,594,272)	(90,672,318)
Other payments	(12,565,946)	(2,203,914)	(2,529,422)	(17,299,282)	(200,086)
Net cash and short-term investments provided by (used in) operating activities	73,971,107	20,601,734	11,218,922	105,791,763	(2,301,877)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity	(12,801,660)	(226,145)	(780,000)	(13,807,805)	32
Intergovernmental revenues	-	134,120	-	134,120	-
Operating subsidies and transfers to other funds	(28,808,671)	(1,500,000)	-	(30,308,671)	-
Net cash provided by (used in) noncapital financing activities	(41,610,331)	(1,592,025)	(780,000)	(43,982,356)	32
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from issuance of debt	-	5,632,211	-	5,632,211	-
Capital contributions	380,664	7,150	(2,278,312)	(1,890,498)	-
Purchases of capital assets	(19,206,909)	(13,841,231)	-	(33,048,140)	(161,710)
Proceeds from sale of capital assets	24,710	-	-	24,710	-
Proceeds from refunding debt	-	-	-	-	-
Principal paid on capital debt	(14,200,000)	(21,837,789)	(3,927,756)	(39,965,545)	-
Interest paid on capital debt	(14,985,195)	(3,465,940)	(5,787,912)	(24,239,047)	-
Net cash provided by (used in) capital and related financing activities	(47,986,730)	(33,505,599)	(11,993,980)	(93,486,309)	(161,710)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	33,096,118	20,171,266	-	53,267,384	-
Purchase of investments	(32,452,584)	(7,433,256)	7,325,879	(32,559,961)	-
Interest and dividends	1,906,116	259,385	246,723	2,412,224	-
Net cash provided by (used in) investing activities	2,549,650	12,997,395	7,572,602	23,119,647	-
Net increase (decrease) in cash and short-term investments	(13,076,304)	(1,498,495)	6,017,544	(8,557,255)	(2,463,555)
Cash and short-term investments - beginning of the year	87,030,356	24,995,355	20,919,584	132,945,295	16,094,865
Cash and short-term investments - end of the year	\$ 73,954,052	\$ 23,496,860	\$ 26,937,128	\$ 124,388,040	\$ 13,631,310
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>					
Operating income (loss)	\$ 59,209,066	\$ 13,028,832	\$ 3,160,858	\$ 75,398,756	\$ (4,998,964)
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:					
Depreciation expense and amortization	14,768,317	6,839,022	6,843,672	28,451,011	275,557
Change in assets, deferred outflows and liabilities, deferred inflows:					
Receivables, net	(615,375)	(448,460)	222,802	(841,033)	(33,967)
Inventories	(286,170)	(7,928)	-	(294,098)	179,803
Prepays	-	-	-	-	-
Vouchers payable	677,743	220,277	(5,444)	892,576	1,810,138
Accrued payroll	(82,836)	(59,046)	(61,080)	(202,962)	(1,704)
Net pension liability	1,219,044	360,857	(100,392)	1,479,509	262,134
OPEB liability	155,518	44,902	222,040	422,460	422,460
Other liabilities	(1,074,200)	623,278	936,466	485,544	205,126
Net cash and short-term investments provided by (used in) operating activities	\$ 73,971,107	\$ 20,601,734	\$ 11,218,922	\$ 105,791,763	\$ (2,301,877)
<b>Noncash investing, capital and financing activities:</b>					
Unrealized gain / (loss) on investments	\$ 23,024	\$ -	\$ -	\$ 23,024	\$ -
Loss on sale or disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of capital assets through change in contract retainage	\$ (860,486)	\$ 80,406	\$ 2,881	\$ (777,199)	\$ -
Acquisition of capital assets through vouchers payable	\$ (126,418)	\$ (32,793)	\$ -	\$ (159,211)	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 603,357	\$ 109,255	\$ -	\$ 712,612	\$ -
Deferred inflow of resources	\$ (117,372)	\$ 61,760	\$ 152,386	\$ 96,774	\$ 408,071

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

Exhibit C-1

	<b>Pension Trust Fund Employees' Retirement System</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 16,434,000	\$ 12,288,897
Investments, fair value:		
United States Treasury securities	90,301,000	-
Fixed income securities	116,275,000	-
Equity securities	65,957,000	-
Future/Options/Swaps	(1,442,000)	-
Balanced commingled funds:		
Equity	603,497,000	-
Fixed income	192,214,000	-
Real estate	81,998,000	-
Total investments	<u>1,148,800,000</u>	<u>-</u>
Receivables:		
Accounts, net of allowance for uncollectible accounts	378,000	-
Accrued investment income	1,202,000	-
Due from broker for securities sold	72,934,000	-
Other	-	108,522
Total assets	<u>\$ 1,239,748,000</u>	<u>\$ 12,397,419</u>
<b>LIABILITIES</b>		
Vouchers payable	\$ 2,581,000	\$ 362,111
Due to brokers for securities purchased	152,871,000	-
Due to governmental funds	-	-
Other liabilities	48,000	12,035,308
Total liabilities	<u>\$ 155,500,000</u>	<u>\$ 12,397,419</u>
<b>NET POSITION</b>		
Restricted for:		
Net position held in trust for pension benefits	<u>\$ 1,084,248,000</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 Ending June 30, 2019**

Exhibit C-2

**Changes to net position attributed to:**

Investment income:

Net appreciation in fair value of investments	\$ 44,518,000
Interest	4,903,000
Dividends	6,058,000
Other	2,094,000
	57,573,000
Less investment expense	(2,260,000)
<b>Net investment income</b>	<b>55,313,000</b>

Employer contributions	37,079,000
Employee contributions	9,673,000
Purchase of service	336,000
<b>Total</b>	<b>102,401,000</b>

Benefit payments and expenses:

Refunds of contributions	867,000.00
Benefits paid to plan members and beneficiaries	91,999,000
Administrative costs	617,000
<b>Total</b>	<b>93,483,000</b>

**Net decrease** 8,918,000

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

Net position - beginning	1,075,330,000
Net Position - end	<b>\$ 1,084,248,000</b>

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Net Position - Component Units**  
**June 30, 2019**

**Exhibit D-1**

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,795,490	\$ 2,428,070	\$ 35,223,560
Accounts receivable, net of allowance for uncollectible accounts	9,816,329	16,495	9,832,824
Notes receivable	-	287,505	287,505
Due from primary government	2,413,163	229,400	2,642,563
Due from other governments	26,864,071	-	26,864,071
Inventories	1,498,511	-	1,498,511
Property held for sale	-	832,952	832,952
Restricted cash	-	2,041,287	2,041,287
Investments	-	2,134,410	2,134,410
Deferred rent receivable	-	2,424,138	2,424,138
Non-depreciable capital assets	487,500	1,915,323	2,402,823
Depreciable capital assets, net	11,967,543	17,472,602	29,440,145
Total assets	<u>85,842,607</u>	<u>29,782,182</u>	<u>115,624,789</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to pensions	35,423,357	-	35,423,357
Deferred Outflows Related to OPEB	11,360,041	-	11,360,041
Total assets and deferred outflows	<u>\$ 132,626,005</u>	<u>\$ 29,782,182</u>	<u>\$ 162,408,187</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 3,569,868	\$ 287,671	\$ 3,857,539
Contract retainage	5,181	-	5,181
Accrued payroll	34,599,129	-	34,599,129
Unearned revenues	247,419	402,485	649,904
Due to primary government	-	319,367	319,367
Revolving loan program	-	602,724	602,724
Due to other government agencies	4,315,220	-	4,315,220
Other payable	1,453,354	-	1,453,354
Current portion of long-term liabilities	7,975,726	100,000	8,075,726
Long-term notes payable	-	16,220,000	16,220,000
Net pension liability	267,206,011	-	267,206,011
Other post-employment benefits liability	93,839,838	-	93,839,838
Other long-term liabilities	5,459,689	-	5,459,689
Total liabilities	<u>\$ 418,671,435</u>	<u>\$ 17,932,247</u>	<u>\$ 436,603,682</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	53,167,336	-	53,167,336
Deferred inflows related to OPEB	16,889,577	-	16,889,577
Total liabilities and deferred inflows	<u>\$ 488,728,348</u>	<u>\$ 17,932,247</u>	<u>\$ 506,660,595</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 12,455,043	\$ 3,067,925	\$ 15,522,968
Restricted for:			
Capital projects	1,697,768	-	1,697,768
Child nutrition	11,047,742	-	11,047,742
Other programs	395,572	-	395,572
Unrestricted	(381,698,468)	8,782,010	(372,916,458)
Total net position (deficit)	<u>\$ (356,102,343)</u>	<u>\$ 11,849,935</u>	<u>\$ (344,252,408)</u>

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

CITY OF NORFOLK, VIRGINIA

Exhibit D-2

Statement of Activities - Component Units  
For the Year Ending June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Norfolk Economic Development Authority	Totals
<b>Norfolk Public Schools:</b>							
Instructional	\$ 255,047,104	\$ 2,220,774	\$ 201,054,595	\$ -	\$ (51,771,735)	\$ -	\$ (51,771,735)
Administration, attendance and health	16,835,135	-	-	-	(16,835,135)	-	(16,835,135)
Pupil transportation	11,082,840	-	-	-	(11,082,840)	-	(11,082,840)
Operation and maintenance	33,702,376	-	-	-	(33,702,376)	-	(33,702,376)
Information technology	12,124,258	-	-	-	(12,124,258)	-	(12,124,258)
School facilities	4,695,059	-	-	2,925,520	(1,769,539)	-	(1,769,539)
Food services	17,342,049	1,116,017	18,147,396	-	1,921,364	-	1,921,364
Community services	-	-	-	-	-	-	-
<b>Total Norfolk Public Schools</b>	<b>350,828,821</b>	<b>3,336,791</b>	<b>219,201,991</b>	<b>2,925,520</b>	<b>(125,364,519)</b>	<b>-</b>	<b>(125,364,519)</b>
<b>Norfolk Economic Development Authority:</b>							
Economic development	3,571,226	503,887	-	-	-	(3,067,339)	(3,067,339)
Interest expense	568,411	-	-	-	-	(568,411)	(568,411)
<b>Total Norfolk Economic Development Authority</b>	<b>4,139,637</b>	<b>503,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,635,750)</b>	<b>(3,635,750)</b>
<b>Total component units</b>	<b>\$ 354,968,458</b>	<b>\$ 3,840,678</b>	<b>\$ 219,201,991</b>	<b>\$ 2,925,520</b>	<b>\$ (125,364,519)</b>	<b>\$ (3,635,750)</b>	<b>\$ (129,000,269)</b>
General revenues:							
Use of money and property					1,037,697	2,314,186	3,351,883
Payment from Primary Government					122,971,922	4,508,355	127,480,277
Miscellaneous					698,351	-	698,351
Gain on Investment					-	45,925	45,925
Intergovernmental revenue - Commonwealth of Virginia					33,974,859	-	33,974,859
Total general revenues					<u>158,682,829</u>	<u>6,868,466</u>	<u>165,551,295</u>
Changes in net position					33,318,310	3,232,716	36,551,026
Net position - beginning, restated					<u>(389,420,653)</u>	<u>8,617,219</u>	<u>(380,803,434)</u>
Net position - ending					<u>\$ (356,102,343)</u>	<u>\$ 11,849,935</u>	<u>\$ (344,252,408)</u>

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



**This page left intentionally blank**

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**





**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<u>Page</u>
<b>I</b>	<b>Summary of Significant Accounting Policies</b>	80
A	Financial Reporting Entity Information	80
B	Government-wide and Fund Financial Statements	81
C	Measurement Focus, Basis of Accounting and Financial Statement Presentation	83
D	Budgets and Budgetary Accounting	85
E	Deposits and Investments	86
F	Restricted Assets	87
G	Interfund Transactions	87
H	Inventories	87
I	Capital Assets	87
J	Land and Land Improvements Held for Resale	89
K	Compensated Absences	89
L	Net Position/Fund Balances	89
M	Estimates	90
N	Bond Premiums, Discounts, Issuance Costs and Loss on Defeasance	90
O	Deferred Inflows and Outflows of Resources	90
P	Pensions	91
Q	Other Post-employment Benefits (OPEB)	91
<b>II</b>	<b>Deposits and Investments</b>	91
<b>III</b>	<b>Property Taxes</b>	98
<b>IV</b>	<b>Accounts Receivable</b>	99
A	Unbilled Accounts Receivable	99
B	Allowances for Uncollectible Accounts Receivable	99
<b>V</b>	<b>Due From Other Governments</b>	100
<b>VI</b>	<b>Capital Assets</b>	101
<b>VII</b>	<b>Property Held for Resale</b>	102
<b>VIII</b>	<b>Short-term Obligations</b>	103
A	Variable Rate Bonds	103
B	General Obligation Variable Rate Bond	104
C	Line of Credit	104

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<u>Page</u>
<b>IX</b>	<b>Long-term Obligations</b>	105
A	General Obligation and Revenue Bonds	105
B	General Obligation Bonds	107
C	Revenue Bonds	108
D	Current and Advanced Refundings	109
E	Economic Development Authority	109
F	Lease Obligations	110
G	Landfill Liability	110
H	Compensated Absences	111
I	Debt Limit	111
J	Bonds Authorized and Unissued	111
K	Changes in Long-Term Obligations	112
<b>X</b>	<b>Pension Plans</b>	113
A	Employees' Retirement System of the City of Norfolk (ERS)	113
B	Virginia Retirement System (VRS)	118
<b>XI</b>	<b>Deferred Compensation Plan</b>	127
<b>XII</b>	<b>Other Post-employment Benefits (OPEB)</b>	128
A	City of Norfolk Sponsored Other Post-employment Benefits	128
B	Virginia Retirement System Post-employment Benefits Trust Funds	133
<b>XIII</b>	<b>Interfund Receivable and Payable Balances</b>	143
<b>XIV</b>	<b>Interfund Transfers</b>	144
<b>XV</b>	<b>Fund Balance by Functional Category (GASB 54)</b>	146
<b>XVI</b>	<b>Deferred Inflows and Outflows of Resources</b>	147
A	Unavailable Revenues	147
B	Deferred Inflows and Outflows from Refunding Transactions	147
C	Deferred Inflows and Outflows Related to Pensions	147
D	Deferred Inflows and Outflows Related to OPEB	148

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<u>Page</u>
<b>XVII</b>	<b>Commitments and Contingencies</b>	149
	A Capital Projects	149
	B Contingent Liabilities	149
	C Litigation	149
	D Pollution Remediation Obligation	150
	E Encumbrances	150
<b>XVIII</b>	<b>Surety Bonds and Insurance</b>	150
<b>XIX</b>	<b>Tax Abatements</b>	151
<b>XX</b>	<b>Self and Purchased Insurance Programs</b>	154
<b>XXI</b>	<b>Jointly Governed Organizations</b>	155
	A Hampton Roads Regional Jail Authority (HRRJA)	155
	B Hampton Roads Planning District Commission (the Commission)	156
	C Transportation District Commission of Hampton Roads (TDC)	156
<b>XXII</b>	<b>Joint Ventures</b>	156
	A Southeastern Public Service Authority (SPSA)	156
	B The Slover Library Foundation (The Foundation)	157
	C Norfolk Botanical Gardens Society (The Society)	157
<b>XXIII</b>	<b>Related Organizations</b>	157
	A Norfolk Redevelopment and Housing Authority (NRHA)	157
	B Norfolk Airport Authority (The Authority)	158
	C The Chrysler Museum, Inc. (The Museum)	158
	D The Hospital Authority of Norfolk (HAN)	158
<b>XXIV</b>	<b>Subsequent Events</b>	159
<b>XXV</b>	<b>Adoption of New Accounting Pronouncements</b>	159
<b>XXVI</b>	<b>Accounting Pronouncements Issued, But Not Yet Implemented</b>	160

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

*The School Board for the City of Norfolk (School Board)*, Norfolk Public Schools held elections for two of the seven seats on its School Board for the first time in May of 2016 with the remaining five seats being filled as a result of elections held in May of 2018. In January 2015, City Council approved that the School Board members would be elected based on the same ward system used to elect City Council members. Beginning July 1, 2018, the School Board will be an elected body. The School Board is a corporate body and in its corporate capacity is vested with 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 of Virginia (the Commonwealth) and the federal government designated for educational purposes is included in the City's General fund budgetary revenue. This categorical aid, plus moneys derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system. The School Board presently operates

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

thirty-three elementary schools, one Pre-K – 8 school, one K – 8 school, eight middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs.

*The Economic Development Authority (EDA)*, a political subdivision of the Commonwealth, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act. The EDA is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize and issue industrial development bonds. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, maintains its own books of account and receives revenue from administrative fees charged to borrowers. Additionally, there is the potential of financial benefit to the City.

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/retirement](http://www.norfolk.gov/retirement)

The School Board for the City of Norfolk  
800 East City Hall Avenue  
P.O. Box 1357  
Norfolk, Virginia 23510  
[www.nps.k12.va.us](http://www.nps.k12.va.us)

The Norfolk Economic Development Authority  
999 Waterside Drive, Suite 2430  
Norfolk, Virginia 23510  
[www.norfolkdevelopment.com](http://www.norfolkdevelopment.com)

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the non-fiduciary activities of the Primary Government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate *component units* for which the *Primary Government* is financially accountable.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not meet the criteria for classification as program revenues are reported as general revenues.

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

The City reports the following major governmental funds:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service fund* accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds.
- The *Capital Projects fund* accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board and other agencies.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following other fund types:

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

- *Internal Service funds* account for the City's self-insured healthcare program and fleet management services whose services are provided to other departments or agencies of the City on a cost reimbursement basis. The Healthcare Fund was established in fiscal year 2014 and is described in Note XX.
- The *Pension Trust fund* accounts for the activities of the Employees' Retirement System (ERS), which accumulates resources for pension benefit payments to qualified employees and is a fiduciary fund.
- The *Endowed Care fund* is used to report resources that are restricted by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City-owned cemeteries.
- The *Agency funds* are used to account for the assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets = liabilities).

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary Agency funds' financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two months of the transaction. In accordance with generally accepted accounting principles (GAAP) property taxes due and collected within 45 days after June 30 are recognized as

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

revenue; those not collected within 45 days after year-end are reported as deferred inflows. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental fund revenue susceptible to accrual include the following:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water Utility, Wastewater Utility and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, as well as depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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/911 special revenue fund, Golf special revenue fund, Towing & Recovery Operations special revenue fund, Tax Increment Financing special revenue fund, Waste Management special revenue fund, and internal service funds. The General fund budget includes the budgets for Norfolk Public Schools, Maritime Center and the Community Services Board. Project length budgets are appropriated for the Capital Projects fund, Community Development special revenue fund and Grants special revenue fund. All funds are under formal budgetary control.

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

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

The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. Consistent with the enabling ordinance, the Schedules of Revenue and Expenditures – Budget and Actual of the General fund presented in Exhibits E-1 and E-2 include the revenues and expenditures 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. GAAP.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

**E. Deposits and Investments**

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

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by S & P Global Ratings or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, Virginia State Non-Arbitrage Program (SNAP) and the State Treasurer's Local Government Investment Pool (LGIP). SNAP and LGIP investments are valued at amortized costs and qualify as external investment pools per GASB 79, *Certain External Investment Pools and Pool Participants*. The LGIP and SNAP are not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their monthly meetings.

The City has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk. The City's fixed income investments as of June 30, 2019, were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by statutes of the Commonwealth.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

For purposes of the statements of cash flows, all highly liquid debt instruments, with a maturity of 90 days or less, and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

**F. Restricted Assets**

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

**G. Interfund Transactions**

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

Internal Service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the Internal Service funds as operating expenditures or expenses. The Fleet Management fund, and the Healthcare fund primarily support governmental activities and are therefore included with governmental funds in the government-wide financial statements. A discrete presentation of the City's Internal Service funds can be found in the "Other Supplementary Information" section of this document.

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

**H. Inventories**

Inventories are stated at cost, using either the first-in, first-out or the moving average method. Proprietary funds expense inventories when consumed.

**I. Capital Assets**

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

cost less accumulated depreciation and amortization in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets owned by the City with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the Government-wide Statement of Net Position if they meet the criteria for capitalization in the City's financial statements. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated capital assets are recorded at their acquisition value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated, and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

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

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and water/wastewater equipment	-	10-30	-
Vehicles and garage equipment	4-20	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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

**K. Compensated Absences**

It is the City and the School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Accumulated vacation leave cannot exceed certain limits as codified in Section 2-49 in the City Code of Ordinances. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the City does not pay it when the employee separates from service. The additional retirement benefit is reflected in the actuarial liability of the ERS. The entire unpaid liability for vacation leave is recorded in the government-wide financial statements.

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

**L. Net Position/Fund Balances**

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

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

unassigned fund balance classification is for all amounts not included in other classifications.

Under GASB Statement No. 54, positive unassigned fund balances are only reported in the General fund. However, in governmental funds other than the General fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount may result which is classified as a negative unassigned fund balance in the applicable governmental fund. Negative unassigned fund balances within the Capital Projects fund and Grants fund are a result of timing and will correct themselves when permanent financing is put in place for all capital project expenditures incurred to date and when revenue generation occurs once encumbrances become expenditures, respectively.

**M. Estimates**

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

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

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

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

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

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

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows arise when potential

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows represent a consumption of net position in a future period. The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows.

**P. Pensions**

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

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of each of the plans that the City and its component units participate in have been determined on the same basis as they were reported by each respective plan. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the net OPEB liability and other OPEB amounts to participating funds is based on employer contributions.

**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

The City maintains a cash and investments pool for all funds except the Pension Trust and Endowed Care funds. Each fund’s portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short-term

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units are collateralized in accordance with the Virginia Security for Public Deposits Act (“the Act”), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public deposits (“Qualified Public Depositories”) shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool’s collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105 percent to 130 percent of all public deposits held by the bank, based on rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City’s primary banking institution has elected to be governed by the Dedicated Method.

**Custodial Credit Risk - Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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

**Interest Rate Risk**

The City’s Pension Trust fund uses a “Duration” policy to manage its interest rate risk. The duration policy is a measure of a debt investment’s exposure to fair value changes

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension Trust fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2019.

**Primary Government and Fiduciary Funds**

Investment Type	Total Investments	Investment Maturities				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Bonds	\$ 47,283,257	\$ 2,307,325	\$ 12,326,028	\$ 16,389,904	\$ 12,290,000	\$ 3,970,000
Futures/Options/Swaps	(1,442,000)	1,814,000	(1,300,000)	(21,000)	(887,000)	(1,048,000)
Asset Backed Securities	2,464,000	-	-	876,000	314,000	1,274,000
Bank Loans	414,000	-	-	414,000	-	-
U.S. Government Securities	112,875,008	28,120,886	17,351,122	15,316,000	26,877,000	25,210,000
Mortgage Backed Securities	69,925,000	-	1,801,000	704,000	120,000	67,300,000
Equity Funds	603,497,000	-	-	-	-	603,497,000
Common Stock	20,073,000	-	-	-	-	20,073,000
Master Limited Partnerships	45,794,000	-	-	-	-	45,794,000
Municipal Bonds	3,154,259	-	472,259	-	-	2,682,000
Commercial Paper	10,166,509	10,166,509	-	-	-	-
Certificates of Deposit	10,916,726	9,316,876	1,599,850	-	-	-
Foreign Government Securities	7,857,440	-	7,857,440	-	-	-
Fixed Income Funds	192,213,000	-	-	-	-	192,213,000
Domestic Equity Funds	90,000	-	-	-	-	90,000
Real Estate Funds	81,998,000	-	-	-	-	81,998,000
External investment pools	145,840,110	145,840,110	-	-	-	-
Total	\$ 1,353,119,309	\$ 197,565,706	\$ 40,107,699	\$ 33,678,904	\$ 38,714,000	\$ 1,043,053,000

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

Per Exhibit 1 (Primary Government):	
Cash and unrestricted short-term investments	\$ 319,722,715
Restricted cash and investments	<u>31,809,257</u>
Total	\$ 351,531,972
Per Exhibit C-1 (Fiduciary):	
Cash and short-term investments	\$ 28,722,897
Investments	<u>1,148,800,000</u>
Total	\$ 1,177,522,897
Total Primary Government and Fiduciary funds	<u>\$ 1,529,054,869</u>
Less cash	175,935,560
Deposits and investments reported above	<u>\$ 1,353,119,309</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Credit Risk Related to Issuer**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Global Ratings ("S&P"), are not permitted without the written permission of the board. PIMCO, one of the ERS fund managers, has been given the authority by the Board to invest 20% of the portfolio in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the ERS's financial statements. Investments in derivatives with a fair value of \$1,814,000 were held at June 30, 2019. For accounting purposes, all derivative instruments are considered to be investments and not hedges. ERS primarily enters into derivative transactions in order to manage risks from exposure to foreign currency rate fluctuation and to shorten the duration of the fixed income investment portfolio. The City's rated debt investments as of June 30, 2019, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

Ratings (S&P)	The Primary Government's Rated Debt Investment														External Investment Pools		
	Corporate Debt	Futures/Options/ Swaps	Asset Backed Securities	Bank Loans	Foreign Government Securities	Equity Funds	U.S. Government Securities	Mortgage Backed Securities	Commercial Paper	Certificates of Deposit	Common Stock	Master Limited Partnerships	Municipal Bonds	Fixed Income/ Equity Real Estate Funds			
AAA	\$ 569,988	\$ -	\$ 1,000,000	\$ 414,000	-	-	\$ 732,000	\$ 1,988,000	-	-	-	-	-	-	-	-	-
AAAm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,840,110
AA+	2,423,961	-	1,168,000	-	7,857,440	-	105,616,008	67,527,000	-	-	-	-	-	-	-	-	-
AA	1,921,070	-	-	-	-	-	527,000	-	-	-	-	-	548,000	-	-	-	-
AA-	2,389,446	-	-	-	-	-	1,020,000	-	-	1,599,850	-	-	1,089,259	-	-	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A+	903,792	-	-	-	-	-	4,980,000	-	-	-	-	-	-	-	-	-	-
A	2,525,000	-	255,000	-	-	-	-	9,000	-	-	-	-	1,517,000	-	-	-	-
A-	5,400,000	-	-	-	-	-	-	-	10,166,509	9,316,876	-	-	-	-	-	-	-
BBB+	10,715,000	-	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BBB	8,820,000	-	-	-	-	-	-	12,000	-	-	-	-	-	-	-	-	-
BBB-	9,322,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB+	965,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BB	490,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	-	-
BB-	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	729,000	-	33,000	-	-	-	-	379,000	-	-	-	-	-	-	-	-	-
Not Rated	-	(1,442,000)	-	-	-	603,497,000	-	-	-	-	20,073,000	45,794,000	-	274,301,000	-	-	-
<b>Total</b>	<b>\$ 47,283,257</b>	<b>\$ (1,442,000)</b>	<b>\$ 2,464,000</b>	<b>\$ 414,000</b>	<b>\$ 7,857,440</b>	<b>\$ 603,497,000</b>	<b>\$ 112,875,008</b>	<b>\$ 69,925,000</b>	<b>\$ 10,166,509</b>	<b>\$ 10,916,726</b>	<b>\$ 20,073,000</b>	<b>\$ 45,794,000</b>	<b>\$ 3,154,259</b>	<b>\$ 274,301,000</b>	<b>\$ -</b>	<b>\$ 145,840,110</b>	<b>\$ -</b>

**Concentration of Credit Risk**

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

The following table represents the fair value of investments that represent 5% or more of the System's net position at June 30, 2019:

SSGA MSCI ACWI IMI Index Fund	\$ 603,497,000
SSGA Bond Market Index Fund	\$ 162,037,000

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Pension Trust does not have a formal policy; however, it manages its' exposure to fair value loss by requiring international securities investment managers to maintain diversified portfolios by issuer to limit foreign currency and security risks. The exposure to foreign currency risk in both cash and investments is presented below:

<u>Currency</u>	<u>Fixed-Income</u>
New Zealand Dollar	\$ 20,000
Australian Dollar	12,000
Canadian Dollar	28,000
Euro Currency	986,000
Japanese Yen	57,000
Pound Sterling	345,000
	<u>\$ 1,448,000</u>

Neither the City, nor its component units, have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates.

