

**NEW ISSUE**

Book-Entry Only

Bonds Ratings: Moody's Aa2  
S&P AA+  
(See "Ratings" herein) Fitch AA+

**CITY OF NORFOLK, VIRGINIA****\$10,500,000****General Obligation****Qualified Energy Conservation Bonds,****Series 2016C****Dated: Date of Delivery****Due: As shown on the inside front cover**

The City of Norfolk, Virginia (the "City"), prepared this Official Statement to provide information on the above-referenced bonds (the "Bonds"). This cover page presents a summary of selected information for your convenience and does not provide a complete description of the Bonds. To make an informed decision regarding the Bonds, this Official Statement should be read in its entirety.

<b>Tax Matters</b>	<b>In the opinion of Bond Counsel, under current law, interest on the Bonds is includible in gross income for federal income tax purposes,</b> see "TAX MATTERS." Bond Counsel is further of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the sections herein "TAX MATTERS" regarding other tax considerations.
<b>Security</b>	The Bonds are general obligations of the City. See the section herein "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."
<b>Redemption</b>	See inside front pages and see the section "DESCRIPTION OF THE BONDS-Redemption Provisions," for a description of the redemption provisions for the Bonds.
<b>Authorization</b>	Ordinance No. 46,413 adopted by the City Council of the City on June 14, 2016.
<b>Purpose</b>	The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and (ii) pay the costs of issuance of the Bonds. See the section herein "PART I - APPLICATION OF PROCEEDS OF THE BONDS."
<b>Interest Payment Dates</b>	Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing April 1, 2017.
<b>Record Date</b>	March 15 for the April 1 payment date and September 15 for the October 1 payment date.
<b>Registration</b>	Book-Entry Only; The Depository Trust Company.
<b>Denomination</b>	\$5,000 or multiples thereof.
<b>Closing/Delivery Date</b>	On or about October 19, 2016.*
<b>Bond Counsel</b>	McGuireWoods LLP, Richmond, Virginia.
<b>Financial Advisor</b>	Public Financial Management, Inc., Arlington, Virginia.
<b>Registrar/Paying Agent</b>	Director of Finance of the City.
<b>Issuer Contact</b>	Director of Finance of the City. (757) 664-4346.

Dated: September 27, 2016

**CITY OF NORFOLK, VIRGINIA**  
**\$10,500,000**  
**General Obligation Qualified Energy Conservation Bonds, Series 2016C**

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

\$6,835,000 3.000% Term Bonds, due October 1, 2035, priced at 100.000% to yield 3.000%, CUSIP<sup>†</sup> 655867 TL3

\$3,665,000 3.050% Term Bonds, due October 1, 2036, priced at 100.000% to yield 3.050%, CUSIP<sup>†</sup> 655867 TM1

*Optional Redemption of the Bonds.* The Bonds are subject to redemption at the option of the City on any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

(a) the price set forth above (but not less than 100%) of such Bonds to be redeemed; or

(b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption (the "Scheduled Redemption Date") of such Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as hereinafter defined, plus 25 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on October 1, 2035, are subject to mandatory sinking fund redemption in part, on October 1, in the years and the amounts set forth below:

<u><b>Year</b></u>	<u><b>Amount</b></u>
2034	\$3,180,000
2035 (maturity)	3,655,000

*Extraordinary Optional Redemption of the Bonds.* On any day on or after the occurrence of an Extraordinary Event, as hereinafter defined, the Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part (in increments of \$5,000), at a redemption price equal to the par amount of such Bonds plus unpaid interest accrued on the Bonds to be redeemed to the Scheduled Redemption Date.

*Definition of Treasury Rate.* "Treasury Rate" shall mean, with respect to any Scheduled Redemption Date for a particular Bond, the yield to maturity as of such Scheduled Redemption Date of United States Department of the Treasury ("Treasury") securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 days, prior to the Scheduled Redemption Date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Scheduled Redemption Date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the Scheduled Redemption Date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used.

*Definition of Extraordinary Event.* An "Extraordinary Event" means an event after which the City determines that a material adverse change has occurred to Sections 54A, 54D or 6431 of the Internal Revenue

<sup>†</sup> See the last paragraph on page (i) regarding the use of CUSIP numbers in this Official Statement.

Code of 1986, as amended, or there is any guidance published by the Internal Revenue Service (the "IRS") or the Treasury with respect to such sections or any other determination by the IRS or the Treasury, which determination is not the result of any act or omission by the City, pursuant to which the City's interest subsidy payments from the Treasury are reduced or eliminated.

*Calculation of Redemption Price.* The redemption price of any Bonds to be redeemed by Optional or Extraordinary Optional Redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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# **CITY OF NORFOLK, VIRGINIA**

## **CITY COUNCIL**

Kenneth Cooper Alexander, Mayor  
Dr. Theresa W. Whibley, Vice Mayor

Mamie Johnson  
Andria McClellan  
Paul R. Riddick

Thomas R. Smigiel  
Martin A. Thomas, Jr.  
Angelia M. Williams Graves

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## **CITY OFFICIALS**

Marcus D. Jones, City Manager  
Christine Garczynski, Director of Finance  
Bernard A. Pishko, City Attorney

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## **BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

## **FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Arlington, Virginia

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

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

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The underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) over allot in arranging the sales of the Bonds and (ii) make purchases and sales of the Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriter may determine. Such stabilization, if commenced, may be discontinued at any time.

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

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

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

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CITY OF NORFOLK, VIRGINIA

GENERAL PURPOSE FINANCIAL

STATEMENTS FOR THE FISCAL YEAR

ENDED JUNE 30, 2015

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FORM OF BOND COUNSEL OPINION

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FORM OF CONTINUING DISCLOSURE

AGREEMENT

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BOOK-ENTRY ONLY SYSTEM

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# **OFFICIAL STATEMENT**

## **Relating to the Issuance of**

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

**\$10,500,000**

**General Obligation**

**Qualified Energy Conservation Bonds,  
Series 2016C**

#### **PART I**

#### **THE BONDS**

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfolk, Virginia (the "City"), of its \$10,500,000 General Obligation Qualified Energy Conservation Bonds, Series 2016C (the "Bonds").

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

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

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

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

## **DESCRIPTION OF THE BONDS**

### **General**

The Bonds shall be dated the date of delivery and shall be payable in annual installments, subject to prior redemption, in the principal amounts and at the rates set forth on the inside pages of this Official Statement. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing April 1, 2017. Interest on the Bonds is calculated on the basis of a 360 day year comprised of 12 months of 30 days each. The record date for the Bonds is March 15 for the April 1 payment date and September 15 for the October 1 payment date.

### **Designation of the Bonds as Qualified Energy Conservation Bonds and Specified Tax Credit Bonds**

The City will designate and issue the Bonds as "qualified energy conservation bonds" ("Qualified Energy Conservation Bonds") as such term is defined in Section 54D of the Internal Revenue Code of 1986, as amended (the "Code") and will irrevocably elect to treat the Bonds as "specified tax credit bonds" ("Specified Tax Credit Bonds") as defined in Section 6431(f) of the Code. Section 6431(f) of the Code authorizes an issuer of a Specified Tax Credit Bond periodically to receive a refundable credit under Section 6431 of the Code (the "Interest Subsidy Payment") in lieu of providing a federal tax credit to the owner of such bond.

### **Redemption Provisions**

*Optional Redemption of the Bonds.* The Bonds are subject to redemption at the option of the City of any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

(1) the price set forth on the inside cover page (but not less than 100%) of such Bonds to be redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption (the "Scheduled Redemption Date") of such Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 25 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

For purposes of this Official Statement, the term "Treasury Rate" shall mean, with respect to any Scheduled Redemption Date for a particular Bond, the yield to maturity as of such Scheduled Redemption Date of United States Department of the Treasury ("Treasury") securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 days, prior to the Scheduled Redemption Date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Scheduled Redemption Date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the Scheduled Redemption Date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on October 1, 2035, are subject to mandatory sinking fund redemption in part, on October 1, in the years and the amounts set forth below:

<u>Year</u>	<u>Amount</u>
2034	\$3,180,000
2035 (maturity)	3,655,000

*Extraordinary Optional Redemption of the Bonds.* On any day on or after the occurrence of an Extraordinary Event, as hereinafter defined, the Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part (in increments of \$5,000), at a redemption price equal to the par amount of such Bonds plus unpaid interest accrued on the Bonds to be redeemed to the Scheduled Redemption Date.

For purposes of this Official Statement, the term "Extraordinary Event" will have occurred if the City determines that a material adverse change has occurred to Sections 54A, 54D or 6431 of the Code, or there is any guidance published by the Internal Revenue Service (the "IRS") or the Treasury with respect to such sections or any other determination by the IRS or the Treasury, which determination is not the result of any act or omission by the City, pursuant to which the City's interest subsidy payments from the Treasury are reduced or eliminated.

*Calculation of Redemption Price.* The redemption price of any Bonds to be redeemed by optional or extraordinary optional redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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

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

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

### **Special Redemption Considerations for the Bonds**

The Code requires that the City redeem the portion of the Bonds in an amount equal to the unexpended Available Project Proceeds, as hereinafter defined, that may exist on October 19, 2019 (unless such date is extended by the IRS for up to an additional two years). This redemption will be effected through the optional redemption provisions described in "DESCRIPTION OF THE BONDS – Redemption Provisions-Optional Redemption of the Bonds" above (and not pursuant to the redemption provisions relating to an Extraordinary Event described above). The City anticipates expending all of the Available Project Proceeds of the Bonds within three years of the date of issuance. However, there can be no assurance that all such proceeds will be expended prior to the date that would require the City to exercise its right to cause the optional redemption of the applicable portion of the Bonds to maintain the status of the Bonds as Qualified Energy Conservation Bonds. "Available Project Proceeds" means (i) the excess of (A) the proceeds received by the City from the sale of the Bonds (the par amount or \$10,500,000) over (B) the issuance costs of the Bonds to be paid from such proceeds (to the extent that such issuance costs (including underwriters' discount) do not exceed 2% of such proceeds (or \$210,000)), and (ii) the proceeds derived from any investment of the excess described in clause (i) of this definition.

### **Restriction on Defeasance of the Bonds**

The City will not defease or permit a defeasance of any of the Bonds unless it receives an opinion from nationally-recognized bond counsel to the effect that (i) the holders of the Bonds being defeased will not recognize income, gain or loss for United States ("U.S.") federal income tax purposes as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the Bonds being defeased. See the subsection "TAX MATTERS – Defeasance."

## **AUTHORIZATION AND PURPOSES OF THE BONDS**

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), as authorized by Ordinance No. 46,413, adopted by the City Council of the City (the "City Council") on June 14, 2016 (the "Ordinance").

The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and (ii) pay the costs of issuance of the Bonds as set forth in the sections "PLAN OF FINANCE" and "APPLICATION OF PROCEEDS OF THE BONDS." The issuance of a portion of the Bonds to refund certain outstanding obligations of the City is subject to market conditions.

## **PLAN OF FINANCE**

### **Capital Projects Financing**

The City expects to use the proceeds of the Bonds to pay the costs of energy conservation projects, which are identified in the City's Capital Improvement Program, as the City Council may amend it from time to time.

## **Contemporaneous Closing of Tax-Exempt Financing**

The City sold its \$106,685,000 General Obligation Capital Improvement Bonds, Series 2016A (the "2016A Bonds") and its \$69,870,000 General Obligation Refunding Bonds, Series 2016B (the "2016B Bonds") on September 28, 2016, by negotiated sale. The 2016A Bonds and the 2016B Bonds were offered for sale pursuant to a separate official statement. The City expects to close the sale of the Bonds and the 2016A Bonds and 2016B Bonds on or about October 19, 2016. The closing of the Bonds and the closing of the 2016A Bonds and the 2016B Bonds is not contingent upon one another. However, the failure of one series to close could have a negative impact on the price and marketability of the other series.

### **APPLICATION OF PROCEEDS OF THE BONDS**

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

Sources of Proceeds:	
Par Amount of the Bonds	<u>\$10,500,000.00</u>
Total:	<u><u>\$10,500,000.00</u></u>
Uses of Proceeds:	
Deposit to Project Fund	\$10,441,379.14
Costs of Issuance*	<u>58,620.86</u>
Total:	<u><u>\$10,500,000.00</u></u>

\* Includes underwriters' discount and other costs of issuing the Bonds, including, but not limited to, legal, financial advisory, rating and printing.

### **SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**

#### **General**

The Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose. In order to provide for the maturing principal of some of the Bonds, the City expects to make annual deposits into a sinking fund. See the subsection "THE BONDS – Description of the Bonds – Redemption Provisions."

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

## **Bondholders' Remedies in Event of Default**

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond or note in default as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "Governor") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply a sufficient portion of the amount so withheld to payment of the defaulted principal and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessor provisions, Section 15.1-225. Each fiscal year of the City (each a "Fiscal Year") ends on June 30, and for Fiscal Year 2015, the Commonwealth provided \$104,435,976 to the City which was deposited in the City's General Fund.

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

## **TAX MATTERS**

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

Bond Counsel's opinion with respect to the Bonds will state that, based on current law, interest on the Bonds is includible in the gross income of the owners thereof for purposes of federal income taxation.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds. See Appendix B for the form of the opinion of Bond Counsel for each series of the Bonds.

### **Summary**

The following is a summary of certain of the U.S. federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective purchaser of the Bonds should consult with its own tax advisor regarding the application of U.S. federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the



prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the Bonds that are "U.S. holders," as hereinafter defined, deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold the Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the U.S., a corporation, partnership or other entity created or organized in or under the laws of the U.S. or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

### **General Federal Income Tax Status of the Bonds**

The Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Bonds that allocate a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the Bonds for an amount that is less than the principal amount of the Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

### **Sale and Exchange of the Bonds**

Upon a sale or exchange of a Bond, an owner generally will recognize gain or loss on the Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includible in the gross income of the owner with respect to the Bonds and decreased by any principal payments received on the Bond. In general, if the Bond is held for longer than one year, any gain or loss would be long-term capital gain or loss, and capital losses are subject to certain limitations.

## **Defeasance**

Defeasance of any Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Bond. The City will not defease or permit the defeasance of any Bonds, unless it receives an opinion from nationally-recognized bond counsel to the effect that (i) the holders of the Bonds being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the Bonds being defeased. See the subsection "DESCRIPTION OF THE BONDS – Restriction on the Defeasance of the Bonds."

## **Foreign Investors**

Distributions of the Bonds to a non-U.S. holder that has no connection with the U.S. other than holding its Bond generally will be made free of withholding tax, as long as that the non-U.S. holder has complied with certain tax identification and certification requirements.

## **Medicare Tax**

For taxable years beginning after December 31, 2014, an additional 3.8% tax will be imposed on the "net investment income" of certain individuals, estates and trusts that have "modified adjusted gross income" above a certain threshold. Net investment income includes, but is not limited to, the interest on the Bonds and gains from the disposition of a Bond. Prospective investors should consult their tax advisors regarding the possible applicability of this tax to an investment in the Bonds.

## **Backup Withholding**

Under current U.S. federal income tax laws, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

## **Interest Subsidy Payments**

The City will designate the Bonds as Qualified Energy Conservation Bonds and will irrevocably elect to treat the Bonds as Specified Tax Credit Bonds. Section 6431(f) of the Code authorizes an issuer of a Specified Tax Credit Bond periodically to receive a refundable Interest Subsidy Payment in lieu of providing a federal tax credit to the owner of such bond. If such Specified Tax Credit Bond is a Qualified Energy Conservation Bond, Section 6431(b) (as modified by Section 6431(f)) requires the Secretary of the Treasury to pay (contemporaneously with each interest payment date under a Specified Tax Credit Bond) to the issuer of such bond an amount equal to 70% of the lesser of (i) the amount of interest payable under such bond on such date or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) with respect to such bond.

An owner of a Specified Tax Credit Bond such as a Bond is entitled to receive only periodic payments of current interest in addition to the payment of the principal of and premium, if any, thereon at maturity or upon earlier redemption. Section 6431(f)(1)(D) of the Code provides that the interest on a



Specified Tax Credit Bond is includible in gross income for purposes of federal income taxation. Interest Subsidy Payments on Specified Tax Credit Bonds are subject to sequestration. During the federal fiscal year 2017, Interest Subsidy Payments will be reduced as a result of the ongoing federal sequestration and are expected to be reduced in part for future federal fiscal years. The Interest Subsidy Payments to be received by the City are not directly pledged as security for or a source of payment of the principal of, or interest on, or any premium, if any, on the Bonds.

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

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

### **PENDING LITIGATION**

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

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

### **RATINGS**

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies listed herein, including information that may not be included in this Official Statement. The Bonds have been rated 'Aa2' by Moody's Investors Service ("Moody's"), 'AA+' by S&P Global Ratings ("S&P") and 'AA+' by Fitch Ratings ("Fitch").

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

### **FINANCIAL STATEMENTS**

The City's audited general purpose financial statements for the Fiscal Year 2015 are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

## **FINANCIAL ADVISOR**

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

## **SALE AT COMPETITIVE BIDDING**

The Bonds were offered for sale by competitive bid on September 27, 2016. The Bonds were awarded to RBC Capital Markets, LLC ("RBC") at a price to the City that results in an underwriter's discount of \$28,980.00 from the initial public offering prices derived from the prices shown on the inside cover. RBC has supplied the information as to the yields and prices with respect to the Bonds shown on the inside cover. RBC may offer to sell the Bonds to certain dealers and others at prices lower or yields higher than such initial public offering prices.

## **CERTIFICATE REGARDING OFFICIAL STATEMENT**

Concurrently with the delivery of the Bonds, officials who signed the Bonds will certify that, to the best of their knowledge (i) the Final Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading and (ii) that no litigation is pending or threatened against the City (A) to restrain or enjoin the issuance or delivery of any of the Bonds, (B) in any way contesting or affecting any authority for the issuance or validity of the Bonds or (C) in any way contesting the existence or powers of the City. Such certificate will also state, however, that such officials did not independently verify the information in the Final Official Statement from sources other than the City, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

## **CONTINUING DISCLOSURE**

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

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

As described below, the City did not comply with certain continuing disclosure undertakings with respect to its parking system revenue bonds (no parking system revenue bonds are outstanding) by not

filing in a timely manner with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system specified operating data for certain prior Fiscal Years. The omitted data was included previously in the statistical section of the City's Comprehensive Annual Financial Report but was inadvertently omitted for such years, and subsequently, the City filed such information. The City has established procedures to reduce the likelihood of future reoccurrences.

### **MISCELLANEOUS**

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

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

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

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

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*/s/ Marcus D. Jones*

City Manager

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*/s/ Christine Garczynski*

Director of Finance

## PART II CITY INDEBTEDNESS

### Limitation on Incurrence of Debt

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

At June 30, 2016, the total assessed value of taxable real property in the City was \$19,106,737,956. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,910,673,796. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of June 30, 2016, was \$922,291,958 representing 51.73% of the constitutional debt limit.

**Table II-1  
City of Norfolk, Virginia  
Computation of Legal Debt Margin<sup>(1)</sup>  
June 30, 2016**

Total Assessed Value of Taxed Real Property	\$19,106,737,956
Debt Limit-10 percent of Total Assessed Value	1,910,673,796
Amount of Debt Applicable to Debt Limit:	
Gross Debt <sup>(2) (3)</sup>	\$796,267,937
Line of Credit Note <sup>(4)</sup>	192,113,902
Economic Development Authority Revenue Note <sup>(5)</sup>	-
Total Amount of Debt Applicable to Debt Limit	\$988,381,838
Legal Debt Margin <sup>(6) (7)</sup>	<u>\$ 922,291,958</u>
Amount of Debt as a percent of Debt Limit	<u>51.73%</u>

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

- Notes:
- (1) Figures are unaudited.
  - (2) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
  - (3) Water and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and the Wastewater Utility Fund.
  - (4) Includes the outstanding balance of \$192,113,902 on a General Obligation revolving line of credit issued in December 2014 with a limit of \$200,000,000. The revolving line of credit matures on December 17, 2017. Approximately \$110,000,000 of the principal outstanding under the line of credit is expected to be retired with the proceeds of the 2016A Bonds.
  - (5) Includes the outstanding balance of \$0.00 on a General Obligation guaranty of up to \$14,500,000 of the note issued by Economic Development Authority in April 2016. The note matures on February 1, 2021.
  - (6) Outstanding capital lease obligations for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
  - (7) The amount of general obligation bonds authorized by ordinance, but not issued for Capital Improvement Projects is \$396,928,659.

## **Debt Outstanding**

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of June 30, 2016. Table II-3 provides a comparative statement of key debt ratios for the past ten Fiscal Years and Table II-4 presents the rate of retirement for all general obligation bonds as of June 30, 2016. Table II-5 presents the recent historical relationship between debt service on bonds paid from actual general governmental expenditures for the past ten Fiscal Years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

**Table II-2**  
**City of Norfolk, Virginia**  
**General Obligation Debt Statement** <sup>(1) (2) (4) (5) (6) (7)</sup>

	<b><u>As of</u></b> <b><u>June 30, 2016</u></b>
A. General Fund Outstanding Debt	
General Fund Bonds Outstanding Debt <sup>(6)</sup>	\$494,726,337
Self-Supporting General Fund Bonds Outstanding Debt <sup>(7)</sup>	<u>17,767,141</u>
Total	<u>\$512,493,479</u>
B. Special Revenue and Enterprise Fund Bonds Outstanding Debt <sup>(3)</sup>	<u>283,774,458</u>
C. Total General Obligation Bond Indebtedness Outstanding Debt (A+B)	<u>\$796,267,937</u>

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

- Notes:
- (1) Figures are unaudited.
  - (2) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is \$396,928,659.
  - (3) Water Revenue Bonds and Wastewater Revenue Bonds are excluded from enterprise fund debt, because these bonds are secured by and payable solely from the pledged revenues of their respective enterprise activities. Includes the bonded debt of the Environmental Storm Water Fund, Maritime Facility Fund, Waste Management Fund and the Towing and Recovery Fund, which are special revenue funds.
  - (4) Reflects only bonded debt and does not include the City's capital lease obligations. See "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Lease Obligations" for information about the City's capital lease obligations. This City does not currently have any capital lease obligations outstanding.
  - (5) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
  - (6) There are no overlapping or underlying taxing jurisdictions in the City.
  - (7) Includes self-supporting Public Amenities and Tax Increment Financing debt.

**Table II-3**  
**City of Norfolk, Virginia**  
**Key Debt Trends**  
**Fiscal Years 2007 – 2016**

<b>Fiscal Year Ended June 30</b>	<b>Gross Bonded Debt (in thousands) <sup>(1) (2) (3) (4)</sup></b>	<b>Gross Bonded Principal Outstanding Per Capita <sup>(5)</sup></b>	<b>Percent of Gross Bonded Debt to Real Property Assessed Value <sup>(6)</sup></b>
2007	\$576,809	2,384	3.70%
2008	695,230	2,861	3.78
2009	736,163	3,018	3.80
2010	887,772	3,656	4.45
2011	826,874	3,389	4.28
2012	875,785	3,563	4.69
2013	817,078	3,316	4.46
2014	912,045	3,702	4.95
2015	852,703	3,450	4.55
2016 <sup>(7)</sup>	796,268	N/A	N/A

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, and Department of Finance, City of Norfolk, Virginia.

- Notes:
- (1) There are no overlapping or underlying taxing jurisdictions in the City.
  - (2) Debt payable from Enterprise Revenue can be found in Table II-6.
  - (3) The defeased portions of bonds are not included in Gross Bonded Debt. Unamortized premium/discount is not included in Gross Bonded Debt.
  - (4) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.
  - (5) Gross Bonded Principal Outstanding Per Capita is based on the population figures from Table II-6.
  - (6) Based on the taxable real property assessed value figures from Table III-2.
  - (7) Figures are unaudited.

**Table II-4**  
**City of Norfolk, Virginia**  
**Principal Retirement**  
**All General Obligation Bonds**  
**As of June 30, 2016 <sup>(1)</sup>**

<b>Maturing By Fiscal Year</b>	<b>Cumulative Amount Matured</b>	<b>Percent of Principal Retired</b>
2021	\$280,277,664	35.20%
2026	520,319,491	65.34
2031	681,837,937	85.63
2036	759,182,937	95.34
2041	793,317,937	99.63
2046	796,267,937	100.00

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

Note: (1) Figures are unaudited.