**Fair Value Measurement**

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

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

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

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

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

The table below provides the inputs used to determine the fair value at June 30, 2019.

	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
<b>Investments measures at fair value</b>			
Cash Equivalents			
Short Terms	\$ 9,283,000	\$ -	\$ 9,283,000
Short Term Fund	5,045,000	-	5,045,000
	<u>\$ 14,328,000</u>	<u>\$ -</u>	<u>\$ 14,328,000</u>
Fixed Income Securities			
U.S. Treasury Securities	\$ 112,874,008	\$ -	\$ 112,874,008
Corporate Bonds	47,284,257	-	47,284,257
Futures/Options/Swaps	(1,442,000)	-	(1,442,000)
Commercial Paper	10,166,509	-	10,166,509
Certificates of Deposit	10,916,726	-	10,916,726
Municipals	3,154,259	-	3,154,259
Asset Backed Securities	2,464,000	-	2,464,000
Bank Loans	414,000	-	414,000
Mortgage Backed Securities	69,924,000	-	69,924,000
Foreign Government Securities	7,857,440	-	7,857,440
Total Fixed Income Securities	<u>\$ 263,613,199</u>	<u>\$ -</u>	<u>\$ 263,613,199</u>
Equity Securities			
Common Stock	\$ 20,073,000	\$ 20,073,000	\$ -
Master Limited Partnerships	45,794,000	45,794,000	-
Domestic Equity Funds	90,000	90,000	-
Total Equity Securities	<u>\$ 65,957,000</u>	<u>\$ 65,957,000</u>	<u>\$ -</u>
Comingled Securities			
Fixed Income Fund	\$ 30,177,000	\$ -	\$ 30,177,000
Total Comingled Securities	<u>\$ 30,177,000</u>	<u>\$ -</u>	<u>\$ 30,177,000</u>
<b>Total investments by fair value level</b>	<u><u>\$ 374,075,199</u></u>	<u><u>\$ 65,957,000</u></u>	<u><u>\$ 308,118,199</u></u>
<b>Investments Measured at the net asset value (NAV)</b>			
Commingled Funds			
Equity Funds	\$ 603,497,000		
Fixed Income Funds	162,037,000		
Real Estate Funds	81,998,000		
<b>Total investments measured at NAV</b>	<u>847,532,000</u>		
<b>Investments Measured at amortized costs</b>			
External Investment Pools	145,840,110		
Less Cash Equivalents	<u>(14,328,000)</u>		
<b>Total investments</b>	<u><u>\$ 1,353,119,309</u></u>		

External investment pools include the PFM, LGIP and SNAP. These investments are reported at amortized cost in accordance with Rule 2a-7, and qualify as external investment pools per GASB79, Certain External Investment Pools and Pool Participants. The City held \$133,614,726 in LGIP funds and \$11,900,907 in PFM funds at June 30, 2019.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**School Board**

At June 30, 2019, the School Board had cash of \$45,795,111, including \$12,999,621 held in agency funds.

**Economic Development Authority (EDA)**

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2019, there was \$4,469,357 in cash and cash equivalents (\$2,041,287 which is considered restricted), including \$2,781,203 held in the Local Government Investment Pool (LGIP), which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*.

The Authority considers all funds with an original maturity of greater than three months, but less than on year, to be short-term investments. At June 30, 2019, the Authority held a certificate of deposit yielding 1.49% in the amount of \$2,134,410, which is carried at fair value.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When considering fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Fair value of the certificate of deposit is determined based on a discounted cash flow analysis using prevailing rates over the stated term, which are level 2 inputs. Fair value approximates cost due to the short-term nature of the instrument.

**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, 2019, on each \$100 of assessed value, were \$1.25 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.25 for mobile homes, \$2.40 for airplanes, \$0.50 for recreational boats and \$1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements. The property tax calendar is as follows:

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**IV. Accounts Receivable**

**A. Unbilled Accounts Receivable**

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2019:

Storm Water special revenue fund	\$	853,339
Water Utility fund		5,105,268
Wastewater Utility fund		1,512,301
Parking Facilities fund		476,609
		7,947,517
	\$	7,947,517

The associated revenue is included in charges for services. All amounts were billed in July 2019.

**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, 2019, are as follows:

**Primary Government:**

General Fund:

Taxes	\$	10,088,180
Accounts		17,795,807
Community Services Board		721,943
Total General Fund		28,605,930

Storm Water special revenue fund		568,300
Waste Management special revenue fund		1,193,400
Parking Facilities fund		18,421,042
Water Utilities fund		1,848,394
Wastewater Utilities fund		1,000,000
<b>Total Primary Government</b>		<b>\$ 51,637,066</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**V. Due From Other Governments**

Amounts due from other governments, at June 30, 2019, are as follows:

	General Fund	Capital Projects Fund	Special Revenue Funds	Total Governmental Funds	Component Unit School Board
Commonwealth of Virginia:					
Non-categorical aid	\$ 23,182,897	\$ -	\$ -	\$ 23,182,897	\$ 7,766,741
Nonmajor governmental funds grants	-	-	1,749,960	1,749,960	-
<b>Total - Commonwealth of Virginia</b>	<b>23,182,897</b>	<b>-</b>	<b>1,749,960</b>	<b>24,932,857</b>	<b>7,766,741</b>
Federal Government:					
Major governmental funds	192,044	848,041	-	1,040,085	19,097,330
Nonmajor governmental funds grants	-	-	8,862,658	8,862,658	-
<b>Total - Federal Government</b>	<b>192,044</b>	<b>848,041</b>	<b>8,862,658</b>	<b>9,902,743</b>	<b>19,097,330</b>
<b>Total - Due from other governments</b>	<b>\$ 23,374,941</b>	<b>\$ 848,041</b>	<b>\$ 10,612,618</b>	<b>\$ 34,835,600</b>	<b>\$ 26,864,071</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**VI. Capital Assets**

A summary of changes in capital assets, at June 30, 2019, follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 99,348,960	\$ 5,446,572	\$ -	\$ 104,795,532
Intangible assets	65,014	-	-	65,014
Construction in progress	89,634,487	17,501,675	(19,295,859)	87,840,303
Total non-depreciable assets	<u>189,048,461</u>	<u>22,948,247</u>	<u>(19,295,859)</u>	<u>192,700,849</u>
Depreciable assets:				
Buildings	1,124,228,113	16,552,294	-	1,140,780,407
Improvements other than buildings	120,101,029	10,421,079	-	130,522,108
Equipment and vehicles	149,739,635	9,601,895	(1,694,087)	157,647,443
Intangible assets	4,937,683	-	-	4,937,683
Infrastructure	1,231,776,901	12,839,235	(4,746,954)	1,239,869,182
Total depreciable assets	<u>2,630,783,361</u>	<u>49,414,503</u>	<u>(6,441,041)</u>	<u>2,673,756,823</u>
Less accumulated depreciation/amortization:				
Buildings	(427,708,004)	(25,750,633)	-	(453,458,637)
Improvements other than buildings	(39,959,506)	(6,780,264)	-	(46,739,770)
Equipment and vehicles	(108,822,322)	(8,893,979)	1,538,997	(116,177,304)
Intangible assets	(4,420,498)	(132,646)	-	(4,553,144)
Infrastructure	(1,030,207,026)	(7,961,288)	4,689,705	(1,033,478,609)
Total accumulated depreciation/amortization	<u>(1,611,117,356)</u>	<u>(49,518,810)</u>	<u>6,228,702</u>	<u>(1,654,407,464)</u>
Depreciable assets, net	<u>1,019,666,005</u>	<u>(104,307)</u>	<u>(212,339)</u>	<u>1,019,349,359</u>
Total governmental activities capital assets, net	<u>\$ 1,208,714,466</u>	<u>\$ 22,843,940</u>	<u>\$ (19,508,198)</u>	<u>\$ 1,212,050,208</u>
<b>Business-Type activities:</b>				
Non-depreciable capital assets:				
Land	\$ 52,119,012	\$ 4,166	\$ -	\$ 52,123,178
Intangible assets	2,687,780	1,928,265	-	4,616,045
Construction in progress	43,166,572	32,734,157	(37,741,944)	38,158,785
Total non-depreciable assets	<u>97,973,364</u>	<u>34,666,588</u>	<u>(37,741,944)</u>	<u>94,898,008</u>
Depreciable assets:				
Land improvements	20,787,445	-	-	20,787,445
Buildings	479,237,592	30,503,400	(2,446,675)	507,294,317
Equipment and vehicles	851,893,349	6,669,274	(352,192)	858,210,431
Intangible assets	7,473,991	288,803	-	7,762,794
Totals depreciable assets	<u>1,359,392,377</u>	<u>37,461,477</u>	<u>(2,798,867)</u>	<u>1,394,054,987</u>
Less accumulated depreciation/amortization:				
Land improvements	(6,139,684)	(405,251)	-	(6,544,935)
Buildings	(154,940,158)	(10,640,266)	1,518,957	(164,061,467)
Equipment and vehicles	(275,061,696)	(16,816,539)	352,192	(291,526,043)
Intangible assets	(6,301,749)	(592,183)	-	(6,893,932)
Total accumulated depreciation/amortization	<u>(442,443,287)</u>	<u>(28,454,239)</u>	<u>1,871,149</u>	<u>(469,026,377)</u>
Depreciable assets, net	<u>916,949,090</u>	<u>9,007,238</u>	<u>(927,718)</u>	<u>925,028,610</u>
Business-Type activities capital assets, net	<u>\$ 1,014,922,454</u>	<u>\$ 43,673,826</u>	<u>\$ (38,669,662)</u>	<u>\$ 1,019,926,618</u>
<b>Component units activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,962,141	\$ 440,682	\$ -	\$ 2,402,823
Total non-depreciable assets	<u>1,962,141</u>	<u>440,682</u>	<u>-</u>	<u>2,402,823</u>
Depreciable assets:				
Buildings and mobile classrooms	7,785,898	-	-	7,785,898
Building improvements	14,862,059	3,281,362	-	18,143,421
Equipment and vehicles	37,636,363	4,014,499	(4,022,778)	37,628,084
Intangible assets	1,323,387	-	-	1,323,387
Total depreciable assets	<u>61,607,707</u>	<u>7,295,861</u>	<u>(4,022,778)</u>	<u>64,880,790</u>
Less accumulated depreciation:				
Buildings and mobile classrooms	(5,777,145)	(307,538)	-	(6,084,683)
Building improvements	(794,983)	(833,384)	-	(1,628,367)
Equipment and vehicles	(28,523,211)	(1,864,815)	3,972,430	(26,415,596)
Intangible assets	(1,243,676)	(68,323)	-	(1,311,999)
Total accumulated depreciation	<u>(36,339,015)</u>	<u>(3,074,060)</u>	<u>3,972,430</u>	<u>(35,440,645)</u>
Depreciable assets, net	<u>25,268,692</u>	<u>4,221,801</u>	<u>(50,348)</u>	<u>29,440,145</u>
Component units activities capital assets, net	<u>\$ 27,230,833</u>	<u>\$ 4,662,483</u>	<u>\$ (50,348)</u>	<u>\$ 31,842,968</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

General government	\$	21,831,627
Judicial administration		682,650
Public safety		2,031,177
Public works, which includes the depreciation of infrastructure assets		13,209,414
Health and sanitation		124,824
Culture and recreation		11,355,451
Community development		8,110
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		<u>275,557</u>
Total depreciation expense	<u>\$</u>	<u>49,518,810</u>
Business-type activities:		
Water Utility fund	\$	14,768,317
Wastewater Utility fund		6,839,022
Parking Facilities fund		<u>6,846,900</u>
Total depreciation expense	<u>\$</u>	<u>28,454,239</u>
Component unit activities		
School Board	\$	2,240,676
Norfolk Economic Development Authority		<u>833,384</u>
Total depreciation expense	<u>\$</u>	<u>3,074,060</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2019:

	<u>Expense</u>	<u>Revenue</u>	<u>Capitalized</u>
Water Utility fund	\$ 845,202	\$ (289,914)	\$ 575,288
Wastewater Utility fund	181,557	(72,926)	108,631
	<u>\$ 1,026,759</u>	<u>\$ (342,840)</u>	<u>\$ 683,919</u>

## VII. Property Held for Resale

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres of the remaining Lake Wright Golf Course property to Northampton Development, LLC. The agreement was amended on July 17, 2015, to restate the "feasibility period" to commence on April 15, 2016, ending the earlier of two years from that date or eight months after the property is rezoned. On June 27, 2018, the Authority sold 32.93 acres for \$9,816,460 to Northampton Development, LLC. 4.41 acres of Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at \$602,952.

In addition, land and land improvements held for resale also includes two acres located at 7405 Sewells Point Road which are recorded at approximately \$115,000 per acre totaling \$230,000. One of the acres previously included in land and land held for improvements

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

located at 7405 Sewells Points Road at a value of \$115,000 was sold on June 11, 2018, the Authority entered into a purchase and sale agreement with JSR Properties, LLC on September 21, 2018 to JSR Properties, LLC in the amount of \$160,925 for a gain of \$45,925.

**VIII. Short-term Obligations**

**A. Variable Rate Bonds**

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

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Cruise & Celebration Center. As of June 30, 2019, \$24,605,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

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

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

The City maintains a liquidity facility with respect to the Series 2007 Bonds to assist with the payment of Bonds tendered for purchase by the owners and not remarketed. In 2014, the existing liquidity facility was due to expire, and the City entered into a Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Liquidity Facility") among the City, the Trustee and Royal Bank of Canada (the "Bank"). The annual Liquidity Facility fee is 39 basis points (0.39%) for a five-year term. Additionally, RBC provided a rate of 8 basis points (0.08%) to serve as Remarketing Agent. During the fiscal year ended June 30, 2019, the average weekly interest rate on the Series 2007 Bonds was 156 basis points (1.56%).

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

Through June 30, 2019, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**B. General Obligation Variable Rate Bond**

On November 7, 2013, the City entered into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013D Variable Rate Loan") with Bank of America, N.A. On December 21, 2018, the Series 2018 General Obligation Refunding bonds refunded the 2013D General Obligation Variable Rate Bonds and were converted to a fixed interest rate of 3.54%.

**C. Line of Credit**

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000 which was later amended in May 2016, to increase the maximum available credit to \$200,000,000. On June 4, 2019, the City amended the Credit agreement to reduce the maximum available credit to \$125,000,000 with authorization to increase the amount to \$200,000,000. This line of credit has been used to provide flexible interim financing for capital improvements projects, including school construction. Further, the City maintains discretion over future increases and decreases to the line of credit maximum to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 70 percent of LIBOR, plus 40 basis points. Taxable borrowings are 100 percent of LIBOR, plus 50 basis points. LIBOR can be the 1, 3, 6 or 12-month LIBOR rate, chosen by the City on the date of each advance, and will be applicable through the end of the chosen LIBOR period. The full faith and credit pledge of the City secures the line of credit which will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount and each advance shall be made on three days' notice given by the City to BANA. The commitment fee on the unutilized portion of the line will be paid annually in arrears and will be waived in full for any year that has average utilization of at least 40 percent for that 12-month period.

On December 4, 2018, the City amended its existing credit agreement with BANA to extend the termination date of the line of credit from December 17, 2018, to December 17, 2019.

Activity for the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Deductions	Balance at June 30, 2019
Capital Projects fund	\$ 156,573,635	\$ 59,778,251	\$ (206,551,886)	\$ 9,800,000
Parking Facilities fund	10,000,000	-	(780,000)	9,220,000
	<u>\$ 166,573,635</u>	<u>\$ 59,778,251</u>	<u>\$ (207,331,886)</u>	<u>\$ 19,020,000</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**IX. Long-term Obligations**

**A. General Obligation and Revenue Bonds**

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

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

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2019, 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, 2018	\$ 656,212,948	\$ -	\$ 105,093,094	\$ 137,795,438	\$ 242,888,532
Bonds retired	(49,121,542)	-	(7,276,837)	(3,927,756)	(11,204,593)
Bonds refunded/defeased	-	-	(20,270,441)	(11,710,000)	(31,980,441)
Bonds transferred	8,610,000	-	(8,610,000)	-	(8,610,000)
Bonds reamortized	-	-	-	-	-
Bonds issued	136,210,377	-	-	11,710,000	11,710,000
Bonds outstanding at June 30, 2019	751,911,783	-	68,935,816	133,867,682	202,803,498
Unamortized (discount) premium	79,925,621	-	8,281,797	6,429,411	14,711,208
General obligation bonds outstanding at June 30, 2019, adjusted for unamortized (discount) premium	<u>\$ 831,837,404</u>	<u>\$ -</u>	<u>\$ 77,217,613</u>	<u>\$ 140,297,093</u>	<u>\$ 217,514,706</u>
Revenue bonds outstanding at July 1, 2018		\$ 323,480,000	\$ 65,262,756	\$ -	\$ 388,742,756
Bonds retired		(14,200,000)	(4,525,669)	-	(18,725,669)
Bonds refunded		-	-	-	-
Bonds transferred		-	-	-	-
Bonds issued		-	25,902,652	-	25,902,652
Revenue Bonds outstanding at June 30, 2019		309,280,000	86,639,739	-	395,919,739
Unamortized (discount) premium		47,726,644	-	-	47,726,644
Revenue bonds outstanding at June 30, 2019, adjusted for unamortized (discount) premium		<u>\$ 357,006,644</u>	<u>\$ 86,639,739</u>	<u>\$ -</u>	<u>\$ 443,646,383</u>
Total bonds outstanding at June 30, 2019, adjusted for unamortized (discount)/premium	<u>\$ 831,837,404</u>	<u>\$ 357,006,644</u>	<u>\$ 163,857,352</u>	<u>\$ 140,297,093</u>	<u>\$ 661,161,089</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

General obligation and revenue bonds outstanding at June 30, 2019, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental			Balance Outstanding
				Activities	Business-type Activities		
				Public Improvement	Wastewater Utility	Parking Facilities	
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 850,000	\$ -	\$ -	\$ 850,000
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	3,400,000
			Variable - June 26, 2019, rate of				
Series 2007 VRDB	3/29/2007	32,365,000	1.88%	24,605,000	-	-	24,605,000
Series 2009A&B Refunding	5/21/2009	77,175,000	4.00%	2,225,000	-	-	2,225,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.75 - 5.962%	87,144,286	7,045,714	-	94,190,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.40 - 5.60%	3,000,000	-	-	3,000,000
Series 2010G Refunding	10/19/2010	90,165,000	4.00 - 5.00%	38,524,635	3,773,616	171,749	42,470,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	44,704,033	4,445,537	1,100,430	50,250,000
Series 2012B Refunding	5/30/2012	7,805,000	2.00 - 2.25%	1,885,000	-	-	1,885,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	5.00%	9,355,000	2,160,000	-	11,515,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	5.00%	26,870,000	1,905,000	-	28,775,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	2.444 - 4.955%	-	-	68,310,000	68,310,000
Series 2013C QECB	11/7/2013	2,470,000	4.855%	2,470,000	-	-	2,470,000
Series 2014 Refunding	4/2/2014	65,155,000	2.00 - 5.00%	47,383,692	11,921,308	-	59,305,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	6,695,644	475,711	113,646	7,285,001
Series 2014C Refunding	9/30/2014	58,510,000	2.00 - 5.00%	49,121,861	7,798,139	-	56,920,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	6,261,105	788,895	-	7,050,000
Series 2016A	10/19/2016	106,680,000	2.50-5.00%	62,700,000	19,130,000	6,690,000	88,520,000
Series 2016B Refunding	10/19/2016	69,870,000	3.00-5.00%	49,136,943	7,121,614	13,276,442	69,534,999
Series 2016C	10/19/2016	10,500,000	3.00-3.050%	10,500,000	-	-	10,500,000
Series 2017 GO Storm Water VRA	5/31/2017	2,405,791	0.000%	1,992,309	-	-	1,992,309
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	3.00 - 5.00%	103,520,000	-	-	103,520,000
Series 2017B GO Capital Improvement	12/5/2017	3,590,000	3.793%	-	-	3,590,000	3,590,000
Series 2017C GO Refunding	12/5/2017	59,275,000	2.50 - 5.00%	27,534,303	2,370,282	28,905,415	58,810,000
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	987,972	-	-	987,972
Series 2018 Refunding	12/21/2018	11,710,000	3.540%	-	-	11,710,000	11,710,000
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.000%	133,695,000	-	-	133,695,000
Total General Obligation Bonds				<u>\$ 751,911,783</u>	<u>\$ 68,935,816</u>	<u>\$ 133,867,682</u>	<u>\$ 954,715,281</u>

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Balance Outstanding
			Water Utility	Wastewater Utility	
			Series 2007 Wastewater Revenue	11/9/2007	
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	4,500,000	4,500,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	21,645,000	-	21,645,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	6,500,000	6,500,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	6,742,500	6,742,500
Series 2012 Water Revenue Refunding	4/4/2012	5.00%	42,710,000	-	42,710,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	8,989,487	8,989,487
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	8,250,000	8,250,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	7,646,668	7,646,668
Series 2015A Water Revenue	4/16/2015	5.25%	29,660,000	-	29,660,000
Series 2015B Water Revenue Refunding	4/16/2015	5.00 - 5.25%	54,020,000	-	54,020,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	5,285,579	5,285,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	6,053,634	6,053,634
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	134,545,000	-	134,545,000
Series 2018 Water Revenue	3/26/2018	2.50 - 5.00%	26,700,000	-	26,700,000
Series 2018 Wastewater Revenue	6/22/2018	0.00%	-	3,832,680	3,832,680
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	3,180,645	3,180,645
Series 2019B Wastewater Revenue	5/16/2019	3.10%	-	4,766,858	4,766,858
Series 2019C Wastewater Revenue	5/16/2019	2.25%	-	5,554,188	5,554,188
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	6,412,500	6,412,500
Total Revenue Bonds			<u>\$ 309,280,000</u>	<u>\$ 86,639,739</u>	<u>\$ 395,919,739</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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 1.88% as June 30, 2019 (see Note VIII).

**B. General Obligation Bonds**

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

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$ 55,240,743	\$ 33,306,793	\$ 9,610,224	\$ 8,634,820
2021	56,023,304	31,063,470	9,762,663	8,114,740
2022	52,555,169	28,556,999	9,520,798	7,803,064
2023	51,111,156	26,192,862	10,179,811	7,420,525
2024	49,673,763	23,876,770	10,117,204	7,035,362
2025-2029	210,969,878	88,602,740	49,974,956	28,060,909
2030-2034	149,286,710	45,442,220	44,254,138	17,894,024
2035-2039	82,166,060	19,029,039	43,963,704	7,947,112
2040-2044	21,480,000	8,462,400	7,565,000	2,870,185
2045-2049	23,405,000	2,707,625	7,855,000	600,346
<b>Total</b>	<b>\$ 751,911,783</b>	<b>\$ 307,240,918</b>	<b>\$ 202,803,498</b>	<b>\$ 96,381,087</b>

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

Year Ending June 30,	<u>Wastewater Utility Fund</u>		<u>Parking Facilities Fund</u>	
	Principal	Interest	Principal	Interest
2020	\$ 5,067,097	\$ 3,130,575	\$ 4,543,127	\$ 5,504,245
2021	5,314,183	2,732,629	4,448,481	5,382,111
2022	5,295,812	2,567,562	4,224,986	5,235,502
2023	5,304,948	2,329,271	4,874,863	5,091,254
2024	5,282,452	2,102,702	4,834,751	4,932,660
2025-2029	23,339,779	6,964,540	26,635,177	21,096,369
2030-2034	10,476,545	3,560,898	33,777,593	14,333,126
2035-2039	3,415,000	1,786,125	40,548,704	6,160,987
2040-2044	3,400,000	935,000	4,165,000	1,935,186
2045-2049	2,040,000	153,000	5,815,000	447,346
<b>Total</b>	<b>\$ 68,935,816</b>	<b>\$ 26,262,302</b>	<b>\$ 133,867,682</b>	<b>\$ 70,118,786</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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 Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of June 30, 2019, draws for project expenses of \$229,200, \$1,621,677 and \$3,781,335 from bond issuances in fiscal year 2017, 2018 and 2019 respectively, resulted in total Virginia Resources Authority ("VRA") drawdowns of \$5,632,212 for fiscal year 2019. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund and the Bonds were sold at 0% interest.

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

Year Ending June 30,	Water Revenue		Wastewater Revenue	
	Principal	Interest	Principal	Interest
2020	13,830,000	15,044,375	6,802,298	325,483
2021	15,965,000	14,311,275	6,942,161	281,437
2022	17,170,000	13,504,400	7,083,160	236,255
2023	18,335,000	13,027,150	7,129,507	189,908
2024	19,440,000	11,700,150	7,177,051	142,364
2025-2029	75,460,000	45,877,650	29,582,524	170,285
2030-2034	44,385,000	31,812,331	16,362,481	-
2035-2039	45,555,000	20,999,531	5,273,106	-
2040-2044	43,230,000	10,478,244	287,451	-
2045-2049	15,910,000	949,981	-	-
<b>Total</b>	<b>\$ 309,280,000</b>	<b>\$ 177,705,087</b>	<b>\$ 86,639,739</b>	<b>\$ 1,345,732</b>

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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 financial statements.

At June 30, 2019, the following defeased bonds from advance refunding are still outstanding:

General Obligation Bonds

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2015	2009A	17,775,000	11/1/2019
2015	2012C	39,150,000	4/1/2021
2017	2009A	4,440,000	11/1/2019
2017	2012C	33,925,000	4/1/2021
2017	2013A	31,540,000	8/1/2023
2018	2010G	5,310,000	10/1/2020
2018	2013A	53,815,000	8/1/2023
		<u>\$ 185,955,000</u>	

Water Revenue Bonds

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2018	2010	17,815,000	11/1/2020
2018	2012	82,650,000	5/1/2022
2018	2013	43,070,000	5/1/2021
		<u>\$ 143,535,000</u>	

**E. Economic Development Authority**

In April 2016, the City and the Economic Development Authority of the City of Norfolk (the "EDA") entered into a financing agreement, with Bank of America, N.A. ("BANA") to provide funds for an economic development project in the City in the maximum principal amount of \$14,500,000. The City and the EDA also entered into a cooperation agreement related to the financing, whereby the City provides a general obligation guarantee of the payments required under the financing agreement. Principal advances under the agreement will bear interest at 1-month LIBOR rate plus 85 basis points which is set at the date of the first advance, and resets on the first day of the calendar month thereafter. Principal payments of \$100,000 are due February 1 in each of the first four years of the agreement, with the balance of the outstanding principal due at maturity in 2021. In addition to funds made available under the cooperation agreement, the EDA expects to pay for debt service on the financing agreement from other sources such as a portion of the City's cigarette tax revenues and lease revenue from the leasing of the facility. At June 30, 2019, \$14,420,000 in funds have been drawn of which \$13,820,000 was outstanding at the end of the year. No further draws will be made.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**F. 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 \$4,620,129 for the fiscal year ended June 30, 2019.

Future year lease obligations are listed below:

Year Ending June 30,	Operating Lease Obligations
2020	4,057,046
2021	3,358,834
2022	2,914,847
2023	1,714,383
2024	1,007,093
2025-2029	2,402,344
2030-2034	658,044
Total minimum lease payments	\$ 16,112,591

**G. Landfill Liability**

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The \$2,649,014 reported as an obligation for landfill closure and post-closure costs at June 30, 2019, 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, \$1,999,359 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.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**H. Compensated Absences**

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

Primary Government	
Governmental Activities:	
General Fund	\$ 18,255,528
Nonmajor governmental funds	1,221,730
Internal service funds	<u>269,493</u>
Total Governmental	<u>\$ 19,746,751</u>
Enterprise funds:	
Water Utility fund	\$ 1,085,374
Wastewater Utility fund	341,368
Parking Facilities fund	<u>178,125</u>
Total Enterprise funds	<u>\$ 1,604,867</u>
Component Unit - School Board	<u>\$ 9,272,252</u>

**I. Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2019, the City's debt limit is \$2,034,460,380 of which \$1,046,422,009 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

**J. Bonds Authorized and Unissued**

A summary of bonds authorized and unissued as of June 30, 2019, are as follows:

Projects	Total
<b>General Obligation Bonds Authorized and Unissued:</b>	
General Capital Improvement Projects	\$ 103,103,937
Waste Management Capital Improvement Projects	1,500,000
Storm Water Utility Fund Improvement Projects	14,863,506
Parking Facilities Fund Projects	16,220,000
Wastewater Utility Fund Projects	<u>31,495,424</u>
<b>G.O. Bonds Authorized and Unissued:</b>	<u>\$ 167,182,867</u>
<b>Revenue Bonds Authorized and Unissued:</b>	
Water Utility Fund Projects	\$ 66,963,989
<b>Revenue Bonds Authorized and Unissued:</b>	<u>\$ 66,963,989</u>
<b>Total Bonds Authorized and Unissued:</b>	<u>\$ 234,146,856</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

A summary of fiscal year 2019 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Bonds:					
General obligation bonds	\$ 656,212,948	\$ 144,820,377	\$ (49,121,542)	\$ 751,911,783	\$ 55,240,743
Net Premiums	63,967,119	24,938,655	(8,980,153)	79,925,621	-
Total Bonds	720,180,067	169,759,032	(58,101,695)	831,837,404	55,240,743
Other Liabilities:					
Vested compensated absences	19,451,506	11,382,989	(11,357,237)	19,477,258	11,348,476
Other post-employment benefits	66,187,356	9,567,784	(12,384,743)	63,370,397	-
Retiree's life insurance	145,000	-	(10,000)	135,000	10,000
Self-insurance	31,616,500	5,573,908	(6,982,271)	30,208,137	4,316,731
Net Pension Liability	258,900,595	143,382,905	(119,767,673)	282,515,827	-
Landfill closure and post-closure costs	2,589,457	59,557	-	2,649,014	-
Total Other Liabilities	378,890,414	169,967,143	(150,501,924)	398,355,633	15,675,207
Governmental Activities					
Long-term liabilities	1,099,070,481	339,726,175	(208,603,619)	1,230,193,037	70,915,950
Internal Service Funds:					
Net Pension Liability	\$ 2,991,957	\$ 1,677,114	\$ (1,301,422)	\$ 3,367,649	\$ -
Other post-employment benefits	342,258	89,384	(35,128)	396,514	-
Vested compensated absences	267,532	137,650	(135,689)	269,493	157,021
Total Internal Service Funds	3,601,747	1,904,148	(1,472,239)	4,033,656	157,021
Total Governmental Activities	\$ 1,102,672,228	\$ 341,630,323	\$ (210,075,858)	\$ 1,234,226,693	\$ 71,072,971
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Bonds:					
Water utilities	\$ 323,480,000	\$ -	\$ (14,200,000)	\$ 309,280,000	\$ 13,830,000
Wastewater utilities	170,355,850	25,902,652	(40,682,947)	155,575,555	11,869,395
Parking facilities	137,795,438	11,710,000	(15,637,756)	133,867,682	4,543,127
Net Premiums	71,913,403	-	(9,475,551)	62,437,852	-
Total Bonds Payable	703,544,691	37,612,652	(79,996,254)	661,161,089	30,242,522
Other Liabilities:					
Vested compensated absences	1,703,786	1,044,952	(1,143,871)	1,604,867	958,975
Net Pension Liability	25,078,170	12,694,939	(10,994,005)	26,779,104	-
Other post-employment benefits	2,868,813	637,391	(353,151)	3,153,053	-
Total Other Liabilities	29,650,769	14,377,282	(12,491,027)	31,537,024	958,975
Total Business-Type Activities	\$ 733,195,460	\$ 51,989,934	\$ (92,487,281)	\$ 692,698,113	\$ 31,201,497
<b><u>COMPONENT UNITS:</u></b>					
Other Liabilities:					
Vested compensated absences	\$ 9,086,289	\$ 11,232,305	\$ (11,046,342)	\$ 9,272,252	\$ 6,954,189
Other post-employment benefits	92,586,358	8,129,887	(6,876,407)	93,839,838	-
Net Pension Liability	292,589,142	30,899,103	(56,282,234)	267,206,011	-
Workers' compensation claims	3,651,158	863,727	(749,701)	3,765,184	785,667
Long-term Notes Payable	16,420,000	-	(100,000)	16,320,000	100,000
Claims liability	466,349	74,064	(142,434)	397,979	235,870
Component Units					
long-term obligations	\$ 414,799,296	\$ 51,199,086	\$ (75,197,118)	\$ 390,801,264	\$ 8,075,726

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**X. Pension Plans**

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

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

**Plan Description**

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

**Plan Membership**

As of June 30, 2018, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,732
Public Safety	1,262
Vested Former Members:	
General	988
Public Safety	297
Active Plan Members:	
General	2,981
Public Safety	1,269
	9,529

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Plan Benefits**

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

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

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

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

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

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Contributions**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, with the exception of the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective January 8, 2015. Total employer contributions to the ERS plan were \$37,078,904 and \$35,493,794 for the years ended June 30, 2019 and 2018, respectively. These contributions combined with employee contributions of \$9,673,000 and \$9,668,000 for the year ended June 30, 2019 and June 30, 2018, respectively were expected to cover the actuarially determined contributions.

**Actuarial Assumptions**

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

For the June 30, 2018 actuarial valuation, the actuarial assumptions included the following:

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The long-term expected rate of return on the ERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<b>30-year 2018</b> <u>Long-term Expected</u> <u>Real Rate of Return</u>	<u>Target</u> <u>Allocations</u>
Private Core Real Estate	4.75%	7.5%
Master Limited Partnerships	6.50%	7.5%
Core Fixed Income	1.00%	30.0%
Core Plus Income	1.50%	0.0%
Equity (ACWI IMI)	5.15%	55.0%
		<u>100.0%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions was presented for 99 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make projected future payments and pay administrative expenses. Projected benefit payments are discounted at the long-term expected return of 7.07% (net of investment expenses) to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent it is not available. The single equivalent rate to determine the total pension liability as of the measurement date of June 30, 2018 was 6.95%.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2018 with an actuarial valuation date of June 30, 2018. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. Governmental funds typically used to liquidate the pension liability include the General fund, Storm Water, Towing, Waste Management, Grants, Community Development, Cemeteries, EOC/911 and Resiliency special revenue funds. The employer contributions made in fiscal year 2018 of \$33,927,321 for governmental activities and \$3,151,583 for business-type activities are included as deferred outflows. As of June 30, 2019, the City reported a net pension liability of \$282,739,897 in governmental activities and \$26,779,103 in business-type activities. The net pension liability is allocated based

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

on employer's contributions during the measurement period. The percentage for governmental activities and business-type activities for 2018 was 91.3% and 8.7%, respectively. Changes to the ERS net pension liability are as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2017</b>	<b>\$ 1,326,413,000</b>	<b>\$ 1,044,012,000</b>	<b>\$ 282,401,000</b>
Service cost	25,146,000	-	25,146,000
Interest	92,517,000	-	92,517,000
Changes in Benefits Terms	11,698,000	-	11,698,000
Contributions - employer	-	35,494,000	(35,494,000)
Contributions - employee	-	9,859,000	(9,859,000)
Net investment income	-	72,662,000	(72,662,000)
Benefits payments, including refunds of member contributions	(85,933,000)	(85,933,000)	-
Difference between expected and actual Experience	(1,598,000)	-	(1,598,000)
Change in assumptions	16,606,000	-	16,606,000
Administrative expense	-	(764,000)	764,000
<b>Balances at June 30, 2018</b>	<b>\$ 1,384,849,000</b>	<b>\$ 1,075,330,000</b>	<b>\$ 309,519,000</b>

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

The following presents the net pension liability, calculated using the discount rate of 6.95%, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
ERS Net Pension Liability	\$ 461,893,000	\$ 309,519,000	\$ 180,679,000

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

Total pension expense included for the City is \$51,823,027 for Governmental activities and \$4,836,590 for business-type activities or \$56,659,617 combined for the City.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

At June 30, 2019, deferred inflows (outflows) reported in the City's financial statements are as follows:

	Deferred (Inflows) Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between expected and actual experience	\$ (3,675,802)	\$ (354,727)	\$ (4,030,529)
Net difference between projected and actual earnings on plan investments	10,060,151	967,108	11,027,259
Change in assumptions	(2,374,386)	(229,109)	(2,603,495)
Change in assumptions	35,613,420	3,439,582	39,053,002
Net change in proportionate share (Internal Service Funds)	62,627	-	62,627
Net change in proportionate share (Parking Facilities)	-	(350,751)	(350,751)
Net change in proportionate share (Water and Wastewater Utility)	-	(115,114)	(115,114)
Net change in proportionate share (Governmental Funds)	403,238	-	403,238
	\$ 40,089,248	\$ 3,356,989	\$ 43,446,237

Deferred outflows related to pension contributions made after the measurement date of \$33,927,321 for governmental activities and \$3,151,583 for business-type activities, but before the end of the City's contributing reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts related to deferred inflows (outflows) of resources will be recognized in pension expense as follows:

<b>Amortization of Deferred (Inflows) Outflows</b>			
Year Ended:	Governmental Activities	Business-type Activities	Total
2020	\$ 26,984,734	\$ 2,513,242	\$ 29,497,976
2021	17,560,280	1,521,783	19,082,063
2022	(4,527,820)	(543,580)	(5,071,400)
2023	72,054	(134,456)	(62,402)
2024	-	-	-
	\$ 40,089,248	\$ 3,356,989	\$ 43,446,237

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

**Plan Description – Virginia Retirement System**

The School Board and the City of Norfolk both participate in pensions offered by the Virginia Retirement System (VRS), which include two agent multiple-employer plans (for school employee political subdivisions and City of Norfolk state constitutional offices) and a cost-sharing multiple-employer (for teachers) defined benefit pension plan as well as a hybrid plan which contains both defined benefit and defined

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

contribution aspects. All full-time, salaried permanent employees of the School Board, Constitutional Offices of the City of Norfolk, (Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, Sheriff employees) and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are employed and for which the City or the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employee contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. 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. The multiplier for the Hybrid Plan is 1.0%. The 2014 valuation included hybrid retirement plan members for the first time.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5.0%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.0%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for School Board contains combined information related to the School Board and Southeastern Cooperative Educational Programs (SECEP), a joint venture for which the School Board acts as a fiscal agent. As such, amounts reflected herein present

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

only the School Board's proportionate share as of the measurement date which amounted to 99.27% and 99.26% as of June 30, 2018 and 2017, respectively. The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities. The GASB 68 cost sharing plan's actuarial report contains combined information related to the School Board, SECEP, the Governor's School and Access College. As such, amounts herein present only the School Board's proportionate share as of the measurement date of the VRS Teacher Retirement Plan which amounted to 2.568% as of June 30, 2018 and 2.701% as of June 30, 2017.

**Contributions**

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00% of their annual reported compensation to the VRS. The Employers actuarially determined contribution rates as of June 30, 2018, not including the employee 5.00% contributions were 8.98% of covered payroll for the City of Norfolk employees, 16.32% of the annual covered payroll for School Board professional employees and 6.81% of annual covered payroll for the other school employees based on the June 30, 2015 actuarial valuation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The School Board's contributions to the VRS for the fiscal years ended June 30, 2019, 2018 and 2017 for professional employees were \$28,774,879, \$29,028,062 and \$26,582,248, respectively: such amounts comprised 100% of the required statutory contributions for each of the three years. The School Board's contributions to the VRS for political subdivisions for the years ended June 30, 2019, 2018, and 2017 were \$1,195,410, \$1,434,613 and \$1,408,370, respectively.

The City of Norfolk contributions to the VRS for constitutional offices for the fiscal years ended June 30, 2019, 2018 and 2017 were \$2,400,682, \$2,337,890 and \$2,406,428, respectively, which is 100% of the actuarial determined contribution.

**Actuarial Assumptions**

The total pension liability was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Closed
Remaining amortization period	28, 20 and 19 years
Asset Valuation Method	5-year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.0%, net of investment expense
Projected Salary Increases	3.50% - 5.95%
Includes Inflation at	2.50%
Cost-of-living Adjustments	2.25% - 2.50%

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

Pre-Retirement	RP-2014 Employee Rates to age 80; Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates
Post-Retirement	RP-2014 Employee Rates to age 49; Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80; White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB
Post-Retirement	RP-2014 White Collar Employee Rates to age 49; White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Updated mortality table to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjust withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, included expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in fiscal year 2012 or 90% of the actuarially

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Deferred inflows and outflows are recorded for the net differences between actual and projected investment earnings, contributions made subsequent to the measurement date of June 30, 2018, and changes in proportionate share between June 30, 2017 and June 30, 2018. Pension expense reported for the fiscal year ended June 30, 2019, for the City for Norfolk, the School Board Political Subdivisions and the School Board Teachers was \$186,331, \$1,327,632 and \$8,688,702, respectively. At June 30, 2019, the reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ -	\$ 24,202,707
Change in assumptions	423,105	218,888	-
Differences between expected and actual experience	1,302,650	2,537,730	22,316,661
Net difference between projected and actual earnings on Plan investments	888,292	1,472,013	2,419,337
	<u>\$ 2,614,047</u>	<u>\$ 4,228,631</u>	<u>\$ 48,938,705</u>

	Deferred Outflows of Resources		
	Agent Multiple-Employer Plans		Cost Sharing Plan
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 985,406	\$ 2,544,797
Differences between expected and actual experience	-	1,922,866	-
Net difference between projected and actual earnings on plan investments	-	-	-
	<u>\$ -</u>	<u>\$ 2,908,272</u>	<u>\$ 2,544,797</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The City of Norfolk, the School Board Teachers and the School Board Political Subdivisions contributed \$2,400,682, \$28,774,879 and \$1,195,410, respectively in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:	<b>Agent Multiple-Employer Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk	School Board	School Board
	Constitutional Employees	Political Subdivisions	Teachers
2020	\$ (674,516)	\$ (5,931)	\$ (9,547,412)
2021	(712,105)	(495,567)	(11,417,199)
2022	(1,146,194)	(335,051)	(16,127,224)
2023	(81,232)	(483,810)	(6,854,222)
2024	-	-	(2,447,851)
	<u>\$ (2,614,047)</u>	<u>\$ (1,320,359)</u>	<u>\$ (46,393,908)</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Plan Membership**

As of June 30, 2017, actuarial valuation, the plan memberships consisted of the following:

	<b>Agent Multiple-Employer Plans</b>	
	City of Norfolk	School Board
	Constitutional Offices	Political Subdivisions
Inactive member or their beneficiaries		
currently receiving benefits	296	607
Inactive members:		
Vested	93	48
Non-vested	219	230
Active elsewhere in the VRS	205	100
Total inactive members	517	378
Active members	579	661
Total	1,392	1,646

**Change in Net Pension Liability**

Below are the schedules of changes in Net Pension Liability for each of the agent multiple-employer plans:

**City of Norfolk**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2017</b>	<b>\$ 102,058,233</b>	<b>\$ 97,489,356</b>	<b>\$ 4,568,877</b>
Service cost	3,318,884	-	3,318,884
Interest	6,992,769	-	6,992,769
Change in assumptions	-	-	-
Difference between expected and actual	(887,137)	-	(887,137)
Contributions - employer	-	2,394,595	(2,394,595)
Contributions - employee	-	1,316,482	(1,316,482)
Net Investment income	-	7,206,612	(7,206,612)
Benefits payments, including refunds of employee contributions	(4,323,052)	(4,323,052)	-
Administrative expense	-	(61,420)	61,420
Other changes	-	(6,456)	6,456
<b>Balance at June 30, 2018</b>	<b>\$ 107,159,697</b>	<b>\$ 104,016,117</b>	<b>\$ 3,143,580</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**School Board Political Subdivisions**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2017</b>	<b>\$ 89,061,828</b>	<b>\$ 80,320,925</b>	<b>\$ 8,740,903</b>
Service cost	1,504,298	-	1,504,298
Interest	6,054,523	-	6,054,523
Change in assumptions	-	-	-
Difference between expected and actual	(2,076,508)	-	(2,076,508)
Contributions - employer	-	1,434,613	(1,434,613)
Contributions - employee	-	814,369	(814,369)
Net Investment income	-	5,850,775	(5,850,775)
Benefits payments, including refunds of employee contributions	(5,154,770)	(5,154,770)	-
Administrative expense	-	(51,856)	51,856
Change in proportionate share	8,745	(2,440)	11,185
Other changes	-	(36,071)	36,071
<b>Balance at June 30, 2018</b>	<b>\$ 89,398,116</b>	<b>\$ 83,175,545</b>	<b>\$ 6,222,571</b>

All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2018, measurement date for the June 30, 2019, net pension liability of 99.27%.

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>Agent Multiple-Employer Plans</b>			
School Board non-professional employee net pension liability	\$ 16,275,784	\$ 6,222,571	\$ (2,295,302)
City of Norfolk's constitutional offices net pension liability	\$ 17,889,749	\$ 3,143,580	\$ (9,032,384)
<b>Cost Sharing Plans</b>			
School Board Teachers net pension liability	\$ 398,658,815	\$ 260,983,440	\$ 147,026,354

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Payables to the Pension Plan**

As of June 30, 2019, the School Board had not outstanding amounts payable to the political subdivision pension plan for the year ended June 30, 2019.

As of June 30, 2019, the School Board had not outstanding amounts payable to the teacher's pension plan for the year ended June 30, 2019.

**XI. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. In the calendar year 2019, the deferral may be up to 25 percent of gross income up to a maximum of \$19,000 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.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**A. City of Norfolk Sponsored Other Post-employment Benefits**

**Plan Description**

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase healthcare coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the School Boards' benefits offices based on the participation guidelines established by the Norfolk City Council and the Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis and a separate financial report of the OPEB Plan is not issued. No assets are accumulated in a trust that meets the criteria established in paragraph 4 of Governmental Accounting Standards Board Statement No. 75. Therefore, rather than a net OPEB liability, the City and School Board report a total OPEB liability. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty personnel who are paid or who volunteer, are included as part of the total OPEB liability in the City's financial statements.

**Employees Covered by Benefit Terms**

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the Plan:

	City	Line of Duty	School Board
Inactive member or their beneficiaries			
currently receiving benefits	164	67	222
Active members	3,905	1,147	4,292
Total	<u>4,069</u>	<u>1,214</u>	<u>4,514</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Contributions**

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. The City and the School Board committed to a set contribution amount as an explicit subsidy of \$25 or \$35 per month for the City and \$75 per month for the School Boards per participating retiree. Effective January 1, 2014, the City and the School Boards eliminated healthcare coverage for post 65 retirees (e.g. retirees eligible for Medicare) along with the \$25 or \$35 and \$75 monthly subsidy, respectively. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

**Total OPEB Liability**

The City's and the School Boards' total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 using updated actuarial assumptions applied to all periods included in the measurement.

**Actuarial Assumptions**

For the June 30, 2018 actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Open
Asset Valuation Method	Not Applicable
Investment Rate of Return	3.87%
Rate of Salary Increases	3.50%
Rate of Medical Inflation	7.00% (Pre-Medicare) grading to 3.25% over 20 years
Mortality (City)	108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter
	100% of RP-2014 Disabled Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages<86) thereafter

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Mortality (School Board)

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90

RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

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.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87%. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2018 measurement date was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

**Changes in Total OPEB Liability**

The total pension liability was measured at of June 30, 2018 with an actuarial valuation date of June 30, 2018. OPEB expense and liability are allocated to governmental and enterprise funds. As of June 30, 2019, the City reported a total OPEB liability of \$63,766,911 in governmental activities and \$3,153,053 in business-type activities. Changes to the total OPEB liability are as follows:

	City	Line of Duty	School Board	Total OPEB Liability
<b>Balance at June 30, 2017</b>	<b>\$ 32,305,189</b>	<b>\$ 37,093,238</b>	<b>\$ 47,129,993</b>	<b>\$ 116,528,420</b>
Service cost	2,485,855	1,517,002	1,381,764	5,384,621
Interest	1,178,923	1,336,572	1,673,986	4,189,481
Change in benefits	-	-	-	-
Difference between expected and actual	(2,005,011)	(3,476,174)	3,627,408	(1,853,777)
Assumption changes	3,702,351	(4,964,076)	(1,794,422)	(3,056,147)
Contributions - employer	-	-	-	-
Net Investment income	-	-	-	-
Benefits payments	(1,223,511)	(1,030,394)	(2,129,544)	(4,383,449)
Administrative expense	-	-	-	-
<b>Balance at June 30, 2018</b>	<b>\$ 36,443,796</b>	<b>\$ 30,476,168</b>	<b>\$ 49,889,185</b>	<b>\$ 116,809,149</b>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City	\$ 41,392,771	\$ 36,443,796	\$ 32,374,010
Line of Duty	\$ 34,614,754	\$ 30,476,168	\$ 27,072,805
School Board	\$ 56,664,010	\$ 49,889,185	\$ 44,317,913

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Sensitivity of the total OPEB liability to changes in healthcare cost trend rates**

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00% decreasing to 2.25%)	Healthcare Cost Trend Rates (7.00% decreasing to 3.25%)	1% Increase (8.00% decreasing to 4.25%)
City	\$ 34,341,266	\$ 36,443,796	\$ 38,673,768
Line of Duty	\$ 28,717,925	\$ 30,476,168	\$ 32,340,984
School Board	\$ 47,010,959	\$ 49,889,185	\$ 52,941,871

**OPEB Expense and Deferred Inflows and Outflows of Resources**

OPEB expense reported for the fiscal year ended June 30, 2019 for the City (including Line of Duty) and the School Board was \$4,805,269 and \$1,353,225, respectively. At June 30, 2019, the reported deferred inflows of resources and deferred outflows of resources related to the OPEB Plan from the following sources:

**Deferred Inflows of Resources**

	City	Line of Duty	School Board
Change in assumptions	\$ -	\$ 8,289,639	\$ 9,020,824
Net change in proportionate share (Internal Service Funds)	6,625		
Net change in proportionate share (Parking Facilities)	33,948		
Net change in proportionate share (Water Utility)	2,420		
Net change in proportionate share (Wastewater Utility)	9,634		
Differences between expected and actual experience	2,728,188	2,981,291	2,339,150
Total	<u>\$ 2,780,815</u>	<u>\$ 11,270,930</u>	<u>\$ 11,359,974</u>

**Deferred Outflows of Resources**

	City	Line of Duty	School Board
Change in assumptions	\$ 4,470,423	\$ -	\$ -
Net change in proportionate share (Governmental Funds)	52,627		
Differences between expected and actual experience	-	-	3,109,207
Total	<u>\$ 4,523,050</u>	<u>\$ -</u>	<u>\$ 3,109,207</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2020. The City and the School Board contributed \$2,363,638 and \$2,401,320, respectively in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Amortization of Deferred Inflows and Outflows**

Year Ended:	City	Line of Duty	School Board
2020	\$ 299,952	\$ (2,013,035)	\$ (1,702,525)
2021	299,952	(2,013,035)	(1,702,525)
2022	299,952	(2,013,035)	(1,702,525)
2023	299,952	(2,013,035)	(1,702,525)
2024	299,951	(2,013,040)	(1,702,517)
2025-2029	242,476	(1,205,750)	261,850
	<u>\$ 1,742,235</u>	<u>\$ (11,270,930)</u>	<u>\$ (8,250,767)</u>

**Other OPEB Plans**

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

**B. Virginia Retirement System Post-employment Benefits Trust Funds**

The Virginia Retirement System (VRS) is an independent agency of the Commonwealth of Virginia. VRS administers several post-employment benefit trust funds. The School Board participates in two of those funds, the Group Life Insurance Plan (GLI) and the Retiree Health Insurance Credit Plan (HIC). The VRS Board of Trustees is responsible for the general administration and operation of the pension plans and other employee benefit plans. VRS issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for the system's pension and other employee benefit trust funds. The VRS CAFR is publicly available on the VRS website at [www.varetire.org](http://www.varetire.org). The pension and other trust funds administered by VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

**Group Life Insurance (GLI)**

The Virginia Retirement System Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

**Plan Description**

The VRS Group Life Insurance Program upon employment automatically covers all full-time salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions. In addition to the basic GLI benefits,

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

members are also eligible to elect additional coverage for themselves, as well as spouse or dependent children through the Optimal Group Life Insurance Program.

**Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate of the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% of the 1.31% and the employer component was 0.52% of the covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary Increases, including inflation	
Teachers	3.5% - 5.35%
Locality – General employees	3.5% - 5.35%
Investment Rate of Return	7.0% net of plan investment expenses, including inflation
Mortality Rates – Teachers:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90



**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
GLI Net OPEB Liability - Teachers	\$ 18,834,270	\$ 14,412,324	\$ 10,820,938
GLI Net OPEB Liability - Political Subdivisions	\$ 1,819,261	\$ 1,392,000	\$ 1,045,228

**VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources for Teachers**

For the year ended June 30, 2019, the School Board recognized a credit to the OPEB Group Life Insurance expense of \$144,305. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	\$ 135,558	\$ 1,227,886
Change in assumptions	-	600,550
Differences between expected and actual experience	-	258,366
Net difference between projected and actual earnings on Plan investments	704,242	469,206
Contributions after measurement date	2,423,056	
	\$ 3,262,856	\$ 2,556,008

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GLI OPEB will be recognized in GLI OPEB expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:	
2020	\$ (423,767)
2021	(423,767)
2022	(423,767)
2023	(291,097)
2024	(147,761)
2025-2029	(6,049)
	\$ (1,716,208)

**VRS GLI OPEB Expense and Deferred Inflows and Outflows of Resources for Political Subdivisions**

For the year ended June 30, 2019, the School Board recognized OPEB Group Life Insurance expense of \$10,000 and a Net OPEB liability of \$1,392,000. At June 30, 2019, the School Board reported deferred outflows of resources of \$306,256, of which \$236,065 was due to contributions subsequent to the measurement date. The School Board also reported deferred inflows of resources \$355,000 related to VRS GLI OPEB.

**Employer Contribution**

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. The School Board's total employer contribution into the GLI program for the years ended June 30, 2019 and June 30, 2018 were \$2,423,056 and \$2,358,991, respectively.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**Health Insurance Credit Plan (HIC)**

**Plan Description**

The Virginia Teacher Employee Health Insurance Credit Program automatically covers all full-time, salaried, permanent (professional) employees of public school divisions. This plan is administered by the Virginia Retirement System along with other pension and OPEB plans. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and end upon the retiree's death. The program was established in 1993 for retired teacher employees covered under VRS who retired with at least 15 years of service credit. At retirement, for teacher and other professional school employees, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For teachers or other professional employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- \$4.00 per month multiplied by twice the amount of service credit, or
- \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**Contributions**

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**Actuarial Assumptions**

The total Teacher Health Insurance Credit OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary Increases, including inflation	3.5% - 5.95%
Investment Rate of Return	7.0% net of plan investment expenses, including inflation

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Mortality Rates – Teachers:

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-Disablement	RP-2014 Disability Mortality Rates with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The net Health Insurance Credit OPEB liability (NOL) was determined in accordance with GASB Statement No. 74. As of June 30, 2018, the NOL portion of the VRS Teacher Health Insurance Credit Program applicable to the School Board is as follows:

Total Teacher HIC OPEB Liability	\$ 30,621,260
Plan Fiduciary Net Position	<u>2,474,839</u>
HIC Net OPEB Liability	<u>\$ 28,146,421</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Plan fiduciary net position as a percentage of the total Teacher HIC liability was 8.08%. The total Teacher HIC OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements.

**Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school divisions for the VRS HIC OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates.