**Table II-5**  
**City of Norfolk, Virginia**  
**Ratio of Annual Debt Service to**  
**Total General Governmental Expenditures**  
**Fiscal Years 2006 – 2015**

<b>Fiscal Year Ended June 30</b>	<b>Total Debt Service<sup>(1)</sup></b>	<b>Total General Expenditures <sup>(2)</sup></b>	<b>Percent of Debt Service To Total General Expenditures</b>
2006	\$62,750,385	\$510,999,836	12.28%
2007	58,045,527	539,491,519	10.76
2008	64,167,472	574,581,092	11.17
2009	71,794,806	584,533,217	12.28
2010	69,929,707	567,371,918	12.33
2011	78,453,097	577,669,780	13.58
2012	82,241,946	590,849,686	13.92
2013	78,226,814	594,180,698	13.17
2014	77,082,711	588,506,007	13.10
2015	76,109,022	593,478,745	12.82

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Notes: (1) Includes debt service on general obligation bonds supported by the General Fund.

(2) Total general expenditures are presented using the modified accrual basis of accounting.

**Table II-6**  
**City of Norfolk, Virginia**  
**Ratio of Net General Bonded Debt to Assessed Value and**  
**Net Bonded Debt Per Capita**  
**Fiscal Years 2006 – 2015**

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt <sup>(1)</sup>	Debt Payable from Enterprise Revenue <sup>(1)</sup>	Net Bonded Debt <sup>(1)</sup>	Ratio of Net Bonded	
						Debt to Assessed Value	Net Bonded Debt Per Capita
2006	239,355	\$14,663,411	\$475,872,461	\$93,099,000	\$382,773,000	2.61%	\$1,599
2007	241,941	17,619,217	576,809,191	107,310,741	469,498,450	2.66	1,941
2008	242,983	20,578,641	695,230,000	124,092,000	571,138,000	2.78	2,351
2009	243,957	21,308,309	736,163,200	158,227,193	577,936,007	2.71	2,369
2010	242,803	21,777,754	887,771,677	199,619,847	688,151,830	3.16	2,834
2011	243,985	21,383,674	826,873,664	187,198,781	639,674,884	2.99	2,622
2012	245,803	20,529,023	875,785,431	187,909,550	687,875,882	3.35	2,798
2013	246,392	20,093,307	817,078,050	179,134,625	637,943,425	3.17	2,589
2014	246,934	20,192,046	912,045,343	247,315,611	664,729,732	3.29	2,698
2015	247,189	20,892,353	852,703,111	236,071,186	616,631,925	2.95	2,495

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, and the Department of Finance, City of Norfolk, Virginia. The source of 2006 through 2009 and 2011 through 2015 population estimates is the Weldon Cooper Center for Public Service, University of Virginia (the "Weldon Cooper Center"). The source for the 2010 population estimate is the U.S. Census Bureau.

Note: (1) Excludes premiums, discounts and adjustments. However, consistent with governmental accounting standards, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, presents and the Comprehensive Annual Financial Reports for subsequent Fiscal Years are expected to present the net amount of unamortized premiums, discounts and adjustments as a liability or asset, as applicable.



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

Fiscal Year Ending June 30	Existing General Obligation Debt Service <sup>(2) (3) (4) (5) (6)</sup>			Debt Service on the Bonds <sup>(1)</sup>			Total Debt Service <sup>(2) (3) (4)</sup>		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2017	\$53,370,375	\$32,843,582	\$86,213,956	\$3,395,000	\$3,549,108	\$6,944,108	\$56,765,375	\$36,392,690	\$93,158,065
2018	50,866,036	29,045,610	79,911,646	7,355,000	7,677,558	15,032,558	58,221,036	36,723,167	94,944,204
2019	58,335,468	26,726,321	85,061,789	7,750,000	7,411,933	15,161,933	66,085,468	34,138,253	100,223,721
2020	57,736,803	24,385,061	82,121,863	5,195,000	7,091,733	12,286,733	62,931,803	31,476,793	94,408,596
2021	55,613,982	21,944,336	77,558,318	4,555,000	6,852,058	11,387,058	60,148,982	28,796,393	88,945,375
2022	51,919,163	19,658,829	71,577,992	4,520,000	6,627,508	11,147,508	56,439,163	26,286,337	82,725,500
2023	51,035,511	17,456,678	68,492,189	4,625,000	6,415,608	11,040,608	55,660,511	23,872,286	79,532,796
2024	49,403,055	15,298,296	64,701,351	4,760,000	6,199,808	10,959,808	54,163,055	21,498,104	75,661,159
2025	44,980,042	13,250,403	58,230,445	4,220,000	5,977,408	10,197,408	49,200,042	19,227,810	68,427,852
2026	38,249,056	11,352,929	49,601,985	8,720,000	5,653,908	14,373,908	46,969,056	17,006,836	63,975,892
2027	36,744,176	9,622,721	46,366,898	9,395,000	5,253,420	14,648,420	46,139,176	14,876,141	61,015,318
2028	31,774,270	8,095,668	39,869,938	9,345,000	4,864,458	14,209,458	41,119,270	12,960,126	54,079,395
2029	10,520,000	7,127,231	17,647,231	20,945,000	4,218,783	25,163,783	31,465,000	11,346,013	42,811,013
2030	20,255,000	6,315,879	26,570,879	12,185,000	3,534,695	15,719,695	32,440,000	9,850,574	42,290,574
2031	22,410,000	5,268,868	27,678,868	10,045,000	3,081,133	13,126,133	32,455,000	8,350,000	40,805,000
2032	13,135,000	4,052,142	17,187,142	6,505,000	2,744,670	9,249,670	19,640,000	6,796,812	26,436,812
2033	24,235,000	3,096,209	27,331,209	6,670,000	2,459,808	9,129,808	30,905,000	5,556,017	36,461,017
2034	13,265,000	2,274,501	15,539,501	5,920,000	2,159,708	8,079,708	19,185,000	4,434,209	23,619,209
2035	10,005,000	1,738,637	11,743,637	6,035,000	1,902,558	7,937,558	16,040,000	3,641,194	19,681,194
2036	10,205,000	1,266,439	11,471,439	6,095,000	1,677,533	7,772,533	16,300,000	2,943,971	19,243,971
2037	10,130,000	785,737	10,915,737	6,115,000	1,454,366	7,569,366	16,245,000	2,240,103	18,485,103
2038	10,870,000	289,731	11,159,731	2,410,000	1,294,250	3,704,250	13,280,000	1,583,981	14,863,981
2039	930,000	36,967	966,967	8,695,000	1,104,025	9,799,025	9,625,000	1,140,992	10,765,992
2040	-	17,344	17,344	2,315,000	914,725	3,229,725	2,315,000	932,069	3,247,069
2041	-	17,344	17,344	2,330,000	820,350	3,150,350	2,330,000	837,694	3,167,694
2042	-	17,344	17,344	2,350,000	741,575	3,091,575	2,350,000	758,919	3,108,919
2043	-	17,344	17,344	3,565,000	631,625	4,196,625	3,565,000	648,969	4,213,969
2044	375,000	8,672	383,672	2,610,000	487,750	3,097,750	2,985,000	496,422	3,481,422
2045	-	-	-	2,710,000	354,750	3,064,750	2,710,000	354,750	3,064,750
2046	-	-	-	2,815,000	216,625	3,031,625	2,815,000	216,625	3,031,625
2047	-	-	-	2,925,000	73,125	2,998,125	2,925,000	73,125	2,998,125
Totals	<b>\$726,362,937</b>	<b>\$262,010,819</b>	<b>\$988,373,756</b>	<b>\$187,055,000</b>	<b>\$103,446,555</b>	<b>\$290,501,555</b>	<b>\$913,417,937</b>	<b>\$365,457,374</b>	<b>\$1,278,875,311</b>

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

Notes: (1) Figures may not sum due to rounding. Includes debt service on the 2016A Bonds and the 2016B Bonds.

(2) Includes principal payable from the City's enterprise funds.

(3) Existing General Obligation Debt Service includes self-supporting principal payable from the City's Environmental Storm Water Fund, Waste Management Fund and the Towing and Recovery Fund, which are special revenue funds, as well as self-supporting enterprise fund debt of the Wastewater and Parking Funds.

(4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 3.74% and the City's 2013 Variable Rate Loan (as defined below), assuming an average interest rate of 4.22%.

(5) Includes all interest on the Build America Bonds and Recovery Zone Economic Development Bonds issued in 2010, the Qualified School Construction Bonds issued in 2012, the Qualified Energy Conservation Bonds issued in 2013 and has not been adjusted for the subsidy payments expected to be received by the City.

(6) Includes amounts borrowed under the City's up to \$200,000,000 line of credit, which matures December 17, 2017. Approximately \$110,000,000 of the principal outstanding under the line of credit is expected to be retired with the proceeds of the 2016A Bonds. Includes debt service and refunding results from the 2016A Bonds and the 2016B Bonds.

In addition to general obligation debt issued on the public markets, the City from time to time enters into direct placement arrangements for its general obligation debt with private parties.

In October 2013, the City entered into a Bond Purchase and Loan Agreement (the "Forward Refunding Agreement") with Banc of America Preferred Funding Corporation (the "Forward Refunding Lender"), under which the City issued three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds"). The City used the proceeds of the Forward Refunding Bonds to current refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2005 and General Obligation Capital Improvement and Refunding Bonds, Series 2006. Each Forward Refunding Bond bears interest at a separate fixed rate and requires annual principal payments that fully-amortize over the term. In the event of an uncured and unwaived default, the holder of any Forward Refunding Bond is entitled to declare the entire principal amount due and payable.

In November 2013, the City entered into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013 Variable Rate Loan") with Bank of America, N.A., and used the proceeds of such loan, along with other available funds, to refund the City's General Obligation Bond Anticipation Note, Series 2011B (Taxable). The 2013 Variable Rate Loan bears interest at a percentage of the LIBOR rate, adjusted monthly. The principal of the 2013 Variable Rate Loan is payable at maturity (August 1, 2025), subject to certain mandatory prepayments on each August 1 having commenced on August 1, 2014. The scheduled principal payment at maturity is equal to \$8,560,000. In the event of an uncured and unwaived default, the holder of the 2013 Variable Rate Loan is entitled to declare the entire principal amount due and payable.

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000. This line of credit has been used to provide flexible interim financing for capital improvements projects, including school construction. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 70 percent of LIBOR, plus 40 basis points. Taxable borrowings are 100 percent of LIBOR, plus 50 basis 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. The line of credit matures on December 17, 2017.

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

In April 2016, the City and the EDA entered into a financing agreement with BANA to provide funds in the maximum principal amount of \$14,500,000 to the EDA in connection with the re-use of the former J.C. Penney department store at Military Circle Mall, which was acquired by the EDA. 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 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 dedicated for economic development and lease revenue from the leasing of the facility. See "PART V – THE CITY OF NORFOLK – Economic and Demographic Factors – Commercial Development."

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

### **Overlapping Debt**

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

### **Short-Term Borrowing for Working Capital**

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

### **Capital Lease Obligations**

The City does not have any capital lease obligations outstanding.

### **Water Revenue Bonds**

Since 1993, and for all future financings, capital improvements of the Water Utility System have been and are anticipated to be financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The Fiscal Year 2016 results reflect compliance with this requirement.

### **Debt History**

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

### **Capital Improvement Program Budget**

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

The City approved its CIP budget for Fiscal Year 2017 on May 24, 2016. The total of the CIP budget for Fiscal Year 2017 is \$97,029,200, which includes \$25,912,593 in cash contributions. Each capital project included in the CIP budget for Fiscal Year 2017 is either approved for funding in the CIP budget for Fiscal Year 2017 or included as a planned project in Fiscal Years 2018 through 2021. Future year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP budget is used by the City as a means of identifying short- and long-term needs and as a guide for identifying various funding sources for future CIP budgets.

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

The CIP budgets for Fiscal Year 2017 is summarized in Table II-8.

**Table II-8**  
**City of Norfolk, Virginia**  
**Capital Improvement Program for Fiscal Year 2017**

Uses	Fiscal Year 2017
General Capital Projects	\$43,364,000
Parking Fund Projects	2,900,000
Stormwater Fund Projects	4,815,200
Water Fund Projects	25,950,000
Wastewater Fund Projects	<u>20,000,000</u>
Total Capital Program	<u>\$97,029,200</u>
<b>Appropriation Source</b>	
General Capital Projects	
From Bond Issue	\$21,651,566
Reappropriation of Prior Bond Authorization	4,965,041
From General Fund	1,847,393
From Public Amenities	3,000,000
From Cash	11,900,000
Parking Fund Projects	
From Cash	2,900,000
Storm Water Fund Projects	
From Bond Issue	3,500,000
From Cash	1,315,200
Water Fund Projects	
From Bond Issue	21,000,000
From Cash	4,950,000
Wastewater Fund Projects	
From Bond Issue	<u>20,000,000</u>
Total Capital Program	<u>\$97,029,200</u>

Sources: Capital Improvement Program Budget, Fiscal Year 2017.

**Table II-9**  
**City of Norfolk, Virginia**  
**Capital Improvement Program**  
**Fiscal Years 2017 – 2021**

<b>Description</b>	<b>FY-2017 Budget</b>	<b>FY-2018 Plan</b>	<b>FY-2019 Plan</b>	<b>FY-2020 Plan</b>	<b>FY-2021 Plan</b>	<b>FY 2017 – 2021 Total</b>
General Capital	\$43,364,000	\$18,814,000	\$22,455,000	\$16,455,000	\$15,605,000	\$116,693,000
Storm Water Fund	4,815,200	4,815,200	4,815,200	4,815,200	4,815,200	24,076,000
Parking Facilities Fund	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	14,500,000
Wastewater Fund	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	100,000,000
Water Fund	25,950,000	20,853,333	20,173,333	18,673,334	17,050,000	102,700,000
<b>Total Capital Program</b>	<b>\$97,029,200</b>	<b>\$67,382,533</b>	<b>\$70,343,533</b>	<b>\$62,843,534</b>	<b>\$60,370,200</b>	<b>\$357,969,000</b>

Source: Capital Improvement Program Budget, Fiscal Year 2017.

## **PART III FINANCIAL INFORMATION**

### **Fiscal Year**

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

### **Reporting Entity**

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

- The School Board of the City of Norfolk (the "School Board");
- The Employees' Retirement System of the City of Norfolk; and
- The EDA (Economic Development Authority).

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

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

The City's financial statements include the following sections:

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

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

Basic Financial Statements. The Basic Financial Statements include:

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

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

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

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

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

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

## **INDEPENDENT ACCOUNTANTS**

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*". The firm of KPMG LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2015 with accompanying notes are published in Appendix A.

## **BUDGETARY PROCESS**

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See the subsection "GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2015 – General Fund Operating Budget and Results" for a discussion of the General Fund Operating Budget for Fiscal Years 2015, 2016 and 2017.

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

## **FINANCIAL POLICIES**

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



were most recently updated and approved by City Council in July 2013. The Financial Policies provide that the City should strive to achieve a structurally balanced budget, and establish and maintain reserves. The City achieved structural balance in budget in Fiscal Year 2015 and has since maintained structural balance in the budgets for Fiscal Years 2016 and 2017. The policies provide that with the achievement of a structurally balanced budget, the undesignated, unassigned surplus in the General Fund of at least 0.5% of the General Fund budget (up to \$2 million) will be used to finance capital projects, reduce debt or fund reserves. The Financial Policies also provide that the City will add to its General Fund Unassigned Reserve, Risk Management Reserve and Economic Downturn Reserve in that order of priority. The Financial Policies establish the minimum balances at 5% of the General Fund budget for the General Fund Unassigned Reserve with no maximum balance, \$3 million for the Risk Management Reserve (with a maximum balance of \$5 million) and \$3 million for the Economic Downturn Reserve (with a maximum balance of \$5 million). The City reached full funding of all three reserves in Fiscal Year 2016. The Financial Policies provide that net tax-supported debt service should not exceed 10% of the General Fund budget and that net tax-supported debt should not exceed 3.5% of total taxable property value. The City remains in compliance with these ratios. The Financial Policies also provide certain policies for the Parking Facilities Fund. See "PART IV – ENTERPRISE FUNDS – Parking Facilities Fund."

## **GENERAL GOVERNMENTAL REVENUE**

### **Overview**

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

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

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

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

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates approved in the Operating Budget for Fiscal Year 2017 on each \$100 of assessed value are as follows: \$1.50 for recreational vehicles; \$2.40 for airplanes; \$1.15 for real property; \$4.33 for personal property; \$4.25 for machinery and tools; and \$1.15 for recreational vehicles. The rate on personal recreational boats consists of a decal fee of \$10 or \$25, depending on the length of the boat, plus a tax of \$0.50 per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the



City's Downtown Improvement District is an additional \$0.16 on the real property rate of \$1.15 per \$100 of assessed value (for a total rate of \$1.31 per \$100 of assessed value).

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

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

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

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

### **Other Revenue Sources**

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cigarette tax of 85 cents per packet of 20 cigarettes; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8% and a \$2 per room, per night surcharge of which 1% is dedicated to tourism and economic development; (8) an amusement and admissions tax of 10%; and (9) a food and beverage tax of 6.5%, which includes alcoholic beverages, of which 1% is dedicated to tourism and economic development.

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

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

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

**Table III-1A**  
**City of Norfolk, Virginia**  
**Total Revenue by Source, Governmental Funds**  
**Fiscal Years 2006 – 2015**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Use of Money and Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter- Governmental Revenue</b>	<b>Total</b>
2006	\$211,788	\$157,616	\$4,088	\$1,461	\$10,498	\$32,772	\$33,494	\$12,667	\$149,757	\$614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
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

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

**Table III-1B**  
**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Fiscal Years 2006 – 2015**  
**(Amounts in Thousands)**

Fiscal Year Ended June 30	Sales and Use Taxes	Consumption Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
2006	\$30,652	\$43,337	\$24,412	\$3,576	\$6,819	\$27,277	\$21,543	\$157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926
2010	28,249	44,053	26,009	4,308	7,176	27,292	16,528	153,615
2011	28,411	43,188	25,849	4,313	7,161	28,474	16,490	153,886
2012	27,599	43,588	28,667	4,318	8,097	30,300	18,665	161,234
2013	29,707	43,211	29,301	4,209	7,926	30,818	18,124	163,296
2014	29,436	43,055	29,889	3,966	7,409	31,127	16,618	161,500
2015	29,981	42,961	28,640	3,953	7,821	32,634	18,281	164,271

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Table III-2 sets forth the assessed value of all taxable property in the City for the past ten Fiscal Years. The total assessed value of all taxable property in the City as of June 30, 2015, was approximately \$20.9 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$11.0 billion for Fiscal Year 2015 and is presented in Table III-3.

**Table III-2**  
**City of Norfolk, Virginia**  
**Assessed Valuations and Estimated**  
**Actual Values of Taxable Property**  
**Fiscal Years 2006 – 2015**  
**(Amount In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Real Property<sup>(1)</sup></b>	<b>Personal Property<sup>(1)</sup></b>	<b>Other Property<sup>(2)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value<sup>(3)</sup></b>
2006	\$12,691,527	\$1,655,021	\$316,863	\$14,663,411	\$14,663,411
2007	15,607,512	1,687,318	324,387	17,619,217	17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
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

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Notes: (1) Real property and personal property includes both general and public service corporations.  
(2) Other property includes machinery and tools, recreational vehicles, airplanes and boats.  
(3) Estimated actual property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

**Table III-3**  
**City of Norfolk, Virginia**  
**Estimated Value of Nontaxable Real Property <sup>(1)</sup>**  
**Fiscal Years 2012 – 2016**  
**(Amounts In Thousands)**

Fiscal Year Ended June 30	Federal Government			City of Norfolk			Property Owned By:				Total			
							Norfolk Redevelopment and Housing Authority		Commonwealth of Virginia		All Other Organizations <sup>(2)</sup>			
	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value
2012	\$4,122,082	\$45,755	\$2,177,030	\$24,165	\$615,196	\$6,829	\$87,631	\$973	\$2,744,048	\$30,459	\$9,745,988	\$108,180		
2013	5,032,370	55,859	2,152,041	23,888	609,433	6,765	88,081	978	2,741,544	30,431	10,623,468	117,920		
2014	5,031,661	57,864	2,195,193	25,245	594,528	6,837	87,466	1,006	2,872,631	33,035	10,781,479	123,987		
2015	5,031,260	57,859	2,287,727	26,309	605,037	6,958	87,486	1,006	2,945,176	33,870	10,956,684	126,002		
	5,032,104	57,869	2,351,226	27,039	583,161	6,706	89,339	1,027	2,945,134	33,869	11,000,964	126,511		

Sources: Annual Reports of the City Assessor 2012 – 2016.

Notes: (1) The assessed value was 100% of fair market value.

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

Table III-4 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for Fiscal Years 2013 through 2017.

**Table III-4**  
**City of Norfolk, Virginia**  
**Direct Property Rates**  
**Fiscal Years 2013 – 2017**

	Fiscal Year				
	2013	2014	2015	2016	2017
Property tax rate per \$100 of assessed value:					
Real Property	\$1.11	\$1.15	\$1.15	\$1.15	\$1.15
Downtown Improvement District <sup>(1)</sup>	0.16	0.16	0.16	0.16	0.16
Personal property	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.15	1.15	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.50	0.50	0.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	98.00%	100.00%	100.00%	100.00%	100.00%
As determined by the Commonwealth's Department of Taxation <sup>(1)</sup>	99.00%	100.00%	99.00%	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, and Approved Operating Budget, Fiscal Year 2017.

Notes: (1) Amount is in addition to the Real Property tax for property within the district.

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-5 sets forth the City's assessed values and tax levies on real and personal property for Fiscal Years 2011 through 2015.

**Table III-5**  
**City of Norfolk, Virginia**  
**Assessed Valuation and Change in Property Tax Levy**  
**Fiscal Years 2011 – 2015**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Assessed Valuation</b>		<b>Property Tax Levy</b>	<b>Percentage Increase in Property Tax Levy</b>
	<b>Real Property</b>	<b>Personal Property &amp; Other</b>		
2011	\$19,320,642	\$2,063,032	\$254,756	(1.47)%
2012	18,676,729	1,852,294	247,528	(2.84)
2013	18,319,947	1,773,360	244,309	(1.30)
2014	18,421,412	1,770,634	254,008	3.97
2015	18,734,201	2,158,152	256,040	0.80

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.



Table III-6 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2006 through 2015.

**Table III-6**  
**City of Norfolk, Virginia**  
**Real and Personal Property Tax Levies and Collections <sup>(1)</sup>**  
**Fiscal Years 2006 – 2015**  
**(In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Original Tax Levy</b>	<b>Adjusted Tax Levy <sup>(2)</sup></b>	<b>Current Collections</b>	<b>Percent of Current Collections to Tax Levy <sup>(3)</sup></b>	<b>Delinquent Collections</b>	<b>Total Collections</b>	<b>Percentage of Total Tax Collections to Tax Levy <sup>(3)</sup></b>
2006	\$227,796	\$202,862	\$197,669	97.44%	\$ 5,150	\$202,819	99.98%
2007	254,703	230,114	219,993	95.60	10,120	230,113	100.00
2008	258,016	243,383	220,253	90.50	23,117	243,370	99.99
2009	261,535	251,996	233,725	92.75	18,252	251,977	99.99
2010	258,544	257,886	239,192	92.75	16,987	256,179	99.34
2011	254,756	253,595	235,518	92.87	16,434	251,952	99.35
2012	247,528	247,854	233,396	94.17	12,654	246,050	99.27
2013	244,309	244,148	229,872	94.15	12,096	241,968	99.11
2014	254,008	255,529	240,481	94.11	10,816	251,297	98.34
2015	256,040	259,480	245,803	94.73	-	245,803	94.73

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

- Notes:
- (1) Delinquent tax collections are reported in the year collected. Figures are unaudited.
  - (2) Adjusted to reflect residual taxable amount after exonerations and reassessments.
  - (3) Calculated using the Adjusted Tax Levy amounts and not the Original Tax Levy amounts.

Table III-7 sets forth the City's 10 largest taxpayers and the assessed value of real property owned by each such taxpayer during Fiscal Year 2015. The aggregate assessed value of the 10 largest taxpayers represented approximately 6.7% of the City's total assessable base at June 30, 2015.