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
HIC Net OPEB Liability	\$ 31,437,205	\$ 28,146,421	\$ 25,347,615

**VRS HIC OPEB Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2019, the School Board recognized OPEB Health Insurance Credit expense of \$1,936,448. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS HIC OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 2,213,332
Change in assumptions	-	245,405
Differences between expected and actual experience	328,615	20,738
Net difference between projected and actual earnings on Plan investments	-	139,120
Contributions after measurement date	2,223,563	
	\$ 2,552,178	\$ 2,618,595

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIC OPEB will be recognized in HIC OPEB expense as follows:

**Amortization of Deferred Inflows and Outflows**

Year Ended:			
2020	\$		(566,351)
2021			(566,351)
2022			(566,351)
2023			(400,720)
2024			(182,728)
2025-2029			(7,479)
			(2,289,980)
	\$		(2,289,980)

**Employer Contribution**

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS HIC OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. The School Board's total employer contribution into the HIC program for the years ended June 30, 2019 and June 30, 2018 were \$2,223,563 and \$2,201,938, respectively.

**Other OPEB Plans**

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XIII. Interfund Receivable and Payable Balances**

The composition of interfund activity as June 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General fund	Capital Projects fund	\$ 5,387,357
	Nonmajor Governmental funds	863,970
	Water Utility fund	135,277
	Total General fund	<u>\$ 6,386,604</u>
Capital Projects fund	Parking Facilities fund	\$ 15,207,089
	Water Utility fund	261,850
	Total Capital Projects fund	<u>\$ 15,468,939</u>
Nonmajor Governmental funds	General fund	\$ 47,672
	Nonmajor Governmental funds	10,421
	Total Nonmajor Governmental funds	<u>\$ 58,093</u>
	<b>Total Governmental funds</b>	<u>\$ 21,913,636</u>
	<b>Total Due from Other funds</b>	<u>\$ 21,913,636</u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
General fund	Nonmajor Governmental funds	\$ 47,672
	Total General fund	<u>\$ 47,672</u>
Capital Projects fund	General fund	\$ 5,387,357
	Total Capital Projects fund	<u>\$ 5,387,357</u>
Nonmajor Governmental funds	General fund	\$ 863,970
	Nonmajor Governmental funds	10,421
	Total Nonmajor Governmental funds	<u>\$ 874,391</u>
	<b>Total Governmental funds</b>	<u>\$ 6,309,420</u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
Water Utility fund	General fund	\$ 135,277
	Capital Projects fund	261,850
	Total Water Utility fund	<u>\$ 397,127</u>
Parking Facilities fund	Capital Projects fund	\$ 15,207,089
	Total Parking Facilities fund	<u>\$ 15,207,089</u>
	<b>Total Enterprise and Internal Service funds</b>	<u>\$ 15,604,216</u>
	<b>Total Due to Other funds</b>	<u>\$ 21,913,636</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XIV. Interfund Transfers**

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

The following interfund transfers occurred during fiscal year 2019:

<b>Fund</b>	<b>In</b>	<b>Out</b>
General	\$ 39,065,338	\$ 77,874,726
Capital Projects	4,129,134	1,574,798
Debt Service	81,333,153	-
Non-major Governmental	4,381,968	19,151,398
Water Utility	-	28,808,671
Wastewater Utility	-	1,500,000
	<b>\$ 128,909,593</b>	<b>\$ 128,909,593</b>

The purpose of the transfer balances are as follows:

General fund transfers in of \$39,065,338 include \$28,808,671 from the Water Utility fund, \$1,500,000 from the Wastewater Utility fund, \$4,253,465 from the Tax Increment Financing special revenue fund, \$1,503,202 from the Capital Projects fund, and \$3,000,000 from the Public Amenities special revenue fund.

The General fund transfers out of \$77,874,726 represent a transfer of \$70,929,678 to the Debt Service fund to fund general obligation debt, \$2,813,934 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$3,249,932 to the Grants special revenue fund in support of grant projects, \$494,398 to the Cemeteries special revenue fund and \$386,784 to the Emergency Operations Center/911 special revenue fund.

The Capital Projects fund transferred \$71,596 to the Grants special revenue fund for matching and \$1,503,202 to the General fund. Capital projects transfers in included \$2,813,934 from the General fund and \$1,315,200 from the Storm Water special revenue fund.

Debt service transfers in of \$81,333,153 include \$3,522,402 from the Storm Water special revenue fund, \$3,521,075 from the Public Amenities special revenue fund, \$210,929 from the Towing & Recovery Operations special revenue fund, \$1,547,534 from the Waste Management special revenue fund, \$1,601,535 from the Tax Increment Financing special revenue fund and \$70,929,678 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$3,522,402 to the Debt Service fund to cover its general obligation debt service cost, and \$1,315,200 to the Capital Projects fund to support the fund's capital related projects.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The Public Amenities special revenue fund transferred \$3,000,000 to the General fund and \$3,521,075 to cover its general obligation debt service cost.

The Towing & Recovery Operations special revenue fund transferred \$210,929 to the Debt Service fund to cover its general obligation debt service cost.

The Endowed Care special revenue fund transferred \$179,258 to the Cemeteries fund in support of the City's cemeteries.

The Tax Increment Financing special revenue fund transferred \$4,253,465 to the General fund and \$1,601,535 to the Debt Service fund to cover its general obligation debt service costs.

The Water and Wastewater Utility funds transferred \$28,808,671 and \$1,500,000 to the General fund, respectively.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XV. Fund Balance by Functional Category (GASB 54)**

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

	General fund	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
<b>FUND BALANCES</b>				
Restricted				
General government	\$ 135,000	\$ -	\$ -	\$ 135,000
Judicial administration	-	-	30,576	30,576
Public safety	-	-	552,485	552,485
Public works	-	-	1,867	1,867
Health and public assistance	-	-	-	-
Culture and recreation	-	-	5,957,128	5,957,128
Community development	-	-	12,506	12,506
Total Restricted	135,000	-	6,554,562	6,689,562
Committed				
General government	5,310,000	-	-	5,310,000
Judicial administration	-	-	83,767	83,767
Public safety	-	-	54,297	54,297
Public works	-	-	5,994,017	5,994,017
Health and public assistance	4,722,013	-	1,461,269	6,183,282
Culture and recreation	-	4,104,634	112,000	4,216,634
Total Committed	10,032,013	4,104,634	7,705,350	21,841,997
Assigned				
General government	39,430,765	-	1,719,427	41,150,192
Judicial administration	-	-	(506,126)	(506,126)
Public safety	-	-	500,247	500,247
Public works	1,141,785	-	5,521,202	6,662,987
Health and public assistance	1,191,381	-	100,420	1,291,801
Culture and recreation	770,898	-	14,268,923	15,039,821
Community development	3,358,184	-	734,634	4,092,818
Education	15,000,000	-	-	15,000,000
(FY-2020 Budget appropriation)	4,337,427	-	-	4,337,427
Total Assigned	65,230,440	-	22,338,727	87,569,167
Unassigned				
Other	76,510,303	-	(66,108)	76,444,195
Total Unassigned	76,510,303	-	(66,108)	76,444,195
Total fund balances	\$ 151,907,756	\$ 4,104,634	\$ 36,532,531	\$ 192,544,921

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

Deferred inflows and deferred outflows of resources, as represented in the entity wide and fund financial statements at June 30, 2019, are comprised of the following:

**A. Unavailable Revenues**

Deferred inflows in the General fund and nonmajor governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$29,137,828 and \$3,376,662, respectively as of June 30, 2019.

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

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity-wide financial statements of \$21,338,428 for governmental activities and \$21,532,437 for business-type activities which consists of a loss of \$12,306,829 for the Water Utility fund, \$2,878,571 for the Wastewater Utility fund and \$6,347,037 for Parking Facilities fund. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$171,742 for governmental activities and \$14,327 for business-type activities, specifically \$13,297 for the Wastewater Utility fund and \$1,030 for Parking Facilities fund.

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

Deferred inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2019, the amount reported as governmental activities was \$8,664,235 (which includes the Fleet Management fund of \$72,774), and the amounts reported in business-type activities were \$413,137 for the Water Utility fund, \$209,751 for the Wastewater Utility fund, and \$426,813 for the Parking Facilities fund.

Deferred outflows from pension-related items represent the difference between projected and actual investment earnings as well as contributions made in fiscal year 2019 that will not be reflected in the pension liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2019 financial statements are \$82,467,439 for governmental activities (which includes \$1,006,178 in the Fleet Management fund), \$5,114,211 for the Water Utility fund, \$1,452,215 for the Wastewater Utility fund and \$991,847 for the Parking Facilities fund.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

Deferred inflows and outflows related to pensions are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Business-Type Activities
<b>ERS:</b>							
Deferred Outflows	\$ 79,060,579	\$ 1,006,178	\$ 80,066,757	\$ 5,114,211	\$ 1,452,215	\$ 991,847	\$ 7,558,273
Deferred Inflows	(5,977,414)	(72,774)	(6,050,188)	(413,137)	(209,751)	(426,813)	(1,049,701)
	<u>\$ 73,083,165</u>	<u>\$ 933,404</u>	<u>\$ 74,016,569</u>	<u>\$ 4,701,074</u>	<u>\$ 1,242,464</u>	<u>\$ 565,034</u>	<u>\$ 6,508,572</u>
<b>VRS:</b>							
Deferred Outflows	\$ 2,400,682	\$ -	\$ 2,400,682	\$ -	\$ -	\$ -	\$ -
Deferred Inflows	(2,614,047)	-	(2,614,047)	-	-	-	-
	<u>\$ (213,365)</u>	<u>\$ -</u>	<u>\$ (213,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to pensions			<u>\$ 82,467,439</u>				<u>\$ 7,558,273</u>
Total deferred inflows related to pensions			<u>\$ (8,664,235)</u>				<u>\$ (1,049,701)</u>

**D. Deferred Inflows and Outflows Related to OPEB**

Deferred inflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions and are amortized over a seven-year period. As June 30, 2019, the amount reported as governmental activities was \$13,767,396 (which includes the Fleet Management fund of \$36,019), and the amounts reported in business-type activities were \$164,053 for the Water Utility fund, \$56,872 for the Wastewater Utility fund and \$63,424 for the Parking Facilities fund.

Deferred outflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions as well as contributions made in fiscal year 2019 that will not be reflected in the OPEB liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2018 financial statements are \$6,381,704 for governmental activities (which includes \$62,912 in the Fleet Management fund), \$343,409 for the Water Utility fund, \$98,644 for the Wastewater Utility fund and \$62,931 for the Parking Facilities fund.

Deferred inflows and outflows related to OPEB are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Business-Type Activities
<b>City:</b>							
Deferred Outflows - City	\$ 5,311,042	\$ 62,912	\$ 5,373,954	\$ 343,409	\$ 98,644	\$ 62,931	\$ 504,984
Deferred Inflows - City	(2,460,447)	(36,019)	(2,496,466)	(164,053)	(56,872)	(63,424)	(284,349)
	<u>\$ 2,850,595</u>	<u>\$ 26,893</u>	<u>\$ 2,877,488</u>	<u>\$ 179,356</u>	<u>\$ 41,772</u>	<u>\$ (493)</u>	<u>\$ 220,635</u>
<b>Line of Duty:</b>							
Deferred Outflows - LOD	\$ 1,007,750	\$ -	\$ 1,007,750	\$ -	\$ -	\$ -	\$ -
Deferred Inflows - LOD	(11,270,930)	-	(11,270,930)	-	-	-	-
	<u>\$ (10,263,180)</u>	<u>\$ -</u>	<u>\$ (10,263,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred outflows related to OPEB			<u>\$ 6,381,704</u>				<u>\$ 504,984</u>
Total deferred inflows related to OPEB			<u>\$ (13,767,396)</u>				<u>\$ (284,349)</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XVII. Commitments and Contingencies**

**A. Capital Projects**

Commitments for completion of capital projects in the business-type activities, authorized at June 30, 2019, are as follows:

Water Utility fund projects	\$27,148,342
Wastewater Utility fund projects	16,547,776
Parking Facilities fund projects	<u>1,794,265</u>
Total	<u><u>\$45,490,383</u></u>

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2019.

**B. Contingent Liabilities**

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

**C. Litigation**

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**D. Pollution Remediation Obligation**

GASB Statement 49, Accounting and Financial Reporting or 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).

At June 30, 2019, the Wastewater Utility fund recorded a liability for pollution remediation in the amount of \$23,049.

**E. Encumbrances**

Encumbrances as of June 30, 2019, in the General fund and Capital Projects fund totaled \$13,459,847 and \$47,360,924 respectively. Encumbrances as of June 30, 2019, for nonmajor governmental funds in the aggregate totaled \$30,787,363.

**XVIII. Surety Bonds and Insurance**

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**XIX. Tax Abatements**

As of June 30, 2019, the City provides tax abatements through five programs – the Tax Abatement Program, Technology Zone, New Business License Incentive Program, Local Utility Tax Relief and the Economic Development Program. The details of these programs for the fiscal year ended June 30, 2019, are as follows:

		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
<b>1</b>	<b>Purpose of the program</b>	Encourages significant improvement of residential, commercial and industrial properties throughout the City, that is of the highest construction quality and architectural design complementing the surrounding area.	Intended to reduce business, professional and occupational license tax for technology-related businesses up to 5 years if they are established in the "Technology Zone."	A temporary exemption in business license tax is available to new businesses that locate in Norfolk after January 1, 2016.	Intended to reduce business utility taxes for a five-year period if they are in the "Enterprise Zone (EZ)."	To incentivize businesses to locate to the City of Norfolk.
<b>2</b>	<b>Type of tax abatement</b>	Property Tax	Business, professional and occupational license tax	Business License Tax	Utility Tax	Personal Property, Real Estate and Business Tangible Property
<b>3</b>	<b>Authority for program</b>	Norfolk Municipal Code Section 24-203 & Section 27-76	Norfolk Code of Ordinance Chapter 45.6	"Norfolk Municipal Code Section 24-25.9 and 24-25.2	City Ordinance § 45.5-5	City Council, designated to the City Manager
<b>4</b>	<b>Administering department</b>	Office of the Real Estate Assessor	Department of Development	Commissioner of the Revenue	Department of Development	Department of Development
<b>5</b>	<b>Criteria to be eligible to receive abatement</b>	A. Residential structure must be at least 15 years old and improvements will increase assessed value by at least 20%. B. Multi-family, commercial or industrial structure must be at least 50 years old and improvements will increase assessed value by at least 40%.	Applicants must meet criteria of establishing their technology related business according to certain criteria mention in the above-mentioned ordinance.	The business must apply and meet several criteria. Below is a list of the top 3 requirements: 1) Must be locating to Norfolk for the first time (name change, merger or acquisition are disqualifiers). 2) Must not file a consolidated financial statement with a parent or other affiliated entity with combined taxable gross	Existing EZ businesses must make a \$100,000 taxable investment within the Enterprise Zone.  New EZ businesses must make a \$500,000 taxable investment within the Enterprise Zone.	The City evaluates all economic development opportunities on an individual basis. The economic development agreements are specific to each developer and generally constitute a significant economic development opportunity for the City and have a positive factor in achieving the objectives of the

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
				receipts of more than \$1 million. 3) Can't be considered an affiliated group or have a franchisee relationship.		City and are worthy of inducement.
<b>6</b>	<b>"How recipients' taxes are reduced"</b>	Through a reduction of the property's assessed value recipients will not pay full taxes on those improvements for 14 years. The increase in assessed value due to the improvements will not be recognized for tax purposes for the first 10 years following the commencement of the tax abatement.	Through a reduction in business, professional and occupational license.	Reduction in business license tax.	Reduction in utility tax.	Taxes are reduced through performance grant payments that are provided to the recipient in the subsequent year.
<b>7</b>	<b>How the amount of abatement is determined</b>	The increase in assessed value due to the improvements will be recognized for tax purposes on a sliding scale in the 11th year through 15th year following the start of the tax abatement as soon:  <ul style="list-style-type: none"> <li>• 11<sup>th</sup> year – 20%</li> <li>• 12<sup>th</sup> year – 40%</li> <li>• 13<sup>th</sup> year – 60%</li> <li>• 14<sup>th</sup> year – 80%</li> <li>• 15<sup>th</sup> year – 100%</li> </ul>	Below is the schedule for the reduction of tax:  <ul style="list-style-type: none"> <li>• Year 1 - 2 = 100%</li> <li>• Year 3 - 4 = 50%</li> </ul>	Receives a \$50 per tax class reduction for the first two years. The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.	Below is the schedule for the reduction of tax:  <ul style="list-style-type: none"> <li>• 1<sup>st</sup> year - 50%</li> <li>• 2<sup>nd</sup> year - 40%</li> <li>• 3<sup>rd</sup> year - 30%</li> <li>• 4<sup>th</sup> year - 20%</li> <li>• 5<sup>th</sup> year - 10%</li> </ul>	Specific percentages are identified in each agreement that apply to various items (i.e. assessed value, value of business personal property, etc.). Percentages are not uniform and are independently determined during negotiation of agreement.
<b>8</b>	<b>Terms for recapture if conditions unmet</b>	Because taxes are not abated until after the improvements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	If the business estimates its gross receipts will exceed \$1 million, but the actual gross receipts are less than \$1 million, the benefits of the program are not available unless the business completes the	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes	Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

		<b>Tax Abatement Program</b>	<b>Technology Zone</b>	<b>New Business License Incentive Program</b>	<b>Local Utility Tax Relief</b>	<b>Economic Development Program</b>
				qualification process. Likewise, if the qualifying business estimated less than \$1 million and the actual gross receipts were more than \$1 million the business is responsible for the entire tax amount and will be removed from the program.		
<b>9</b>	<b>Types of commitments made by the City, other than to reduce taxes</b>	N/A	N/A	N/A	N/A	There are some, but they vary by contract. These include percentage back for gross receipts and utility charges.
<b>10</b>	<b>Gross dollar amount, on accrual basis, by which the tax revenues were reduced due to the abatement</b>	<u>2019</u> \$2,919,370	<u>2019</u> \$ -	<u>2019</u> \$39,164	<u>2019</u> \$2,916	<u>2019</u> \$3,664,052

**XX. Self and Purchased Insurance Programs**

The City is exposed to various risks of losses related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2019 was \$10,102,889.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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, 2019 these liabilities were estimated at \$30,208,137 with \$4,316,731 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal 2019 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium (Consortium) began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposits their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded \$7,651,000 for medical and pharmacy claims incurred, but not reported as of June 30, 2019. Payments from the Norfolk Public Schools are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2019 was \$7,137,764. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2019 and 2018 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Estimated Outstanding Claims at the Beginning of year	\$ 31,616,500	\$ 31,918,233	\$ 6,295,000	\$ 6,582,000	\$ 37,911,500	\$ 38,500,233
Additional Incurred Claims or Changes in Estimates	5,573,908	7,063,273	85,876,311	74,443,438	91,450,219	81,506,711
Claims Paid	(6,982,271)	(7,365,006)	(84,520,311)	(74,730,438)	(91,502,582)	(82,095,444)
Estimated Outstanding Claims at the End of year	<u>\$ 30,208,137</u>	<u>\$ 31,616,500</u>	<u>\$ 7,651,000</u>	<u>\$ 6,295,000</u>	<u>\$ 37,859,137</u>	<u>\$ 37,911,500</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The City in its General fund has committed \$5,000,000 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not exceeded coverage in any of the past three fiscal years.

The Norfolk Public Schools (NPS) also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2019, projected at \$4,163,163 of which \$1,021,537 is the current portion and a longer-term projection of \$3,141,626. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2018 and 2019 are as follows:

	Estimated Outstanding Losses at the Beginning of Year	Additional Incurred Claims or Changes in Estimates	Claims Paid	Estimated Outstanding Losses at the End of Year
2018	\$ 3,631,204	\$ 1,009,634	\$ (523,331)	\$ 4,117,507
2019	\$ 4,117,507	\$ 937,791	\$ (892,135)	\$ 4,163,163

**XXI. Jointly Governed Organizations**

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

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

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of HRRJA can be obtained from HRRJA.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**B. Hampton Roads Planning District Commission (the Commission)**

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

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of the Commission can be obtained from the Commission.

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

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

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2019. Complete financial statements of TDC can be obtained from TDC.

**XXII. Joint Ventures**

**A. Southeastern Public Service Authority (SPSA)**

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resources Authority (VRA) which required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The final payment on these bonds was made in fiscal year 2018, thus ending the requirement to guarantee repayment.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2019. Complete financial statements of the SPSA can be obtained from SPSA.

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

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

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

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Garden which are owned by the City. This agreement expires on June 30, 2022. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

The City currently has two significant projects with the NRHA; (1) Waterside Redevelopment and (2) Conference center hotel and garage. The City conveyed ownership of Waterside to the NRHA and agreed to provide \$32 million in development support. NRHA will operate Waterside upon completion. The City and Professional Hospitality Resources, Inc. have constructed a conference center, hotel and parking garage that opened in fiscal year 2017. The City contributed up to \$64 million to the development costs. The conference center and garage will initially be owned by NRHA; however, ownership will revert to the City once all agreements have been finalized. The ownership of the garage reverted to the City in 2017.

**B. Norfolk Airport Authority (The Authority)**

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council, but the Authority designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

**C. The Chrysler Museum, Inc. (The Museum)**

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

**D. The Hospital Authority of Norfolk (HAN)**

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

**XXIV. Subsequent Events**

On August 15, 2019, the City completed the sale of \$159,305,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$11,447,266, or 8.72% of the original debt service requirements.

On August 15, 2019, the City completed the sale of \$28,955,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$1,314,242, or 5.59% of the original debt service requirements.

On September 19, 2019, the City completed the sale of \$89,025,000 of General Obligation Refunding Bonds for savings. Aggregate total net present value savings of \$3,427,955, or 4.80% of the original debt service requirements.

On November 21, 2019, the City amended its existing credit agreement with Bank of America Merrill Lynch ("BAML") to extend the termination date of the Line of Credit from December 17, 2019, to December 17, 2021. The amendment also includes a change to the interest rate and unutilized commitment fee on the line of credit that goes into effect on December 17, 2019. The new tax-exempt borrowing rate will be 79 percent of LIBOR, plus 25 basis points. The new taxable borrowing rate will be 100 percent of LIBOR, plus 35 basis points. Lastly, the commitment fee on the unutilized portion of the line of credit will be waived.

On November 21, 2019, the City issued a \$10,000,000 Wastewater System Revenue Bond, with Virginia Resource Authority (VRA). In conjunction with the State Water Control Board, VRA administers the and manages the Virginia Water Facilities Revolving Loan Fund. The Bond was sold at a true interest cost of 0.00%.

**XXV. Adoption of New Accounting Pronouncements**

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement is effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*. The objective of this Statement is to improve the information that is disclosed related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported by establishing criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to enhance relevance and comparability of information while simplifying the accounting. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

**(Unaudited)**





**This page left intentionally blank**

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

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service Costs	\$ 25,146,000	\$ 26,310,000	\$ 25,919,058	\$ 25,467,399	\$ 24,578,759
Interest	92,517,000	86,974,000	84,710,490	82,839,251	80,203,196
Changes of benefit terms	11,698,000	590,000	568,480	352,800	20,689,842
Difference between expected and actual experience	(1,598,000)	(2,543,000)	(2,665,615)	(2,471,392)	(10,654,079)
Changes in assumptions	16,606,000	53,197,000	(6,508,735)	-	-
Benefits payments, including refunds of member contributions	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,490)	(77,065,376)
<b>Net change in total pension liability</b>	<b>58,436,000</b>	<b>80,551,000</b>	<b>21,239,703</b>	<b>27,156,568</b>	<b>37,752,342</b>
<b>Total Pension Liability - Beginning</b>	<b>1,326,413,000</b>	<b>1,245,862,000</b>	<b>1,224,622,781</b>	<b>1,197,466,213</b>	<b>1,159,713,871</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 1,384,849,000</b>	<b>\$ 1,326,413,000</b>	<b>\$ 1,245,862,484</b>	<b>\$ 1,224,622,781</b>	<b>\$ 1,197,466,213</b>
<b>Plan Fiduciary Net position</b>					
Employer contributions	\$ 35,494,000	\$ 33,457,000	\$ 30,761,340	\$ 34,932,005	\$ 42,330,492
Employee contributions	9,859,000	9,450,000	8,733,481	4,914,726	1,671,644
Net investment income	72,662,000	111,228,000	3,278,018	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,489)	(77,065,376)
Administrative expense	(764,000)	(668,000)	(671,568)	(386,495)	(412,809)
<b>Net change in Fiduciary Net Position</b>	<b>31,318,000</b>	<b>69,490,000</b>	<b>(38,682,704)</b>	<b>(22,974,700)</b>	<b>123,815,785</b>
<b>Total Net Position - Beginning</b>	<b>1,044,012,000</b>	<b>974,522,000</b>	<b>1,013,204,260</b>	<b>1,036,178,960</b>	<b>912,363,175</b>
<b>Total Net Position - Ending</b>	<b>\$ 1,075,330,000</b>	<b>\$ 1,044,012,000</b>	<b>\$ 974,521,556</b>	<b>\$ 1,013,204,260</b>	<b>\$ 1,036,178,960</b>
<b>Net Pension Liability</b>					
	<b>\$ 309,519,000</b>	<b>\$ 282,401,000</b>	<b>\$ 271,340,928</b>	<b>\$ 211,418,521</b>	<b>\$ 161,287,253</b>
Plan fiduciary net position as a percentage of the total pension liability	77.65%	78.71%	78.22%	82.74%	86.53%
Covered payroll	\$ 191,549,000	\$ 188,068,000	\$ 175,678,692	\$ 178,467,817	\$ 177,560,789
Net Pension liability as a percentage of covered payroll	161.59%	150.16%	154.45%	118.46%	90.83%

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

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

Fiscal Year	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Payroll **	Contributions as a % of Covered Payroll
2019	\$ 37,079	\$ 37,079	\$ -	\$ 195,358	18.98%
2018	35,494	35,494	-	191,549	18.53%
2017	33,457	33,457	-	188,068	17.79%
2016	30,761	30,761	-	175,679	17.51%
2015	38,263	34,932	3,331	178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%
2012	42,828	42,828	-	167,593	25.55%
2011	35,515	35,515	-	170,922	20.78%
2010	28,279	28,279	-	175,179	16.14%

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

\*\* The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary. For the years 2014 through 2019, the balances exclude payroll for active employees participating in DROP for which contributions are not made.