**Table III-7**  
**City of Norfolk, Virginia**  
**Ten Principal Real Property Taxpayers<sup>(1)</sup>**  
**June 30, 2015**

Taxpayer	2006			2015		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Dominion Virginia Power	\$ 146,231,554	2	1.15%	\$ 310,508,696	1	1.66%
Norfolk Western Railway Company	75,454,011	7	0.59	198,408,924	2	1.06
MacArthur Shopping Center LLC	156,945,800	1	1.24	180,366,200	3	0.96
Ford Motor Company	81,347,300	5	0.64	N/A		
Bank of America	75,884,300	6	0.60	N/A		
Cox Virginia Telecom	53,031,839	10	0.42	N/A		
Real Estate Foundation	N/A			116,806,100	4	0.62
Norfolk Southern	N/A			93,590,800	5	0.50
Verizon Virginia, Inc.	131,139,260	4	1.03	84,861,347	6	0.45
Virginia Natural Gas, Inc.	N/A			72,856,378	7	0.39
Taubman Co.	139,582,300	3	1.10	N/A		
Wells Fargo	N/A			70,561,700	8	0.38
Dominion Enterprises	53,157,400	9	0.42	61,618,200	9	0.33
Military Circle Ltd. Partnership	65,249,400	8	0.51	58,948,000	10	0.31
Total	<u>\$ 978,023,164</u>		<u>7.71%</u>	<u>\$ 1,248,526,345</u>		<u>6.66%</u>
Total Assessed Value	\$12,691,527,668			\$18,734,201,726		

Sources: Department of Finance and Real Estate Tax Assessor's Office, City of Norfolk, Virginia.

Note: (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2015, which was \$18,734,201,726.

## GENERAL FUND EXPENDITURES

### Costs of General City Government

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

**Table III-8**  
**City of Norfolk, Virginia**  
**Budgeted Positions**  
**Fiscal Years 2013 – 2017**

<b>Fiscal Year</b>	<b>Number of Budgeted Positions <sup>(1)</sup></b>
2013	4,007
2014	3,976
2015	4,133 <sup>(2)</sup>
2016	4,139
2017	4,165

Sources: Approved Operating Budgets, Fiscal Years 2013 through 2017.

- Notes:
- (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.
  - (2) Norfolk Community Services Board became a General Fund department in Fiscal Year 2015. Previously, Norfolk Community Services Board was a special revenue fund. The Office of Resilience was also created in Fiscal Year 2017.

### Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts; theft and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by the City Council, to cover 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 2015 was \$7,669,044.

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. As of June 30, 2015, these liabilities were estimated at \$29,476,369 with \$4,175,009 projected as the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2015 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2011 through 2015 are as follows:

<b>Fiscal Year</b>	<b>Unpaid Claims Beginning Balance</b>	<b>Claims Incurred Estimated</b>	<b>Claims Paid</b>	<b>Unpaid Claims Ending Balance</b>
2011	\$30,270,187	\$5,628,197	\$4,225,302	\$31,673,082
2012	31,673,082	4,403,895	4,676,586	31,400,391
2013	31,400,391	4,300,564	4,863,716	30,837,239
2014	30,837,239	5,527,877	7,309,828	29,055,288
2015	29,055,288	5,887,750	5,466,609	29,476,429

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2011, through 2015.

### **Retirement Plan**

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers employees who are covered by the Virginia Retirement System. The City's contribution requirements are designed to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council. See Section IX of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, attached hereto as Appendix A, for a discussion of the City's pension plans.

Total annual pension contributions for all City employees over the last three Fiscal Years to the City's noncontributory retirement are presented in Table III-9. The City's funded ratio for Fiscal Year 2015 is 84.77%. The City funded 100% of its actuarially required contributions in Fiscal Years 2013 – 2015.

**Table III-9**  
**City of Norfolk, Virginia**  
**Schedule of Annual Pension Contributions**  
**Fiscal Years 2014 - 2016<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Annual Pension Contribution (In Thousands)</b>
2014	\$42,330
2015	34,932
2016	30,761

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, and Approved Operating Budget, Fiscal Year 2016.

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

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

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

Over time, the City and the Schools plan to gradually increase funding until the annual actuarial required contribution is fully funded. As of July 1, 2015, the following was projected:

	City <sup>(1)</sup>	Line of Duty <sup>(1)</sup>	Schools <sup>(1)</sup>	Total
Expected Net OPEB Obligation as of June 30, 2015	\$31,718,764	\$3,496,553	\$15,743,896	\$50,959,213
Expected Employer Contributions FY 2015	2,377,797	629,302	2,629,186	5,636,285
Actual Employer Contributions FY 2015	(1,397,432)	(629,302)	(2,506,619)	(4,533,353)
Increase (decrease) in Net OPEB Obligation	980,365	-	122,567	1,102,932
Adjusted Net OPEB Obligation as of June 30, 2015	32,699,129	3,496,553	15,866,463	52,062,145
Annual Required Contribution (ARC) for FY 2016	4,606,828	1,646,025	2,651,156	8,904,009
Interest on Net OPEB Obligation	1,307,965	139,862	634,659	2,082,486
Adjustment to ARC	(1,214,560)	(129,874)	(589,336)	(1,933,770)
Annual OPEB Cost	4,700,233	1,656,013	2,696,479	9,052,725
Less: Expected Contributions Made	(2,021,737)	(724,465)	(2,390,415)	(5,136,617)
Increase in Net OPEB Obligation	2,678,496	931,548	306,064	3,916,108
Net OPEB obligation as of June 30, 2016	\$35,377,625	\$4,428,101	\$16,172,527	\$55,978,253

Source: Actuarial Valuation Report by Cheiron, Inc.

Note: (1) Information provided by Actuarial Valuation Report by Cheiron, Inc. measures as of July 1, 2015, for Fiscal Year 2016.

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

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

### **PUBLISHED FINANCIAL INFORMATION**

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

## GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2015

On the budgetary basis of accounting, General Fund revenues were \$819,960,512 representing 99.78% of budgeted revenue. General Fund expenditures were \$802,376,459 representing 97.65% of budgeted expenditures. Table III-10 summarizes key financial results.

**Table III-10**  
**City of Norfolk, Virginia**  
**General Fund Operating Budget Summary Results**  
**for Fiscal Year 2015**

	<u>Final Budget</u>	<u>Results</u>	<u>Percent of Budget</u>	<u>Variance Positive (Negative)</u>
Total Revenue and non-revenue receipts	\$821,713,638	\$819,960,512	99.78%	\$ (1,753,126)
Total Expenditures	821,713,638	802,376,459	97.65%	19,337,179
Revenue greater (less) than expenditures	<u>\$ 0</u>	<u>\$ 17,584,053</u>		<u>\$17,584,053</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

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

The Fiscal Year 2016, General Fund Operating Budget (the "Fiscal Year 2016 Budget") was adopted on May 19, 2015, and totals \$812,379,121 reflecting a 0.7% decrease over the adopted Fiscal Year 2015, General Fund Operating Budget.

Except where noted, the financial data in this Official Statement is excerpted from the published audited Comprehensive Annual Financial Report (the "CAFR") for Fiscal Year 2015. The audited CAFR for Fiscal Year 2016 is expected to be published in December 2016.

The following is a summary of Fiscal Year 2016 General Fund financial data that is preliminary, unaudited, subject to change due to internal adjustments and pending the results of the independent audit.

The City estimates that General Fund Revenue was \$822.6 million, or 0.46% more than the final 2016 budgeted revenue of \$818.9 million. The largest variances appear to be attributable to general property taxes, revenue from the Commonwealth and charges for services. Local taxes make up approximately 21% of the City's General Fund revenues. The Commonwealth provides nearly 32% of General Fund revenues which consist of funding for dedicated purposes such as education, social services, transportation, City's share of personal property tax relief funds and the tax on rental of cars.

Expenditures were approximately \$801.2 million, or approximately 2.16% less than the final Fiscal Year 2016 budget of \$818.9 million. The reductions in the operating budget were achieved through cost containment and increased efficiencies. Combining the lower than budgeted revenues and expenditures, the City preliminarily expects a Fiscal Year 2016 General Fund positive variance of approximately \$21.4 million.

The City Council adopted the CIP budget for Fiscal Year 2017, which totals \$97,029,200 on May 17, 2016. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Program Budget."

The Fiscal Year 2017, General Fund Operating Budget (the "Fiscal Year 2017 Budget") was adopted on May 17, 2016, and totals \$835,042,352 reflecting a 2.0% increase from the final Fiscal Year 2016 Budget. The Fiscal Year 2017 Budget focuses on all of the City's six priorities including public safety, education, neighborhoods, economic vitality and workforce development. The budget was balanced through a multi-faceted approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy and leverage resources. Major revenue and expenditure categories for the Fiscal Year 2016 and Fiscal Year 2017 Budgets are summarized in the following tables.

**Table III-11A  
City of Norfolk, Virginia  
General Fund Budget  
Fiscal Year 2016**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations For Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$257,821,500	Legislative	\$4,623,759
Other Local Taxes	158,508,748	Executive	3,796,901
Permits and Fees	3,196,000	Department of Law	4,386,569
Fines and Forfeitures	1,157,600	Constitutional Officers	54,943,097
Use of Money and Property	7,368,890	Judicial	1,279,259
Charges for Services	24,633,725	Office of Elections	978,131
Miscellaneous Revenue	8,628,083	General Management	44,788,631
Recovered Costs	11,405,075	Non-Departmental Appropriations	60,882,376
Non-Categorical Aid – Virginia	32,571,100	Community Development	9,922,055
Shared Expenses – Virginia	21,043,828	Parks, Recreation and Cultural	42,090,368
Categorical Aid – Virginia	254,040,223	Public Health and Assistance	75,583,857
Federal Aid	8,738,866	Public Safety	107,533,537
Other Sources and Transfers In	23,265,483	Public Works	24,509,658
		Debt Service	62,382,152
		Education	314,678,771
<b>Total</b>	<b>\$812,379,121</b>	<b>Total</b>	<b>\$812,379,121</b>

Source: Approved Operating Budget for Fiscal Year 2016.

**Table III-11B  
City of Norfolk, Virginia  
General Fund Budget  
Fiscal Year 2017**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations For Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$264,677,000	Legislative	\$4,934,613
Other Local Taxes	162,026,400	Executive	4,110,478
Permits and Fees	3,007,600	Department of Law	4,499,892
Fines and Forfeitures	1,275,000	Constitutional Officers	55,313,211
Use of Money and Property	7,570,159	Judicial	1,304,721
Charges for Services	26,211,109	Office of Elections	895,986
Miscellaneous Revenue	8,734,009	General Management	46,004,791
Recovered Costs	12,134,608	Community Development	11,148,965
Non-Categorical Aid – Virginia	33,707,100	Central and Outside Agencies	60,474,116
		Appropriations	
Shared Expenses – Virginia	21,102,700	Parks, Recreation and Cultural	44,012,604
Categorical Aid – Virginia	262,139,276	Public Health and Assistance	76,931,956
Federal Aid	8,511,596	Public Safety	111,093,054
Other Sources and Transfers In	23,945,795	Public Works	26,702,280
		Debt Service	65,747,190
		Education	321,868,495
<b>Total</b>	<b>\$835,042,352</b>		<b>\$835,042,352</b>

Source: Approved Operating Budget for Fiscal Year 2017.



**Table III-12**  
**City of Norfolk, Virginia**  
**General Governmental Expenditures by Function**  
**Fiscal Years 2006 – 2015**  
**(Amounts In Thousands)**

Fiscal Year Ended June 30	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Public Assistance		Education	Culture and Recreation	Community Development	Debt Service	Capital Outlay	Total
2006	\$92,062	\$41,795	\$105,634	\$46,959	\$91,535		\$92,595	\$42,995	\$13,552	\$56,462	\$91,632	\$675,221
2007	102,031	45,173	108,565	49,161	93,397		97,595	46,397	11,158	54,789	94,595	702,861
2008	110,974	47,331	116,208	60,370	95,159		101,095	51,071	10,745	60,728	114,007	767,688
2009	102,426	50,347	118,073	56,146	91,648		104,511	52,248	9,899	71,758	104,892	761,948
2010	97,061	48,726	115,488	59,574	89,682		101,011	51,708	10,851	69,834	99,210	743,145
2011	80,855	47,535	115,975	70,124	79,757		104,511	45,862	16,565	80,540	76,534	718,258
2012	100,504	48,233	116,296	62,330	74,331		104,512	44,529	15,142	85,043	98,892	749,812
2013	112,804	50,920	117,427	54,427	88,413		109,287	47,153	15,128	78,227	116,580	790,366
2014	109,292	51,673	113,394	55,267	88,671		111,854	46,705	12,482	77,944	100,709	767,991
2015	110,904	51,360	112,055	61,369	85,631		117,722	48,765	12,303	76,831	103,113	780,053

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

## RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2014, and as of June 30, 2015, is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years are presented in Table III-14. The City's most recent General Fund Statements of Changes in Fund Balances for the past five Fiscal Years are summarized in Table III-15.

**Table III-13**  
**City of Norfolk, Virginia**  
**Balance Sheet, General Fund**  
**June 30, 2015, with comparative totals for 2014**

	<u>2014</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 55,241,680	\$ 13,049,798
Receivables, net:		
Taxes	41,454,286	41,414,517
Accounts	3,827,045	5,973,188
Due from other funds	7,438,229	61,429,141
Due from other governments	24,790,531	24,181,798
Due from component units	-	62,109
Due from fiduciary funds	-	227,651
Prepaid expenses	-	221,973
<b>Total Assets</b>	<u><b>\$132,751,771</b></u>	<u><b>\$146,560,175</b></u>
<b>LIABILITIES</b>		
Vouchers payable	\$ 12,678,556	\$ 10,067,910
Employee withholdings	308,662	224,348
Contract retainage	20,068	64,191
Accrued payroll	4,429,444	5,133,633
Due to other funds	30,356	8,451
Due to other governments	-	68,617
Due to component unit	-	3,000,000
Other liabilities	3,651,643	2,862,841
<b>Total Liabilities</b>	<u><b>\$ 21,118,729</b></u>	<u><b>\$ 21,429,991</b></u>
<b>Deferred Inflow of Resources</b>		
Revenues' levied for the next year and unavailable revenue	<u><b>\$ 26,367,333</b></u>	<u><b>\$ 27,546,236</b></u>
<b>FUND BALANCES</b>		
Nonspendable	\$ -	\$ -
Restricted	265,000	2,099,960
Committed	3,000,000	4,000,000
Assigned	23,900,796	25,903,609
Unassigned	58,099,913	65,580,379
<b>Total Fund Balances</b>	<u><b>\$ 85,265,709</b></u>	<u><b>\$ 97,583,948</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$132,751,771</b></u>	<u><b>\$146,560,175</b></u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2015, and 2014.

**Table III-14**  
**City of Norfolk, Virginia**  
**Comparative Statement of Revenue and Expenditures, General Fund**  
**Fiscal Years 2011 – 2015**

	2011	2012	2013	2014	2015
<b>REVENUE:</b>					
General property taxes	\$254,342,239	\$250,117,894	\$243,604,191	\$254,523,678	\$258,974,929
Other local taxes	145,141,964	152,172,224	154,198,171	152,386,188	154,867,325
Permits and licenses	3,690,959	3,574,887	4,098,178	3,088,749	3,013,376
Fines and forfeitures	1,287,993	1,106,931	1,098,187	1,236,647	1,261,218
Use of money and property	6,634,420	6,367,808	6,102,209	5,556,052	9,564,794
Charges for services	31,629,625	32,030,115	33,392,110	36,457,826	20,248,407
Miscellaneous	8,584,798	8,572,621	8,996,990	10,711,008	7,226,869
Recovered costs	10,722,712	10,311,990	11,395,841	-	-
Intergovernmental	116,589,551	112,645,842	114,334,309	115,159,212	130,397,763
Total Revenue	<u>578,624,261</u>	<u>576,900,312</u>	<u>577,220,186</u>	<u>579,119,360</u>	<u>585,554,681</u>
<b>EXPENDITURES:</b>					
<b>Current operating:</b>					
General government	78,643,175	100,373,625	112,577,244	108,749,257	110,304,366
Judicial administration	44,519,302	45,112,553	47,357,216	48,122,290	48,294,929
Public safety	103,863,085	105,379,222	107,143,672	104,831,842	103,162,805
Public works	55,910,310	46,373,034	40,390,032	41,765,600	19,592,357
Health and public assistance	59,272,655	54,974,389	47,300,808	45,574,863	69,569,467
Culture and recreation	39,502,709	40,003,396	42,580,642	42,280,060	39,205,465
Community development	10,713,656	9,955,520	8,817,670	8,244,984	9,153,306
Education	104,511,131	104,511,131	109,286,600	111,854,400	117,721,922
<b>Debt service</b>					
Principal	535,000	565,000	-	-	-
Interest and other charges	138,279	107,619	-	-	-
<b>Debt issuance costs</b>	-	-	-	-	323,098
<b>Capital outlay</b>	1,003,250	-	500,000	-	-
Total Expenditures	<u>498,612,552</u>	<u>507,355,489</u>	<u>515,953,884</u>	<u>511,423,296</u>	<u>517,327,715</u>
Excess (deficiency) of revenues over expenditures	<u>80,011,709</u>	<u>69,544,823</u>	<u>61,266,302</u>	<u>67,696,064</u>	<u>68,226,966</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land	-	-	800,000	-	-
Issuance of debt	-	2,411,915	-	-	-
Debt issuance costs	-	-	-	(344,423)	-
Proceeds sale of fixed assets	-	-	-	-	427,600
Transfers in	12,940,571	12,289,939	20,481,878	12,408,836	16,805,117
Transfers out	(82,595,066)	(88,020,221)	(83,781,713)	(85,768,426)	(76,651,992)
Total Other Financing Sources (Uses)	<u>(69,654,495)</u>	<u>73,318,367</u>	<u>(62,499,835)</u>	<u>(73,704,013)</u>	<u>(59,419,275)</u>
Net Change in Fund Balance	<u>\$ 10,357,214</u>	<u>\$ (3,773,544)</u>	<u>\$ (1,233,533)</u>	<u>\$ (6,007,949)</u>	<u>\$ 8,807,691</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2011, through 2015.

**Table III-15**  
**City of Norfolk, Virginia**  
**Comparative Statement of Changes in Fund Balance, General Fund**  
**Fiscal Years 2011 – 2015**

	Fiscal Year			
	2011	2012	2013	2014
Net Change in Fund Balance	\$10,357,214	\$ (3,773,544)	\$ (1,233,533)	\$ (6,007,949)
Fund balance at beginning of year	62,136,499	96,280,735	92,507,190	91,273,658
Adjustment to beginning balance	23,787,022	-	-	-
Fund Balance at end of year	\$96,280,735	\$92,507,191	\$91,273,657	\$85,265,709
				\$85,265,709
				\$97,583,948

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2011, through 2015.

## **PART IV ENTERPRISE FUNDS**

### **Overview**

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. Approximately 1.1 million people are served by the Water System. The Water System distributes treated water throughout the City, to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake") and to the gates of naval bases located in the City, Virginia Beach and Chesapeake. A naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. The distribution of average metered consumption in Fiscal Year 2016 is shown in Table IV-1.

**Table IV-1  
City of Norfolk, Virginia  
Water System  
Average Metered Water Delivered by Customer  
Fiscal Year 2016**

<b>Customer</b>	<b>Metered Consumption (mgd)</b>	<b>Percent of Total</b>
Norfolk (Retail)	15.8	30.0%
Virginia Beach	30.9	58.4
U.S. Navy	4.2	7.9
Chesapeake	2.0	3.7
	52.9	100.0%

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

As of June 30, 2016, the Water System provided potable water to over 65,400 Norfolk retail service customers (i.e. accounts) and wholesale service to the United States Navy, Virginia Beach, Chesapeake, Portsmouth and the Western Tidewater Water Authority ("WTWA"), which includes the City of Suffolk and Isle of Wight County.

### **Wholesale Contracts**

A significant portion of the Water System's revenue is derived from wholesaling water to the U.S. Navy, Chesapeake, Portsmouth, Virginia Beach and the WTWA. The City has wholesale contracts with Virginia Beach. The City's agreement with the U.S. Navy provides that the U.S. Navy pays rates equal to 110% of the current retail rate. In the absence of a wholesale contract, the City of Chesapeake purchases treated water from the City at a current rate of \$4.88 per 100 cubic feet. If a wholesale contract between Chesapeake and the City is executed, the City anticipates that Chesapeake will continue to purchase treated water from the City pursuant to the wholesale customer treated water rate ordinance. The City also has executed a raw water contract with Chesapeake and began delivering 7 mgd of raw water in 2006. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water. On September 29, 2009, the City entered into a 40-year raw water sales agreement with WTWA, currently comprised of the City of Suffolk and Isle of Wight County, to furnish a minimum of 3 mgd and gradually increasing to 15 mgd by 2038.

## **Financial Management**

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

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds. The Water Utility Fund is reported on an accrual basis of accounting.

## **Water Rates**

Retail rates are set by City Council. Since Fiscal Year 2007 water rates increase 3.5% annually and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2017	\$4.77 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

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

## **WASTEWATER UTILITY FUND**

### **As of June 30, 2016:**

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

The City owns and operates a sanitary sewer system (the "Sewer System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 66,000 accounts located within the City are served by the Sewer System. Since July 1, 1983, the Wastewater Utility Fund has been operated as an enterprise fund.

City general obligation debt issued to finance wastewater utility projects, as well as wastewater revenue bond debt is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund pays for debt service on such bonds from the revenues of the sewer system.

Each retail customer using the City Sewer System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Since Fiscal Year 2006, wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2017	\$3.97 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

## **PARKING FACILITIES FUND**

The City presently owns and operates 16 multi-level parking garages, 9 surface lots and more than 676 on-street spaces. These facilities provide a total inventory of over 20,735 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Parking Facilities Fund's balance sheet on June 30, 2015, presents total assets of \$201.8 million, which includes restricted investments of over \$7.3 million, to be utilized for garage construction and operating reserves. In addition, fixed assets, including parking structures, consist of over \$181.7 million of the total \$201.8 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2016, 41,850 tickets were issued resulting in an 87% collection rate and revenue of \$2.2 million.

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

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

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

**INTRODUCTION**

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

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

<b>Year</b>	<b>Square Miles</b>
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2016	65.98

**CITY GOVERNMENT**

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from the City Charter, originally adopted by the General Assembly of Virginia (the "General Assembly") in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. The City Council is comprised of eight members, a Mayor (elected at large) and seven members from the "ward system". Two members of the seven members are elected from super wards. The City Council elects a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

**Certain Elected Officials**

The City's current elected officials include:

**Kenneth Cooper Alexander, Mayor**

In May 2016, Mr. Alexander was elected Mayor of the City of Norfolk. He is the President of Metropolitan Funeral Service. As a Norfolk native, he began his public service career more than two decades ago. Mr. Alexander received a Bachelor's degree in Political Science from Old Dominion University, Norfolk, Virginia, and a Master's degree in Diplomacy from Norwich University, the oldest private military college in Northfield, Vermont. Mr. Alexander previously served in the Senate of Virginia, where he was a member of the Commerce and Labor, Finance, Transportation and Privileges and Election committees. Prior to his election to the Senate, Mr. Alexander represented the 89<sup>th</sup> District in the House of Delegates from 2002 until 2012, serving on the Commerce, Labor, Education, Privileges and Elections and Rules committees.

**Dr. Theresa W. Whibley, Vice Mayor**

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

**Mamie B. Johnson, Council Member**

Mrs. Johnson, representing Ward 3, was elected to City Council in May 2014. Mrs. Johnson was employed with Norfolk Public Schools as a teacher for 14 years and an Instructional Specialist for six years. She is currently the Director of the Before and After School Program at Richard Bowling Elementary School and the Life Enrichment Center Urban Youth Summer Camp. She received a Bachelor's degree in Education from Norfolk State University, Norfolk, Virginia. She is active in many local professional and civic organizations, where she has held a number of leadership positions.

**Andria P. McClellan, Council Member**

Mrs. McClellan, representing Superward 6, was elected to City Council in May 2016. She received a Bachelor's degree from the University of Virginia, Charlottesville, Virginia, and graduated from the Wharton Management Program at the University of Pennsylvania. She is active in many local professional and civic organizations, and she presently serves on several boards, including WHRO, CIVIC Leadership Institute and the advisory board of OneVirginia2021.

**Paul R. Riddick, Council Member**

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

**Thomas R. Smigiel, Council Member**

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

**Martin A. Thomas, Jr., Council Member**

Mr. Thomas, representing Ward 1, was first elected to City Council in August 2016. He received a Bachelor of Science degree in Public and Urban Affairs from Virginia Polytechnic Institute and State University, Blacksburg, Virginia and graduated from the University of Richmond School of Law (T.C. Williams School of Law), Richmond, Virginia. He is currently a partner at the Decker Law Firm in downtown Norfolk where he has litigated personal injury cases since 2006. He served on the Norfolk Planning Commission from April 2011 until his election to City Council and on the Norfolk Architectural Review Board from April 2014 until his election to City Council. He is involved in many local professional and civic organizations, where he has held a number of leadership positions.