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

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service costs	\$ 3,318,884	\$ 3,487,288	\$ 3,496,157	\$ 3,531,000	\$ 3,600,000
Interest	6,992,769	6,689,417	6,370,650	6,001,000	5,574,000
Difference between expected and actual experience	(887,137)	(599,933)	(1,331,914)	(763,000)	-
Changes in assumptions	-	(893,223)	-	-	-
Benefits payments, including refunds of member contributions	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
<b>Net change in total pension liability</b>	5,101,464	4,306,706	4,949,593	5,392,000	6,376,000
<b>Total Pension Liability - Beginning</b>	102,058,233	97,751,527	92,801,934	87,410,000	81,034,000
<b>Total Pension Liability - Ending</b>	<u>\$ 107,159,697</u>	<u>\$ 102,058,233</u>	<u>\$ 97,751,527</u>	<u>\$ 92,802,000</u>	<u>\$ 87,410,000</u>
<b>Plan Fiduciary Net position</b>					
Employer contributions	\$ 2,394,595	\$ 2,355,587	\$ 2,804,570	\$ 2,830,000	\$ 3,167,000
Employee contributions	1,316,482	1,362,997	1,357,832	1,373,000	1,422,000
Projected earnings on plan investments	7,206,612	10,677,625	1,525,201	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Administrative expense	(61,420)	(61,057)	(52,120)	(50,000)	(57,000)
Other	(6,456)	(9,527)	(639)	(3,000)	1,000
<b>Net change in Fiduciary Net Position</b>	6,526,761	9,948,782	2,049,544	4,515,000	12,668,000
<b>Total Net Position - Beginning</b>	97,489,356	87,540,574	85,491,030	80,975,000	68,307,000
<b>Total Net Position - Ending</b>	<u>\$ 104,016,117</u>	<u>\$ 97,489,356</u>	<u>\$ 87,540,574</u>	<u>\$ 85,490,000</u>	<u>\$ 80,975,000</u>
<b>Net Pension Liability</b>	<u>\$ 3,143,580</u>	<u>\$ 4,568,877</u>	<u>\$ 10,210,953</u>	<u>\$ 7,312,000</u>	<u>\$ 6,435,000</u>
Plan fiduciary net position as a percentage of the total pension liability	97.07%	95.52%	89.55%	92.12%	92.64%
Covered payroll	\$ 27,469,101	\$ 26,351,750	\$ 27,083,985	\$ 26,861,778	\$ 26,952,068
Net Pension liability as a percentage of covered payroll	11.44%	17.34%	37.70%	27.22%	23.88%

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

**CITY OF NORFOLK**  
**Virginia Retirement System State Constitutional Offices**

Schedule of Employer Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 2,401	\$ 2,401	-	\$ 28,010	8.57%
2018	2,338	2,338	-	27,470	8.51%
2017	2,356	2,356	-	26,352	8.94%
2016	2,805	2,805	-	27,084	10.36%
2015	2,830	2,830	-	26,862	10.54%
2014	3,167	3,167	-	26,952	11.75%
2013	3,135	3,135	-	27,300	11.48%
2012	3,212	3,212	-	24,677	13.02%
2011	3,289	3,289	-	24,539	13.40%
2010	3,371	3,371	-	24,539	13.74%

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

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System Teachers Retirement Plan**  
Schedule of the School Board's Proportionate Share of the Net Pension Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019	2018	2017	2016	2015
School Board's proportion of the Net Pension Liability	2.568%	2.701%	2.400%	2.430%	2.467%
School Board's proportionate share of the Net Pension Liability	\$ 260,983	\$ 283,848	\$ 336,787	\$ 305,901	\$ 298,089
Covered payroll	\$ 188,385	\$ 192,822	\$ 194,172	\$ 189,624	\$ 189,067
School Board's proportionate of the Net Pension Liability as a percentage of its covered payroll	139%	147%	173%	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	74.81%	72.92%	68.28%	70.68%	70.88%

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

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System Teachers Retirement Plan**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 28,775	\$ 28,775	-	\$ 195,455	14.72%
2018	29,028	29,028	-	188,385	15.41%
2017	26,582	26,582	-	192,822	13.79%
2016	25,755	25,755	-	194,172	13.26%
2015	26,206	26,206	-	189,624	13.82%
2014	21,056	21,056	-	189,067	11.14%
2013	20,911	20,911	-	144,714	14.45%
2012	19,516	19,516	-	148,138	13.17%
2011	16,027	16,027	-	135,016	11.87%
2010	21,492	21,492	-	157,542	13.64%

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

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System School Board Political Subdivisions**  
Schedule of Changes in the School Board's Net Pension Liability and Related Ratios (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service costs	\$ 1,504	\$ 1,552	\$ 1,527	\$ 1,563	\$ 1,530
Interest	6,054	5,976	5,891	5,770	5,586
Changes in assumptions	-	(850)	-	-	-
Difference between expected and actual experience	(2,076)	(646)	(1,511)	(1,027)	-
Benefits payments, including refunds of member contributions	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Change in proportionate share	9	76	1	21	-
	<u>336</u>	<u>1,402</u>	<u>1,094</u>	<u>1,984</u>	<u>2,457</u>
<b>Net change in total pension liability</b>	336	1,402	1,094	1,984	2,457
<b>Total Pension Liability - Beginning</b>	89,062	87,660	86,566	84,582	82,125
<b>Total Pension Liability - Ending</b>	<u>\$ 89,398</u>	<u>\$ 89,062</u>	<u>\$ 87,660</u>	<u>\$ 86,566</u>	<u>\$ 84,582</u>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 1,435	\$ 1,408	\$ 1,794	\$ 1,768	\$ 1,722
Employee contributions	814	807	800	785	775
Projected earnings on plan investments	5,851	8,877	1,248	3,321	10,151
Benefit payments, including refunds of member contributions	(5,155)	(4,706)	(4,814)	(4,343)	(4,659)
Administrative expense	(52)	(52)	(47)	(47)	(56)
Change in proportionate share	(2)	41	1	18	-
Other	(36)	(17)	(17)	(11)	1
	<u>2,855</u>	<u>6,358</u>	<u>(1,035)</u>	<u>1,491</u>	<u>7,934</u>
<b>Net change in Fiduciary Net Position</b>	2,855	6,358	(1,035)	1,491	7,934
<b>Total Net Position - Beginning</b>	80,321	73,963	74,998	73,507	65,573
<b>Total Net Position - Ending</b>	<u>\$ 83,176</u>	<u>\$ 80,321</u>	<u>\$ 73,963</u>	<u>\$ 74,998</u>	<u>\$ 73,507</u>
<b>Net Pension Liability</b>	<u>\$ 6,222</u>	<u>\$ 8,741</u>	<u>\$ 13,697</u>	<u>\$ 11,568</u>	<u>\$ 11,075</u>
Plan fiduciary net position as a percentage of the total pension liability	93.04%	90.19%	84.37%	86.64%	86.91%
Covered payroll	\$ 22,292	\$ 23,756	\$ 22,219	\$ 22,224	\$ 21,766
Net Pension liability as a percentage of covered payroll	27.91%	36.79%	61.65%	52.05%	50.88%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2016 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System School Board Political Subdivisions**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 1,195	\$ 1,195	-	\$ 22,848	5.23%
2018	1,435	1,435	-	22,292	6.44%
2017	1,408	1,408	-	23,756	5.93%
2016	1,794	1,794	-	22,219	8.07%
2015	1,768	1,768	-	22,224	7.96%
2014	1,722	1,722	-	21,766	7.91%
2013	1,734	1,734	-	15,661	11.07%
2012	1,858	1,858	-	14,818	12.54%
2011	1,923	1,923	-	15,287	12.58%
2010	1,928	1,928	-	16,169	11.92%

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

**CITY OF NORFOLK**  
**City OPEB Liability**  
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 2,485,855	\$ 2,638,578
Interest	1,178,923	864,633
Changes of benefit terms	-	-
Difference between expected and actual experience	(2,005,011)	(1,413,447)
Changes in assumptions	3,702,351	1,815,771
Benefits payments, including refunds of member contributions	<u>(1,223,511)</u>	<u>(1,247,913)</u>
<b>Net change in total OPEB liability</b>	4,138,607	2,657,622
<b>Total OPEB Liability - Beginning</b>	<u>32,305,189</u>	<u>29,647,567</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 36,443,796</u>	<u>\$ 32,305,189</u>
Covered employee payroll	\$ 199,097,008	\$ 196,905,143
Net OPEB liability as a percentage of covered employee payroll	18.30%	16.41%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

**CITY OF NORFOLK**  
**City Line of Duty OPEB Liability**  
Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 1,517,002	\$ 991,486
Interest	1,336,572	637,503
Changes of benefit terms	-	19,652,972
Difference between expected and actual experience	(3,476,174)	(2,397)
Changes in assumptions	(4,964,076)	(5,648,603)
Benefits payments, including refunds of member contributions	(1,030,394)	(822,158)
	<hr/>	<hr/>
<b>Net change in total OPEB liability</b>	(6,617,070)	14,808,803
<b>Total OPEB Liability - Beginning</b>	37,093,238	22,284,435
<b>Total OPEB Liability - Ending</b>	<u>\$ 30,476,168</u>	<u>\$ 37,093,238</u>
Covered employee payroll	\$ 66,183,480	\$ 68,244,678
Net OPEB liability as a percentage of covered employee payroll	46.05%	54.35%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

**CITY OF NORFOLK**  
**School Board OPEB Liability**

Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)  
For Fiscal Years

	2019	2018
<b>Total OPEB Liability</b>		
Service Costs	\$ 1,381,764	\$ 1,468,830
Interest	1,673,986	1,702,533
Changes of benefit terms	-	-
Difference between expected and actual experience	3,627,408	(3,274,812)
Changes in assumptions	(1,794,422)	(10,475,847)
Benefits payments, including refunds of member contributions	<u>(2,129,544)</u>	<u>(2,580,746)</u>
<b>Net change in total OPEB liability</b>	2,759,192	(13,160,042)
<b>Total OPEB Liability - Beginning</b>	<u>47,129,993</u>	<u>60,290,035</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 49,889,185</u>	<u>\$ 47,129,993</u>
Covered employee payroll	\$ 193,211,731	\$ 202,324,943
Net OPEB liability as a percentage of covered employee payroll	25.82%	23.29%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. However, additional years will be included as they become available.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Health Insurance Credit Program (HIC)**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	<b>2019</b>	<b>2018</b>
School Board's proportion of contributions of the Net HIC OPEB Liability	2.54%	2.70%
School Board's proportionate share of the Net HIC OPEB Liability	\$ 28,146	\$ 29,296
Covered payroll	\$ 184,851	\$ 182,653
School Board's proportionate of the Net HIC OPEB Liability as a percentage of its covered payroll	15.23%	16.04%
Plan fiduciary net position as a percentage of the Total HIC OPEB Liability	8.08%	7.04%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

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

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Teachers**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	<b>2019</b>		<b>2018</b>
School Board's proportion of contributions of the Net GLI OPEB Liability	1.09%		1.16%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 14,412	\$	14,976
Covered payroll	\$ 185,315	\$	183,561
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	7.78%		8.16%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	51.22%		48.86%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

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

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions**  
Schedule of the School Board's Share of the Net OPEB Liability (unaudited)  
For Fiscal Years  
(Amounts in thousands)

	<b>2019</b>	<b>2018</b>
School Board's proportion of contributions of the Net GLI OPEB Liability	0.09%	0.09%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 1,392	\$ 1,185
Covered payroll	\$ 18,647	\$ 17,508
School Board's proportionate of the Net GLI OPEB Liability as a percentage of its covered payroll	7.47%	6.77%
Plan fiduciary net position as a percentage of the Total GLI OPEB Liability	51.22%	48.86%

\*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2018 was the first year for presentation, no older data is available. Additional years will be included as they become available.

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

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Health Insurance Credit Program (HIC)**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 2,181	\$ 2,181	-	\$ 184,851	1.18%
2018	2,219	2,181	38	182,653	1.21%
2017	2,242	2,023	219	182,244	1.23%
2016	2,163	1,943	220	183,289	1.18%
2015	2,119	1,903	216	179,564	1.18%
2014	2,096	1,989	107	179,148	1.17%
2013	2,074	1,968	106	177,281	1.17%
2012	1,837	1,021	816	170,096	1.08%
2011	1,916	1,064	852	177,412	1.08%
2010	2,113	1,397	716	134,297	1.57%

\*The schedule will eventually report 10 years of data as the information becomes available.

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Teachers**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 968	\$ 968	-	\$ 185,315	0.52%
2018	928	928	-	183,561	0.51%
2017	714	714	-	183,561	0.39%
2016	981	888	93	185,045	0.53%
2015	958	868	90	180,745	0.53%
2014	957	866	91	180,487	0.53%
2013	949	860	89	179,135	0.53%
2012	757	482	275	172,021	0.44%
2011	790	588	202	179,569	0.44%
2010	687	366	321	190,873	0.36%

See accompanying independent auditors' report

**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**A Component Unit of the City of Norfolk**  
**Virginia Retirement System - Group Life Insurance Program (GLI) Political Subdivisions**  
Schedule of School Board Contributions (unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 94	\$ 94	-	18,647	0.50%
2018	91	91	-	17,509	0.52%
2017	88	88	-	16,999	0.52%
2016	88	79	9	16,511	0.53%
2015	86	78	8	16,184	0.53%
2014	84	76	8	15,912	0.53%
2013	84	76	8	15,890	0.53%
2012	67	42	25	15,154	0.44%
2011	68	44	24	15,546	0.44%
2010	60	33	27	16,547	0.36%

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended JUNE 30, 2019**

---

**A. VRS Teacher Retirement Plan**

**Changes of benefit terms and assumptions**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated mortality table to a more current table
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

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

**Changes of benefit terms and assumptions**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The following changes in actuarial assumptions were made effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated mortality table to a more current table
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience
- Lowered disability rates
- Salary scale remained unchanged

**CITY OF NORFOLK, VIRGINIA**

Exhibit E-1

**Schedule of Revenue, Budget and Actual (Unaudited)  
General Fund  
For the Year Ending June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
General property taxes	\$ 296,531,400	\$ 296,531,400	\$ 297,514,769	\$ 983,369
Other local taxes	169,805,000	169,805,000	166,543,602	(3,261,398)
Permits, privilege fees and licenses	3,836,785	3,836,785	4,117,711	280,926
Fines and forfeitures	1,185,000	1,185,000	1,026,622	(158,378)
Use of money and property	7,421,420	7,421,420	9,711,256	2,289,836
Charges for services	26,591,119	26,621,119	24,326,104	(2,295,015)
Miscellaneous revenue	8,952,217	8,952,217	9,907,549	955,332
Recovered costs	11,695,852	11,665,852	10,849,321	(816,531)
Non-categorical aid - Virginia	35,485,900	35,485,900	35,876,955	391,055
Shared expense - Virginia	21,371,000	21,371,000	22,018,860	647,860
Categorical aid - Virginia	267,804,580	269,483,102	267,054,754	(2,428,348)
Categorical aid - Federal	8,871,490	8,871,490	9,106,119	234,629
Other sources and transfers	21,236,663	21,736,663	42,045,334	20,308,671
<b>Total revenue budget</b>	<b>\$ 880,788,426</b>	<b>\$ 882,966,948</b>	<b>\$ 900,098,956</b>	<b>\$ 17,132,008</b>

Exhibit E-1 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

**CITY OF NORFOLK, VIRGINIA**

Exhibit E-2

**Schedule of Expenditures, Budget and Actual (Unaudited)  
General Fund  
For the Year Ending June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
Legislative	\$ 5,277,578	\$ 5,277,578	\$ 4,857,199	\$ 420,379
Executive	2,284,572	2,391,072	2,316,870	74,202
Department of Law	4,828,532	4,828,532	4,779,201	49,331
Finance, City Treasurer, Commissioner of Revenue	11,153,743	11,218,003	10,821,920	396,083
Department of Human Resources	3,672,938	3,638,678	3,428,285	210,393
Courts, Sheriff and Detention	44,522,556	44,522,556	43,335,286	1,187,270
Department of Public Health	3,617,181	3,617,181	3,409,802	207,379
Department of Human Services	73,459,771	72,792,482	69,029,017	3,763,465
Department of Public Works	27,896,256	27,984,256	25,779,221	2,205,035
Recreation Parks and Open Space, Maritime Center	21,959,948	21,905,763	20,940,661	965,102
Education	328,355,950	329,613,938	323,003,047	6,610,891
Norfolk Public Libraries	12,411,417	12,354,849	12,205,261	149,588
Elections	993,471	993,471	804,825	188,646
Department of Planning & Community Development	4,825,233	8,343,233	4,709,722	3,633,511
Department of Neighborhood Development	4,476,031	4,476,031	4,128,392	347,639
Department of Cultural Facilities, Arts & Entertainment	6,670,139	6,444,053	6,089,969	354,084
Departmental Support	23,211,506	19,726,154	18,442,917	1,283,237
Outside Agencies	53,898,790	52,405,613	51,040,533	1,365,080
Department of Police	75,717,773	75,717,773	72,963,003	2,754,770
Department of Fire and Rescue	46,167,025	46,167,025	47,040,128	(873,103)
Debt service	71,493,862	74,033,862	73,598,722	435,140
Office of Budget and Strategic Planning	1,605,644	1,686,644	1,403,359	283,285
Resilience	498,575	359,427	315,456	43,971
General Services	27,686,693	28,141,532	27,091,652	1,049,880
Economic Development	2,474,122	2,474,122	2,267,673	206,449
Department of Information Technology	16,884,625	17,094,625	16,734,245	360,380
Virginia Zoological Park	4,475,993	4,475,993	4,200,291	275,702
Office of Homelessness	268,502	282,502	279,290	3,212
<b>Total expenditure budget</b>	<b>\$ 880,788,426</b>	<b>\$ 882,966,948</b>	<b>\$ 855,015,947</b>	<b>\$ 27,951,001</b>

Exhibit E-2 for GASB 54 includes the General Fund, the Nauticus Fund and the Community Services Board.

**CITY OF NORFOLK, VIRGINIA**  
**Notes to Required Supplementary Information**  
**Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)**  
**For the Year Ending June 30, 2019**

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 900,098,956
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(203,253,158)
The effects of accounting for transfer from fund balance	(4,483,198)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(39,065,338)
The effects of reclassification of recovered costs	(8,568,464)
Gross proceeds from other financing sources	44,145
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	\$ 644,772,943
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 855,015,947
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(196,329,125)
The effects of accounting for Special Revenue fund as a non major fund	-
The effects of reclassification of recovered costs	(8,568,464)
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	6,935,564
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(77,048,048)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 580,005,874

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2019.



**This page left intentionally blank**

# **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 Expenditures – Budget and Actual –  
Capital Improvement Program ~**





**This page left intentionally blank**

# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Resiliency Fund: To account for the receipt and disbursement of revenue from the National Disaster Resilience Grant.



## **Nonmajor Governmental Funds (Cont'd.)**

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



CITY OF NORFOLK, VIRGINIA

Exhibit F-1

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2019

	Special Revenue Funds										Total Special Revenue	Endowed Care Fund	Nonmajor Governmental Funds	
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment				Resiliency
<b>ASSETS</b>														
Cash and short-term investments	\$ 2,604,719	\$ 120,260	\$ 5,271,049	\$ 9,254,057	\$ -	\$ 200,616	\$ 258,934	\$ 11,980,550	\$ 59,204	\$ 1,714,825	\$ -	\$ 31,464,214	\$ 5,795,935	\$ 37,260,149
Receivables, net	2,956,554	30,569	2,163,113	501,444	415,601	46,060	1,250	794,411	-	-	-	6,909,002	2,160	6,911,162
Accrued investment income	1,618	-	4,174	500	-	-	-	-	-	-	-	6,292	-	6,292
Due from other funds	8,807	-	47,672	1,614	-	-	-	-	-	-	-	58,093	-	58,093
Due from other governments	90,507	-	-	8,299,680	470,416	-	-	-	4,466	-	1,747,549	10,612,618	-	10,612,618
Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,662,205</u>	<u>\$ 150,829</u>	<u>\$ 7,486,008</u>	<u>\$ 18,057,295</u>	<u>\$ 886,017</u>	<u>\$ 246,676</u>	<u>\$ 260,184</u>	<u>\$ 12,774,961</u>	<u>\$ 63,670</u>	<u>\$ 1,714,825</u>	<u>\$ 1,747,549</u>	<u>\$ 49,050,219</u>	<u>\$ 5,798,095</u>	<u>\$ 54,848,314</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>														
Vouchers payable	\$ 354,558	\$ 45,999	\$ 1,037,344	\$ 2,497,046	\$ 3,929	27,962	\$ -	\$ 139,901	\$ 43,337	\$ -	\$ 972,509	\$ 5,122,585	\$ 318	\$ 5,122,903
Contract retainage	4,340	-	-	49,354	-	-	-	-	-	-	-	53,694	-	53,694
Accrued payroll	77,515	8,576	73,872	86,277	521	27,488	-	-	86,441	-	-	360,690	-	360,690
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	8,474,185	-	-	-	-	-	-	-	8,474,185	-	8,474,185
Due to other funds	-	-	-	-	99,351	-	-	-	-	-	775,040	874,391	-	874,391
Other liabilities	318	52,940	-	-	-	-	-	-	-	-	-	53,258	-	53,258
Total liabilities	<u>436,731</u>	<u>107,515</u>	<u>1,111,216</u>	<u>11,106,862</u>	<u>103,801</u>	<u>55,450</u>	<u>-</u>	<u>139,901</u>	<u>129,778</u>	<u>-</u>	<u>1,747,549</u>	<u>14,938,803</u>	<u>318</u>	<u>14,939,121</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Revenue not available for current obligations	533,336	-	1,875,751	-	782,216	185,359	-	-	-	-	-	3,376,662	-	3,376,662
<b>FUND BALANCES</b>														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	756,785	-	-	-	-	-	-	-	756,785	5,797,777	6,554,562
Committed	4,692,138	-	-	2,975,409	-	-	37,803	-	-	-	-	7,705,350	-	7,705,350
Assigned	-	43,314	4,499,041	3,218,239	-	5,867	222,381	12,635,060	-	1,714,825	-	22,338,727	-	22,338,727
Unassigned	-	-	-	-	-	-	-	-	(66,108)	-	-	(66,108)	-	(66,108)
Total fund balances	<u>4,692,138</u>	<u>43,314</u>	<u>4,499,041</u>	<u>6,950,433</u>	<u>-</u>	<u>5,867</u>	<u>260,184</u>	<u>12,635,060</u>	<u>(66,108)</u>	<u>1,714,825</u>	<u>-</u>	<u>30,734,754</u>	<u>5,797,777</u>	<u>36,532,531</u>
Total liabilities and fund balances	<u>\$ 5,662,205</u>	<u>\$ 150,829</u>	<u>\$ 7,486,008</u>	<u>\$ 18,057,295</u>	<u>\$ 886,017</u>	<u>\$ 246,676</u>	<u>\$ 260,184</u>	<u>\$ 12,774,961</u>	<u>\$ 63,670</u>	<u>\$ 1,714,825</u>	<u>\$ 1,747,549</u>	<u>\$ 49,050,219</u>	<u>\$ 5,798,095</u>	<u>\$ 54,848,314</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ending June 30, 2019**

	Special Revenue Funds											Total Special Revenue	Endowed Care Fund	Total Nonmajor Governmental Funds
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency			
<b>REVENUES</b>														
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,855,000	\$ -	\$ 5,855,000	\$ -	\$ 5,855,000
Other local taxes	-	-	-	-	-	-	-	7,148,107	3,571,596	-	-	10,719,703	-	10,719,703
Fines and forfeitures	-	-	-	700	-	-	-	-	-	-	-	700	-	700
Use of money and property	15,443	51	23,909	2,591	-	-	15,000	-	-	-	-	56,994	87,889	144,883
Charges for services	16,877,790	1,422,900	19,949,610	289,692	-	1,322,243	-	-	163	-	-	39,862,398	217,732	40,080,130
Miscellaneous	109,922	1,157	3,760	2,475,474	76,879	450	-	-	-	-	-	2,667,642	-	2,667,642
Intergovernmental:														
Commonwealth of Virginia	-	-	-	16,295,935	-	-	-	197,929	1,322,614	-	-	17,816,478	-	17,816,478
Federal government	79,256	4,010	-	12,456,676	3,383,385	-	-	-	-	-	8,212,432	24,135,759	-	24,135,759
Total revenue	17,082,411	1,428,118	19,977,279	31,521,068	3,460,264	1,322,693	15,000	7,346,036	4,894,373	5,855,000	8,212,432	101,114,674	305,621	101,420,295
<b>EXPENDITURES</b>														
General government	-	-	-	2,774,806	-	-	-	451,982	-	-	-	3,226,788	-	3,226,788
Judicial administration	-	-	-	3,370,581	-	-	-	-	-	-	-	3,370,581	-	3,370,581
Public safety	-	-	-	2,865,011	-	-	-	-	5,505,982	-	-	8,370,993	-	8,370,993
Public works	11,591,436	1,181,502	17,329,515	5,855,137	-	-	-	-	-	-	-	35,957,590	-	35,957,590
Health and public assistance	-	-	-	17,377,299	1,123,813	-	-	-	-	-	-	18,501,112	-	18,501,112
Cultural and recreation	-	-	-	348,207	-	1,860,747	9,000	-	-	-	-	2,217,954	2,400	2,220,354
Community development	-	-	-	2,262,779	1,230,374	-	-	-	-	-	8,212,432	11,705,585	-	11,705,585
Capital Outlay	-	-	-	-	1,106,077	-	-	-	-	-	-	1,106,077	-	1,106,077
Total expenditures	11,591,436	1,181,502	17,329,515	34,853,820	3,460,264	1,860,747	9,000	451,982	5,505,982	-	8,212,432	84,456,680	2,400	84,459,080
Excess (deficiency) of revenue over (under) expenditures	5,490,975	246,616	2,647,764	(3,332,752)	-	(538,054)	6,000	6,894,054	(611,609)	5,855,000	-	16,657,994	303,221	16,961,215
<b>OTHER FINANCING SOURCES (USES)</b>														
Transfers in	-	-	-	3,321,528	-	673,656	-	-	386,784	-	-	4,381,968	-	4,381,968
Transfers out	(4,837,602)	(210,929)	(1,547,534)	-	-	-	-	(6,521,075)	-	(5,855,000)	-	(18,972,140)	(179,258)	(19,151,398)
Total other financing sources and uses	(4,837,602)	(210,929)	(1,547,534)	3,321,528	-	673,656	-	(6,521,075)	386,784	(5,855,000)	-	(14,590,172)	(179,258)	(14,769,430)
Net change in fund balances	653,373	35,687	1,100,230	(11,224)	-	135,602	6,000	372,979	(224,825)	-	-	2,067,822	123,963	2,191,785
Fund balances--beginning	4,038,765	7,627	3,398,811	6,961,657	-	(129,735)	254,184	12,262,081	158,717	1,714,825	-	28,666,932	5,673,814	34,340,746
Fund balances--ending	\$ 4,692,138	\$ 43,314	\$ 4,499,041	\$ 6,950,433	\$ -	\$ 5,867	\$ 260,184	\$ 12,635,060	\$ (66,108)	\$ 1,714,825	\$ -	\$ 30,734,754	\$ 5,797,777	\$ 36,532,531

# Internal Service Funds

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

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

Healthcare Fund – to provide for the self-insured healthcare costs for the City of Norfolk, Norfolk Public Schools, NRHA and Pre-65 Retirees.





**This page left intentionally blank**

CITY OF NORFOLK, VIRGINIA

Exhibit G-1

Combining Statement of Net Position - Internal Service Funds  
June 30, 2019

	Healthcare	Fleet Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments	\$ 12,190,959	\$ 1,440,351	\$ 13,631,310
Receivables, net	3,838,103	195,555	4,033,658
Due from agency fund	-	-	-
Total current assets	<u>16,029,062</u>	<u>1,635,906</u>	<u>17,664,968</u>
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	11,048,426	11,048,426
Accumulated depreciation	-	(8,355,795)	(8,355,795)
Total noncurrent assets	<u>-</u>	<u>3,107,631</u>	<u>3,107,631</u>
Deferred outflows of resources			
Related to pensions	-	1,006,178	1,006,178
Related to OPEB	-	62,912	62,912
Total assets	<u>\$ 16,029,062</u>	<u>\$ 5,812,627</u>	<u>\$ 21,841,689</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers payable	\$ 652,471	\$ 976,342	\$ 1,628,813
Unearned revenue	7,137,764	-	7,137,764
Compensated absences	-	157,021	157,021
Accrued payroll	1,038	42,373	43,411
Other liabilities	7,651,066	-	7,651,066
Total current liabilities	<u>15,442,339</u>	<u>1,175,736</u>	<u>16,618,075</u>
Noncurrent liabilities:			
Compensated absences	-	112,472	112,472
Net pension liability	-	3,367,649	3,367,649
Net OPEB liability	-	396,514	396,514
Total noncurrent liabilities	<u>-</u>	<u>3,876,635</u>	<u>3,876,635</u>
Deferred inflows of resources			
Related to pensions	-	72,774	72,774
Related to OPEB	-	36,019	36,019
Total deferred inflows	<u>-</u>	<u>108,793</u>	<u>108,793</u>
Total liabilities	<u>\$ 15,442,339</u>	<u>\$ 5,161,164</u>	<u>\$ 20,603,503</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 3,107,631	\$ 3,107,631
Unrestricted	586,723	(2,456,168)	(1,869,445)
Total net position	<u>\$ 586,723</u>	<u>\$ 651,463</u>	<u>\$ 1,238,186</u>

**CITY OF NORFOLK, VIRGINIA**

Exhibit G-2

**Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position - Internal Service Funds  
For the Year Ended June 30, 2019**

	Healthcare	Fleet Management	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 80,358,477	\$ 11,241,591	\$ 91,600,068
Miscellaneous	-	52,641	52,641
Total operating revenues	<u>80,358,477</u>	<u>11,294,232</u>	<u>91,652,709</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	2,851,192	2,851,192
Healthcare costs	84,520,311	-	84,520,311
Cost of goods sold	-	3,879,166	3,879,166
Plant operations	-	4,262,782	4,262,782
Depreciation and amortization	-	275,557	275,557
Retirement and OPEB expense	-	662,579	662,579
Other	-	200,086	200,086
Total operating expenses	<u>84,520,311</u>	<u>12,131,362</u>	<u>96,651,673</u>
Operating income (loss)	<u>(4,161,834)</u>	<u>(837,130)</u>	<u>(4,998,964)</u>
Net income (loss)	<u>(4,161,834)</u>	<u>(837,130)</u>	<u>(4,998,964)</u>
Net change in net position	(4,161,834)	(837,130)	(4,998,964)
Net position - beginning	4,748,557	1,488,593	6,237,150
Net position - ending	<u>\$ 586,723</u>	<u>\$ 651,463</u>	<u>\$ 1,238,186</u>

**CITY OF NORFOLK, VIRGINIA**

Exhibit G-3

**Combining Statement of Cash Flows - Internal Service Funds  
For the Year Ended June 30, 2019**

	Healthcare	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 80,536,311	\$ 11,287,557	\$ 91,823,868
Payments to employees	-	(3,253,341)	(3,253,341)
Payments to suppliers	(82,952,218)	(7,720,100)	(90,672,318)
Other payments	-	(200,086)	(200,086)
Net cash provided by (used in) operating activities	<u>(2,415,907)</u>	<u>114,030</u>	<u>(2,301,877)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund activity	-	32	32
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	-	(161,710)	(161,710)
Capital Contributions	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>(161,710)</u>	<u>(161,710)</u>
Net increase in cash and short-term investments	(2,415,907)	(47,648)	(2,463,555)
Cash and short-term investments - beginning of the year	14,606,866	1,487,999	16,094,865
Cash and short-term investments - end of the year	<u>\$ 12,190,959</u>	<u>\$ 1,440,351</u>	<u>\$ 13,631,310</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Operating income (loss)	\$ (4,161,834)	\$ (837,130)	\$ (4,998,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	275,557	275,557
Change in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	(27,292)	(6,675)	(33,967)
Prepaid expenses	179,803	-	179,803
Vouchers payable	1,388,290	421,848	1,810,138
Accrued payroll	-	(1,704)	(1,704)
Net pension liability	-	262,134	262,134
Unearned revenue	205,126	-	205,126
Net cash provided by (used in) operating activities	<u>\$ (2,415,907)</u>	<u>\$ 114,030</u>	<u>\$ (2,301,877)</u>
<b>Noncash investing, capital, and financing activities:</b>			
Capital Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**This page left intentionally blank**

# 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.





**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA**  
**Combining Balance Sheet - Agency Funds**  
**June 30, 2019**  
(unaudited)

Exhibit H-1

	<u>Other</u>	<u>Commonwealth of Virginia</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 12,279,502	\$ 9,395	\$ 12,288,897
Other	108,522	-	108,522
Total assets	<u>\$ 12,388,024</u>	<u>\$ 9,395</u>	<u>\$ 12,397,419</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 362,111	\$ -	\$ 362,111
Due to governmental funds	-	-	-
Due to other agencies	12,025,913	9,395	12,035,308
Total liabilities	<u>\$ 12,388,024</u>	<u>\$ 9,395</u>	<u>\$ 12,397,419</u>

**CITY OF NORFOLK, VIRGINIA**

Exhibit H-2

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds**

**For the Year Ended June 30, 2019**  
(unaudited)

	Other				
	Balance	Additions	Deductions		Balance
	June 30, 2018				June 30, 2019
<b>ASSETS</b>					
Cash and short-term investments	\$ 7,086,543	\$ 11,096,198	\$ 5,903,239	\$ 12,279,502	
Other receivables	173,544	77,864	142,886	108,522	
Total assets	<u>\$ 7,260,087</u>	<u>\$ 11,174,062</u>	<u>\$ 6,046,125</u>	<u>\$ 12,388,024</u>	
<b>LIABILITIES</b>					
Vouchers payable	\$ 341,838	\$ 800,895	\$ 780,622	\$ 362,111	
Due to governmental funds	47,679	133,027	180,706	-	
Due to other agencies	6,870,570	12,011,731	6,856,388	12,025,913	
Total liabilities	<u>\$ 7,260,087</u>	<u>\$ 12,945,653</u>	<u>\$ 7,817,716</u>	<u>\$ 12,388,024</u>	
	Commonwealth of Virginia				
	Balance	Additions	Deductions		Balance
	June 30, 2018				June 30, 2019
<b>ASSETS</b>					
Cash and short-term investments	\$ 9,395	\$ -	\$ -	\$ 9,395	
Total assets	<u>\$ 9,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,395</u>	
<b>LIABILITIES</b>					
Due to the Commonwealth of Virginia	\$ 9,395	\$ -	\$ -	\$ 9,395	
Total liabilities	<u>\$ 9,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,395</u>	
	Total				
	Balance	Additions	Deductions		Balance
	June 30, 2018				June 30, 2019
<b>ASSETS</b>					
Cash and short-term investments	\$ 7,095,938	\$ 11,096,198	\$ 5,903,239	\$ 12,288,897	
Other receivables	173,544	77,864	142,886	108,522	
Total assets	<u>\$ 7,269,482</u>	<u>\$ 11,174,062</u>	<u>\$ 6,046,125</u>	<u>\$ 12,397,419</u>	
<b>LIABILITIES</b>					
Vouchers payable	\$ 341,838	\$ 800,895	\$ 780,622	\$ 362,111	
Due to other funds	47,679	133,027	180,706	-	
Due to other agencies	6,879,965	12,011,731	6,856,388	12,035,308	
Total liabilities	<u>\$ 7,269,482</u>	<u>\$ 12,945,653</u>	<u>\$ 7,817,716</u>	<u>\$ 12,397,419</u>	

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass-Through Entity/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
<b>DEPARTMENT OF AGRICULTURE</b>					
<u>Direct Payments:</u>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,934,170		
<u>Pass-through Payments:</u>					
<b>Virginia Department of Agriculture</b>					
School Breakfast Program (Child Nutrition Cluster) - 1	10.553		4,728,915		
National School Lunch Program (Child Nutrition Cluster) - 2	10.555		10,694,835		
Special Milk Program for Children	10.556		872,188		
Child and Adult Care Food Program	10.558		815,506		
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559		537,890		
Fresh Fruit and Vegetable Program	10.582	3FVP PAPER	301,441		
<b>Virginia Department of Juvenile Justice</b>					
School Breakfast Program (Child Nutrition Cluster) - 1	10.553		40,056		
National School Lunch Program (Child Nutrition Cluster) - 2	10.555		40,057		
				4,768,971	
1 - Total for School Breakfast Program (10.553)					10,734,892
2 - Total for National School Lunch Program (10.555)					
<b>DEPARTMENT OF DEFENSE</b>					
<u>Direct Payments:</u>					
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	3BTC, 3CDR, 3DOD	684,756		
Community Investment	12.600		4,357,783		
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
<u>Direct Payments:</u>					
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218		3,460,263		535,218
Emergency Solutions Grant Program	14.231		639,601		288,309
Supportive Housing Program	14.235		5,545		
Shelter Plus Care	14.238		503,838		
Home Investment Partnerships Program	14.239		1,718,361		1,099,331
<u>Pass-through Payments:</u>					
<b>Virginia Department of Housing and Community Development</b>					
National Resilient Disaster Recovery Competition	14.272		8,212,433		
<b>DEPARTMENT OF INTERIOR</b>					
<u>Pass-through Payments:</u>					
<b>National Fish and Wildlife Foundation</b>					
Hurricane Sandy Disaster Relief - Coastal Resiliency Grants	15.153		920,917		
<b>DEPARTMENT OF JUSTICE</b>					
<u>Direct Payments:</u>					
Drug Court Discretionary Grant Program	16.585		93,175		
Public Safety Partnership and Community Policing Grants	16.710		213,504		
Edward Byrne Memorial Justice Assistance Grant - 3	16.738		223,615		
Children of Incarcerated Parents	16.831		57,768		
Equitable Sharing Program	16.922		79,268		
<u>Pass-through Payments:</u>					
<b>Virginia Department of Criminal Justice Services</b>					
Services for Trafficking Victims	16.320		6,095		
Crime Victim Assistance	16.575		586,981		
Violence Against Women Formula Grants	16.588		158,903		
Edward Byrne Memorial Justice Assistance Grant - 3	16.738		181,133		
3 - Total for Edward Byrne Memorial Justice Assistance Grant (16.738)				404,748	
<b>DEPARTMENT OF TRANSPORTATION</b>					
<u>Pass-through Payments:</u>					
<b>Virginia Department of Transportation</b>					
Highway Planning and Construction (Highway Planning and Construction Cluster)	20.205		1,419,013		
State and Community Highway Safety (Highway Safety Cluster)	20.600		37,235		
Alcohol and Open Container Requirements (Highway Safety Cluster)	20.607		26,696		
<b>ENVIRONMENTAL PROTECTION AGENCY</b>					
<u>Direct Payments:</u>					
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		197,330		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		18,738		
<u>Pass-through Payments:</u>					
<b>Virginia Resources Authority</b>					
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)	66.458	C-515550E-01, C-515574E-01 C-515593E-01, C-515565GE-02	7,940,607		

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

C-515591-02

Federal Grantor/Pass-Through Entity/ Program Title	CFDA Number		Federal Expenditures (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
<b>DEPARTMENT OF EDUCATION</b>					
<u>Direct Payments:</u>					
Impact Aid	84.041		3,091,955		
<u>Pass-through Payments:</u>					
<b>Virginia Department of Education</b>					
Adult Education - Basic Grants to States	84.002	3ABE V002A100047	279,109		
Title I Grants to Local Educational Agencies	84.010	3CH1 S010A030046, 3SI2 S010A100046	15,625,823		
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	3CH4 S010A030046	297		
Special Education - Grants to States (Special Education Cluster)	84.027	3FTF H027A100107	6,594,606		
Career and Technical Education - Basic Grants to States	84.048	3CPV VA048A110046	854,824		
Special Education - Preschool Grants (Special Education Cluster)	84.173	3619 H173A120112	176,658		
Education for Homeless Children and Youth	84.196	3HLA G11810	45,261		
Twenty-First Century Community Learning Centers	84.287	3CLC APE60565	175,340		
English Language Acquisition State Grants	84.365	3LEP S365A10046	111,286		
Improving Teacher Quality State Grants	84.367	3TPT S367A100044	2,097,627		
Preschool Development Grants	84.419	3VPI S419B150010	1,730,882		
<b>Virginia Department of Behavioral Health and Developmental Services</b>					
Special Education - Grants for Infants and Families	84.181		255,729		
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
<u>Direct Payments:</u>					
HIV Emergency Relief Project Grants	93.914		5,574,062		4,823,750
<u>Pass-through Payments:</u>					
<b>Virginia Department of Social Services</b>					
Promoting Safe and Stable Families	93.556		139,138		
Temporary Assistance for Needy Families (TANF Cluster) - 4	93.558		3,579,905		180,071
Refugee and Entrant Assistance - State Administered Programs	93.566		2,605		
Low-Income Home Energy Assistance	93.568		539,050		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596		597,225		
Stephanie Tubbs Jones Child Welfare Services Program	93.645		3,974		
Foster Care - Title IV-E	93.658		2,587,171		
Adoption Assistance	93.659		2,500,424		
Social Services Block Grant	93.667		2,918,167		
Chafee Foster Care Independence Program	93.674		39,104		
Children's Health Insurance Program	93.767		98,855		
Medical Assistance Program (Medicaid Cluster)	93.778		4,455,724		
<b>Virginia Department of Behavioral Health and Developmental Services</b>					
Projects for Assistance in Transition from Homeless (PATH)	93.150		106,585		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		512,320		
Temporary Assistance for Needy Families (TANF Cluster) - 4	93.558		67,650		
Opioid STR	93.788		372,308		
Block Grants for Community Mental Health Services	93.958		140,792		
Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,920,000		
<i>4 - Total for Temporary Assistance for Needy Families (93.558)</i>				3,647,555	
<b>DEPARTMENT OF HOMELAND SECURITY</b>					
<u>Direct Payments:</u>					
Port Security Grant Program - 5	97.056		406,076		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		114,438		
<u>Pass-through Payments:</u>					
<b>Virginia Department of Emergency Management</b>					
Flood Mitigation Assistance	97.029		19,339		
Hazard Mitigation Grant	97.039		256,831		
Port Security Grant Program - 5	97.056		690		
Homeland Security Grant Program	97.067		42,852		
<i>5 - Total for Port Security Grant Program (97.056)</i>				406,766	
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 111,743,298</b>		<b>\$ 6,926,679</b>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

---

**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	\$ 30,723,071
Non-major governmental funds	24,135,759
Total revenues from federal government	54,858,830
 <b>Component Unit - School Board</b>	
Total Federal Grants Awarded	\$ 54,677,491
Other Federal Amounts not reported on SEFA	
Direct Payments:	
Total - Norfolk Public Schools	54,677,491
CSA Pool - Medicaid Adjustment	
<b>Total federal financial assistance reported in basic financial statements</b>	<b>\$ 109,536,321</b>
 Federal awards not reported as federal revenue in basic financial statements:	
Enterprise - VRA Loan - Wastewater Fund & Storm Water Fund	7,940,607
VDOT	-
CSA	644,553
CDBG	76,879
Federal awards not reported on the SEFA:	
Norfolk Public Schools Direct Payments	(5,179,261)
Build America Bond Interest Rate Subsidy	(2,364,123)
Recognition of DOD Revenue	551,655
Other reconciling items	
Grant funds recorded as revenue in financial statements, not on schedule of federal awards	536,667
<b>Total federal awards</b>	<b>\$ 111,743,298</b>
 <b>Reconciliation to Exhibit A-3</b>	
Revenues from federal government	\$ 54,858,830
Revenues from Commonwealth of Virginia	127,163,924
Total intergovernmental revenue	<b>\$ 182,022,754</b>

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

**4. Clusters**

Clustered programs for the year ended June 30, 2019 were as follows:

<u>Grant Program / Cluster</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
School Breakfast Program	10.553	\$ 4,768,971
National School Lunch Program	10.555	10,734,892
Summer Food Service Program for Children	10.559	537,890
<b>Total Child Nutrition Cluster</b>		<u>\$ 16,041,753</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,460,263
<b>Total CDBG - Entitlement Grants Cluster</b>		<u>\$ 3,460,263</u>
Highway Planning and Construction	20.205	\$ 1,419,013
<b>Total Highway Planning and Construction Cluster</b>		<u>\$ 1,419,013</u>
State and Community Highway Safety	20.600	\$ 37,235
Alcohol and Open Container Requirements	20.607	26,696
<b>Total Highway Safety Cluster</b>		<u>\$ 63,931</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 7,940,607
<b>Total Clean Water State Revolving Fund Cluster</b>		<u>\$ 7,940,607</u>
Special Education - Grants to States	84.027	\$ 6,594,606
Special Education - Preschool Grants	84.173	176,658
<b>Total Special Education Cluster</b>		<u>\$ 6,771,264</u>
Temporary Assistance for Needy Families	93.558	\$ 3,647,555
<b>Total TANF Cluster</b>		<u>\$ 3,647,555</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	\$ 597,225
<b>Total CCDF Cluster</b>		<u>\$ 597,225</u>
Medical Assistance Program - Administrative	93.778	\$ 4,455,724
<b>Total Medicaid Cluster</b>		<u>\$ 4,455,724</u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

**5. Virginia Resources Authority Loans**

The City reports on the Schedule of Federal Awards, loan proceeds drawn from the Virginia Resources Authority. The loans are a pass-through award from the U. S. Environmental Protection Agency and administered by the Virginia Resources Authority Department of Environmental Quality. The balances at the end of the fiscal year 2019 are as follows:

<b>Loan number</b>	<b>June 30, 2018 VRA Loan Balances</b>	<b>Disbursements Made During FY 2019</b>	<b>Total Loan Amount Disbursed</b>	<b>Total Amount Available to be Drawn</b>	<b>June 30, 2019 Outstanding Loan Balances</b>
C-515550E-01	\$ 5,506,379	\$ 229,200	\$ 5,735,579	\$ -	\$ 5,735,579
C-515574E-01	4,594,457	1,621,677	6,216,134	283,866	6,216,134
C-515593E-01	51,346	3,781,334	3,832,680	3,667,320	3,832,680
C-515565GE-02	489,050	1,563,404	2,052,454	353,337	2,052,454
C-515591-02	-	987,972	987,972	129,753	987,972
<b>TOTALS</b>	<b>\$ 10,641,232</b>	<b>\$ 8,183,587</b>	<b>\$ 18,824,819</b>	<b>\$ 4,434,276</b>	<b>\$ 18,824,819</b>

**6. Indirect Cost Rate**

For the Fiscal Year 2019, the City did not use the 10 percent de minimis cost rate for indirect cost billings to federal grants where an indirect cost is permitted. The City develops an indirect cost rate with the cost allocation plan that is used by the Human Services department for indirect cost billings.



**This page left intentionally blank**

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

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**





**This page left intentionally blank**

**Schedule of Revenues and Expenditures - Budget and Actual  
Towing and Recovery Operations Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 565	\$ 51	\$ (514)
Charges for services	1,653,000	1,422,900	(230,100)
Intergovernmental federal	-	4,010	4,010
Miscellaneous	5,700	1,157	(4,543)
Transfer in	-	-	-
Total revenue	<u>\$ 1,659,265</u>	<u>\$ 1,428,118</u>	<u>\$ (231,147)</u>
<b>Expenditures and transfers:</b>			
Towing and recovery	\$ 1,452,346	\$ 1,181,502	\$ 270,844
Transfer out	206,919	210,929	(4,010)
Total expenditures	<u>\$ 1,659,265</u>	<u>\$ 1,392,431</u>	<u>\$ 266,834</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Storm Water Utility Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Use of money and property	\$ 565	\$ 15,443	\$ 14,878
Charges for services	16,532,729	16,877,790	345,061
Miscellaneous	45,000	109,922	64,922
Intergovernmental - federal	-	79,256	79,256
Total revenue	<u>\$ 16,578,294</u>	<u>\$ 17,082,411</u>	<u>\$ 504,117</u>
<b>Expenditures and transfers:</b>			
Public works	\$ 11,819,947	\$ 11,591,436	\$ 228,511
Transfer out	4,758,347	4,837,602	(79,255)
Total expenditures	<u>\$ 16,578,294</u>	<u>\$ 16,429,038</u>	<u>\$ 149,256</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Golf Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Expenditures:			
Golf operations	<u>\$ 15,000</u>	<u>\$ 9,000</u>	<u>\$ 6,000</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Emergency Operations Special Revenue Fund (EOC 911)  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Charges for services	4,500	163	(4,337)
Recovered cost	1,164,593	1,322,614	158,021
Transfer in	1,276,691	386,784	(889,907)
Total revenue	<u>\$ 6,017,380</u>	<u>\$ 5,281,157</u>	<u>\$ (736,223)</u>
Expenditures:			
Operations	\$ 6,017,380	\$ 5,505,982	\$ 511,398
Total expenditures	<u>\$ 6,017,380</u>	<u>\$ 5,505,982</u>	<u>\$ 511,398</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Cemeteries Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,546,382	\$ 1,322,243	\$ (224,139)
Miscellaneous	-	450	450
Recovered cost	216,937	179,258	(37,679)
Transfer in	230,994	494,398	263,404
Rollover from last year*	42,810	42,810	-
Total revenue	<u>\$ 2,037,123</u>	<u>\$ 2,039,159</u>	<u>\$ 2,036</u>
Expenditures:			
Cemetery operations	<u>\$ 2,037,123</u>	<u>\$ 1,860,747</u>	<u>\$ 176,376</u>

\*Not considered as revenue on a GAAP basis

**Schedule of Revenues and Expenditures - Budget and Actual  
Public Amenities Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-Hotel & Restaurant	\$ 6,903,000	\$ 7,148,107	\$ 245,107
Intergovernmental - state	81,000	197,929	(116,929)
Rollover from last year*	714,409	714,409	-
Total revenue	<u>\$ 7,698,409</u>	<u>\$ 8,060,445</u>	<u>\$ 128,178</u>
Expenditures:			
Transfer out (Debt Service)	\$ 3,521,075	\$ 3,521,075	\$ -
Transfer out (General Fund)	3,000,000	3,000,000	-
All purpose	1,177,334	451,982	725,352
Total expenditures	<u>\$ 7,698,409</u>	<u>\$ 6,973,057</u>	<u>\$ 725,352</u>

\*Not considered as revenue on a GAAP basis

**Schedule of Revenues and Expenditures - Budget and Actual  
Tax Increment Financing Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-real property	\$ 5,855,000	\$ 5,855,000	\$ -
Rollover from last year	-	-	-
Total revenue	<u>\$ 5,855,000</u>	<u>\$ 5,855,000</u>	<u>\$ -</u>
Expenditures:			
Transfer out (Debt Service)	\$ 1,601,535	\$ 1,601,535	\$ -
Transfer out (General Fund)	4,253,465	4,253,465	-
Total expenditures	<u>\$ 5,855,000</u>	<u>\$ 5,855,000</u>	<u>\$ -</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Community Development Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Intergovernmental Federal	<u>\$ 4,825,233</u>	<u>\$ 3,460,264</u>	<u>\$ (1,364,969)</u>
Expenditures:			
Operations	<u>\$ 4,825,233</u>	<u>\$ 3,460,264</u>	<u>\$ 1,364,969</u>

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

**Schedule of Revenues and Expenditures - Budget and Actual  
Waste Management Special Revenue Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ -	\$ 21,709	\$ 21,709
Charges for services	20,032,214	19,549,738	(482,476)
Recovered costs	420,000	405,422	(14,578)
Miscellaneous	-	410	410
Total revenue	<u>\$ 20,452,214</u>	<u>\$ 19,977,279</u>	<u>\$ (474,935)</u>
Expenditures and transfers:			
Public works	\$ 18,883,991	\$ 17,329,516	\$ 1,554,475
Transfer out	1,568,223	1,547,534	20,689
Total expenditures	<u>\$ 20,452,214</u>	<u>\$ 18,877,050</u>	<u>\$ 1,575,164</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Grants Funds  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
<b>Revenues:</b>			
Fines and forfeitures	\$ -	\$ 700	\$ 700
Use of money and property	-	2,591	2,591
Charges for services	-	289,692	289,692
<b>Intergovernmental</b>			
Federal	-	11,292,184	11,292,184
State	-	17,460,427	17,460,427
Operating Transfers	-	3,321,528	3,321,528
Miscellaneous	-	2,475,454	2,475,454
Total revenue	<u>\$ -</u>	<u>\$ 34,842,576</u>	<u>\$ 34,842,576</u>
<b>Expenditures and transfers:</b>			
General government	\$ -	\$ 2,774,806	\$ (2,774,806)
Judicial administration	-	3,370,581	(3,370,581)
Public safety	-	2,865,011	(2,865,011)
Public works	-	5,855,137	(5,855,137)
Health and public assistance	-	17,377,299	(17,377,299)
Cultural and recreation	-	348,207	(348,207)
Community development	-	2,262,779	(2,262,779)
Total expenditures	<u>\$ -</u>	<u>\$ 34,853,820</u>	<u>\$ (34,853,820)</u>

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

**Schedule of Revenues and Expenditures - Budget and Actual  
Fleet Internal Service Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 11,497,755	\$ 11,241,591	\$ (256,164)
Miscellaneous & capital contributions	97,365	52,641	(44,724)
Total revenue	<u>\$ 11,595,120</u>	<u>\$ 11,294,232</u>	<u>\$ (300,888)</u>
Expenditures:			
Fleet	<u>\$ 11,595,120</u>	<u>\$ 12,131,362</u>	<u>\$ (536,242)</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Healthcare Management Internal Service Fund  
For the Year Ending June 30, 2019**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	<u>\$ 92,346,084</u>	<u>\$ 80,358,477</u>	<u>\$ (11,987,607)</u>
Expenditures:			
Healthcare	<u>\$ 92,346,084</u>	<u>\$ 84,520,311</u>	<u>\$ 7,825,773</u>

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2019**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Community Development</b>					
Neighborhood Project Development	\$ 1,935,000	\$ 1,619,855	\$ (488,233)	\$ 1,131,622	\$ 803,378
Neighborhood Conservation/Revitalization	46,390,203	47,113,385	857,428	47,970,813	(1,580,610)
Broad Creek Renaissance	32,631,300	26,107,675	737,747	26,845,422	5,785,878
Neighborhood Streets Improvements	1,200,000	1,395,093	-	1,395,093	(195,093)
Neighborhood commercial Improvements	79,748,695	79,524,380	4,916	79,529,296	219,399
Create Special Service Areas	744,950	493,585	-	493,585	251,365
Other	974,774	974,774	-	974,774	-
Community Development Total	<u>163,624,922</u>	<u>157,228,747</u>	<u>1,111,858</u>	<u>158,340,605</u>	<u>5,284,317</u>
<b>Cultural Facilities</b>					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	29,137,779	21,351,125	1,131,595	22,482,720	6,655,059
Chrysler Museum Improvements	15,208,912	14,216,111	850,000	15,066,111	142,801
Civic Building Improvements	1,278,681	1,217,017	-	1,217,017	61,664
Conference Center	68,911,437	65,619,457	-	65,619,457	3,291,980
Harrison Opera House Improvements	404,856	404,856	-	404,856	-
MacArthur Memorial Improvements	2,658,969	2,658,969	-	2,658,969	-
Nauticus/Maritime Center Improvements	4,337,500	824,619	-	824,619	3,512,881
USS Wisconsin Improvements	10,714,974	8,756,220	1,264,169	10,020,389	694,585
Other	8,907,578	5,533,982	328,053	5,862,035	3,045,543
Cultural Facilities Total	<u>144,111,315</u>	<u>123,141,118</u>	<u>3,573,817</u>	<u>126,714,935</u>	<u>17,396,380</u>
<b>Economic Development</b>					
Acquire/Dispose/Upgrade City Property	81,400,463	63,519,302	7,344,251	70,863,553	10,536,910
Nauticus/Cruise Terminal Development	37,350,000	37,305,659	-	37,305,659	44,341
Huntersville Redevelopment	1,000,000	472,423	452,000	924,423	75,577
Wachovia Center Development	3,553,101	3,553,101	-	3,553,101	-
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,221
Other	16,553,258	16,065,758	-	16,065,758	487,500
Economic Development Total	<u>143,856,822</u>	<u>124,911,022</u>	<u>7,796,251</u>	<u>132,707,273</u>	<u>11,149,549</u>
<b>General/Other</b>					
Campostella Landfill Closure	5,500,000	2,366,746	1,231,237	3,597,983	1,902,017
Beach Erosion Control	31,877,300	28,875,526	1,163,855	30,039,381	1,837,919
Transfer to Debt Service	1,600,000	6,392,418	-	6,392,418	(4,792,418)
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)
Waterway Dredging Projects	6,859,341	5,853,067	154,563	6,007,630	851,711
Conservation and Green Vision Implementation	5,377,373	4,877,374	-	4,877,374	499,999
Public Safety Radio Communication System Upgrade	4,703,668	4,703,668	-	4,703,668	-
Upgrade and Expand Broadband Infrastructure	2,000,000	366,555	246,196	612,751	1,387,249
Other	34,358,367	19,102,854	505	19,103,359	15,255,008
General/Other Total	<u>98,176,273</u>	<u>78,438,615</u>	<u>2,796,356</u>	<u>81,234,971</u>	<u>16,941,302</u>
<b>Public Buildings and Facilities</b>					
Fire Station Emergency Generation Program	1,670,188	1,671,777	-	1,671,777	(1,589)
Infrastructure Improvements	21,200,473	4,696,885	1,392,843	6,089,728	15,110,745
Annual Roof Maintenance	9,678,652	8,912,617	446,017	9,358,634	320,018
Library Facilities - Anchor Branch	20,476,238	19,697,876	398,499	20,096,375	379,863
Police Precinct Replacement	20,328,986	20,328,986	-	20,328,986	-
Courts Replacement and Renovations	122,620,168	120,561,002	916,728	121,477,730	1,142,438
Jail Renovations	9,767,510	7,806,841	1,205,532	9,012,373	755,137
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-
City Hall Building Renovations	20,896,839	16,414,443	1,207,781	17,622,224	3,274,615
Tow Yard Acquisition	697,045	337,027	-	337,027	360,018
Fire Facilities Replacement/Improvements	12,259,541	9,858,044	1,205,090	11,063,134	1,196,407
Police Training Facilities	656,000	656,000	-	656,000	-
Main Library Construction	69,727,997	67,466,575	-	67,466,575	2,261,422
Design /Construct Government Center Plaza	4,749,980	2,160,201	5,864	2,166,065	2,583,915
Other	15,618,142	12,747,273	368,488	13,115,761	2,502,381
Public Buildings and Facilities Total	<u>338,748,302</u>	<u>301,716,090</u>	<u>7,146,842</u>	<u>308,862,932</u>	<u>29,885,370</u>