### **Angelia M. Williams Graves, Council Member**

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

### **Certain Appointed Officials**

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

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

#### **Christine Garczynski, Director of Finance**

Christine Garczynski assumed her position as Director of Finance in January 2016. At the direction of the City Manager, she is responsible for the comprehensive oversight of financial operations for the City. In addition, she is responsible for the administration of the financial affairs of the City which includes financial accounting and reporting; accounts payable; accounts receivable; payroll; cash management; risk management; debt management; purchasing; fiscal systems and the Norfolk Employees' Retirement System. Ms. Garczynski has worked for the City since 1992. She previously served as Acting Director of Finance from June 2015 to January 2016, and prior to her appointment as Acting Director of Finance, her most recent position was Debt Manager responsible for successfully coordinating and administering the City's debt obligations and the day-to-day management of the City's cash and investment portfolio. Ms. Garczynski earned a Bachelor of Science in Business Administration from Longwood University, Farmville, Virginia.

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

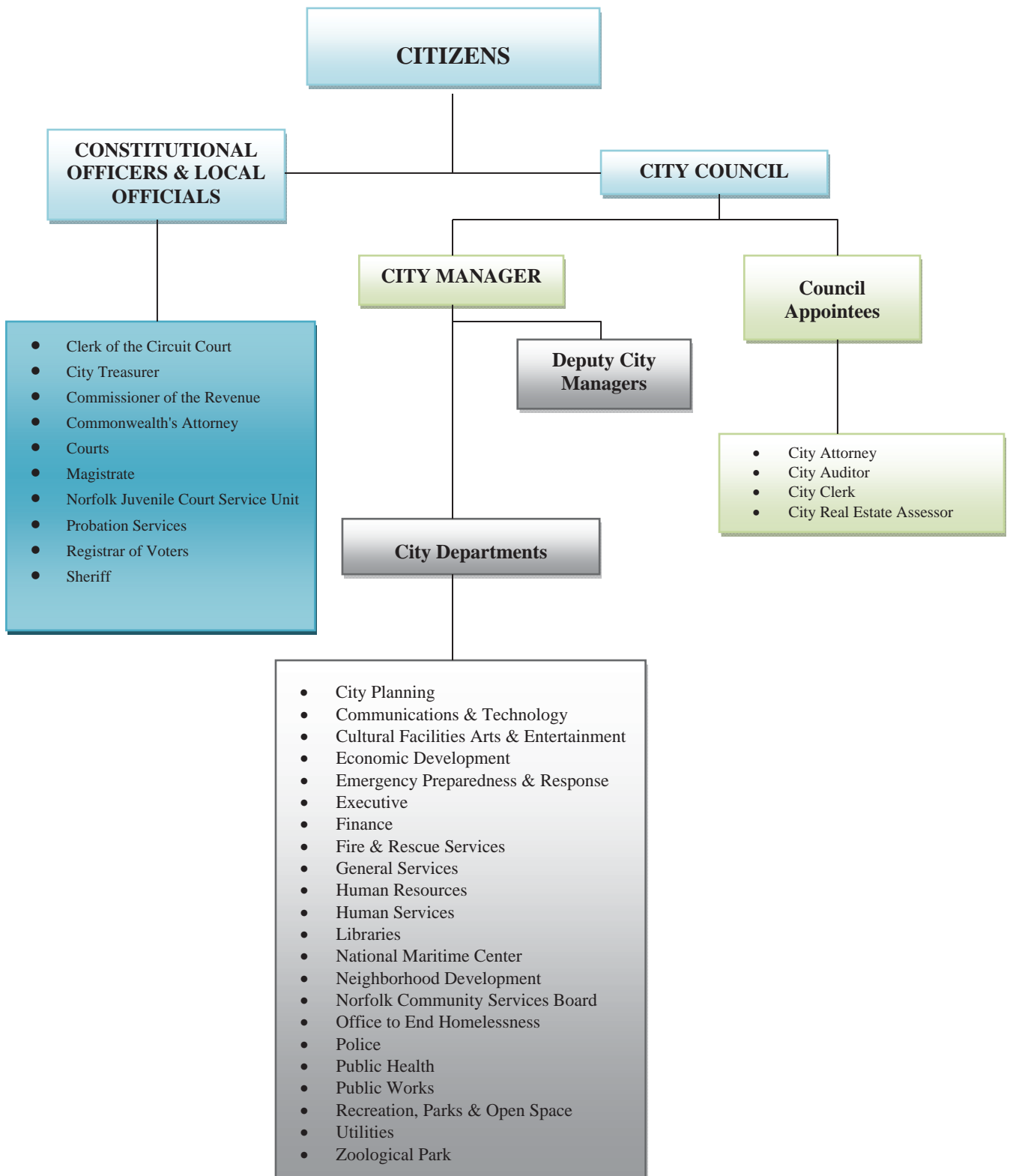
Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School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

### **Governmental Services and Facilities**

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

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## City Organization



## **OTHER GOVERNMENTAL ENTITIES**

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

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

The School Board presently operates 33 elementary schools, seven middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs. For the Fiscal Year 2015 the School Board's expenditures for education totaled \$365,940,927.

### ***Norfolk Airport Authority***

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport. Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements.

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

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own financial matters. The City does not provide funds for the operations of the Authority, and pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the airport.

### ***Hampton Roads Regional Jail Authority***

The Hampton Roads Regional Jail Authority ("HRRJA") is a regional organization which includes the cities of 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 Virginia Code and is governed by a 12 member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with

each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The regional jail facility (the "Jail"), which opened in April 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 1,090 inmates, 250 of which are designated to the City. The City is responsible for a maximum of 22.22% of the total operating cost less the revenue derived from the Virginia Compensation Board and the per diem reimbursement from the Commonwealth for the housing of state inmates.

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

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

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

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

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

Hampton Roads Planning District Commission ("HRPDC"), a regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. HRPDC performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of HRPDC is received primarily from member contributions and various state and federal grant programs. The participating governments do not have an equity interest in HRPDC, and accordingly, no equity interest has been reflected in the City's financial statements. Complete financial statements of HRPDC can be obtained from HRPDC.

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

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

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



Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of HRT rests with professional management. HRT constructed the City's light rail system.

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

### ***Hampton Roads Transportation Accountability Commission***

The Hampton Roads Transportation Accountability Commission ("HRTAC") was created effective July 1, 2014, as a political subdivision of the Commonwealth in accordance with the provisions of Chapter 26, Title 33.2 of the Virginia Code (the "HRTAC Act"). HRTAC's purposes include assessment and prioritization of regional highway, bridge and tunnel projects to be funded with, among other potential sources of funds, the Hampton Roads Transportation Fund ("HRTF"). HRTF is a fund generated by the assessment and collection of fuel and sales tax in the Hampton Roads region by the Commonwealth. HRTAC is comprised of 23 members, which include locally elected officials and ex-officio members from several state agencies. The Mayor of the City, as the City's chief elected officer, is a member of HRTAC. HRTAC is expected to consider multiple transportation projects for funding, and eventually, to issue bonds to finance the costs of such transportation projects. Repayment of any bonds issued by HRTAC will be made from sources described in the HRTAC Act, including, without limitation, the HRTF. Bonds of HRTAC will not be obligations of any jurisdiction in the Hampton Roads region, including the City.

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

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

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

The Norfolk Redevelopment and Housing Authority ("NRHA"), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the U.S. Housing Act of 1937. The NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. The NRHA conducts such activities as community development and urban reinvestment, on behalf of the City. The NRHA is also empowered by the Commonwealth to authorize and issue revenue bonds for its corporate purposes. The NRHA develops its operating budget without approval from the City Council and executes contracts on its own behalf. The City does not exercise a significant degree of oversight responsibility for the NRHA, as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA is responsible for its own financial matters as it maintains its own books of account, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

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

The 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.

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

The Slover Library Foundation (the "Library Foundation"), a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a new central library for the City. The new central library that opened in January 2015 is named the Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, were joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Library Foundation was used for construction costs and the purchase and maintenance of technology used in the library. The Library Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from third parties.

### ***Norfolk Botanical Gardens***

Norfolk Botanical Garden is a non-profit museum for plants and is managed by the Norfolk Botanical Garden Society (the "Society"), a 501(c)(3) non-profit organization supported by donations, membership dues, admissions and program fees. Norfolk Botanical Garden is a Virginia Historic Landmark and is listed on the National Register of Historic Places. The City, which owns the botanical gardens, has an agreement with the Society to operate the botanical gardens. This agreement expires on June 30, 2017. The Society receives annual funding from the City for improvements and operating costs.

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

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

## ECONOMIC AND DEMOGRAPHIC FACTORS

### Population

As reflected in Table V-2 and V-3 below, from 2006 to 2015 the City's population grew approximately 3.3%. The City is the second most populous city in Virginia, as shown in Table V-3.

**Table V-2  
Population Trend Comparisons  
2006 – 2015**

<b>Calendar Year</b>	<b>Norfolk<sup>(1)</sup></b>	<b>Hampton Roads MSA<sup>(1)(2)</sup></b>	<b>Virginia<sup>(3)</sup></b>	<b>U.S.<sup>(3)</sup></b>
2006	239,355	1,616,911	7,673,725	298,379,912
2007	241,941	1,621,986	7,751,000	301,231,207
2008	242,983	1,631,967	7,833,496	304,093,966
2009	243,957	1,636,770	7,925,937	306,771,529
2010	242,803	1,641,078	8,001,024	308,745,538
2011	243,985	1,654,311	8,105,850	311,582,564
2012	245,803	1,672,401	8,186,628	313,873,685
2013	246,392	1,682,842	8,260,405	316,128,839
2014	246,394	1,690,090	8,326,289	318,857,056
2015	247,189	1,700,609	8,382,993	321,418,820

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

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

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

<b>City</b>	<b>2010 Census Population</b>	<b>2015 Population Estimate</b>
Virginia Beach	437,994	453,500
Norfolk	242,803	247,189
Chesapeake	222,209	238,283
Richmond	204,219	217,938
Newport News	180,719	183,454

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

Table V-4 provides an annual comparison of per capita personal income since 2005.

**Table V-4**  
**City of Norfolk, Virginia**  
**Per Capita Personal Income Comparison**  
**2005 – 2014**

<b>Calendar Year</b>	<b>City</b>	<b>Hampton Roads MSA</b>	<b>State</b>	<b>U.S.</b>
2005	\$30,655	\$35,376	\$40,036	\$35,859
2006	32,299	37,404	42,386	38,130
2007	33,552	39,277	44,422	39,776
2008	34,421	40,597	45,618	41,052
2009	34,303	40,345	44,458	39,366
2010	34,816	41,032	45,412	40,274
2011	36,472	42,830	47,689	42,459
2012	37,244	44,134	49,320	44,247
2013	37,447	44,097	48,956	44,425
2014	38,463	45,276	50,345	46,392

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2014 data is the most recent data available.

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

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

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

Source: U.S. Census Bureau.

### **Housing and Construction Availability**

The City saw total home sales rise by approximately 10.0% during calendar year 2015, as compared to calendar year 2014. Total sales for calendar year 2015 were 2,870, as compared to 2,610 for calendar year 2014. The average price of homes sold in calendar year 2015 increased by approximately 8.0%, from \$193,135 to \$208,536, when compared to the average home price in calendar year 2014. Through August 2016, home sales and average sale prices are both up approximately 2.8% and 1.6%, respectively, from the same period last year.

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

**Table V-6  
City of Norfolk, Virginia  
Residential Construction  
Fiscal Years 2007 – 2016**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Number of Units</b>	<b>Value (in thousands)</b>
2007	389	491	\$68,476
2008	277	815	101,212
2009	209	535	35,878
2010	191	621	58,729
2011	221	479	37,298
2012	268	371	39,360
2013	384	822	63,728
2014	432	1,393	93,072
2015	399	711	59,018
2016	384	1,067	74,294

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

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

**Table V-7**  
**City of Norfolk, Virginia**  
**Nonresidential Construction**  
**Fiscal Years 2007 – 2016**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Value (in thousands)</b>
2007	55	\$81,396
2008	35	102,714
2009	38	138,131
2010	35	104,922
2011	27	40,073
2012	26	116,401
2013	28	105,635
2014	33	37,575
2015	36	233,824
2016	20	91,171

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

### **Employment**

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

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

**Table V-8**  
**City of Norfolk, Virginia**  
**Unemployment Rates**  
**2007 – 2016**

<b>Calendar Year</b>	<b>Norfolk</b>	<b>Hampton Roads MSA</b>	<b>Virginia</b>	<b>U.S.</b>
2007	4.1%	3.2%	3.0%	4.6%
2008	5.3	4.2	3.9	5.8
2009	8.5	6.9	6.7	9.3
2010	8.8	7.6	7.1	9.6
2011	8.3	7.3	6.6	8.9
2012	7.6	6.8	6.0	8.1
2013	6.9	6.2	5.7	7.4
2014	6.4	5.7	5.2	6.2
2015	5.6	4.9	4.4	5.3
2016 <sup>(1)</sup>	5.4	4.6	4.0	4.9

Source: U.S. Bureau of Labor Statistics.

Note: (1) Through July 2016.

**Table V-9**  
**City of Norfolk, Virginia**  
**Civilian Employment and Average Weekly Gross Wages**  
**1<sup>st</sup> Quarter, 2016**

	<b>Number of Establishments</b>	<b>Number of Employees</b>	<b>Average Weekly Wage</b>	<b>Percentage of Employment</b>
Education and Health Services	994	38,260	\$874	30.7%
Trade, Transportation & Utilities	1,190	24,667	918	19.8
Professional & Business Services	896	19,429	1,302	15.6
Public Administration	67	4,131	1,467	3.3
Leisure and Hospitality	659	13,155	434	10.6
Financial Activities	565	7,747	1,304	6.2
Manufacturing	148	6,093	1,034	4.9
Construction	362	3,800	942	3.1
Other Services	623	4,267	511	3.4
Information	84	2,991	1,215	2.4
<b>Total</b>	<b>5,763</b>	<b>139,417</b>	<b>\$988</b>	<b>100.0%</b>

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

### **Economic Development**

Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization and commercial corridor development. Some of the City-led initiatives to stimulate commercial revitalization include: Tax Abatement for Property Rehabilitation, State Enterprise Zone, Historically Underutilized Business Zones, Pedestrian Commercial Overlay Zones, Tax and Grant Benefits, public infrastructures and amenities. A new Technology Zone was created in 2016. In the past 18 months, the City has seen economic development from existing and new business, as well as new retail development and redevelopment of existing infrastructure, including over \$40 million in business expansion and retention and the creation of approximately 400 jobs for existing companies; over \$50 million in investment from new business and the creation of approximately 300 jobs; over \$41 million in new retail investment and the creation of approximately 570 retail jobs; and over \$300 million in reinvestment and redevelopment projects. The following pages describe many of the economic development projects that account for these investments and employment.

## **Downtown Development**

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. The average vacancy rate for Downtown Class A office space as of August 2016 is approximately 11.2%, as shown in Table V-10 below.

**Table V-10**  
**City of Norfolk, Virginia**  
**Downtown Norfolk Vacancy – Class A**  
**August 2016**

<b>Class A</b>	<b>Rentable SF</b>	<b>Vacant SF</b>	<b>% Vacant</b>
150 West Main Street	225,498	24,299	10.8%
Crown Center	58,674	0	0.0
Dominion Tower	405,539	42,541	10.5
Main Street Tower	201,307	65,710	32.6
Norfolk Southern Tower	293,035	0	0.0
Wells Fargo Center	299,887	46,790	15.6
World Trade Center	367,000	27,723	7.6
<b>Total</b>	<b>1,850,940</b>	<b>207,063</b>	<b>11.2%</b>

Source: CoStar, August 2016.

Renovation of the two commercial building are underway, which will convert them from Class B to Class A, adding 287,858 additional occupied square feet. Bank presence along Main Street includes Bank of America, BB&T, Monarch, Old Point National, PNC, SunTrust, TowneBank and Wells Fargo. Bank of Hampton Roads, Southern Bank and several credit unions are also located downtown.

The first phase of the new \$126 million Consolidated Courts Complex opened in January 2015 near City Hall and adjacent to the Civic Plaza light rail station, and phase two is under construction. The complex is being built in two phases to allow for uninterrupted court operations. The General District and Circuit Courts moved initially into the new building, while construction of the second phase is scheduled to be completed by spring 2017 to further consolidate the Juvenile and Domestic Relations Court and the law library in the complex.

## **Residential Development**

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

Residential investment continues to grow throughout the City, particularly in downtown. Two new projects are currently under construction downtown: 450 Boush (a mixed-use project with 150 units and 10,000 square feet of retail), and the second phase of Rockefeller Apartments, a new building that will include 40 apartments. Downtown projects completed within the past few years include the Metro on Granby, the Wainwright Downtown (126 units), The James (79 units), The Seaboard (135 units), The Law Building (135 units), and the Virginia Building (32 units and two retail spaces). Additional apartment projects recently announced for Downtown include the conversion of the Bank of America building into the Icon at City Walk, with 300 residential apartments, and the conversion of the Savoy



building into new apartments. Saint Paul's Apartments, with 120 new units, will be the first residential project in the Saint Paul's area. Together, approximately 1,500 new apartments have been or are going to be added to Downtown since 2010, bringing the estimated Downtown population to well over 6,000 residents. Other new residential developments includes Atlas Flats in the Midtown area and Front Street Apartments in the Fort Norfolk area, Banks at Berkley (50 units) and Claremont Apartments (156 apartments and 25 single-family homes) in Berkley/Campostella, the Element at Ghent (164 units), Fort Tar Lofts (13 units), The Promenade Pointe (187 units), The Pointe at Pickett Farm (300 units), 1500 Monticello (a mixed-use project with 207 units and 10,131 square feet of retail space), and The Watermark (372 units).

The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. The East Beach section of Ocean View will have 700 housing units with prices ranging from \$350,000 to over \$1.5 million, with an average home sales price of \$733,507. A portion of the homes are currently occupied with the remainder of the properties planned for development. Lot sales total approximately \$47 million representing nearly \$230 million in home values and approximately \$2.6 million in annual real estate taxes to the City. East Beach Phase 7, the final phase of East Beach consists of 38,000 square feet of retail and commercial space, as well as a mixture of 80 townhomes, single family homes, cottages and carriage houses. Pinewell Station, with 145 apartments, is being planned for the former Ramada Hotel site. Captain's Landing, with 38 townhouses, is also in the planning stages. Villa Marina Apartments will include 111 apartments. East Beach Marina Apartments, with 136 apartments, was completed in 2015.

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

### **Commercial Development**

Simon Property Group, Inc. broke ground in 2015 on an investment of approximately \$75 million to build an outlet center on an existing City-owned golf course. The redevelopment plan calls for the City to retain approximately 65 acres for green space and walking trails around a lake creating new public open space. Construction started in 2016, with a projected opening in summer 2017. Phase I of the Simon Premium Outlet Park is planned to include approximately 85 stores, 332,000 square feet of leasable space and is anticipated to generate an estimated \$2.5 million in tax revenue. The timetable for Phase II has not been announced but is expected to include an additional 100,000 square feet for approximately 30 stores.

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

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

Movement Mortgage will relocate its largest operations center to the adaptive re-use of the former J.C. Penney department store at Military Circle Mall owned by the EDA. Movement Mortgage will transfer 550 jobs to Norfolk, with the planned addition of 200 more jobs to support its rapid national

growth. The relocation of Movement Mortgage is anticipated to bring approximately \$230,000 in new direct annual tax revenue. See "Part II – CITY INDEBTEDNESS – Debt Outstanding."

### **Arts and Culture**

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

A \$24 million, 10,000 square foot expansion and renovation of the Chrysler Museum of Art was completed in May 2014. Previously only 20% of the collection was on display and the expansion allows for more of the collection to be seen.

The NEON, or New Energy Of Norfolk, District is home to a new wave of passion and creativity in Downtown. Long-time cultural institutions like the Chrysler Museum of Art and Harrison Opera House anchor the District while new art venues like Glass Wheel Studio and Work|Release provide artists a place to make, create and show. Since the birth of the NEON District, the City's Public Art Commission has seen new murals and sculpture projects multiply that enhance the street environment and bring life to the NEON District.

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

A new \$4.25 million animal wellness center at the Virginia Zoological Park, completed in February 2014, consists of a 3,000 square foot Nutrition Center and an 8,000 square foot Veterinary Hospital. The hospital provides state of the art surgical and treatment suites, laboratory and pharmacy.

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

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

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

## **Transportation Initiatives**

The City's light rail system, the Tide, began operation in August 2011, and has to date, exceeded passenger count expectations. The Tide runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. Amtrak passenger rail line service connecting Norfolk to Washington, D.C. via Petersburg and Richmond began operation in December 2012 and has, exceeded aggregate passenger count expectations. From the 3,500 square foot train station located at Harbor Park, the intercity passenger rail serves a multi-modal center, which includes a light rail station. The facility will link intercity passenger rail to the light rail and regional bus systems, ferry service, cruise ship facilities and provide direct interstate access.

Construction of the Downtown Tunnel/Midtown Tunnel/MLK Extension project is nearing completion. This \$2.1 billion project designed to create new connections between Norfolk and the City of Portsmouth and to improve the existing connections.

In 2013, construction began on the I-564 intermodal connector project. This \$176 million project is expected to alleviate congestion and improve transportation flow on City and naval station streets, when completed. Completion of the I-564 intermodal connector project is expected in summer 2017. This project is funded by the Commonwealth. The Virginia Port Authority is creating a new intermodal gate complex at Norfolk International Terminals ("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.

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

## **Norfolk Airport**

Norfolk International Airport ("NIA") is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by American, Delta, Southwest and 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 15% of commercial service airport in the United States with over 3.0 million scheduled passengers served in 2015.

NIA generates nearly 1,700 jobs and over \$135 million in direct economic impacts annually. More than 775,000 annual visitors use NIA and other facilities in the region and contribute an additional \$566 million in indirect economic impacts that create more than 12,500 local jobs with a payroll in excess of \$210 million.

The second phase of the passenger terminal refurbishment was completed in summer 2016. Work on phase three is underway, and when phase two is completed in September 2017, it will include a renovated of public restrooms, family convenience room and construction of three "mother's rooms."

### **Hotel Development**

Norfolk has nearly 5,000 hotel rooms, including over 1,500 in the downtown area. Tourism and conventions employ over 6,800 workers in the City and generate \$25.8 million in state taxes and \$22.1 million in local tax revenue. Travelers to the City spend over \$719 million annually. Construction of the new Hilton Norfolk at The Main and The Exchange conference center is underway. The \$147 million public/private downtown project will include a 50,000 square foot conference center, a 23-story hotel with approximately 300 rooms, three restaurants and a parking garage. The project is expected to create approximately 500 construction jobs, 250 hotel jobs and an estimated \$2 million in annual tax revenue. It is being developed by Gold Key PHR Hotels and Resort, with delivery expected in 2017.

A \$27 million investment in the Glass-Art Centric Boutique Hotel will capitalize on Norfolk's distinct identity as the cultural capital of the region. Included in the 120 room autograph collection hotel by Marriott will be a lobby restaurant, rooftop lounge and a permanent glass art gallery open to the public.

### **Waterfront Recreation Investment**

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline along its lakes, rivers and the Chesapeake Bay. Numerous marinas are located 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 for the City.

The City entered into a public/private partnership with Cordish Company for the renovation of the Waterside Festival Marketplace that would reposition the facility into Waterside District, a world-class dining and entertainment complex. The project is expected to create an estimated \$2 million in annual tax revenue. Major renovations are underway, and the project is planned to open in spring 2017.

### **Sports and Recreation**

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

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

Norfolk is home to the Norfolk Tides, a AAA minor league baseball team (the "Tides"). In September 2014, the Tides and Baltimore Orioles renewed their predevelopment agreement through the end of the 2018 season. The Tides renewed their 15-year lease at Harbor Park in December 2013. Norfolk is also home to the Norfolk Admirals, an East Coast Hockey League affiliate of the National Hockey League's (NHL) Edmonton Oilers. 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.

## **Norfolk's Educational Institutions**

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

### **Public Schools**

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

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The School consolidated its location in downtown Norfolk on Granby Street in 2014.

Over the past decade, the City provided support to construct Norview High, Blair Middle, Coleman Place Elementary and Crossroads K-8. School construction remains a priority for the City, which has made a commitment to build or replace five schools. The first school replaced was Crossroads Elementary, which opened in 2012. The first \$0.02 of a \$0.04 per \$100 of assessed value increase in the real estate tax rate, effective for Fiscal Year 2014 is dedicated to fund the City's School Construction, Technology, and Infrastructure (CTI) Program and is expected to allow the City to fund the design and construction at a faster rate than previously planned.