**CITY OF NORFOLK, VA**  
**Capital Improvement Program**  
**Schedule of Expenditures - Budget and Actual**  
**From Inception and for the Year Ending June 30, 2019**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Parks/Recreational Facilities</b>					
Zoo Master Plan	28,407,037	27,490,313	130,259	27,620,572	786,465
Titustown Recreation Center Improvements	3,550,000	3,000,000	-	3,000,000	550,000
Botanical Gardens	2,494,413	1,998,823	495,589	2,494,412	1
Existing Recreation Center Improvements	14,060,717	13,105,741	945,113	14,050,854	9,863
Norview Recreation Center	7,947,756	7,947,756	-	7,947,756	-
Lambert's Point Golf Course	9,050,000	9,050,000	-	9,050,000	-
Lambert's Point Community & Recreational Center	6,715,893	6,715,893	-	6,715,893	-
Harbor Park Improvements	4,259,747	3,371,994	429,949	3,801,943	457,804
Athletic Field Renovations	2,685,903	2,685,903	-	2,685,903	-
Norfolk Fitness & Wellness Center Renovations	1,803,669	1,803,669	-	1,803,669	-
Broad creek & Westside Neighborhood Parks	2,610,062	2,610,012	-	2,610,012	50
Town Point Park Improvements	11,478,749	11,478,749	-	11,478,749	-
Martin Luther King Park	116,019	116,019	-	116,019	-
Waterside Waterfront Renovations	8,671,789	8,391,626	-	8,391,626	280,163
Ingliside Gymnasium	1,695,874	1,695,874	-	1,695,874	-
Other	14,192,410	13,779,493	75,827	13,855,320	337,090
Parks/Recreational Facilities Total	<u>119,740,038</u>	<u>115,241,865</u>	<u>2,076,737</u>	<u>117,318,602</u>	<u>2,421,436</u>
<b>Schools</b>					
Blair Middle School Replacement	7,071,710	7,071,710	-	7,071,710	-
Norfolk Public School Initiative	5,265,000	5,263,456	-	5,263,456	1,544
Norview Construction	29,865,659	29,865,659	-	29,865,659	-
Southside Middle School	1,535,212	1,313,413	-	1,313,413	221,799
High School Athletic Field	1,495,091	1,495,091	-	1,495,091	-
Coleman Place Elementary Replacement	20,293,970	20,293,970	-	20,293,970	-
Crossroads Elementary Replacement	34,108,313	31,672,306	-	31,672,306	2,436,007
Larchmont Elementary School	23,109,625	22,810,653	24,217	22,834,870	274,755
Ocean View Elementary School	22,847,436	21,803,372	5,990	21,809,362	1,038,074
South Side TEM Academy at Campostella	35,629,524	34,059,741	-	34,059,741	1,569,783
Broad Creek Elementary School	21,961,042	21,478,941	-	21,478,941	482,101
Camp Allen Elementary School	30,431,984	20,449,831	5,338,232	25,788,063	4,643,921
Other	44,838,847	38,101,170	720,171	38,821,341	6,017,506
Schools Total	<u>278,453,413</u>	<u>255,679,313</u>	<u>6,088,610</u>	<u>261,767,923</u>	<u>16,685,490</u>
<b>Storm Water</b>					
Storm Water Quality Improvements	16,520,000	11,098,968	4,283,293	15,382,261	1,137,739
Storm Water Facility Improvements	19,003,340	15,484,223	-	15,484,223	3,519,117
Old Dominion University Master Plan	1,788,255	1,788,255	-	1,788,255	-
Drain Line Clean & Slip Lining	995,843	995,843	-	995,843	-
Neighborhood Flood Reduction	26,712,748	17,622,539	2,392,953	20,015,492	6,697,256
Bulkheading Master Project	2,100,000	2,087,100	12,900	2,100,000	-
Other	9,904,175	1,655,085	19,147	1,674,232	8,229,943
Storm Water Total	<u>77,024,361</u>	<u>50,732,013</u>	<u>6,708,293</u>	<u>57,440,306</u>	<u>19,584,055</u>
<b>Transportation</b>					
Old Dominion University Master Plan	10,304,204	5,610,091	-	5,610,091	4,694,113
VDOT Urban Support Program	9,773,025	8,595,582	16,646	8,612,228	1,160,797
Bridge Maintenance & Repair Program	39,918,240	32,865,171	1,263,135	34,128,306	5,789,934
Signal & Intersection Enhancements	13,006,765	11,715,752	336,978	12,052,730	954,035
Citywide Soundwall Program	8,405,303	8,399,665	3,667	8,403,332	1,971
Neighborhood Streets Improvements	74,497,088	71,302,922	2,714,607	74,017,529	479,559
Atlantic City Development	14,356,810	13,899,027	-	13,899,027	457,783
Citywide Boat Ramp Improvements	2,388,822	2,386,805	20,752	2,407,557	(18,735)
Construct Light Rail	105,010,914	70,303,888	-	70,303,888	34,707,026
Develop Multi-Modal Transfer Station at Harbor Park	4,348,573	3,846,809	-	3,846,809	501,764
Other	33,598,348	25,104,434	1,529,422	26,633,856	6,964,492
Transportation Total	<u>315,608,092</u>	<u>254,030,146</u>	<u>5,885,207</u>	<u>259,915,353</u>	<u>55,692,739</u>
Grand Total	<u>\$ 1,679,343,538</u>	<u>\$ 1,461,118,929</u>	<u>\$ 43,183,971</u>	<u>\$ 1,504,302,900</u>	<u>\$ 175,040,638</u>

**STATISTICAL  
SECTION  
(Unaudited)**





**This page left intentionally blank**

**CITY OF NORFOLK, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2019**

-----

**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.





**This page left intentionally blank**

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:			restated	restated		restated			restated	
Net investment in capital assets	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380	\$ 386,641	\$ 365,913	\$ 351,887	\$ 382,093
Restricted	120,974	6,744	11,081	11,111	22,062	10,485	12,412	12,042	6,485	6,690
Unrestricted	76,365	5,347	25,832	22,593	(149,763)	(217,542)	(153,467)	(124,543)	(108,368)	(109,199)
Subtotal governmental activities net position	353,293	336,667	332,119	353,254	210,236	221,323	245,586	253,412	250,004	279,584
Business-type activities:										
Net investment in capital assets	229,693	267,107	270,913	275,195	259,371	266,206	301,340	342,470	330,979	364,975
Restricted	40,056	12,928	12,928	13,244	32,495	29,610	31,766	35,237	36,017	28,501
Unrestricted	63,316	62,458	72,063	78,631	77,120	100,988	85,668	59,766	98,533	102,475
Subtotal business-type activities net position	333,065	342,493	355,904	367,070	368,986	396,804	418,774	437,473	465,529	495,951
Primary government:										
Net investment in capital assets	385,647	591,683	566,119	594,745	597,308	694,586	687,981	708,383	682,866	747,068
Restricted	161,030	19,672	24,009	24,355	54,557	40,095	44,178	47,279	42,502	35,191
Unrestricted	139,681	67,805	97,895	101,224	(72,643)	(116,554)	(67,799)	(64,777)	(9,835)	(6,724)
Total primary government net position	<u>\$ 686,358</u>	<u>\$ 679,160</u>	<u>\$ 688,023</u>	<u>\$ 720,324</u>	<u>\$ 579,222</u>	<u>\$ 618,127</u>	<u>\$ 664,360</u>	<u>\$ 690,885</u>	<u>\$ 715,533</u>	<u>\$ 775,535</u>

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

\* GASB 75 was implemented effective July 1, 2017.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program Revenue</b>										
Governmental activities:										
Charges for services										
General government	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642	\$ 4,822	\$ 4,728	\$ 7,267
Judicial administration	3,501	3,629	3,690	3,717	3,142	2,938	2,729	2,688	2,507	2,396
Public safety	5,627	7,942	8,424	10,154	7,613	7,563	8,307	8,364	7,802	8,504
Public works	35,451	36,890	50,597	38,320	37,769	41,821	42,341	40,322	41,185	40,169
Health and public assistance	83	82	50	5,349	5,597	5,577	6,310	6,390	6,385	5,498
Culture and recreation	9,224	10,101	9,751	10,297	9,685	8,948	10,054	9,835	9,305	9,810
Community development	2,259	1,479	1,807	2,368	1,960	2,557	2,370	2,511	1,264	2,244
Capital grant contributions	7,175	-	765	15,000	15,933	1,000	5,672	5,941	11,954	3,806
Operating grants and contributions	127,665	116,648	119,353	131,719	120,713	125,802	132,611	135,194	151,519	142,804
Total governmental activities program revenue	<u>204,141</u>	<u>195,401</u>	<u>203,878</u>	<u>226,413</u>	<u>206,561</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>	<u>236,649</u>	<u>222,498</u>
Business-type activities:										
Charges for services										
Water utility	78,983	80,573	78,148	76,584	79,097	82,996	80,749	84,529	86,942	111,546
Wastewater utility	23,815	24,362	24,798	25,469	27,119	28,144	27,823	29,065	30,201	31,222
Parking facilities	18,785	19,682	19,452	19,162	20,413	19,520	19,612	20,577	22,148	22,324
Capital grants and contributions	366	130	187	-	2,761	3,006	338	188	144	381
Total business-type activities program revenue	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,215</u>	<u>129,390</u>	<u>133,666</u>	<u>128,522</u>	<u>134,359</u>	<u>139,435</u>	<u>165,473</u>
Total primary government program revenues	<u>326,090</u>	<u>320,148</u>	<u>326,463</u>	<u>347,628</u>	<u>335,951</u>	<u>337,024</u>	<u>343,558</u>	<u>350,426</u>	<u>376,084</u>	<u>387,971</u>
<b>Expenses</b>										
Governmental activities:										
General government	112,874	103,550	109,188	119,764	122,656	126,959	130,550	155,159	152,832	157,320
Judicial administration	52,020	49,980	51,102	51,654	55,062	49,056	51,926	55,547	57,118	46,124
Public safety	130,263	129,721	129,138	125,270	125,122	120,710	119,828	133,378	160,378	138,890
Public works	132,176	101,137	91,542	71,324	66,909	81,171	79,200	80,825	69,194	66,079
Health and public assistance	91,923	82,368	75,428	90,993	90,919	86,776	85,730	89,103	87,827	91,735
Culture and recreation	73,342	64,352	63,499	56,039	56,499	58,443	60,064	62,996	46,799	58,962
Community development	15,429	18,638	17,223	16,158	12,622	13,040	16,734	15,402	23,320	29,381
Education	101,011	104,511	104,512	109,287	109,467	117,722	114,769	114,972	131,137	136,660
Interest on long-term debt	26,014	27,931	26,822	28,249	25,187	22,060	22,950	19,326	24,965	28,817
Total government activities expenses	<u>735,052</u>	<u>682,188</u>	<u>668,454</u>	<u>668,738</u>	<u>664,443</u>	<u>675,937</u>	<u>681,751</u>	<u>726,708</u>	<u>753,570</u>	<u>753,968</u>
Business-type activities:										
Water utility	64,316	67,852	64,473	61,358	61,609	59,448	59,415	65,319	61,276	63,967
Wastewater utility	18,983	19,707	18,806	19,983	20,128	19,142	19,226	22,072	21,012	20,201
Parking facilities	20,008	22,050	20,469	20,961	23,677	20,045	20,651	21,078	23,084	25,365
Total business-type activities expenses	<u>103,307</u>	<u>109,609</u>	<u>103,748</u>	<u>102,302</u>	<u>105,414</u>	<u>98,635</u>	<u>99,292</u>	<u>108,469</u>	<u>105,372</u>	<u>109,533</u>
Total primary government expenses	<u>838,359</u>	<u>791,797</u>	<u>772,202</u>	<u>771,040</u>	<u>769,857</u>	<u>774,572</u>	<u>781,043</u>	<u>835,177</u>	<u>858,942</u>	<u>863,501</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	(530,911)	(486,787)	(464,576)	(442,325)	(457,882)	(472,579)	(466,715)	(510,641)	(516,921)	(531,470)
Business-type activities	18,642	15,138	18,837	18,913	23,976	35,031	29,230	25,890	34,063	55,940
Total primary government net expense	<u>\$ (512,269)</u>	<u>\$ (471,649)</u>	<u>\$ (445,739)</u>	<u>\$ (423,412)</u>	<u>\$ (433,906)</u>	<u>\$ (437,548)</u>	<u>\$ (437,485)</u>	<u>\$ (484,751)</u>	<u>\$ (482,858)</u>	<u>\$ (475,530)</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenue and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395	\$ 271,461	\$ 277,132	\$ 303,623
Consumption utility	44,053	48,360	43,588	43,211	43,055	42,961	41,849	41,452	41,292	39,947
Sales and use	28,249	28,411	27,599	29,707	29,436	29,981	30,330	31,185	32,799	33,259
Restaurant food	27,292	24,094	30,300	30,818	31,127	32,634	34,224	34,934	37,990	39,210
Business licenses	26,009	25,849	28,667	29,301	29,889	28,640	28,935	30,557	28,529	29,929
Cigarette	7,176	7,161	8,097	7,926	7,409	7,821	7,784	7,860	7,492	7,889
Motor vehicle licenses	4,308	4,313	4,318	4,210	3,966	3,953	4,488	4,642	4,760	4,903
Other	16,528	15,698	18,665	18,124	16,618	18,280	18,424	18,909	21,277	22,127
Interest and investment earnings	892	1,065	916	563	783	164	291	249	270	1,212
Grants and contributions not restricted to specific programs	32,892	32,642	32,726	33,539	33,788	33,793	34,863	36,440	28,158	35,965
Miscellaneous	5,637	5,901	4,653	11,501	14,563	11,916	16,404	30,778	31,189	12,677
Gain on disposal of assets	-	-	-	1,734	-	-	-	-	-	-
Capital contributions Norfolk Public Schools	40,387	11,085	-	-	-	-	-	-	-	-
Transfers between governmental and business-type activities	13,054	10,052	10,087	10,114	10,052	10,033	10,000	10,000	10,000	30,309
<b>Total governmental activities</b>	<b>502,816</b>	<b>470,161</b>	<b>455,055</b>	<b>467,093</b>	<b>475,043</b>	<b>483,666</b>	<b>490,987</b>	<b>518,467</b>	<b>520,888</b>	<b>561,050</b>
Business-type activities:										
Interest and investment earnings	618	511	314	234	496	112	295	432	671	2,507
Grants and contributions not restricted to specific programs	148	557	371	1,626	219	214	149	150	142	134
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	(52)	-
Miscellaneous	3,432	3,431	3,951	4,042	3,162	2,506	2,295	2,228	2,059	2,151
Gain (Loss) on disposal of assets	2,744	(157)	26	9	(88)	(2)	-	-	-	-
Transfers between governmental and business-type activities	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)	(10,000)	(10,000)	(30,309)
<b>Total business-type activities</b>	<b>(6,112)</b>	<b>(5,710)</b>	<b>(5,425)</b>	<b>(4,203)</b>	<b>(6,263)</b>	<b>(7,203)</b>	<b>(7,261)</b>	<b>(7,190)</b>	<b>(7,180)</b>	<b>(25,517)</b>
<b>Total primary governmental activities</b>	<b>496,704</b>	<b>464,451</b>	<b>449,630</b>	<b>462,890</b>	<b>468,780</b>	<b>476,463</b>	<b>483,726</b>	<b>511,277</b>	<b>513,708</b>	<b>535,533</b>
<b>Change in Net Position</b>										
Governmental activities	(28,095)	(16,626)	(9,521)	24,768	17,161	11,087	24,272	7,826	3,967	29,580
Business-type activities	12,530	9,428	13,412	14,710	17,713	27,828	21,969	18,700	26,883	30,423
<b>Total Primary Government changes in net position</b>	<b>\$ (15,565)</b>	<b>\$ (7,198)</b>	<b>\$ 3,891</b>	<b>\$ 39,478</b>	<b>\$ 34,874</b>	<b>\$ 38,915</b>	<b>\$ 46,241</b>	<b>\$ 26,526</b>	<b>\$ 30,850</b>	<b>\$ 60,003</b>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund:</b>										
Nonspendable	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ -	\$ -	-
Restricted	-	395	330	300	265	2,100	3,015	165	145	135
Committed	-	1,899	3,000	3,000	3,000	4,000	5,000	8,698	9,347	10,032
Assigned	-	38,014	34,839	33,919	23,901	25,904	26,557	36,605	44,118	65,231
Unassigned	-	55,968	54,338	54,055	58,100	65,580	73,077	70,652	70,962	76,510
Reserved <sup>(1)</sup>	8,296	-	-	-	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	53,840	-	-	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>62,136</b>	<b>96,281</b>	<b>92,507</b>	<b>91,274</b>	<b>85,266</b>	<b>97,584</b>	<b>107,788</b>	<b>116,120</b>	<b>124,572</b>	<b>151,908</b>
<b>Capital Projects Fund:</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	41,063	95,053	-	10,933	-	-	-	-	-
Committed	-	11,978	14,376	13,637	14,480	14,704	6,170	-	-	4,105
Assigned	-	26,307	15,345	7,339	4,052	-	-	-	-	-
Unassigned	-	-	-	-	-	(84,624)	(216,480)	(190,871)	(128,799)	-
Reserved <sup>(1)</sup>	60,696	-	-	-	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	86,260	-	-	-	-	-	-	-	-	-
<b>Total Capital Projects Fund <sup>(2)</sup></b>	<b>146,956</b>	<b>79,348</b>	<b>124,774</b>	<b>20,976</b>	<b>29,465</b>	<b>(69,920)</b>	<b>(210,310)</b>	<b>(190,871)</b>	<b>(128,799)</b>	<b>4,105</b>
<b>All Other Governmental Funds:</b>										
Nonspendable	-	22	23	24	-	-	-	-	-	-
Restricted	-	2,621	9,474	10,811	10,864	8,385	9,397	6,223	6,340	6,554
Committed	-	11,259	3,246	2,454	5,050	2,764	3,138	5,872	7,323	7,705
Assigned	-	9,877	13,569	20,708	22,144	17,843	26,554	20,345	21,501	22,339
Unassigned	-	-	-	-	(1,556)	(2,913)	(2,689)	(932)	(823)	(66)
Reserved <sup>(1)</sup>	34,634	-	-	-	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	14,008	-	-	-	-	-	-	-	-	-
<b>Total other governmental funds</b>	<b>48,642</b>	<b>23,779</b>	<b>26,312</b>	<b>33,997</b>	<b>36,502</b>	<b>26,079</b>	<b>36,400</b>	<b>31,508</b>	<b>34,341</b>	<b>36,532</b>
<b>Total fund balance, governmental funds</b>	<b>\$ 257,734</b>	<b>\$ 199,408</b>	<b>\$ 243,593</b>	<b>\$ 146,247</b>	<b>\$ 151,233</b>	<b>\$ 53,743</b>	<b>\$ (66,122)</b>	<b>\$ (43,243)</b>	<b>\$ 30,114</b>	<b>\$ 192,545</b>

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

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenue:</b>										
General property taxes	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943	\$ 269,816	\$ 277,559	\$ 303,370
Other local taxes	153,615	153,886	161,234	163,297	161,499	164,270	166,034	169,539	174,139	177,263
Licenses and permits	3,526	3,691	3,574	4,098	3,089	3,013	3,038	3,576	3,292	4,118
Fines and forfeitures	1,164	1,298	1,108	1,102	1,242	1,264	1,111	921	1,068	1,027
Use of money and property	6,746	7,169	6,695	6,539	6,329	9,668	7,354	7,786	7,504	11,098
Charges for services	50,540	47,955	47,859	56,077	60,040	59,983	62,709	62,315	62,383	60,905
Miscellaneous	18,080	14,850	11,643	26,178	29,133	10,142	11,325	12,080	11,311	11,287
Recovered costs <sup>(1)</sup>	9,503	10,723	10,312	11,396	-	-	-	-	-	-
Intergovernmental	152,619	149,489	161,572	161,148	153,782	158,840	166,686	176,784	193,289	182,023
<b>Total revenues</b>	<b>652,848</b>	<b>647,065</b>	<b>656,914</b>	<b>676,194</b>	<b>672,093</b>	<b>669,613</b>	<b>684,200</b>	<b>702,817</b>	<b>730,545</b>	<b>751,091</b>
<b>Expenditures:</b>										
<b>Current</b>										
General government	97,061	80,855	100,504	112,804	109,292	110,904	118,468	127,367	131,203	136,987
Judicial administration	48,726	47,535	48,233	50,920	51,673	51,360	50,513	50,767	52,012	45,914
Public safety	115,488	115,975	116,296	117,427	113,394	112,055	116,436	121,494	123,905	127,610
Public works	59,574	70,124	62,330	54,427	55,267	61,369	58,716	63,231	66,882	62,511
Health and public assistance	89,682	79,757	74,331	88,413	88,671	85,631	85,815	87,330	86,702	87,554
Culture and recreation	51,708	45,862	44,529	47,153	46,705	48,765	44,531	44,825	45,968	45,399
Community development	10,851	16,565	15,142	15,128	12,482	12,303	13,677	14,994	22,237	28,212
Education	101,011	104,511	104,512	109,287	111,854	117,722	114,769	114,972	120,972	122,972
Debt service:										
Principal retirement	46,052	50,865	57,683	50,559	48,135	49,255	46,175	50,663	52,583	49,122
Interest and other charges	23,782	29,675	27,360	27,668	28,682	26,896	26,955	27,150	27,317	32,212
Debt issuance costs	-	-	-	-	1,127	680	318	-	907	1,823
Capital outlay	99,210	76,534	98,892	116,580	100,709	103,113	140,093	98,492	67,938	49,790
<b>Total expenditures</b>	<b>743,145</b>	<b>718,258</b>	<b>749,812</b>	<b>790,366</b>	<b>767,991</b>	<b>780,053</b>	<b>816,466</b>	<b>801,285</b>	<b>798,626</b>	<b>790,106</b>
(Deficiency) of revenues (under) expenditures	(90,297)	(71,193)	(92,898)	(114,172)	(95,898)	(110,440)	(132,266)	(98,468)	(68,081)	(39,015)
<b>Other financing sources (uses):</b>										
Proceeds of refunding bonds	-	84,136	74,859	-	73,428	74,094	-	49,378	27,744	-
Proceeds from capital leases	-	-	-	-	-	-	2,400	-	-	-
Proceeds from line of credit	-	-	-	-	-	1,000	-	-	-	-
Cost of issuance	-	-	-	-	1,127	811	-	(1,106)	-	-
Proceeds of debt (general obligation bonds and notes)	156,208	2,821	109,835	-	77,930	-	-	90,094	95,305	144,820
Payment to refunded bonds escrow agent	-	(84,136)	(74,859)	-	(79,964)	(81,267)	-	(55,684)	(31,799)	-
Premium on bonds issued	3,633	505	15,311	-	17,081	7,530	-	22,586	20,111	24,939
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	-	2,700	1,966	-	-	-	6,080	20,077	1,378
Operating transfers in	104,007	104,873	107,136	112,121	107,633	102,604	107,953	106,474	108,550	128,910
Operating transfers (out)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)	(96,474)	(98,550)	(98,601)
<b>Total other financing sources (uses)</b>	<b>172,895</b>	<b>12,867</b>	<b>137,083</b>	<b>12,081</b>	<b>102,011</b>	<b>12,201</b>	<b>12,400</b>	<b>121,348</b>	<b>141,438</b>	<b>201,446</b>
<b>Net change in fund balances</b>	<b>\$ 82,598</b>	<b>\$ (58,326)</b>	<b>\$ 44,185</b>	<b>\$ (102,091)</b>	<b>\$ 6,113</b>	<b>\$ (98,239)</b>	<b>\$ (119,866)</b>	<b>\$ 22,880</b>	<b>\$ 73,357</b>	<b>\$ 162,431</b>
Debt service as a percentage of noncapital expenditures	9.69%	12.19%	12.27%	11.57%	11.22%	11.28%	10.91%	10.95%	10.77%	11.03%

**Note:**

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

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

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
General government	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739	\$ 7,798	\$ 6,725	\$ 7,570	\$ 10,376
Judicial administration	26,461	27,069	27,880	29,479	28,537	23,113	25,811	27,242	26,163	26,275
Public safety	7,459	12,335	14,217	15,980	11,116	14,226	11,662	12,606	14,991	11,762
Public works	55,542	61,552	77,436	68,326	63,124	76,359	69,609	77,639	98,084	74,029
Health and public assistance	62,585	52,280	51,654	62,657	62,224	57,059	72,181	70,931	60,539	60,707
Culture and recreation	23,976	10,330	11,573	26,284	25,837	9,947	17,301	10,020	9,489	10,050
Community development	7,532	10,040	8,538	10,266	7,626	7,498	8,255	8,360	17,316	27,018
Interest on long-term debt	849	-	2,115	2,587	3,021	2,417	2,419	2,544	2,497	2,281
<b>Total governmental activities</b>	<u>204,140</u>	<u>195,401</u>	<u>203,879</u>	<u>226,412</u>	<u>206,562</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>	<u>236,649</u>	<u>222,498</u>
<b>Business-type activities:</b>										
Water utility	79,349	80,703	78,335	76,585	81,757	85,925	81,087	84,718	86,944	111,927
Wastewater utility	23,815	24,362	24,798	25,469	27,219	28,144	27,823	29,065	30,342	31,222
Parking facilities	18,785	19,682	19,452	19,162	20,414	19,596	19,612	20,576	22,149	22,324
<b>Total business-type activities</b>	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,216</u>	<u>129,390</u>	<u>133,665</u>	<u>128,522</u>	<u>134,359</u>	<u>139,435</u>	<u>165,473</u>
<b>Total primary government</b>	<u>\$ 326,089</u>	<u>\$ 320,148</u>	<u>\$ 326,464</u>	<u>\$ 347,628</u>	<u>\$ 335,952</u>	<u>\$ 337,023</u>	<u>\$ 343,558</u>	<u>\$ 350,426</u>	<u>\$ 376,084</u>	<u>\$ 387,971</u>

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs <sup>(1)</sup>	Inter-governmental	Totals
2010	\$ 257,055	\$ 153,615	\$ 3,526	\$ 1,164	\$ 6,746	\$ 50,540	\$ 18,080	\$ 9,503	\$ 152,619	\$ 652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	N/A	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	N/A	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	N/A	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	N/A	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	N/A	193,289	730,545
2019	303,370	177,263	4,118	1,027	11,098	60,905	11,287	N/A	182,023	751,091
Change 2010-2019	18.0%	15.4%	16.8%	-11.8%	64.5%	20.5%	-37.6%	N/A	19.3%	15.0%

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

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
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
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,488	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
2019	39,947	33,259	39,210	29,929	7,889	4,903	22,126	177,263
Change 2010-2019	-9.3%	17.7%	43.7%	15.1%	9.9%	13.8%	33.9%	15.4%

Notes:

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

N/A - Not Available

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

Fiscal Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2010	\$ 19,940,273	\$ 1,610,680	\$ 226,801	\$ 21,777,754	\$ 21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700
2018	19,870,881	1,938,053	288,054	22,096,988	22,096,988
2019	20,345,182	2,006,838	281,245	22,633,265	22,633,265

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 Fiscal Years**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.25
Downtown improvement district	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.25	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.11	1.15	1.11	1.15	1.15	1.15	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.19	1.19	1.21	1.22	1.22	1.22	1.24	1.23	1.25	1.33
Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	100%	96%	100%	100%	98%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	96%	N/A	100%	100%	99%	100%	99%	97%	97%	97%

- 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 2010 through 2019.
  3. The most recent Virginia Assessment/Sales ratio study is for 2018.
  4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

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

Taxpayer	2010			2019		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MacArthur Shopping Center	164,302,700	2	0.82%	232,330,500	1	1.14%
Virginia Power Co.	\$ 250,544,353	1	1.26%			
ODU Real Estate Foundation	146,219,200	3	0.73%	140,054,800	2	0.69%
Verizon Virginia Inc.	137,765,205	4	0.69%			
Northern Southern	114,940,468	5	0.58%	88,591,700	3	0.44%
SLNWC Office Company LLC				81,533,700	4	0.40%
Norfolk Hotel Associates LLC				73,192,400	5	0.36%
LCP Waterside Hotel Owner, LLC				73,104,600	6	0.36%
Bank of America	88,003,700	6	0.44%			
Ford Motor Company	82,579,100	7	0.41%			
Cox Virginia Telecom	72,055,257	8	0.36%			
Dominion Enterprises				69,320,500	7	0.34%
MPB, Inc.				67,445,200	8	0.33%
Military Circle LLC	66,280,400	9	0.33%	65,274,400	9	0.32%
WIM Core Portfolio Owner, LLC				63,811,400	10	0.31%
Virginia Natural Gas, Inc.	61,520,006	10	0.31%			
	<u>\$ 1,184,210,389</u>		<u>5.94%</u>	<u>\$ 954,659,200</u>		<u>4.69%</u>
	\$ 19,940,273,451			\$ 20,345,181,583		

Note:

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

**City of Norfolk, Virginia  
Revenue Capacity Information  
Schedule 4  
Property Tax Levy and Collections by Tax Year  
Last Ten Years**

Tax Year	Original Tax Levy	Adjusted Tax Levy <sup>(1)</sup>	Current Collections	Percent of Current Collections to Tax Levy <sup>(2)</sup>	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy <sup>(2)</sup>
2010	\$ 258,544	\$ 257,715	\$ 239,192	92.81%	\$ 18,495	\$ 257,687	99.99%
2011	254,756	253,375	235,518	92.95%	17,829	253,347	99.99%
2012	247,528	247,398	233,396	94.34%	13,965	247,361	99.99%
2013	244,309	243,683	229,872	94.33%	13,768	243,640	99.98%
2014	254,008	254,598	240,481	94.46%	12,630	253,111	99.42%
2015	256,040	260,734	245,803	94.27%	13,395	259,198	99.41%
2016	264,043	265,482	251,933	94.90%	11,719	263,652	99.31%
2017	268,718	269,672	255,712	94.82%	11,678	267,390	99.15%
2018	275,648	277,578	262,585	94.60%	10,953	273,538	98.54%
2019	300,270	300,270	285,588	95.11%	-	285,588	95.11%

Notes:

- Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. Information obtained from Office of the City Treasurer.
- Percentage of Collections to Tax Levy are calculated using the adjusted Tax Levy amounts. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2019, were \$301,309,000 of which \$15,721,000 are for prior years and are included under the column entitled "Delinquent Collections."

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

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
<b>Governmental Activities</b>							
2010	\$ 699,748	\$ 1,812	\$ -	\$ 701,560	\$ 2,889	8.46%	0.50
2011	651,755	1,208	-	652,963	2,677	7.72%	0.52
2012	717,407	-	-	717,407	2,919	8.07%	0.46
2013	664,909	-	-	664,909	2,699	7.25%	0.54
2014	718,937	-	-	718,937	2,918	7.82%	0.52
2015	665,809	1,000	-	666,809	2,698	7.06%	0.33
2016	611,876	175,289	-	787,165	3,186	8.34%	0.31
2017	664,941	189,803	-	854,744	3,471	N/A	0.30
2018	720,180	156,574	-	876,754	N/A	N/A	0.29
2019	831,837	9,800	-	841,637	N/A	N/A	0.30
<b>Business-Type Activities</b>							
2010	\$ 201,701	\$ -	\$ 403,485	\$ 605,186	\$ 2,492	7.30%	0.55
2011	189,782	-	445,687	635,469	2,606	7.51%	0.54
2012	193,729	-	439,410	633,139	2,576	7.12%	0.56
2013	184,119	-	486,832	670,951	2,723	7.32%	0.55
2014	259,717	-	410,401	670,118	2,720	7.29%	0.57
2015	247,490	-	443,911	691,401	2,797	7.32%	0.57
2016	236,084	16,711	436,720	689,515	2,791	7.31%	0.61
2017	258,922	10,089	424,459	693,470	2,816	N/A	0.63
2018	261,164	10,000	442,381	713,545	N/A	N/A	0.65
2019	217,515	9,220	443,646	670,381	N/A	N/A	0.69
<b>Total Primary Governmental Activities</b>							
2010	\$ 901,449	\$ 1,812	\$ 403,485	\$ 1,306,746	\$ 5,382	15.76%	0.57
2011	841,537	1,208	445,687	1,288,432	5,283	15.23%	0.54
2012	911,136	-	439,410	1,350,546	5,494	15.19%	0.51
2013	849,028	-	486,832	1,335,860	5,422	14.57%	0.55
2014	978,654	-	410,401	1,389,055	5,638	15.11%	0.49
2015	913,299	1,000	443,911	1,358,210	5,495	14.39%	0.46
2016	847,960	192,000	436,720	1,476,680	5,976	15.65%	0.45
2017	923,863	199,892	424,459	1,548,214	6,287	N/A	0.45
2018	981,344	166,574	442,381	1,590,299	N/A	N/A	0.45
2019	1,049,352	19,020	443,646	1,512,018	N/A	N/A	0.47

Note:

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

N/A - not available

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

Fiscal Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010	\$ 901,449	\$ 201,701	\$ 699,748	\$ 21,777,754	\$ 242,803	3.21%	\$ 2,882
2011	841,537	189,782	651,755	21,383,674	243,985	3.05%	2,671
2012	911,136	193,729	717,407	20,529,023	245,803	3.49%	2,919
2013	849,028	184,119	664,909	20,093,307	246,392	3.31%	2,699
2014	978,654	259,717	718,937	19,788,842	246,394	3.63%	2,918
2015	914,299	247,490	665,809	20,892,353	247,189	3.19%	2,694
2016	1,039,960	252,795	787,165	21,366,996	247,087	3.68%	3,186
2017	1,123,755	269,011	854,744	21,918,700	246,256	3.90%	3,471
2018	1,147,918	271,164	876,754	22,096,988	N/A	3.97%	N/A
2019	1,068,372	226,735	841,637	22,633,265	N/A	3.72%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2011 through 2018 population estimates is the Weldon Cooper Center for Public Service, University of Virginia. The source for the 2010 population estimate is the U.S. Census Bureau.
3. Gross Bonded Debt includes unamortized premiums.

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2019**

	Jurisdiction	Gross Bonded Debt (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:	City of Norfolk	\$ 1,068,372	100%	\$ 1,068,372

Note:

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

**City of Norfolk, Virginia  
Debt Capacity Information  
Schedule 4  
Legal Debt Margin  
June 30, 2019**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assessed value of taxed real property	\$ 19,940,273,451	\$ 19,320,643,495	\$ 18,676,730,533	\$ 18,319,948,478	\$ 18,421,412,121	\$ 18,734,201,726	\$ 19,106,737,956	\$ 19,433,889,018	\$ 19,870,880,970	\$ 20,344,603,804
Debt Limit - 10% of total assessed valuation	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212	1,873,420,173	1,910,673,796	1,943,388,902	1,987,088,097	2,034,460,380
Net debt applicable to debt limitation	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379	988,381,839	1,065,983,734	1,079,595,115	988,038,371
Legal Debt Margin	<u>\$ 1,104,470,669</u>	<u>\$ 1,102,442,422</u>	<u>\$ 990,612,622</u>	<u>\$ 1,013,926,798</u>	<u>\$ 929,440,869</u>	<u>\$ 959,120,794</u>	<u>\$ 922,291,955</u>	<u>\$ 877,405,167</u>	<u>\$ 907,492,982</u>	<u>\$ 1,046,422,009</u>
Net debt percentage of debt limitation	44.61%	42.94%	46.96%	44.65%	49.55%	48.80%	51.73%	54.85%	54.33%	48.57%

**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 <sup>(1)</sup>	Operating Expenses Less Depreciation & Amortization <sup>(2)</sup>	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 82,470,020	\$ 34,567,741	\$ 47,902,279	\$ 9,420,000	\$ 15,929,680	\$ 25,349,680	1.89
2011	83,737,444	37,068,753	46,668,691	9,875,000	16,527,844	26,402,844	1.77
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08
2015	85,490,793	36,882,803	48,607,990	7,805,000	13,905,866	21,710,866	2.24
2016	83,103,038	32,731,817	50,371,221	8,750,000	16,612,870	25,362,870	1.99
2017	86,970,065	37,735,743	49,234,322	10,090,000	15,988,725	26,078,725	1.89
2018	89,419,996	34,889,820	54,530,176	13,860,000	14,376,733	28,236,733	1.93
2019	115,557,713	36,530,929	79,026,784	14,200,000	15,858,467	30,058,467	2.63

Notes:

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

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

Fiscal Year	Revenue Available for Debt Service <sup>(1)</sup>	Operating Expenses Less Depreciation & Amortization <sup>(2)</sup>	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 24,122,430	\$ 11,168,344	\$ 12,954,086	\$ 425,000	\$ -	\$ 425,000	30.48
2011	24,856,689	11,375,370	13,481,319	850,000	-	850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,581,959	17,659,762	2,490,000	-	2,490,000	7.09
2016	28,028,027	10,347,338	17,680,689	3,019,967	-	3,019,967	5.85
2017	29,246,659	12,826,121	16,420,538	3,488,443	-	3,488,443	4.71
2018	30,336,506	11,186,214	19,150,292	3,856,919	-	3,856,919	4.97
2019	31,582,034	11,291,981	20,290,053	4,525,669	-	4,525,669	4.48

Notes:

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

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

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2010	\$ 45,496,455	\$ 1,529,811	\$ 22,898,993	\$ 4,448	\$ 69,929,707	\$ 567,371,918	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%
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007	13.10%
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745	12.82%
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904	12.25%
2017	50,663,318	-	27,149,634	-	77,812,952	618,253,753	12.59%
2018	52,583,233	-	27,316,523	-	79,899,756	644,120,067	12.40%
2019	49,121,542	-	32,211,611	-	81,333,153	661,339,027	12.30%

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.

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

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2009	241,725	8,276,010	34,237	98,751	8.5%
2010	242,803	8,380,127	34,501	112,449	8.8%
2011	243,985	8,608,415	35,342	112,932	8.3%
2012	245,803	8,928,833	36,308	112,848	7.6%
2013	246,392	8,842,338	36,066	112,742	7.0%
2014	246,394	9,122,284	37,052	112,175	6.4%
2015	247,189	9,529,615	38,676	111,318	5.6%
2016	247,087	9,433,045	35,940	110,644	5.2%
2017	246,256	9,811,229	40,094	113,166	4.9%
2018	245,741	10,207,860	41,822	112,100	3.9%

Notes:

1. Population from the Weldon Cooper Center for Public Service, University of Virginia and U.S. Census Bureau. Population data was not available for 2019.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2019.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics.
4. All information on an average annual calendar year.

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

Employer	Rank	
	2010	2019
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City School Board/Public Schools	2	3
City of Norfolk	4	4
Old Dominion University	5	5
Children's Hospital of the King's Daughters	6	6
Portfolio Recovery Associates	10	7
Eastern Virginia Medical School - Medical College of Hampton Roads	9	8
The Wellpoint Companies		9
Norfolk State University	8	10
Norshipco	7	
<b>Total Employment</b>	<b>93,314</b>	<b>139,076</b>

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2019 is the quarter ended December 2018, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics, 1<sup>st</sup> Quarter 2010 and 1<sup>st</sup> Quarter 2019.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

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

Fiscal Year	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2010	191	621	\$ 58,729	35	\$ 104,922
2011	221	479	37,298	27	40,073
2012	268	371	39,360	26	116,401
2013	384	822	63,728	28	105,635
2014	432	1,393	93,072	33	37,575
2015	399	729	59,018	36	233,824
2016	384	894	74,377	20	91,171
2017	459	1,193	68,571	25	82,443
2018	346	597	54,899	15	118,459
2019	274	1,125	83,245	31	238,513

Notes:

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

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

	Calendar Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Goods-Producing Industries:</b>										
Construction	5.0	4.7	4.4	4.1	3.8	3.8	4.2	4.1	4.6	4.5
Manufacturing	7.1	6.8	6.5	6.8	6.7	6.1	6.3	6.0	6.1	6.7
<b>Service-Providing Industries:</b>										
Wholesale trade	4.3	4.1	3.9	3.7	3.5	3.5	3.5	3.5	3.3	2.1
Retail trade	12.9	12.8	12.9	12.6	12.8	12.7	12.7	12.7	12.8	12.3
Transportation and warehousing	8.8	8.8	8.8	9.0	8.8	8.8	8.8	8.6	8.6	8.2
Information	3.0	2.7	2.5	2.9	2.9	2.8	2.9	3.0	2.9	2.4
Finance and insurance	6.1	5.4	5.5	5.3	5.3	5.6	5.2	5.3	5.1	5.2
Real estate and rental and leasing	2.7	2.6	2.6	2.5	2.7	2.6	2.6	2.5	2.6	2.4
Professional and technical services	11.7	11.6	11.5	11.0	11.4	11.0	10.5	10.4	10.7	10.9
Management of companies and enterprises	2.3	2.1	2.0	2.0	1.9	1.8	1.7	1.6	1.6	1.8
Administrative, support and waste services	6.6	6.6	7.4	6.8	7.6	7.7	7.7	7.3	8.3	9.3
Educational services	16.1	16.1	15.9	16.0	16.1	15.9	15.6	15.4	15.0	19.1
Healthcare and social assistance	20.7	21.0	21.9	22.4	22.4	21.8	22.0	22.8	23.1	21.8
Arts, entertainment and recreation	2.3	2.2	2.3	2.3	2.3	2.3	2.2	2.3	2.3	1.9
Accommodation and food services	10.3	10.3	10.9	10.9	10.6	10.5	10.9	11.2	11.5	11.3
Public administration	14.1	13.9	14.2	14.4	12.7	12.4	18.0	18.4	18.2	18.3
Other services	3.8	3.8	4.0	4.1	4.2	4.3	4.1	4.2	4.5	4.5
<b>Total (adjusted for rounding)</b>	<b>138.7</b>	<b>136.3</b>	<b>138.0</b>	<b>137.8</b>	<b>136.4</b>	<b>134.4</b>	<b>139.7</b>	<b>140.2</b>	<b>141.9</b>	<b>142.7</b>

**Notes:**

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. This schedule includes data for the ten-year period 2009 - 2018 as calendar year. Calendar year data not available for 2019.

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

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
General government	438	492	501	461	425	473	450	453	441	442
Judicial administration	14	12	10	13	12	10	10	10	10	11
Public safety										
Police	878	891	879	828	837	823	838	874	843	843
Fire	517	510	517	507	504	489	489	504	482	482
Other	83	90	90	77	76	76	74	70	65	65
Public works	440	431	427	395	388	369	383	387	379	379
Health and public assistance	485	532	534	709	697	697	715	710	686	686
Culture and recreational	509	512	501	459	456	429	442	446	455	455
Community development	113	137	142	94	96	103	128	132	131	131
<b>Business-type activities:</b>										
Water utility	269	289	289	266	273	265	262	259	258	258
Wastewater utility	95	103	104	99	99	95	94	92	91	91
Parking facilities	87	85	85	85	76	63	58	53	54	54
<b>Total full-time equivalent positions</b>	<b>3,928</b>	<b>4,084</b>	<b>4,079</b>	<b>3,993</b>	<b>3,937</b>	<b>3,892</b>	<b>3,941</b>	<b>3,990</b>	<b>3,895</b>	<b>3,895</b>

Note:

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

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

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Service calls	245,336	241,282	251,099	245,620	259,938	240,459	241,530	235,763	247,070	239,755
Arrests	28,069	27,930	29,080	27,073	25,850	21,404	19,364	17,938	19,382	19,499
Reports filed	31,487	30,507	28,649	28,035	26,060	26,039	27,322	27,287	24,168	23,286
Fire:										
Incidences (fires, EMS)	40,234	40,641	45,350	44,370	43,713	44,699	46,670	47,232	45,039	44,817
Highways and Streets:										
Streets resurfacing (miles)	69	67	139	53	76	26	41	78	77	74
Sanitation:										
Total solid waste collected and disposed (tons)	100,480	84,162	89,106	83,297	79,382	80,128	84,162	87,851	81,974	86,568
Water Utilities:										
Water delivered to water mains (gallons in thousands)	22,666,500	22,810,560	22,039,690	21,532,680	21,147,530	21,530,000	21,349,210	21,920,310	21,498,500	21,364,650
Total water consumption (gallons in thousands)	21,280,000	21,155,000	20,360,972	20,109,000	20,241,312	20,054,780	19,282,870	19,649,330	19,548,271	19,178,839
Percent of unmetered water	6.11%	7.25%	7.62%	6.62%	4.29%	6.85%	9.68%	10.36%	9.07%	10.23%
Average daily delivery (gallons in thousands)	62,100	62,494	60,217	58,994	57,938	59,000	58,320	60,060	59,900	59,890
Maximum daily pumpage (gallons in thousands)	76,400	80,200	76,310	74,640	74,890	88,970	67,610	72,220	81,000	69,940
Minimum daily pumpage (gallons in thousands)	52,200	52,350	50,070	49,890	48,030	51,110	51,010	48,120	50,000	49,790

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

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Fire										
Fire stations	14	14	14	14	14	14	14	14	14	14
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	8	8	8	8	7	8	8	8	8
Elementary (K - 8 & Pre K - 8)	35	35	34	33	33	33	33	33	33	33
Other educational facilities	5	5	6	6	6	7	10	10	10	10
Libraries	11	11	11	11	11	11	11	11	12	12
Public Recreation:										
Parks:										
Acreage	587	587	587	587	587	587	630	630	630	630
Regional parks	2	2	2	2	2	2	2	2	2	2
Neighborhood parks	71	71	71	71	71	71	72	72	72	72
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1
Playgrounds	101	101	101	102	105	106	106	106	106	106
Hiking trails (miles)	2	2	2	2	2	2	5	5	5	5
Recreation:										
Acreage	957	957	957	957	957	957	981	981	981	977
Recreational and senior centers	30	30	30	30	30	30	30	30	30	29
Swimming pools	6	6	6	6	6	6	6	6	6	6
Tennis courts	148	148	142	142	142	142	142	142	142	138
Baseball/softball diamonds	86	86	86	86	86	86	86	86	86	86
Football/soccer fields	49	49	49	49	49	49	49	49	49	49
Field hockey	3	3	3	3	3	3	3	3	3	3
Basketball courts	203	203	201	201	201	201	201	201	201	199
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	3	2	2	2	2	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,188	2,188	2,189	2,174	2,175	2,166	2,195	2,213	2,220	2,250
Sidewalks (miles)	968	968	968	968	887	887	902	902	906	909
Bridges	50	50	50	50	50	52	52	53	53	53
Signalized intersections	301	304	305	304	311	312	312	313	315	315
Street lights	30,717	31,277	31,132	31,138	31,138	31,269	31,289	32,081	32,121	32,786
Utilities:										
Water customer accounts	66,140	64,289	64,440	64,654	64,856	65,687	65,426	65,673	65,984	66,151
Miles of water main in the system	835	838	824	826	828	828	821	822	821	822
Capital assets (in '000)										
Water fund	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 533,746	\$ 561,297	\$ 566,863	\$ 570,315
Wastewater fund	183,974	198,842	214,308	229,891	238,931	249,210	261,039	266,307	272,992	280,035
Total utilities assets (in '000)	\$ 626,278	\$ 647,249	\$ 684,774	\$ 710,890	\$ 726,508	\$ 752,869	\$ 794,785	\$ 827,604	\$ 839,855	\$ 850,350
Convention Center:										
Meeting rooms	8	8	8	8	8	8	8	58	58	58
Meeting/ballroom space/exhibit (square feet)	68,130	68,130	68,130	68,130	68,130	68,130	68,130	118,879	118,879	118,879
Parking Facilities:										
Parking lots/garages	26	25	24	24	24	24	25	27	27	27
Parking meters	584	584	756	738	752	676	643	643	643	643
Storm Water Management:										
Miles of storm sewers	357	357	357	366	386	386	404	385	385	385

**City of Norfolk, Virginia  
Operating Information  
Schedule 4  
Water System Statistics  
As of June 30, 2019**

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

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
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
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9
2017	15.7	31.5	4.6	2.1	53.9
2018	15.6	30.7	5.1	2.2	53.6
2019	15.5	30.2	4.9	2.0	52.6

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

Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	Average Cost (\$/Mgal <sup>1</sup> )
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
2014	34,920,000	6,092,000	5.73
2015	35,846,000	6,136,000	5.84
2016	35,288,000	5,769,000	6.12
2017	36,213,000	5,717,000	6.33
2018	37,929,000	5,702,000	6.65
2019	38,776,000	5,659,000	6.85

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

Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	Average Cost (\$/Mgal <sup>1</sup> )
2011	\$ 28,703,000	12,307,800	\$ 2.33
2012	25,519,000	11,826,000	2.16
2013	22,643,000	11,739,000	1.93
2014	23,188,000	11,614,000	1.99
2015	23,771,000	11,257,000	2.11
2016	23,731,000	11,263,000	2.11
2017	24,722,000	11,489,000	2.15
2018	23,548,000	11,200,000	2.10
2019	25,158,000	11,015,000	2.28

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

Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	Average Cost (\$/Mgal <sup>1</sup> )
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
2014	9,927,000	1,571,000	6.32
2015	12,017,000	1,838,000	6.54
2016	10,356,000	1,530,000	6.77
2017	11,710,000	1,662,000	7.05
2018	13,310,000	1,844,000	7.22
2019	13,315,000	1,774,000	7.51

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

Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	Average Cost (\$/Mgal <sup>1</sup> )
2011	\$ 4,299,000	803,000	\$ 5.35
2012	4,691,000	840,000	5.58
2013	5,099,000	897,500	5.68
2014	4,912,000	835,300	5.88
2015	5,009,000	823,800	6.08
2016	4,718,000	720,000	6.55
2017	5,100,000	781,000	6.53
2018	5,471,000	802,000	6.82
2019	5,148,000	718,000	7.17

<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, 2017 - June 30, 2018  
July 1, 2018 - June 30, 2019
- 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.

**City of Norfolk, Virginia  
Operating Information  
Schedule 5  
Wastewater System Statistics  
As of June 30, 2019**

**The Wastewater System**

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

Approximate population served	244,076	citizens
Total wastewater pumping stations	135	pump stations
Miles of gravity wastewater mains	685	miles
Miles of wastewater force mains	68	miles

**Organization and Management**

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities, and Robert Carteris 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:

<u>Fiscal Year</u>	<u>Retail Rate</u>
2018	\$4.13 per 100 cubic feet
2019	\$4.30 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

**Largest Users**

<u>Rank</u>	<u>Entity</u>	<u>Usage (CCF)</u>
1	Norfolk Redevelopment and Housing Authority	462,716
2	BAE Systems	145,015
3	Old Dominion University	133,716
4	Sentara Norfolk General	126,408
5	Virginia International Terminals	69,248

**Operating Income**

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>
Total Operating Revenues	\$ 29,240,091	\$ 30,315,078	\$ 31,309,706
Total Operating Expenses	<u>19,452,987</u>	<u>18,039,472</u>	<u>18,280,874</u>
Total Operating Income	<u>\$ 9,787,104</u>	<u>\$ 12,275,606</u>	<u>\$ 13,028,832</u>

**City of Norfolk, Virginia  
Operating Information  
Schedule 6  
Parking System Statistics  
As of June 30, 2019**

**Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages**

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	\$3.00	9 PM to 3 AM/Collect-On-Entry	\$5.00
2 to 3 Hours	\$4.50	Special Event Rate/Collect-On-Entry	\$5.00
3 to 4 Hours	\$6.00		
4 to 5 Hours	\$7.50		
5 to 6 Hours	\$9.00		
6 to 7 Hours	\$10.50		
7 to 8 Hours	\$12.00		
Maximum Daily Rate (up to 24 Hours)	\$13.00		
Lost Ticket/Per Day	\$13.00		

**Short-term Parking Rates at the MacArthur Center Garages**

Monday - Friday	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	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four-hour limit
ODU Village	161 meters located on 41 <sup>st</sup> , 43 <sup>rd</sup> , 45 <sup>th</sup> , 46 <sup>th</sup> , 47 <sup>th</sup> Street and Monarch Way	\$0.50 per 30 minutes

**Monthly Parking Rates at all City-Owned Facilities**

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

**Parking Fines**

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

**Parking Fines**

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2011	62,731	\$ 2,062,060	82%
2012	58,928	2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%
2017	39,542	1,956,999	82%
2018	36,990	2,089,907	87%
2019	35,582	1,481,645	76%

**Additional Information**

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.  
July 1, 2017 - June 30, 2018  
July 1, 2018 - June 30, 2019

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.



**This page left intentionally blank**

# COMPLIANCE SECTION





**This page left intentionally blank**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2019. The City's financial statements include the operations of the Norfolk Public Schools and Norfolk Economic Development Authority for the year ended June 30, 2019. Our audit described below did not include operations of these entities because these entities engaged for their own separate audit in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 a 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. 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as items 2019-001.

**City of Norfolk's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 22, 2019



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### **Report on Compliance for Each Major Federal Program**

We have audited City of Norfolk, Virginia's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 22, 2019

**CITY OF NORFOLK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

---

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

---

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes          x     no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes          x     none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes          x     no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes          x     no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes          x     none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes          x     no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.561	Supplemental Nutrition Assistance Program
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
66.458	Clean Water State Revolving Fund
84.041	Impact Aide

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

    x     yes      \_\_\_\_\_ no

**CITY OF NORFOLK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

None

---

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

---

None

**CITY OF NORFOLK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

---

**SECTION IV – FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

---

**2019-001: Lack of Controls over the Virginia Department of Social Services (VDSS) Information Security Policy**

**Criteria:** In accordance with the Commonwealth of Virginia Auditor of Public Accounts *Specifications for Counties, Cities and Towns*, Chapter 3, Section 15, “*All employees, contractors, vendors, volunteers and work experience personnel shall receive role based Information Security and Privacy Awareness training. This training will occur upon initial hiring or prior to his or her access to VDSS systems. All users will receive annual security training at a date to be determined by the VDSS Central Office security staff. VDSS policy requires at least one hour of training completed annually within 365 days of the last training*”.

**Condition:** For one out of twenty-five employees tested, the City did not have documentation verifying the employee completed the required annual security training.

**Cause:** The City did not follow current procedures in place to ensure that documentation was maintained related to the VDSS Information Security Policy.

**Effect:** The City is not in compliance with the Virginia requirements to maintain documentation of employee completion of the required annual security training.

**Recommendation:** We recommend that the City adhere to its current policies and procedures to ensure that documentation for the required annual security training is on file for all required employees.

**Views of Responsible Officials:** The City office responsible for VDSS security will enhance the instructions provided to supervisors performing the security training reviews of employees and will add a second supervisory review to further strengthen the oversight of this process to ensure that all employees complete the annual training. The City recognizes the importance of and is committed to ongoing quality improvement and working to improve internal controls that ensure accurate and timely compliance with State and City requirements.

City of Norfolk  
810 Union Street  
Norfolk, Virginia 23510  
[www.Norfolk.gov](http://www.Norfolk.gov)



*A Publication of the City of Norfolk, Virginia*