In July 2012, the City received and accepted an unsolicited proposal to construct four schools under the Public-Private Education and Infrastructure Act of 2002, which allows private groups to make unsolicited proposals to build public buildings and allows local governments to solicit private proposals for construction projects such as prisons, fire stations and schools. The City subsequently issued a request for proposals for school construction and entered into a comprehensive agreement with S.B. Ballard Construction Company for the construction of four new school facilities. That agreement was amended to include the replacement of Camp Allen Elementary School. Campostella K-8 and Broad Creek Elementary School opened in September 2016 and Larchmont and Ocean View Elementary Schools are under construction. Camp Allen, where the Department of Defense will pay 80% of the construction costs, is currently in the design phase.



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

**Table V-11**  
**City of Norfolk, Virginia**  
**Public Schools Student Population**  
**Fiscal Years 2011 – 2015**

<b>Fiscal Year</b>	<b>September 30 Membership</b>	<b>Percent Change</b>
2011	31,485	(0.85)%
2012	31,142	(1.09)
2013	30,702	(1.41)
2014	30,359	(1.12)
2015	30,116	(0.80)

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

### **Higher Education**

Norfolk is home to five institutions of higher learning: ODU, Norfolk State University, Virginia Wesleyan College, Tidewater Community College and Eastern Virginia Medical School. ODU is one of only 100 public research universities nationwide. Norfolk State University is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation. Located in downtown, Tidewater Community College has five buildings, including the Jeanne and George Roper Performing Arts Center. An Eastern Virginia Medical School, dedicated solely to biomedical and health education, has an economic impact on the regional economy of \$824 million annually.

### **Norfolk's Medical Institutions**

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, Children's Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional"). Sentara Norfolk General is home to the area's heart hospital and only Level 1 trauma center. Sentara Norfolk General Hospital embarked in 2016 on a \$199 million expansion and modernization project to be completed 2020. The project will add floors to two existing wings, expand the emergency department, expand and modernize 18 operating rooms, replace a 48-bed ward-style Special Care Nursery with a state-of-the-art unit with private and semi-private rooms, and consolidate the hospital's 54 intensive care unit beds on two floors. CHKD, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 206 beds, the hospital serves the medical and surgical needs of children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and northeastern North Carolina.

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

### **The Virginia Port Authority**

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

The Port is one of the top three ports on the east coast in terms of total value of port trade. In 2015, the Port handled a total of 19,977,707 tons of general cargo, including 19,681,988 tons of containerized cargo, with 295,719 tons of breakbulk making up the remainder.

**Table V-12**  
**Virginia Port Authority Terminals**  
**General Cargo Tonnage**  
**Calendar Years 2011 – 2015**

<b>Calendar Year</b>	<b>Total General Cargo Tonnage (000's)</b>	<b>Percent Change over Previous Year</b>
2011	15,616	1.91%
2012	17,528	12.24
2013	18,840	7.49
2014	19,061	1.17
2015	19,978	4.81

Source: Virginia Port Authority.

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

On July 20, 2016, the Governor announced the Port will be receiving a \$350,000,000 investment from the Commonwealth to expand the cargo capacity at NIT's South Berth to increase capacity by 46%, as well as improve the speed at which the cargo moves through the area.

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

Several major companies are headquartered in Norfolk, including:

- Norfolk Southern, a Fortune 500 company and one of the country's largest railroad operators;
- Landmark Communications, one of the country's largest privately owned media companies with ownership of several daily newspapers, local TV stations, and specialty publications;
- Dominion Enterprises, a wholly-owned subsidiary of Landmark Communications, Inc., is a print and internet media group that includes numerous specialty publications and online classifieds;
- FHC Health Systems, one of the top 250 largest private companies in the country, specializing in health care management, health services, and online medical reports;
- CMA CGM Inc., the America's Headquarters, one of the world's largest container transportation and shipping company;
- Sentara Healthcare, a not-for-profit organization that operates a network of hospitals and other health facilities primarily in the coastal Hampton Roads area of southeastern Virginia;
- MDV is recognized as one of the premier worldwide grocery distributors; providing service to both Continental United States (CONUS) and Outside the Continental United States (OCONUS) commissaries and exchanges;

- Portfolio Recovery Associates, a firm whose primary business is the purchase, collection and management of defaulted customer receivables and which recently expanded its regional headquarters and added approximately 350 new jobs; and
- Bauer Compressor, North America's headquarters of the Munich, Germany company, has been located in Norfolk for more than 30 years and is a leading manufacturer of air compressor equipment.

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

**Table V-13**  
**City of Norfolk, Virginia**  
**Major Non-Government Employers in 1<sup>st</sup> Quarter 2016**

Company	Number of Employees	Product/Service
	<b>1,000+</b>	
Sentara Healthcare		Hospitals
Old Dominion University		Educational Services
Children's Hospital of the King's Daughter		Hospitals
Eastern Virginia Medical School		Educational Services
Norfolk State University		Educational Services
Norshipco		Transportation Equipment Manufacturing
Portfolio Recovery Association		Administrative and Support Services
Anthem		Insurance Carriers and Related Activities
Bon Secours DePaul Medical Center		Hospitals
Wal-Mart		General Merchandise Stores
	<b>500 – 999</b>	
Tidewater Community College		Educational Services
Maersk Line Limited		Water Transportation
CMACGM (America), Inc.		Support Activities for Transportation
Sentara Health Management		Insurance Carriers and Related Activities
Virginia International Terminal		Support Activities for Transportation
Colonna's Shipyard		Transportation Equipment Manufacturing
Top Guard Inc.		Administrative and Support Services
Virginia Wesleyan College		Educational Services
	<b>250 – 499</b>	
McDonald's		Food Services
Electronic Data Systems Corp		Internet Service Providers and Data Processing Services
ODU Research Foundation		Professional, Scientific and Technical Services
Food Lion		Food and Beverage Stores
United Services Automobile Association		Insurance Carriers and Related Activities
Bank of America		Credit Intermediation and Related Activities
Farm Fresh		Food and Beverage Stores
Tidewater Wholesale Grocery		Merchant Wholesalers, Nondurable Goods
Marine Hydraulics International		Transportation Equipment Manufacturing
Horizon Services, LLC		Administrative and Support Services
Alorica Inc.		Administrative and Support Services
CP&O LLC		Support Activities for Transportation
Personal-Touch Home Care, Inc.		Ambulatory Health Care Services
American Funds Service Company		Financial Investments
Lake Taylor Hospital		Nursing and Residential Care Facilities
Soc LLC		Administrative and Support Services
Booz, Allen and Hamilton		Professional, Scientific and Technical Services
Event Staffing Inc.		Food Services and Drinking Places
United Express Airtran Jet Con		Air Transportation
Hampton Roads Transit		Administration of Economic Programs
Transit Management Company		Transit and Ground Passenger Transportation
The Virginian-Pilot		Publishing Industries
L 3 Unidyne Inc.		Professional Scientific and Technical Services
Community Alternatives		Social Assistance
Zim American Integrated Shipping Services		Support Activities for Transportation

Source: Virginia Employment Commission.



New development, expansion and retention of Norfolk's business community has led to continued economic growth over the past five years. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of Norfolk's local economy. Since 2012, the City has realized over \$2.0 billion in new development, business expansion and announcements of pending projects.

**Table V-14**  
**City of Norfolk, Virginia**  
**Business Growth A Sampling of Business Activity in 2012 – 2016**

Company	Types	E/N	C/D/A	Investment (millions)
201 Twenty-One	Mixed-use residential apartments and retail	N	C	\$ 40
880 Military	Renovation of former retail space into office space	E	D	18
Atlantic at City Walk	Renovation of Class B to Class A space	E	D	50
Autograph Hotel	120-room boutique hotel Downtown	E	A	27
Banks at Berkley	155 new apartments	N	D	8.5
Bauer Compressor Facility	Expansion of existing Norfolk business	E	D	15
Bay Village Condos	Senior only residences	N	D	15
Belmont at Freemason	Apartments	N	C	45
Bon Secours DePaul	New medical building	N	C	25
CIRS	New advanced manufacturing building	N	A	TBD
Claremont Apartments	156 apartments and 25 single-family homes	N	D	20
CMA-CGM	Americas Headquarters, shipping line	E	C	11.5
Colonna's Shipyard	Expansion to add larger dry dock	E	D	30
Commander Corporate	Second office building for spec	N	C	12
Court Complex	New combined Court Complex	N	D	123
East Beach Marina Apartments	136 apartments in East Beach	N	C	25
Eastern Virginia Medical School	New education and research building	N	C	80
Edge Apartments	150 apartments with first floor retail Downtown	N	D	30
Element at Ghent	164 new luxury apartments	N	C	26
Fort Norfolk Plaza	Mixed-use medical office, retail	N	C	70
Ghent Station	New medical space and retail	N	C	17.5
Glass Wheel Studio	Contemporary art gallery and working studios	E	C	2.5
Hampton Roads Barge Co.	New transportation/shipping company	N	C	2.3
Harbor's Edge Phase II	Residential retirement community	N	A	100
Harris Teeter Expansion	Replacement of existing grocery store	E	C	14
Harris Teeter	Construction of new store at Wards Corner	N	C	18
Hurrah Players	Theatre, dance, voice and acting troupe	N	C	1.4
Icon at City Walk	Conversion of building into apartments	E	A	100
IKEA	Construction of new retail store at Lake Wright East	N	A	75
Kroc Center	Community center	N	C	84
Lamberts Point	Recreation facility	N	C	7.6
MacArthur Memorial	Expansion	E	C	5
Hilton and Conference Center	New hotel and conference center	N	D	126
Marine Hydraulics	Expansion	E	C	82
Metro on Granby	Two new apartment buildings on Granby Street	N	C	24
Norfolk Premium Outlets	Includes 90 to 120 new stores	N	D	75
Norfolk State University	Library and student center	N	C	75
Old Dominion University	Innovations Research Park II	N	C	22.5
Old Dominion University	Student fitness center	N	C	28
Old Point National Bank	New branch office in Ghent	N	C	2.8
P & P, LLC	Office/flex (4 <sup>th</sup> building on site)	E	D	1
Passenger Rail Facility	Station for new Amtrak service	N	C	3.8
Pinewell Station	145 apartments in Ocean View	N	A	22
Railyard at Lamberts Point	Mixed-use retail	N	A	50
Residence Inn by Marriott	Extended-stay hotel	N	C	35
Riverside Terrace / Westport	Phasing townhouses and condominiums	N	D	80
Saint Paul's Apartments	120 apartments in Saint Paul's Quadrant area	N	A	TBD
Sentara Offices	48,000 sq. ft. office at Poplar Halls	N	D	9
Sentara Norfolk General	Expansion and modernization project	E	A	199
Sentara Garage	Colley Avenue	N	C	15
Sentara Leigh Hospital	Two new patient towers	E	C	126
Sheraton Hotel	Renovation	E	C	32
Slover Library	Construction of new main library	N	C	64
Tidewater Community College	Student center	N	C	17.6
The Market at Ghent	Expansion to existing Farm Fresh store	E	C	3
The River House Apartments	197 apartments	N	C	36
Virginia Arts Festival	Offices and rehearsal studios	N	C	7.5
Virginia Zoo	Animal Wellness Center	E	C	4.3
Waterside District	Premier dining, entertainment and retail	E	D	40
Wells Fargo Center	Mixed-use office, retail and residential	N	C	170
			<b>Total</b>	<b>\$2,409</b>

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

Note: E/N – Expansion or New; C/D/A – Completed, Under Development or Announced. Amounts and projects are subject to change.

## **Military**

The presence of the military in Norfolk has a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically have a material impact on the economic condition of the City.

The Navy announced in March 2015, that Hampton Roads region will soon be home to five aircraft carriers. While not a permanent homeporting, it will mean the 2,500 plus personnel from the Gerald R. Ford, currently under construction in Newport News, will be in the region for a few years due to schedule and maintenance requirements for the Navy. Additionally, the region will gain two amphibious assault ships to be based at Joint Expeditionary Base Little Creek. The additional carrier will join the USS Dwight D. Eisenhower, USS Abraham Lincoln (currently undergoing overhaul at Newport News Shipbuilding), USS Harry S. Truman and the USS George H.W. Bush at Naval Station Norfolk.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$9.98 billion in Fiscal Year 2014, comprised of a total annual payroll of \$8.4 billion and the balance consumed on goods and services and procurement contracts. The region and particularly the City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of more than 100,000. In addition, the Hampton Road's region is home port to approximately 70 ships and home to 39 aircraft squadrons.

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

**APPENDIX A**

**CITY OF NORFOLK, VIRGINIA  
GENERAL PURPOSE FINANCIAL  
STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015**

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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.





### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discuss in note XXII to the financial statements, in fiscal year 2015, the City adopted new accounting guidance described in Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**KPMG LLP**

Norfolk, Virginia  
December 23, 2015



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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**(Unaudited)**





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**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

**Financial Highlights**

- In fiscal year 2015, the City of Norfolk implemented GASB 68 which required the recording of the net pension liability, pension expense and related deferred inflows and outflows on the statement of net position. The 2014 beginning balances have been restated in the statement of net position to reflect the net pension liability at June 30, 2014. The 2014 statement of activities has not been restated.
- 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 2015 by \$618,128,341 (net position). Of this amount, there is a negative unrestricted net position of \$116,553,979. Total net position increased by \$38,905,975 and unrestricted net position decreased by \$43,911,045.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$53,743,383, a decrease of \$98,239,727 in comparison with the prior year. This decrease was primarily attributable to timing of the City's external borrowings. Rather than issue bonds or draw upon its available line of credit (of which \$123,996,805 was available on June 30, 2015), the City funded \$70,000,000 in authorized capital projects with cash and short-term investments from the unassigned Capital Projects fund and General fund cash balances. Bonds were issued to refund existing debt, but only \$1,000,000 of new debt was issued in fiscal year 2015 for governmental activities. There is a negative unassigned total Governmental fund balance of \$21,956,709 on June 30, 2015. If the City had drawn \$70,000,000 on the line of credit for authorized capital projects in fiscal year 2015, the unassigned total Governmental fund balance on June 30, 2015, would have been \$48,043,291, a decline of \$5,700,092 compared to the prior year.
- The General fund, on a current financial resources basis, reported an increase in fund balance of \$8,807,691. The City budgeted to use approximately \$6.4 million in reserves, but due to the implementation of City-wide cost saving measures

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

during the fiscal year no reserve funds were required. These cost saving measures will continue and have a positive impact in fiscal year 2016.

- At the end of the current fiscal year, the total unassigned fund balance for the general fund was \$65,580,379, or 7.98 percent of the General fund budget.
- The City's total outstanding bonded indebtedness decreased by \$39,433,920 during the current fiscal year.
- For the fiscal year ended June 30, 2015, the City implemented GASB 68 *Accounting and Financial Reporting for Pensions* and GASB 71 *Pension Transition for contributions made subsequent to the measurement date*, which requires Net Pension Liabilities to be recorded on the Financial Statements. The implementation of GASB 68 and 71 required a restatement of the beginning net position for this adoption of new accounting standards as follows:

	Governmental Activities	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Total Business-Type Activities	Total Primary Government	Total Component Unit
Balance, June 30, 2014, as originally reported	\$ 370,415,205	\$ 235,353,203	\$ 102,262,928	\$ 47,167,266	\$ 384,783,397	\$ 755,198,602	\$ 8,178,688
Restatement for Pensions	(160,929,310)	(10,026,045)	(2,948,540)	(2,072,341)	(15,046,926)	(175,976,236)	(337,993,441)
Restatement for changes in reporting entity	750,547	(750,547)	-	-	(750,547)	-	22,125,858
Restated Balance at July 1, 2014	\$ 210,236,442	\$ 224,576,611	\$ 99,314,388	\$ 45,094,925	\$ 368,985,924	\$ 579,222,366	\$ (307,688,895)

- The 2015 operating budget included organizational changes to the City's governmental funds which required a restatement of opening fund balance. The City created a new fund for the waste management operation, which was previously included in the general fund, to account for the revenues and expenses associated with waste management. The new waste management fund is a non-major special revenue fund. In addition, the Community Services Board fund which was previously reported as a non-major special revenue fund was consolidated to allow fund deficiencies to be covered by the General fund. The restatement is as follows:

	General Fund	Waste Management Fund	Community Services Board Fund	Water Utility Fund
Balance, June 30, 2014, as originally reported	\$ 85,265,709	\$ -	\$ 3,691,879	\$ 235,353,203
Restatement for Pensions	-	-	-	(10,026,045)
Restatement for changes in reporting entity	3,510,547	931,879	(3,691,879)	(750,547)
Restated Balance at July 1, 2014	\$ 88,776,256	\$ 931,879	\$ -	\$ 224,576,611

- The component unit change for the City of Norfolk for 2015 includes the addition of the Norfolk Economic Development Authority (EDA). EDA is included as a component unit due to a recent contractual commitment by the City to fund development costs of the Lake Wright Property.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

**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, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

is reported separately from the financial information presented for the primary government and can be found on pages 60 - 61 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 62 - 65 of this report.

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

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

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City had two internal service funds, Fleet Management and Healthcare Self-Insurance during fiscal year 2015. 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 66 - 68 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 69 - 70 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 74.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's Net Pension Liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 144 – 153 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 162 - 163 and 166 - 168, respectively, of this report.



**CITY OF NORFOLK, VIRGINIA**  
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**Government-Wide Financial Analysis**

Over time, net position may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$618,128,341 at the close of fiscal year 2015.

By far, the largest portion of the City's net position, \$694,586,563 or 112 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 6.5 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$116,553,979 of unrestricted net position is due to the adoption of GASB 68 and the recognition of the net pension liability to the employee retirement system and the Virginia retirement system.

	Governmental Activities		Business-Type Activities		Total	
	restated*		restated*		restated*	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 158,994,709	\$ 245,435,361	\$ 197,498,578	\$ 185,664,650	\$ 356,493,287	\$ 431,100,011
Capital Assets	1,070,236,138	1,011,130,051	917,194,149	889,627,701	1,987,430,287	1,900,757,752
Deferred Outflows of Resources	54,191,517	57,245,981	17,736,132	11,317,424	71,927,649	68,563,405
Total Assets and Deferred Outflows of Resources	1,283,422,364	1,313,811,393	1,132,428,859	1,086,609,775	2,415,851,223	2,400,421,168
Long-Term Liabilities	843,666,024	933,854,408	687,696,634	670,940,635	1,531,362,658	1,604,795,043
Other Liabilities	137,693,747	169,619,926	40,412,104	46,665,877	178,105,851	216,285,803
Deferred Inflows of Resources	80,738,835	100,617	7,515,539	17,339	88,254,374	117,956
Total Liabilities and Deferred Inflows of Resources	1,062,098,606	1,103,574,951	735,624,277	717,623,851	1,797,722,883	1,821,198,802
Net Position						
Net Investment in Capital Assets	428,380,397	337,937,410	266,206,166	259,371,019	694,586,563	597,308,429
Restricted	10,485,050	22,062,352	29,610,707	32,494,519	40,095,757	54,556,871
Unrestricted	(217,541,689)	(149,763,320)	100,987,710	77,120,386	(116,553,979)	(72,642,934)
Total Net Position	\$ 221,323,758	\$ 210,236,442	\$ 396,804,583	\$ 368,985,924	\$ 618,128,341	\$ 579,222,366

\*Restated as described in Note XXII

For governmental activities, total net position increased by \$11,087,316 or 5.3 percent overall during the current fiscal year. Factors that contributed to the change in total

**CITY OF NORFOLK, VIRGINIA**  
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governmental net position include an increase in property tax, charges for services and operating grants and contributions.

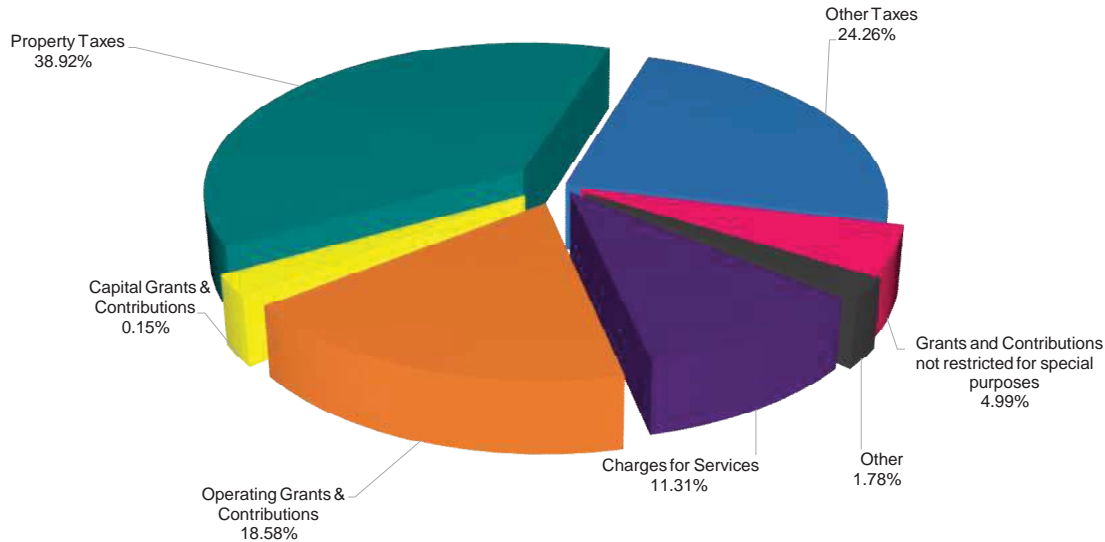
For business-type activities, net position increased by \$27,818,659 or 7.5 percent during the fiscal year. Of this amount, an increase of \$20,462,415, \$7,813,952, and a decrease of \$457,708 are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues increased by \$3,314,013 compared to prior year due to increases in billing rates for Water and Wastewater Utilities funds 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		Total		
	2015	2014	2015	2014	2015	2014	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$ 76,555,572	\$ 69,915,807	\$ 130,659,266	\$ 126,629,580	\$ 207,214,838	\$ 196,545,387	
Operating Grants & Contributions	125,802,403	120,713,320	-	-	125,802,403	120,713,320	
Capital Grants & Contributions	1,000,000	15,932,623	3,005,824	2,760,836	4,005,824	18,693,459	
General Revenues:							
Property Taxes	263,490,017	254,357,446	-	-	263,490,017	254,357,446	
Other Taxes	164,270,397	161,499,026	-	-	164,270,397	161,499,026	
Grants and Contributions not restricted for specific purposes	33,793,343	33,788,087	214,199	218,551	34,007,542	34,006,638	
Other	12,079,430	15,346,710	2,614,234	3,570,498	14,693,664	18,917,208	
Total Revenues	676,991,162	671,553,019	136,493,523	133,179,465	813,484,685	804,732,484	
<b>Expenses:</b>							
General Government	126,958,918	122,656,635	-	-	126,958,918	122,656,635	
Judicial Administration	49,056,265	55,062,139	-	-	49,056,265	55,062,139	
Public Safety	120,709,855	125,121,896	-	-	120,709,855	125,121,896	
Public Works	81,170,952	66,908,888	-	-	81,170,952	66,908,888	
Health and Public Assistance	86,775,904	90,919,215	-	-	86,775,904	90,919,215	
Culture and Recreation	58,443,117	56,498,810	-	-	58,443,117	56,498,810	
Community Development	13,040,139	12,622,530	-	-	13,040,139	12,622,530	
Education	117,721,922	109,466,754	-	-	117,721,922	109,466,754	
Interest on Long-Term Debt	22,059,855	25,187,109	-	-	22,059,855	25,187,109	
Water Utility	-	-	59,455,257	61,608,972	59,455,257	61,608,972	
Wastewater Utility	-	-	19,141,968	20,128,611	19,141,968	20,128,611	
Parking Facilities	-	-	20,044,558	23,677,028	20,044,558	23,677,028	
Total Expenses	675,936,927	664,443,976	98,641,783	105,414,611	774,578,710	769,858,587	
Increase (decrease) in Net Position							
before Transfers	1,054,235	7,109,043	37,851,740	27,764,854	38,905,975	34,873,897	
Transfers	10,033,081	10,051,915	(10,033,081)	(10,051,915)	-	-	
Increase in Net Position	11,087,316	17,160,958	27,818,659	17,712,939	38,905,975	34,873,897	
Net Position Beginning of Year	370,415,205	-	384,783,397	-	755,198,602	-	
Restatement (Note XXII)	(160,178,763)	-	(15,797,473)	-	(175,976,236)	-	
Restated Net Position Beginning of Year	210,236,442	353,254,247	368,985,924	367,070,458	579,222,366	720,324,705	
Net Position End of Year	\$ 221,323,758	\$ 370,415,205	\$ 396,804,583	\$ 384,783,397	\$ 618,128,341	\$ 755,198,602	

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

**Governmental Activities: Revenues by Source**



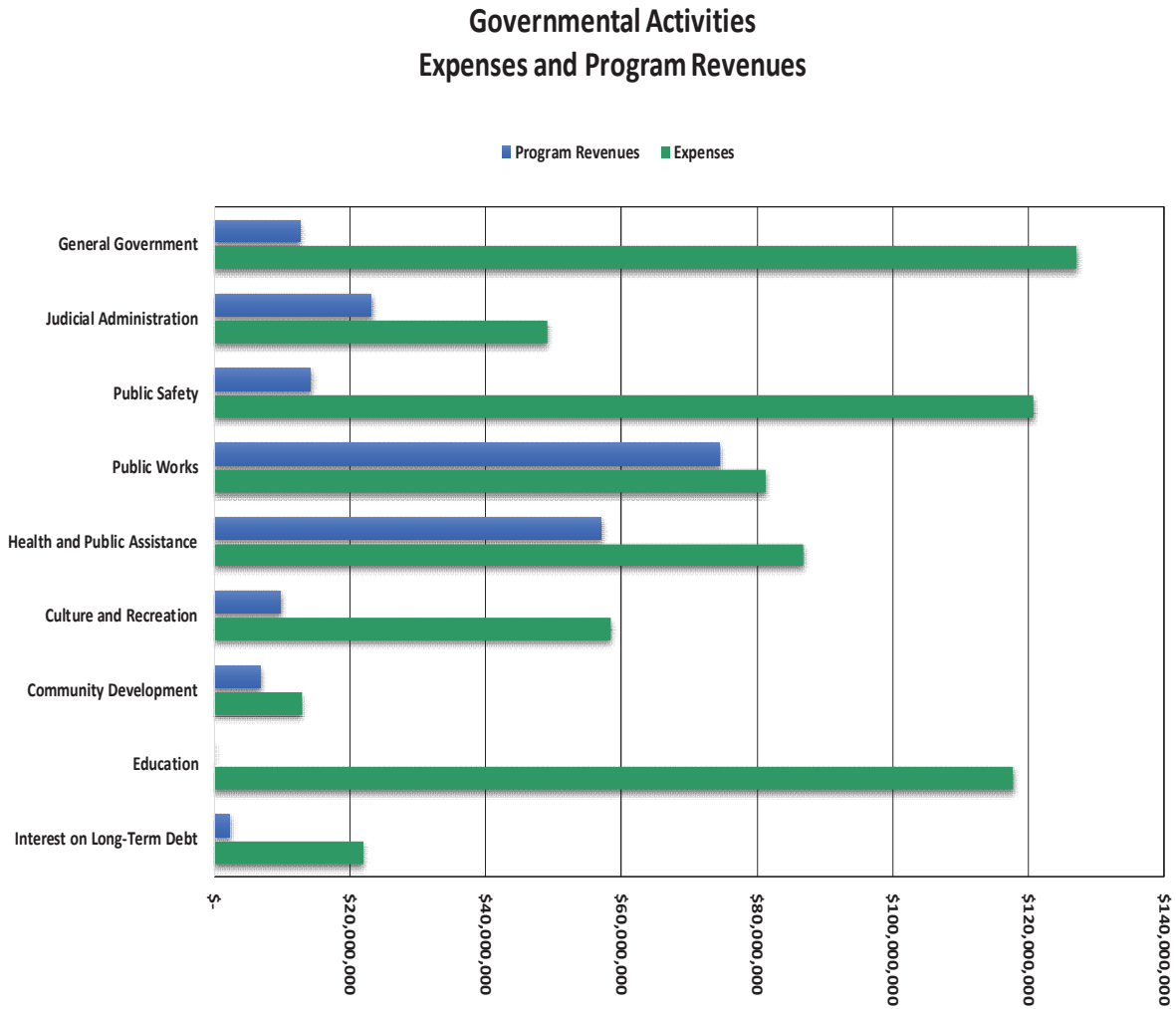
**Governmental Activities** – The City's total revenues from governmental activities were \$676,991,162 for the fiscal year that ended June 30, 2015. The largest sources of revenue for the City are property taxes and other taxes which comprise 63.4 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by \$9,132,571 compared to prior year. The real estate (general tax) tax rate for fiscal year 2015 was \$1.15 per \$100 of assessed value which had previously changed to set aside \$0.02 for school construction technology and infrastructure spending. Revenues from other taxes increased by \$2,771,371 or 1.7 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 \$125,802,403 which represents an increase of approximately 4.2 percent from the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from state and federal agencies. For the 2015 fiscal year, there was \$33,793,343 in grants and contributions not restricted for specific programs which represents an increase of approximately 0.02 percent from the prior year.

The City's expenses for governmental activities cover a wide array of services, with \$120,709,855 or 17.9 percent related to public safety and \$117,721,922 or 17.4 percent for education (including payments to the School Board), a component unit. Overall, expenses for governmental activities increased by 1.7 percent due to cost of living increases.

**CITY OF NORFOLK, VIRGINIA**  
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**For the Fiscal Year Ended June 30, 2015**

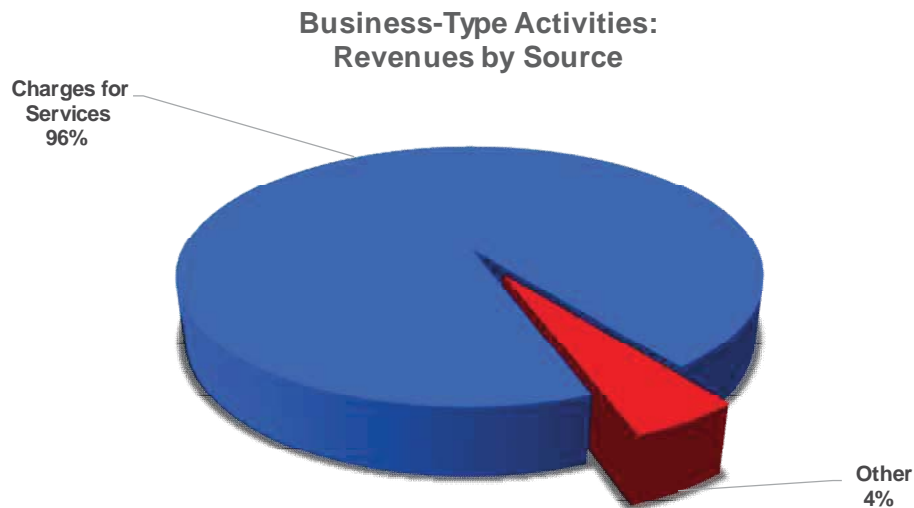
Depreciation expense for governmental activities of \$45,919,233 was recorded.



**CITY OF NORFOLK, VIRGINIA**  
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**For the Fiscal Year Ended June 30, 2015**

**Business-type Activities** – Business-type activities increased the City's net position by \$27,818,659. Key elements of this change are as follows:

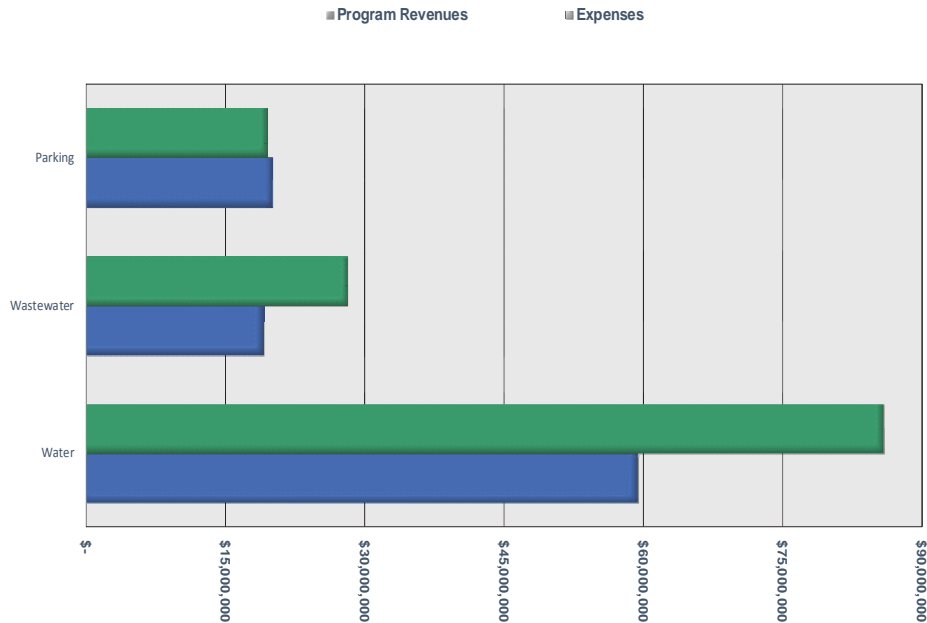
- Revenue from charges for services for business-type activities increased by 3.2 percent. Water Utility charges for services increased \$3,898,719 and Wastewater Utility charges for services increased \$1,024,912.
- Parking facilities revenues decreased \$893,945 or 4.38 percent from the prior year.



Total expenses for Business-type activities decreased overall by \$6,772,873, or 6.4 percent. The Water Utility fund's expenses decreased by \$2,153,715. The Wastewater Utility fund's expenses decreased by \$986,688. The Parking Facilities fund's expenses decreased by \$3,632,470.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

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 balances of \$53,743,383, a decrease of \$98,239,727 or 61.7 percent over the prior year due to timing of the issuance of bonds and decision to spend existing

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

bond proceeds. Of the total ending fund balance, \$10,485,050 or 19.5 percent is restricted. The restricted fund balance is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$21,468,360 or 40 percent of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers; compensation and general liability programs. Assigned fund balance is \$43,746,682 or 81.4 percent of total ending fund balance and represent funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The negative unassigned balance of \$21,956,709 or 40.9 percent is due to the delay in issuance of debt and is covered by available cash and outstanding line of credit draws.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than five percent of the general fund budget, which was \$41,085,682 for fiscal year 2015.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues below projections by \$1,753,126. Total expenditures were less than appropriations by \$19,337,179.

The general fund experienced an overall increase in revenue of \$6,724,466 or 1.16 percent over the prior year. Overall expenditures increased by \$7,138,383 or 1.40 percent from fiscal year 2014. General fund financial and budget highlights of the 2015 fiscal year include:

- General property tax revenues increased by \$4,451,251 or 1.75 percent; and
- General government expenditures increased by \$2,789,073 or 2.59 percent.

The City spent \$103,112,892 from the Capital Projects fund to support major capital projects, including construction of the downtown main library, the new courthouse, the Southside aquatic center, five new schools, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund balance of negative \$69,920,148 because of timing issues. In fiscal year 2015, the City used all unspent bond proceeds as well as cash on hand and delayed the issuance of new debt 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 but no new debt was issued, additionally \$1,000,000 was drawn from the line of credit established for flexible, interim financing for the management of capital projects.



**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

**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, 2015, totaled to \$694,586,863. 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 18.75 percent of total general governmental assets.

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

- Construction of the new courthouse complex completed in fiscal year 2015 with \$9 million spent;
- \$10 million was spent on the construction of the new conference center;
- Investment of \$6.6 million in improvements to neighborhood streets throughout the City;
- \$34.7 million for new school construction; and
- Opening of the new downtown main library, of which approximately \$63 million has been invested to date with \$8 million being spent in fiscal year 2015.

Construction in progress totaled \$129 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$52 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 92,312,849	\$ 87,821,231	\$ 49,387,123	\$ 48,122,255	\$ 141,699,972	\$ 135,943,486
Buildings, equipment and vehicles	587,960,978	475,187,666	795,742,125	777,308,440	1,383,703,103	1,252,496,106
Improvements other than buildings	58,597,266	51,101,814	15,864,620	16,269,870	74,461,886	67,371,684
Construction in progress	129,205,974	194,282,981	52,442,255	43,695,329	181,648,229	237,978,310
Intangible assets	1,031,420	1,230,183	3,758,026	4,231,807	4,789,446	5,461,990
Infrastructure	201,127,651	201,506,176	-	-	201,127,651	201,506,176
Total	<u>\$ 1,070,236,138</u>	<u>\$ 1,011,130,051</u>	<u>\$ 917,194,149</u>	<u>\$ 889,627,701</u>	<u>\$ 1,987,430,287</u>	<u>\$ 1,900,757,752</u>

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

Additional information on the City's capital assets can be found in Note VI on pages 97 - 9098 of this report.

**Long-term Debt** – At June 30, 2015, the City (including the enterprise funds) had total bonded debt outstanding of \$1,247,416,052. Of this amount, \$853,400,129 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:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 617,328,945	\$ 665,384,732	\$ 236,071,184	\$ 247,315,611	\$ 853,400,129	\$ 912,700,343
Revenue Bonds	-	-	394,015,923	374,149,628	394,015,923	374,149,628
Total	<u>\$ 617,328,945</u>	<u>\$ 665,384,732</u>	<u>\$ 630,087,107</u>	<u>\$ 621,465,239</u>	<u>\$ 1,247,416,052</u>	<u>\$ 1,286,849,971</u>

The City's total debt outstanding decreased by \$39,433,919 or 3.1 percent during the fiscal year. The City spent remaining bond proceeds and used line of credit draws to meet cash flow capital needs.

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

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

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

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

Bonding Program	Fitch Ratings	Standard and Poor's	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, 2015**

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

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue up to 10 percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$1,873,420,173.

Additional information on the City's long-term debt can be found in Note VIII on pages 100 - 108 of this report.

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

- The City has still not seen a full recovery of its financial resources, although there has been growth in key revenue sources. Like other localities, the City is highly dependent on real property taxes. Real estate assessments overall have increased for three straight years, although the growth has been about 1-2 percent in each year. The modest growth in overall assessments was because residential assessments, which make up the majority of the City's overall assessments, have lagged in the recovery. After six consecutive years of unprecedented decline, the City's residential assessments is projected to increase as a result of the annual reassessment of existing properties in fiscal year 2016. In fiscal year 2015, residential assessments increased mainly due to growth of new construction. The City's revenues from the Commonwealth have also not fully recovered to its pre-recession level, even though the state's fiscal year 2016 budget did not include a reduction in aid-to-localities. This is a positive turn of events from fiscal year 2015 when the City had to absorb an unanticipated aid-to-localities reduction of \$1.4 million due to the state revenue shortfall. Considering the effects of the national, state and local economic conditions, the City has used a five-pronged approach that analyzes ways to raise revenues, reduce expenditures, become more efficient, grow the economy, and share services to develop the fiscal year 2016 budget as in prior years.
- Taxable real estate assessments are projected to rise slightly in the 2016 fiscal year by 2.0 percent.
- The following reflects other significant tax change projections in comparison to the fiscal year 2015 budget:
  - Business license taxes – 3.8 percent increase;
  - Restaurant food taxes – 2.5 percent increase; and
  - Sales tax – 5.2 percent increase.
- Motor vehicle licenses will rise by \$5.00 to finance capital improvements for safe access of the City's streets.
- Rate increases for the Storm Water, Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements summarized in the following table.

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

Description	FY 2016 Approved	FY 2015 Approved
Wastewater Fees	\$3.82/100 cubic feet	\$3.67/100 cubic feet
Water Fees	\$4.61/100 cubic feet	\$4.45/100 cubic feet
Stormwater Fees – Residential	\$11.80/month	\$10.52/month
Stormwater Fees – Commercial	\$8.74/month per 2,000 sq. ft.	\$7.55/month per 2,000 sq. ft.
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$28.01/unit/month	\$28.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$46.94/container/month	\$46.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$89.19/unit/month	\$89.19/unit/month

- In fiscal year 2015, all members began contributing five percent of their compensation to the Norfolk Employees' Retirement System. Employees were given a five percent salary increase to cover the deduction in the first year. Previously, only those hired after October 5, 2010, were required to pay member contributions. The changes in member contributions is similar to the actions implemented by the Virginia Retirement System several years ago.

All of these factors were considered in preparing the City's budget for fiscal year 2016. The fiscal year 2016 operating budget includes transfers in from non-general funds of approximately \$14.9 million, as well as \$8.4 million from carrying forward unspent appropriations from prior years and closeout of accounts including the Norfolk Public Schools and Norfolk Community Services Board carry-forwards.

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

**CITY OF NORFOLK, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2015**

**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).



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# **BASIC FINANCIAL STATEMENTS**







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## CITY OF NORFOLK, VIRGINIA

Exhibit 1

Statement of Net Position  
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and short-term investments	\$ 53,643,888	\$ 101,533,112	\$ 155,177,000	\$ 37,266,325
Unrestricted short-term investments	-	15,097,862	15,097,862	-
Receivables, net:				
Taxes	41,414,517	-	41,414,517	-
Accounts	23,844,143	16,391,836	40,235,979	1,065,750
Accrued investment income	-	13,553	13,553	-
Internal balances	2,246,012	(2,246,012)	-	-
Due from other governments	30,286,556	-	30,286,556	26,609,089
Due from agency funds	227,651	-	227,651	-
Due from primary government	-	-	-	4,577,245
Due from other agencies	62,109	-	62,109	-
Inventories	-	3,234,034	3,234,034	1,258,242
Deposits	7,997	-	7,997	-
Property Held for Resale	-	-	-	22,304,976
Prepaid items	1,027,674	-	1,027,674	1,105
Restricted cash and investments	6,234,162	63,474,194	69,708,356	-
Non-depreciable capital assets	221,587,837	104,318,782	325,906,619	487,500
Depreciable capital assets, net	848,648,301	812,875,367	1,661,523,668	11,287,905
<b>Total assets</b>	<b>1,229,230,847</b>	<b>1,114,692,728</b>	<b>2,343,923,575</b>	<b>104,858,137</b>
<b>Deferred outflows of resources</b>				
Related to pensions	34,595,247	3,131,678	37,726,925	27,973,625
Loss on defeasance of bonds	19,596,270	14,604,454	34,200,724	-
Total deferred outflow of resources	54,191,517	17,736,132	71,927,649	27,973,625
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,283,422,364</b>	<b>\$ 1,132,428,860</b>	<b>\$ 2,415,851,224</b>	<b>\$ 132,831,762</b>
<b>LIABILITIES</b>				
Vouchers payable	\$ 29,935,650	\$ 8,217,967	\$ 38,153,617	\$ 7,265,769
Employees withholdings	224,348	-	224,348	-
Contract retainage	4,010,836	1,622,766	5,633,602	25,905
Accrued interest	8,951,161	3,321,115	12,272,276	-
Accrued payroll	5,497,522	504,367	6,001,889	33,754,734
Due to other governments	-	-	-	5,207,287
Due to Primary Government	-	-	-	282,478
Due to component unit	4,577,245	-	4,577,245	-
Unearned revenue	16,566,739	-	16,566,739	1,125,610
Other current liabilities	9,658,751	745,323	10,404,074	133,364
Liabilities payable from restricted assets	-	2,832,854	2,832,854	-
Long-term liabilities:				
Due within one year	58,271,495	23,167,712	81,439,207	7,440,542
Net pension liability	153,186,837	14,536,415	167,723,252	309,164,736
Due in more than one year	690,479,187	673,160,219	1,363,639,406	23,886,485
<b>Total liabilities</b>	<b>\$ 981,359,771</b>	<b>\$ 728,108,738</b>	<b>\$ 1,709,468,509</b>	<b>\$ 388,286,910</b>
<b>Deferred inflows of resources</b>				
Related to pensions	80,406,403	7,482,065	87,888,468	52,349,660
Gain on defeasance of bonds	332,432	33,474	365,906	-
Total deferred inflows of resources	80,738,835	7,515,539	88,254,374	52,349,660
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 1,062,098,606</b>	<b>\$ 735,624,277</b>	<b>\$ 1,797,722,883</b>	<b>\$ 440,636,570</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 428,380,397	\$ 266,206,166	\$ 694,586,563	\$ 11,775,405
Restricted for:				
Endowed care	5,794,150	-	5,794,150	-
Capital projects	-	-	-	1,135,742
Other programs	4,690,900	-	4,690,900	2,075,837
Reserves	-	29,610,707	29,610,707	-
Unrestricted	(217,541,689)	100,987,710	(116,553,979)	(322,791,792)
<b>Total net position</b>	<b>\$ 221,323,758</b>	<b>\$ 396,804,583</b>	<b>\$ 618,128,341</b>	<b>\$ (307,804,808)</b>

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

CITY OF NORFOLK, VIRGINIA

Exhibit 2

Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 126,958,918	\$ 5,586,803	\$ -	\$ (114,220,436)	\$ -	\$ (114,220,436)
Judicial administration	49,056,265	20,174,732	-	(25,943,542)	-	(25,943,542)
Public safety	120,709,855	6,662,478	-	(106,484,052)	-	(106,484,052)
Public works	81,170,952	34,538,485	-	(4,811,925)	-	(4,811,925)
Health and public assistance	86,775,904	5,577,332	-	(29,716,815)	-	(29,716,815)
Culture and recreation	58,443,117	8,947,538	1,000,000	(48,495,579)	-	(48,495,579)
Community development	13,040,139	4,940,733	-	(5,542,241)	-	(5,542,241)
Education	117,721,922	-	-	(117,721,922)	-	(117,721,922)
Interest on long-term debt	22,059,855	-	2,417,415	(19,642,440)	-	(19,642,440)
Total governmental activities	675,936,927	125,802,403	1,000,000	(472,578,952)	-	(472,578,952)
Business-type activities:						
Water Utility	59,455,257	-	2,929,676	-	26,470,043	26,470,043
Wastewater Utility	19,141,968	-	-	-	9,001,998	9,001,998
Parking facilities	20,044,558	-	76,148	-	(448,734)	(448,734)
Total business-type activities	98,641,783	-	3,005,824	-	35,023,307	35,023,307
Total primary government	\$ 774,578,710	\$ 125,802,403	\$ 4,005,824	\$ (472,578,952)	\$ 35,023,307	\$ (437,555,645)
Component units:						
Norfolk Public Schools	\$ 365,940,927	\$ 207,303,283	\$ 3,540,647	-	-	\$ (151,646,015)
Norfolk Economic Development Authority	2,887,640	-	-	-	-	(2,396,088)
Total component units	\$ 368,828,567	\$ 207,303,283	\$ 3,540,647	-	-	(154,042,103)
General revenues:						
Taxes:						
General property taxes - real estate and personal property						
Consumers' utility taxes				263,490,017	-	263,490,017
Sales and use taxes				42,960,514	-	42,960,514
Restaurant food taxes				29,981,258	-	29,981,258
Business license taxes				32,634,423	-	32,634,423
Hotel/Motel taxes				28,640,356	-	28,640,356
Cigarette taxes				8,435,898	-	8,435,898
Admissions taxes				7,820,751	-	7,820,751
Motor vehicle licenses				4,286,735	-	4,286,735
Franchise, recordation and other miscellaneous local taxes				3,952,534	-	3,952,534
Use of money and property				5,557,928	-	5,557,928
Grants and contributions not restricted to specific programs				163,773	111,516	275,289
Miscellaneous				33,793,343	214,199	34,007,542
Commonwealth of Virginia				11,915,657	2,505,515	14,421,172
Loss from sale of assets				-	-	-
Gain from sale of assets				-	(2,797)	(2,797)
Loss from discontinuation of operations				-	-	-
Payment from Primary Government				-	-	-
Transfers				-	-	-
Total general revenues and transfers				10,033,081	(10,033,081)	-
Changes in net position				483,666,268	(7,204,648)	476,461,620
Net position - beginning				11,087,316	27,816,659	38,903,975
Adjustment to beginning net position related to pensions (Note XXII)				370,415,205	384,783,397	755,198,602
Adjustment to beginning net position related to changes in reporting entity (Note XXII)				(160,929,310)	(15,046,926)	(175,976,236)
Restated Net Position - beginning				750,547	(750,547)	-
Net position - ending				\$ 221,323,756	\$ 368,985,924	\$ (307,688,895)
				\$ 210,128,341	\$ 618,126,341	\$ (307,804,808)

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, 2015**

	<b>Major Funds</b>			<b>Nonmajor</b>	<b>Total</b>
	<b>General</b>	<b>Capital</b>	<b>Debt</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Projects</b>	<b>Service</b>	<b>Funds</b>	<b>Funds</b>
<b>ASSETS</b>					
Cash and short-term investments	\$ 13,049,798	\$ 6,234,162	\$ -	\$ 26,967,065	\$ 46,251,025
Receivables, net:					
Taxes	41,414,517	-	-	-	41,414,517
Accounts	5,973,188	11,967	-	12,197,528	18,182,683
Due from other funds	61,429,141	2,152,861	-	503,301	64,085,303
Due from other governments	24,181,798	-	-	5,349,105	29,530,903
Due from component units	62,109	-	-	-	62,109
Due from fiduciary funds	227,651	-	-	-	227,651
Deposits	-	7,997	-	-	7,997
Prepaid expenses	221,973	-	-	14	221,987
Total assets	<u>\$ 146,560,175</u>	<u>\$ 8,406,987</u>	<u>\$ -</u>	<u>\$ 45,017,013</u>	<u>\$ 199,984,175</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
Vouchers payable	\$ 10,067,910	\$ 12,180,766	\$ -	\$ 4,573,120	\$ 26,821,796
Employee withholdings	224,348	-	-	-	224,348
Contract retainage	64,191	3,685,378	-	261,267	4,010,836
Accrued payroll	5,133,633	-	-	312,675	5,446,308
Due to other funds	8,451	60,883,746	-	939,106	61,831,303
Due to other governments	68,617	-	-	-	68,617
Due to component unit	3,000,000	1,577,245	-	-	4,577,245
Unearned revenue	-	-	-	10,007,793	10,007,793
Other liabilities	2,862,841	-	-	52,370	2,915,211
Total liabilities	<u>21,429,991</u>	<u>78,327,135</u>	<u>-</u>	<u>16,146,331</u>	<u>115,903,457</u>
<b>Deferred Inflow of Resources</b>					
Revenues' levied for the next year and unavailable revenue	27,546,236	-	-	2,791,099	30,337,335
<b>FUND BALANCES</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,099,960	-	-	8,385,090	10,485,050
Committed	4,000,000	14,704,127	-	2,764,233	21,468,360
Assigned	25,903,609	-	-	17,843,073	43,746,682
Unassigned	65,580,379	(84,624,275)	-	(2,912,813)	(21,956,709)
Total fund balances	<u>97,583,948</u>	<u>(69,920,148)</u>	<u>-</u>	<u>26,079,583</u>	<u>53,743,383</u>
Total liabilities and fund balances	<u>\$ 146,560,175</u>	<u>\$ 8,406,987</u>	<u>\$ -</u>	<u>\$ 45,017,013</u>	<u>\$ 199,984,175</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, 2015**

**Exhibit A-2**

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Fund balances - total governmental funds	\$	53,743,383
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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	2,548,673,399	
Accumulated depreciation	<u>(1,482,163,723)</u>	
		1,066,509,676

Recognition of deferred inflows as revenue in government wide statements	30,215,585
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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	(79,553,516)
Deferred Outflows Related to Pensions	34,258,030
Loss on Defeasance	19,596,270
Gain on Defeasance	(332,432)

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	(617,328,942)	
Unamortized bond premium	(48,480,055)	
Line of credit	(1,000,000)	
Net pension liability	(151,529,820)	
Other post employment benefits	(32,031,252)	
Compensated absences	(17,459,781)	
Workers' compensation and claims liability	(29,476,369)	
Prepaid debt service	805,687	
Other	(2,707,200)	
Accrued interest payable	<u>(8,951,161)</u>	
		(908,158,893)

Internal service funds	4,724,789
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Receivable for Build America Bonds - interest rate subsidy	755,652
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GASB Statement 49 Pollution Remediation Obligation	(434,786)
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Net position of governmental activities	\$	<u><u>221,323,758</u></u>
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**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-3**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For Fiscal Year Ended June 30, 2015**

	<b>Major Funds</b>			<b>Nonmajor Governmental</b>	<b>Total Governmental</b>
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Funds</b>	<b>Funds</b>
<b>REVENUES</b>					
General property taxes	\$ 258,974,929	\$ -	\$ -	\$ 3,457,939	\$ 262,432,868
Other local taxes	154,867,325	-	-	9,403,072	164,270,397
Permits and licenses	3,013,376	-	-	-	3,013,376
Fines and forfeitures	1,261,218	-	-	3,000	1,264,218
Use of money and property	9,564,794	61,827	-	41,544	9,668,165
Charges for services	20,248,407	-	-	39,734,080	59,982,487
Miscellaneous	7,226,869	147,423	-	2,767,042	10,141,334
Intergovernmental	130,397,763	-	-	28,442,331	158,840,094
Total revenues	<u>585,554,681</u>	<u>209,250</u>	<u>-</u>	<u>83,849,008</u>	<u>669,612,939</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	110,304,366	-	-	599,522	110,903,888
Judicial administration	48,294,929	-	-	3,064,991	51,359,920
Public safety	103,162,805	-	-	8,892,313	112,055,118
Public works	19,592,357	-	-	41,777,067	61,369,424
Health and public assistance	69,569,467	-	-	16,062,066	85,631,533
Culture and recreation	39,205,465	-	-	9,559,325	48,764,790
Community development	9,153,306	-	-	3,149,526	12,302,832
Education	117,721,922	-	-	-	117,721,922
Debt service:					
Principal	-	-	49,254,922	-	49,254,922
Interest and other charges	-	-	26,896,108	-	26,896,108
Debt issuance costs	323,098	356,845	-	-	679,943
Capital outlay	-	103,112,892	-	-	103,112,892
Total expenditures	<u>517,327,715</u>	<u>103,469,737</u>	<u>76,151,030</u>	<u>83,104,810</u>	<u>780,053,292</u>
Excess (deficiency) of revenues over expenditures	<u>68,226,966</u>	<u>(103,260,487)</u>	<u>(76,151,030)</u>	<u>744,198</u>	<u>(110,440,353)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from line of credit	-	1,000,000	-	-	1,000,000
Issuance of refunding bonds	-	-	74,093,536	-	74,093,536
Proceeds sale of fixed assets	427,600	383,100	-	-	810,700
Payment to bond refunding escrow agent	-	-	(81,266,845)	-	(81,266,845)
Premium on bonds	-	-	7,530,154	-	7,530,154
Transfers in	16,805,117	3,581,711	76,151,030	6,066,194	102,604,052
Transfers out	<u>(76,651,992)</u>	<u>(1,089,441)</u>	<u>(356,845)</u>	<u>(14,472,693)</u>	<u>(92,570,971)</u>
Total other financing sources and uses	<u>(59,419,275)</u>	<u>3,875,370</u>	<u>76,151,030</u>	<u>(8,406,499)</u>	<u>12,200,626</u>
Net changes in fund balances	<u>8,807,691</u>	<u>(99,385,117)</u>	<u>-</u>	<u>(7,662,301)</u>	<u>(98,239,727)</u>
Fund balances - beginning	85,265,709	29,464,969	-	36,501,884	151,232,562
Adjustment to beginning net assets (Note XXII)	3,510,548	-	-	(2,760,000)	750,548
Fund balances - beginning restated	<u>88,776,257</u>	<u>-</u>	<u>-</u>	<u>33,741,884</u>	<u>151,983,110</u>
Fund balances - ending	<u>\$ 97,583,948</u>	<u>\$ (69,920,148)</u>	<u>\$ -</u>	<u>\$ 26,079,583</u>	<u>\$ 53,743,383</u>

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

# CITY OF NORFOLK, VIRGINIA

Exhibit A-4

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2015

Net change in fund balances--total governmental funds		\$ (98,239,727)
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	105,263,212
	Subtract disposals	(296,408)
	Subtract depreciation expense	<u>(45,633,138)</u>
		59,333,666
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		3,970,002
Bond 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	(75,093,536)
	Add debt repayment	122,149,326
	Premium on bond sale	7,530,154
	Loss on defeasance of debt	(2,867,493)
	Gain on defeasance of debt	309,737
	Amortization of premiums, gains and losses	<u>(5,253,194)</u>
		46,774,994
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	(944,416)
	Retires Life insurance	35,000
	Net OPEB	(2,049,323)
	Unpaid claims	(421,141)
	Landfill closure	(59,200)
	Net Pension Liability, Net of changes in deferred inflows and outflows	3,063,938
	Prepaid Principal payment	150,687
	Accrued interest payable	<u>1,031,975</u>
		807,520
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.		(1,268,192)
Adjustment for federal interest rate subsidy		75,155
GASB Statement 49 Pollution Remediation Obligation		(366,102)
Change in net position of governmental activities		<u><u>\$ 11,087,316</u></u>



**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fund Net Position - Proprietary Funds**  
**June 30, 2015**

**Exhibit B-1**

	<b>Business-Type Activities</b>				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Parking Facilities	Total	
<b>ASSETS</b>					
Current assets:					
Cash and short-term investments	\$ 75,461,031	\$ 13,274,203	\$ 12,797,878	\$ 101,533,112	\$ 13,627,025
Unrestricted short-term investments	11,887,668	3,210,194	-	15,097,862	-
Receivables, net					
Accounts	5,444,460	2,977,860	1,701,851	10,124,171	5,653,472
Unbilled accounts	4,753,081	1,281,756	232,828	6,267,665	-
Accrued investment income	13,553	-	-	13,553	-
Internal balances	366,925	-	-	366,925	-
Inventories	2,799,620	36,893	397,521	3,234,034	-
Restricted cash and investments	46,614,626	3,249,728	13,609,840	63,474,194	-
Total current assets	<u>147,340,964</u>	<u>24,030,634</u>	<u>28,739,918</u>	<u>200,111,516</u>	<u>19,280,497</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	49,934,849	14,731,626	39,652,307	104,318,782	415,000
Buildings and equipment	669,158,220	310,099,968	199,515,212	1,178,773,400	10,926,774
Accumulated depreciation	(215,434,381)	(75,621,767)	(74,841,885)	(365,898,033)	(7,615,312)
Capital assets, net	<u>503,658,688</u>	<u>249,209,827</u>	<u>164,325,634</u>	<u>917,194,149</u>	<u>3,726,462</u>
Total assets	<u>\$ 650,999,652</u>	<u>\$ 273,240,461</u>	<u>\$ 193,065,552</u>	<u>\$ 1,117,305,665</u>	<u>\$ 23,006,959</u>
Deferred outflows of resources					
Related to pensions	2,070,947	609,442	451,289	3,131,678	337,217
Loss on defeasance of bonds	8,951,897	2,829,141	2,823,416	14,604,454	-
Total deferred outflows	<u>11,022,844</u>	<u>3,438,583</u>	<u>3,274,705</u>	<u>17,736,132</u>	<u>337,217</u>
Total assets and deferred outflows of resources	<u>\$ 662,022,496</u>	<u>\$ 276,679,044</u>	<u>\$ 196,340,257</u>	<u>\$ 1,135,041,797</u>	<u>\$ 23,344,176</u>
<b>LIABILITIES</b>					
Current liabilities:					
Vouchers payable	\$ 5,426,453	\$ 1,983,082	\$ 808,432	\$ 8,217,967	\$ 3,105,192
Contract retainage	951,038	471,926	199,802	1,622,766	-
Accrued interest	-	1,139,415	2,181,700	3,321,115	-
Accrued payroll	329,329	116,003	59,035	504,367	51,214
Internal balances	837,213	267,500	1,508,224	2,612,937	7,988
Unearned revenue	-	-	-	-	6,490,329
Obligations for employees retirement system	-	-	-	-	-
Current portion of bonds payable	8,750,000	10,282,580	3,126,849	22,159,429	-
Liabilities payable from restricted assets	2,832,854	-	-	2,832,854	-
Compensated absences	683,605	222,692	101,986	1,008,283	186,958
Other current liabilities	594,609	101,958	48,756	745,323	6,187,676
Total current liabilities	<u>20,405,101</u>	<u>14,585,156</u>	<u>8,034,784</u>	<u>43,025,041</u>	<u>16,029,357</u>
Noncurrent liabilities:					
General obligation bonds payable	-	97,398,142	139,832,716	237,230,858	-
Revenue bonds payable	379,615,286	52,396,018	-	432,011,304	-
Net pension obligation	9,673,103	2,846,304	2,017,008	14,536,415	1,657,018
Compensated absences	422,684	158,330	152,978	733,992	80,125
Other long-term liabilities	1,888,435	670,896	624,734	3,184,065	-
Total noncurrent liabilities	<u>391,599,508</u>	<u>153,469,690</u>	<u>142,627,436</u>	<u>687,696,634</u>	<u>1,737,143</u>
Total liabilities	<u>\$ 412,004,609</u>	<u>\$ 168,054,846</u>	<u>\$ 150,662,220</u>	<u>\$ 730,721,675</u>	<u>\$ 17,766,500</u>
Deferred inflows of Resources					
Related to pensions	\$ 4,978,861	\$ 1,465,026	\$ 1,038,178	\$ 7,482,065	\$ 852,887
Gain on bonds refunding	-	30,832	2,642	33,474	-
Total deferred inflows of resources	<u>4,978,861</u>	<u>1,495,858</u>	<u>1,040,820</u>	<u>7,515,539</u>	<u>852,887</u>
Total liabilities and deferred inflows of resources	<u>\$ 416,983,470</u>	<u>\$ 169,550,704</u>	<u>\$ 151,703,040</u>	<u>\$ 738,237,214</u>	<u>\$ 18,619,387</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 144,465,789	\$ 93,518,618	\$ 28,221,759	\$ 266,206,166	\$ 3,726,462
Restricted for:					
Capital projects	-	-	-	-	-
Other purposes:					
Water utility fund operations	23,486,222	-	-	23,486,222	-
Wastewater utility fund operations	-	228,312	-	228,312	-
Parking facilities fund operations	-	-	5,896,173	5,896,173	-
Unrestricted	<u>77,087,015</u>	<u>13,381,410</u>	<u>10,519,285</u>	<u>100,987,710</u>	<u>998,327</u>
Total net position	<u>\$ 245,039,026</u>	<u>\$ 107,128,340</u>	<u>\$ 44,637,217</u>	<u>\$ 396,804,583</u>	<u>\$ 4,724,789</u>

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-2**

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For Year Ended June 30, 2015**

	<b>Business-Type Activities</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Parking Facilities</b>	<b>Total</b>	
<b>Operating revenues:</b>					
Charges for services	\$ 82,995,624	\$ 28,143,966	\$ 19,519,676	\$ 130,659,266	\$ 88,828,633
Miscellaneous	2,407,760	97,755	-	2,505,515	309,196
Total operating revenues	<u>85,403,384</u>	<u>28,241,721</u>	<u>19,519,676</u>	<u>133,164,781</u>	<u>89,137,829</u>
<b>Operating expenses:</b>					
Personal services	15,016,520	4,823,702	6,666,467	26,506,689	2,656,960
Healthcare costs	-	-	-	-	77,540,779
Cost of goods sold	-	-	-	-	5,424,723
Plant operations	6,281,535	2,484,215	1,076,728	9,842,478	3,849,826
Chemicals	3,088,100	37,392	-	3,125,492	-
Depreciation and amortization	12,933,935	5,967,653	5,866,692	24,768,280	286,094
Retirement and OPEB contribution	2,436,750	721,913	491,267	3,649,930	403,587
Administrative expenses	1,160,321	1,317,532	411,185	2,889,038	-
Other	8,899,577	1,349,874	438,757	10,688,208	244,052
Total operating expenses	<u>49,816,738</u>	<u>16,702,281</u>	<u>14,951,096</u>	<u>81,470,115</u>	<u>90,406,021</u>
Operating income (loss), net	<u>35,586,646</u>	<u>11,539,440</u>	<u>4,568,580</u>	<u>51,694,666</u>	<u>(1,268,192)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income, net of interest capitalized	87,409	-	24,107	111,516	-
Intergovernmental revenue	-	214,199	-	214,199	-
Interest expense and fiscal charges	(9,625,656)	(2,439,687)	(5,093,462)	(17,158,805)	-
Gain (loss) on sale or disposal of capital assets	(2,797)	-	-	(2,797)	-
Miscellaneous revenue (expense)	(12,863)	-	-	(12,863)	-
Total nonoperating revenues (expenses)	<u>(9,553,907)</u>	<u>(2,225,488)</u>	<u>(5,069,355)</u>	<u>(16,848,750)</u>	<u>-</u>
Net income (loss) before contributions and transfers	26,032,739	9,313,952	(500,775)	34,845,916	(1,268,192)
Capital contribution	2,929,676	-	76,148	3,005,824	-
Transfers out	<u>(8,500,000)</u>	<u>(1,500,000)</u>	<u>(33,081)</u>	<u>(10,033,081)</u>	<u>-</u>
Changes in net position	20,462,415	7,813,952	(457,708)	27,818,659	(1,268,192)
Total net position - beginning	235,353,203	102,262,928	47,167,266	384,783,397	7,762,082
Restatement related to pensions (Note XXII)	(10,026,045)	(2,948,540)	(2,072,341)	(15,046,926)	(1,769,101)
Restatement for changes in reporting entity (Note XXII)	<u>(750,547)</u>	<u>-</u>	<u>-</u>	<u>(750,547)</u>	<u>-</u>
Restated net position - beginning	224,576,611	99,314,388	45,094,925	368,985,924	5,992,981
Total net position - ending	<u>\$ 245,039,026</u>	<u>\$ 107,128,340</u>	<u>\$ 44,637,217</u>	<u>\$ 396,804,583</u>	<u>\$ 4,724,789</u>

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

## CITY OF NORFOLK, VIRGINIA

Exhibit B-3

Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2015

	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	\$ 86,621,241	\$ 28,145,640	\$ 19,578,835	\$ 134,345,716	\$ 90,638,609
Payments to suppliers	(8,943,814)	(2,632,245)	(1,085,784)	(12,661,843)	(84,474,788)
Payments to employees	(17,097,373)	(5,424,230)	(7,120,649)	(29,642,252)	(3,001,294)
Other payments	(13,074,063)	(2,626,996)	(953,830)	(16,654,889)	(244,681)
Net cash and short-term investments provided by (used in) operating activities	47,505,991	17,462,169	10,418,572	75,386,732	2,917,846
<b>CASH FLOWS FROM NONCAPITAL</b>					
Other payments					
Internal activity	434,170	248,619	1,508,224	2,191,013	8,903
Intergovernmental revenues	-	214,199	-	214,199	-
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	(33,081)	(10,033,081)	-
Net cash provided by (used in) noncapital financing activities	(8,065,830)	(1,037,182)	1,475,143	(7,627,869)	8,903
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from capital/refunding debt	83,680,000	19,578,086	154,674	103,412,760	-
Capital contributions	2,929,676	-	76,148	3,005,824	-
Purchases of capital assets	(28,703,722)	(16,317,910)	(6,874,460)	(51,896,092)	-
Refunding/refinancing of debt principal	(62,600,000)	-	(153,957)	(62,753,957)	-
Principal paid on capital debt	(8,352,786)	(20,448,581)	(3,235,566)	(32,036,933)	-
Interest paid on capital debt	(2,695,685)	(3,551,557)	(5,231,366)	(11,478,608)	-
Net cash provided by (used in) capital and related financing activities	(15,742,517)	(20,739,962)	(15,264,527)	(51,747,006)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Transfer out	-	-	-	-	2,037
Proceeds from sales and maturities of investments	81,728,640	11,526,401	7,245,956	100,500,997	-
Purchase of investments	(87,247,523)	(9,232,269)	(3,018,097)	(99,497,889)	-
Interest and dividends	87,409	-	24,118	111,527	-
Net cash provided by (used in) investing activities	(5,431,474)	2,294,132	4,251,977	1,114,635	2,037
Net increase (decrease) in cash and short-term investments	18,266,170	(2,020,843)	881,165	17,126,492	2,928,786
Cash and short-term investments - beginning of the year	57,194,861	15,295,046	11,916,713	84,406,620	10,698,239
Cash and short-term investments - end of the year	\$ 75,461,031	\$ 13,274,203	\$ 12,797,878	\$ 101,533,112	\$ 13,627,025
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>					
Operating income (loss)	\$ 35,586,646	\$ 11,539,440	\$ 4,568,580	\$ 51,694,666	\$ (1,268,192)
Adjustments to reconcile operating income (loss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense and Amortization	12,933,935	5,967,653	5,866,692	24,768,280	286,094
Change in assets, deferred outflows and liabilities, deferred inflows:					
Receivables, net	1,217,857	(96,081)	59,159	1,180,935	3,190,366
Inventories	239,175	(254)	(75,101)	163,820	-
Vouchers payable	186,646	(110,384)	66,045	142,307	1,859,326
Accrued payroll	69,548	37,136	(3,414)	103,270	(1,389)
Net pension obligation	286,349	84,249	40,500	411,098	35,839
Other liabilities	(3,014,165)	40,410	(103,889)	(3,077,644)	(1,183,198)
Net cash and short term investments provided by (used in) operating activities	\$ 47,505,991	\$ 17,462,169	\$ 10,418,572	\$ 75,386,732	\$ 2,918,846
<b>Noncash investing, capital and financing activities:</b>					
Unrealized gain / (loss) on investments	\$ (12,863)	\$ -	\$ -	\$ (12,863)	\$ -
Loss on sale or disposal of capital assets	\$ (2,797)	\$ -	\$ -	\$ (2,797)	\$ -
Acquisition of capital assets through change in in contract retainage	\$ 173,742	\$ (83,627)	\$ 198,788	\$ 288,903	\$ -
Acquisition of capital assets through vouchers payable	\$ 140,736	\$ 11,794	\$ -	\$ 152,530	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 1,242,073	\$ 213,441	\$ -	\$ 1,455,514	\$ -
Deferred inflow of resources	\$ 4,978,861	\$ 1,465,026	\$ 1,038,178	\$ 7,482,065	\$ 852,887

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

**Exhibit C-1**

	<b>Pension Trust Fund Employees' Retirement System</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short term investments	\$ 46,527,332	\$ 4,357,377
Investments, fair value:		
United States Treasury securities	57,066,102	-
Fixed income securities	77,294,844	-
Equity securities	51,650,658	-
Balanced commingled funds:		
Equity	568,415,391	-
Fixed income	171,970,884	-
Real estate	56,377,425	-
Total investments	<u>982,775,304</u>	<u>-</u>
Receivables:		
Accounts, net of allowance for uncollectible accounts	198	-
Accrued investment income	817,981	-
Due from broker for securities sold	190,815,744	-
Other	-	71,000
Total assets	<u>\$ 1,220,936,559</u>	<u>\$ 4,428,377</u>
<b>LIABILITIES</b>		
Vouchers payable	\$ 523,877	\$ 65,486
Due to brokers for securities purchased	207,208,422	-
Other liabilities	-	4,362,891
Total liabilities	<u>\$ 207,732,299</u>	<u>\$ 4,428,377</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 1,013,204,260</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, 2015**

Exhibit C-2

**Changes to net position attributed to:**

Investment income:

Net depreciation in fair value of investments	\$ 6,993,400
Interest	7,360,605
Dividends	4,009,386
Other	190,304
	<u>18,553,695</u>
Less investment expense	<u>(1,957,143)</u>
<b>Net investment income</b>	<b>16,596,552</b>

Employer contributions	34,932,005
Employee contributions	4,914,726
<b>Total</b>	<b>56,443,283</b>

Benefit payments and expenses:

Refunds of contributions	2,928
Benefits paid to plan members and beneficiaries	79,028,560
Administrative costs	386,494
<b>Total</b>	<b>79,417,982</b>

<b>Net increase</b>	<b>(22,974,699)</b>
---------------------	---------------------

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

Beginning of year	1,036,178,959
End of year	<u><u>\$ 1,013,204,260</u></u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Statement of Net Position - Component Units**  
**June 30, 2015**

**Exhibit D-1**

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 33,598,848	\$ 3,667,477	\$ 37,266,325
Accounts receivable, net of allowance for uncollectible accounts	689,398	251,352	940,750
MUCIPP Program Receivables	-	125,000	125,000
Due from primary government	4,577,245	-	4,577,245
Due from other governments	26,609,089	-	26,609,089
Inventories	1,258,242	-	1,258,242
Property held for sale	-	22,304,976	22,304,976
Prepaid expenses	-	1,105	1,105
Non-depreciable capital assets	487,500	-	487,500
Depreciable capital assets, net	11,287,905	-	11,287,905
Total assets	<u>78,508,227</u>	<u>26,349,910</u>	<u>104,858,137</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	27,973,625	-	27,973,625
Total assets and deferred outflows	<u>\$ 106,481,852</u>	<u>\$ 26,349,910</u>	<u>\$ 132,831,762</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 7,232,695	\$ 33,074	\$ 7,265,769
Contract retainage	25,905	-	25,905
Accrued payroll	33,754,734	-	33,754,734
Unearned revenues	277,573	848,037	1,125,610
Due to primary government	-	282,478	282,478
Other payables	133,364	-	133,364
Due to other government agencies	5,158,691	48,596	5,207,287
Current portion of long-term liabilities	7,440,542	-	7,440,542
Long-term notes payable	-	2,500,000	2,500,000
Long-term vested compensated absences	2,417,135	-	2,417,135
Long-term other post employment benefits	15,743,896	-	15,743,896
Long-term claims and judgments liability	3,225,454	-	3,225,454
Net pension liability	309,164,736	-	309,164,736
Total liabilities	<u>\$ 384,574,725</u>	<u>\$ 3,712,185</u>	<u>\$ 388,286,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	52,349,660	-	52,349,660
Total liabilities and deferred inflows	<u>\$ 436,924,385</u>	<u>\$ 3,712,185</u>	<u>\$ 440,636,570</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 11,775,405	\$ -	\$ 11,775,405
Restricted for:			
Capital projects	1,135,742	-	1,135,742
Other programs	1,602,837	473,000	2,075,837
Unrestricted	(344,956,517)	22,164,725	(322,791,792)
Total net position	<u>\$ (330,442,533)</u>	<u>\$ 22,637,725</u>	<u>\$ (307,804,808)</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 Ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions	
<b>Norfolk Public Schools:</b>					
Instructional	\$ 265,732,237	\$ 2,017,741	\$ 190,302,894	\$ -	\$ (73,411,602)
Administration, attendance and health	15,908,470	-	-	-	(15,908,470)
Pupil transportation	12,952,368	-	914,608	-	(12,037,760)
Operation and maintenance	35,231,729	-	-	-	(35,231,729)
Information technology	13,234,422	-	-	-	(13,234,422)
School facilities	5,770,662	-	-	3,540,647	(2,230,015)
Food services	16,966,622	1,433,241	16,085,781	-	552,400
Community services	144,417	-	-	-	(144,417)
<b>Total Norfolk Public Schools</b>	<b>365,940,927</b>	<b>3,450,982</b>	<b>207,303,283</b>	<b>3,540,647</b>	<b>(151,646,015)</b>
<b>Norfolk Economic Development Authority:</b>					
Economic development	2,847,707	491,552	-	-	(2,356,155)
Interest Expense	39,933	-	-	-	(39,933)
<b>Total Norfolk Economic Development Authority</b>	<b>2,887,640</b>	<b>491,552</b>	<b>-</b>	<b>-</b>	<b>(2,396,088)</b>
<b>Total component units</b>	<b>\$ 368,828,567</b>	<b>\$ 3,942,534</b>	<b>\$ 207,303,283</b>	<b>\$ 3,540,647</b>	<b>\$ (154,042,103)</b>
General revenues:					
Use of money and property					
Payment from Primary Government					848,543
Miscellaneous					120,572,943
Loss on discontinuation of operations					515,674
Gain on disposal of assets					-
Commonwealth of Virginia					(3,560)
Total general revenues					31,992,590
Changes in net position					153,926,190
Net position - beginning					(115,913)
Restatement of Net Position related to pensions (Note XXII)					8,178,688
Restatement of Net Position for changes in reporting entity (Note XXII)					(337,993,441)
Restated of Net Position (deficit) - beginning (Note XXII)					22,125,858
Net position - ending					\$ (307,688,895)
					\$ (307,804,808)

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





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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**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 government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

*The School Board for the City of Norfolk (School Board)*, which has seven members, is the operating body that establishes the educational and financial programs and policies for the City's public school system. In November 2014, voters supported a referendum to be able to elect the School Board members which are currently appointed by City Council. The first election will be held in May 2016 and the Members will take office in fiscal year 2017. The City levies taxes for its operation, issues bonds or enters into capital leases for its capital requirements and approves its annual operating budget. The School Board is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants fund and Agency funds.

*Waterside Associates Limited Partnership (Waterside Associates)* was originally formed on November 20, 1981, for the purpose of developing and operating a retail festival marketplace (Waterside) in Norfolk, Virginia which opened June 1, 1983. On December 31, 1998, the Norfolk Redevelopment and Housing Authority (NRHA) and the City Development Corporation (CDC), a component unit of NRHA, purchased the partnership from its owners, creating a new entity with the same name. NRHA owns 14.5% of the Partnership and CDC owns 85.5%. Beginning July 1, 2010, the Waterside became fiscally dependent on the City to support, as well as manage its operations with City Council appointing two of the three board members. In 2014, Waterside was transferred to NRHA to be leased to Norfolk District Associates, LLC to be redeveloped. The City will establish



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a special fund for 70% of the revenue generated by the newly developed Waterside to pay for its obligations for the redevelopment costs. Beginning in fiscal year 2015, Waterside will be reported with the NRHA.

The Economic Development Authority (EDA), a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, and receives its revenue from administrative fees charged to borrowers. Beginning in fiscal year 2015, the EDA is reported as a component unit of the City, because of the recent commitment to provide funding for the development of the property otherwise known as the Lake Wright Property through the EDA. Separate financial statements are prepared.

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

The City of Norfolk Retirement Board  
810 Union Street  
City Hall Building, Suite 309  
Norfolk, Virginia 23510  
[www.norfolk.gov](http://www.norfolk.gov)

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

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

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

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

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Primary Government is reported separately from certain legally separate *component units* for which the *Primary Government* is financially accountable.

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

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

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

The City reports the following major proprietary funds:

- The *Water Utility Fund* accounts for the activities of the City's water system, treatment plant and distribution systems.
- The *Wastewater Utility Fund* accounts for the activities of the City's sewage pumping stations and collection systems.
- The *Parking Facilities Fund* accounts for the activities of City-owned 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 juvenile detention services, emergency call center services, tax increment financing districts, environmental stormwater, towing and recovery operations, waste management, and individual grant programs. In 2015 the Community Services Board, which provides mental health and substance abuse services, was merged with the General Fund.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two months of the transaction. In accordance with generally accepted accounting principles (GAAP) property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred 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.

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

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

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

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.

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.

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**D. Budgets and Budgetary Accounting**

An operating budget is adopted each fiscal year for the General Fund, Water Utility enterprise fund, Wastewater Utility enterprise fund, Parking Facilities enterprise fund, Storm Water special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations Center/E-911 special revenue fund, Golf special revenue fund, Towing & Recovery Operations special revenue fund, Tax Increment Financing special revenue fund and internal service funds. Project length budgets are appropriated for the Capital Projects fund and Grants special revenue fund. All funds are under formal budgetary control.

In 2015 the operations of the Norfolk Community Services Board (NCSB) special revenue fund were incorporated into the General Fund. As a result, the local matching funds required from the General Fund for the NCSB is provided within their budget appropriation. Also effective July 1, 2014, the Waste Management Division in the Department of Public Services, previously reported in the General Fund will be reported as a separate special revenue fund.

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

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

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

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibits E-1 and E-2 include the revenues and expenditures - budget and actual of the School Board.

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

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



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in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

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

**E. Deposits and Investments**

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

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

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

The City uses the pooled cash investment method, 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.

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**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 services 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 revenue by the General fund in the fund financial statements.

**H. Inventories**

Inventories are stated at cost, using either the first-in, first-out or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, (i.e., the purchase method). Proprietary funds expense inventories when consumed.

**I. Capital Assets**

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

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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 Primary Government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives (in years):

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and other water/wastewater equipment	-	10-30	-
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100	-	-
Intangibles	5-10	5-10	5-10

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

Land and land improvements held for resale are recorded at the lower of cost or estimated fair value. Cost is determined by acquisition price, if purchased, or at estimated fair value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements held for sale. Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties that is other than in a forced or liquidation sale.



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

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

**L. Net Position/Fund Balances**

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

Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by a third party or through enabling legislation. Committed fund balance includes amounts that can be used only for specific purposes as determined by City Council through formal action (ordinance). 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 unassigned fund balance classification is for all amounts not included in other classifications.

**M. Estimates**

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

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

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

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

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

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

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows are items that were previously reported as deferred revenues and certain items that were previously recorded as liabilities such as gains on defeasance of debt. Deferred inflows arise when potential revenue does not meet the “measureable” and “available” criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows represent a consumption of net position in a future period.

The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows. Certain changes in net pension liability are recorded as deferred inflows and outflows and amortized over a closed 5 year period or the average remaining service life of employees in the pension plans. Examples are the differences between actual and projected earnings on investments and the effects of change in assumptions.

**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

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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. Investments are reported at fair value. The allocation of proportionate shares of the ERS net pension liability and other pension amounts to participating funds is based on employer contributions.

**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

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

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

**Custodial Credit Risk - Investments**

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

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City's custodial

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banks. The policy for the Pension Trust fund is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City and its other component units have no formal policy regarding custodial credit risk for investments.

### Interest Rate Risk

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

Other than for the assets of the City's Pension 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, 2015.

### Primary Government

Investment Type	Fair Value	Investment Maturities				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Debt	\$ 36,388,274	\$ 11,848,716	\$ 8,725,303	\$ 2,663,073	\$ 5,805,382	\$ 7,345,800
Futures/Options/Swaps	345,948	(56,972)	(65,729)	199,510	219,996	49,143
Asset Backed Securities	5,152,533	-	1,187,109	-	3,058,099	907,325
US Government Securities	59,859,438	-	2,793,336	10,286,224	21,848,821	24,931,057
Mortgage Backed Securities	29,979,394	-	18,812	261,972	4,157,227	25,541,383
Certificates of Deposit	682,036	682,036	-	-	-	-
International Equities	219,302,401	-	-	-	-	219,302,401
Common Stock	6,000,192	-	-	-	-	6,000,192
Master Limited Partnerships	45,650,466	-	-	-	-	45,650,466
Municipal Bonds	3,612,263	-	-	-	-	3,612,263
Repurchase Agreements	12,500,000	12,500,000	-	-	-	-
Foreign Government Securities	1,816,432	81,715	303,462	1,431,255	-	-
Fixed Income Funds	171,970,884	-	-	-	-	171,970,884
Domestic Equity Funds	349,112,990	-	-	-	-	349,112,990
Real Estate Funds	56,377,425	-	-	-	-	56,377,425
Money Market Funds	122,338,676	122,338,676	-	-	-	-
Total	\$ 1,121,089,352	\$ 147,394,171	\$ 12,962,293	\$ 14,842,034	\$ 35,089,525	\$ 910,801,329

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:

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Per Exhibit 1 (Primary Government):	
Cash and short term investments	\$ 155,177,000
Investments	15,097,862
Restricted cash and investments	<u>69,708,356</u>
Total	\$ 239,983,218
Per Exhibit C-1 (Fiduciary):	
Cash and short term investments	50,884,709
Investments	<u>982,775,304</u>
Total	\$ 1,033,660,013
Total Primary Government and Fiduciary Funds	<u>\$ 1,273,643,231</u>
Less cash	152,553,879
Deposits and investments reported above	<u><u>\$ 1,121,089,352</u></u>

**Credit Risk Related to Issuer**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Services ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's ("S&P"), are not permitted without the written permission of the board. PIMCO, 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 \$7,240,424 were held at June 30, 2015. 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, 2015, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

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The Primary Government's Rated Debt Investment

Ratings (S&P)	Corporate Debt	Futures/ Options/ Swaps	Asset Backed Securities	Foreign Government	International Equity Funds	U.S. Government Securities	Mortgage Backed Securities	Repurchase Agreements	Certificates of Deposit	Common Stock	Master Limited Partnerships	Municipal Bonds	Fixed Income/ Equity/ Real Estate Funds	Money Market Mutual Funds
AAA	\$ -	\$ -	\$ 24,200	\$ -	\$ -	\$ -	\$ 209,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AAAm	-	-	-	-	-	-	-	-	-	-	-	-	-	122,338,676
AA+	1,024,177	-	862,481	1,734,717	-	59,859,438	12,070	-	-	-	-	-	-	-
AA	-	-	-	-	-	-	1,663,970	-	-	-	-	568,851	-	-
AA-	998,640	-	-	81,715	-	-	-	-	-	-	-	2,219,346	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A+	5,548,690	-	-	-	-	-	39,900	-	-	-	-	-	-	-
A	4,740,955	-	-	-	-	-	16,927	-	-	-	-	360,070	-	-
A-	4,173,857	-	-	-	-	-	-	-	-	-	-	-	-	-
BBB+	4,755,288	-	-	-	-	-	-	-	-	-	-	463,996	-	-
BBB	1,210,898	-	-	-	-	-	-	-	-	-	-	-	-	-
BBB-	4,900,956	-	-	-	-	-	104,625	-	-	-	-	-	-	-
BB+	4,215,450	-	1,187,109	-	-	-	-	-	-	-	-	-	-	-
BB	613,296	-	-	-	-	-	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	746,375	-	49,767	-	-	-	769,262	-	-	-	-	-	-	-
Not Rated	3,459,692	345,948	3,028,976	-	219,302,401	-	27,163,052	12,500,000	682,036	6,000,192	45,650,466	-	577,461,299	-
Total	\$ 36,388,274	\$ 345,948	\$ 5,152,533	\$ 1,816,432	\$ 219,302,401	\$ 59,859,438	\$ 29,979,394	\$ 12,500,000	\$ 682,036	\$ 6,000,192	\$ 45,650,466	\$ 3,612,263	\$ 577,461,299	\$ 122,338,676

The City's Pension Trust fund held \$349,112,990 and \$56,377,425 in Domestic Equity and Real Estate Funds respectively, and an additional \$171,970,884 in Fixed Income Funds that are unrated securities.

### Concentration of Credit Risk

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

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

### Foreign Currency Risk

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

Currency	Fixed-Income
Australian Dollar	\$ 1
Danish Krone	58
Canadian Dollar	41,293
Euro Currency	5,910,811
Japanese Yen	82,198
Mexican Peso	106,151
Pound Sterling	683,766
	<u>\$ 6,824,278</u>

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

**School Board**

At June 30, 2015, the School Board has cash of \$43,073,391, including \$9,474,543 held in agency funds.

**Economic Development Authority (EDA)**

At June 30, 2015, the EDA had \$3,667,477 of cash and short term investments. The amount includes \$1,574,885 in cash and cash equivalents of which \$260,540 is in Local Government Investment Pool (LGIP) and a six-month certificate of deposit yielding 0.12% in the amount of \$2,092,592.

**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, 2015, on each \$100 of assessed value, were \$1.15 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for airplanes, \$0.50 for recreational boats and \$1.50 for business boats. The City has a Real Estate Tax Relief/ 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.



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**IV. Accounts Receivable**

**A. Unbilled Accounts Receivable**

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2015:

Storm Water special revenue fund	\$ 819,268
Water Utility fund	4,753,081
Wastewater Utility fund	1,281,756
Parking Facilities fund	232,828
	<u>\$ 7,086,933</u>

The associated revenue is included in charges for services. All amounts were billed in July 2015.

**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, 2015, are as follows:

**Primary Government:**

General Fund:

Taxes	\$ 11,661,326
Accounts	16,199,952
Community Service Board	201,096
Total - General Fund	<u>28,062,374</u>

Storm Water special revenue fund	448,800
Waste Management fund	736,800
Parking Facilities fund	10,183,749
Water Utility fund	1,651,710
Wastewater Utility fund	850,000
<b>Total - Primary Government</b>	<u><b>\$ 41,933,433</b></u>



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**V. Due From Other Governments**

Amounts due from other governments, at June 30, 2015, are as follows:

	General Fund	Special Revenue Funds	Total Primary Government	Component Unit School Board
Commonwealth of Virginia:				
Shared expenses	\$ -	\$ -	\$ -	\$ -
Categorical aid	-	-	-	-
Non-categorical aid	23,232,447	-	23,232,447	8,210,881
Non-major governmental funds grants	-	1,946,391	1,946,391	-
<b>Total - Commonwealth of Virginia</b>	<b>23,232,447</b>	<b>1,946,391</b>	<b>25,178,838</b>	<b>8,210,881</b>
Federal Government:				
Major governmental funds	949,351	-	949,351	18,398,908
Non-major governmental funds grants	-	3,402,714	3,402,714	-
<b>Total - Federal Government</b>	<b>949,351</b>	<b>3,402,714</b>	<b>4,352,065</b>	<b>18,398,908</b>
<b>Total - Due from other governments</b>	<b>\$ 24,181,798</b>	<b>\$ 5,349,105</b>	<b>\$ 29,530,903</b>	<b>\$ 26,609,789</b>

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**VI. Capital Assets**

A summary of changes in capital assets, at June 30, 2015, follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
<b>Governmental activities:</b>			
Non-depreciable capital assets:			
Land	\$ 87,821,230	\$ 4,528,000	\$ 92,312,849
Intangible assets	69,014	-	69,014
Construction in progress	194,282,981	82,132,188	129,205,974
Total non-depreciable assets	282,173,225	86,660,188	221,587,837
Depreciable assets:			
Buildings	771,474,397	126,605,597	897,953,807
Improvements other than buildings	73,287,302	10,256,616	83,543,918
Equipment and vehicles	138,038,289	14,239,701	149,233,137
Intangible assets	4,994,829	-	4,994,829
Infrastructure	1,190,008,258	14,768,821	1,202,701,645
Total depreciable assets	2,177,803,075	165,870,735	2,338,427,336
Less accumulated depreciation/amortization:			
Buildings	(340,216,693)	(19,540,835)	(359,610,299)
Improvements other than buildings	(22,185,488)	(2,761,164)	(24,946,652)
Equipment and vehicles	(94,108,326)	(8,271,129)	(99,615,667)
Intangible assets	(3,833,661)	(198,762)	(4,032,423)
Infrastructure	(988,502,082)	(15,147,343)	(1,001,573,994)
Total accumulated depreciation/amortization	(1,448,846,250)	(45,919,233)	(1,489,779,035)
Depreciable assets, net	728,956,825	119,951,502	848,648,301
Total governmental activities capital assets, net	\$ 1,011,130,050	\$ 206,611,690	\$ 1,070,236,138
<b>Business-Type activities:</b>			
Non-depreciable capital assets:			
Land	\$ 48,122,255	\$ 1,264,868	\$ 49,387,123
Intangible assets	2,435,765	53,639	2,489,404
Construction in progress	43,695,329	46,624,791	52,442,255
Total non-depreciable assets	94,253,349	47,943,298	104,318,782
Depreciable assets:			
Land improvements	20,787,445	-	20,787,445
Buildings	387,284,414	12,247,896	399,532,310
Equipment and vehicles	722,101,842	30,900,335	751,879,137
Intangible assets	6,581,705	-	6,574,508
Totals depreciable assets	1,136,755,406	43,148,231	1,178,773,400
Less accumulated depreciation/amortization:			
Land improvements	(4,517,575)	(405,250)	(4,922,825)
Buildings	(118,473,900)	(8,574,312)	(127,048,212)
Equipment and vehicles	(213,603,916)	(15,268,495)	(228,621,110)
Intangible assets	(4,785,663)	(520,223)	(5,305,886)
Total accumulated depreciation/amortization	(341,381,054)	(24,768,280)	(365,898,033)
Depreciable assets, net	795,374,352	18,379,951	812,875,367
Business-Type activities capital assets, net	\$ 889,627,701	\$ 66,323,249	\$ 917,194,149
<b>Component units activities:</b>			
Non-depreciable capital assets:			
Land	\$ 487,500	\$ -	\$ 487,500
Construction in progress	-	-	-
Total non-depreciable assets	487,500	-	487,500
Depreciable assets:			
Buildings and mobile classrooms	13,018,652	102,685	6,662,275
Improvements other than buildings	90,911	-	-
Building improvements	-	-	-
Equipment and vehicles	35,724,347	1,388,044	36,220,795
Intangible assets	981,770	341,617	1,323,387
Total depreciable assets	49,815,680	1,832,346	44,206,457
Less accumulated depreciation:			
Buildings and mobile classrooms	(7,170,123)	(531,989)	(4,046,872)
Improvements other than buildings	(90,910)	-	-
Building improvements	-	-	-
Equipment and vehicles	(26,960,076)	(2,147,963)	(28,225,682)
Intangible assets	(392,708)	(253,290)	(645,998)
Total accumulated depreciation	(34,613,817)	(2,933,242)	(32,918,552)
Depreciable assets, net	15,201,863	(1,100,896)	11,287,905
Component units activities capital assets, net	\$ 15,689,363	\$ (1,100,896)	\$ 11,775,405

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

<b>Governmental activities:</b>	
General government	\$ 11,758,990
Judicial administration	1,599,298
Public safety	4,308,703
Public works, which includes the depreciation of infrastructure assets	18,521,294
Health and public assistance	222,727
Culture and recreation	8,771,114
Community development	451,013
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	286,094
Total depreciation expense	<u>\$ 45,919,233</u>
<b>Business-type activities:</b>	
Water Utility fund	\$ 12,933,935
Wastewater Utility fund	5,967,653
Parking facilities fund	5,866,692
Total depreciation expense	<u>\$ 24,768,280</u>
<b>Component units:</b>	
School Board	\$ 2,931,154
Norfolk Economic Development Authority	2,088
Total component units	<u>\$ 2,933,242</u>

**Land and Land Improvements Held for Resale**

On December 22, 2014, the Authority purchased real estate from J.C. Penney Corporation, Inc. consisting of a tract of land and improvements on approximately 16 acres at The Gallery at Military Circle for \$2,500,000. Closing costs and legal fees paid by the Authority related to the purchase were \$59,976. These fees were capitalized and added to the balance of land and land improvements held for resale.

On October 18, 2013, the Norfolk Redevelopment and Housing Authority (NRHA) donated property including the Lake Wright Golf Course to the Authority with an estimated fair value of \$19,400,000, as determined by an independent appraiser. The Authority entered into an agreement on November 12, 2013, amended on July 1, 2014, to sell a portion of that property to Simon Acquisition II, LLC (Simon) and entered into a second agreement on August 28, 2014, to sell the remainder property to Northampton Development, L.L.C. These agreements were not consummated as of June 30, 2015.

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

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The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2015:

	<b>Expense</b>	<b>Revenue</b>	<b>Capitalized</b>
Water Utility fund	\$ 1,317,414	\$ (75,341)	\$ 1,242,073
Wastewater Utility fund	230,209	(16,768)	213,441
	<u>\$ 1,547,623</u>	<u>\$ (92,109)</u>	<u>\$ 1,455,514</u>

**VII. 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, 2015, \$28,395,000 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 for the 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, 2015, the average weekly interest rate on the bonds was 4 basis points (0.04%).

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.

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Through June 30, 2015, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

**General Obligation Variable Rate Bond, Series 2013D (Taxable)**

On November 7, 2013, the City entered into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013 Variable Rate Loan") with Bank of America, N.A. As of June 30, 2015, \$13,210,000 remains outstanding and included in the City's long-term debt.

Interest on the 2013 Variable Rate Loan is payable semi-annually on each February 1 and August 1, beginning on February 1, 2014, at an interest rate of LIBOR, plus 0.95%. During the fiscal year ended June 30, 2015, the average weekly interest rate on the bonds was 111.23 basis points (1.1123%).

**VIII. Long-Term Obligations**

**A. General Obligation and Revenue Bonds**

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 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, 2015, 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, 2014	\$ 665,384,732	\$ 547,786	\$ 104,851,060	\$ 141,916,764	\$ 247,315,610
Line of credit draws	1,000,000	-	-	-	-
Bonds retired	(49,212,904)	(547,786)	(7,928,958)	(3,235,566)	(11,712,310)
Bonds refunded	(72,936,422)	-	(10,029,622)	(153,957)	(10,183,579)
Bonds transferred	-	-	-	-	-
Bonds reamortized	-	-	-	-	-
Bonds issued	74,093,536	-	10,496,790	154,674	10,651,464
Bonds outstanding at June 30, 2015	618,328,942	-	97,389,270	138,681,915	236,071,185
Unamortized (discount) premium	48,480,055	-	7,141,545	4,277,650	11,419,195
General obligation bonds outstanding at June 30, 2015, adjusted for unamortized (discount) premium	\$ 666,808,997	\$ -	\$ 104,530,815	\$ 142,959,565	\$ 247,490,380
Revenue bonds outstanding at July 1, 2014		\$ 325,195,000	\$ 48,954,628	\$ -	\$ 374,149,628
Bonds retired		(7,805,000)	(2,490,000)	-	(10,295,000)
Bonds refunded		(62,600,000)	-	-	(62,600,000)
Bonds issued		83,680,000	9,081,295	-	92,761,295
Bonds outstanding at June 30, 2015		338,470,000	55,545,923	-	394,015,923
Unamortized (discount) premium		49,895,286	-	-	49,895,286
Revenue bonds outstanding at June 30, 2015, adjusted for unamortized (discount) premium		\$ 388,365,286	\$ 55,545,923	\$ -	\$ 443,911,208
Total bonds outstanding at June 30, 2015, adjusted for unamortized (discount) premium	\$ 666,808,997	\$ 388,365,286	\$ 160,076,738	\$ 142,959,565	\$ 691,401,589

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General obligation and revenue bonds outstanding at June 30, 2015, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities			Balance Outstanding
				Public		Business-type Activities	
				Improvement	Wastewater Utility	Parking Facilities	
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Series 2001 QZAB	12/27/2001	1,062,830	0.00%	61,347	-	-	61,347
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	3,400,000
Series 2003 VRA	4/8/2003	9,423,794	2.00%	-	5,284,701	-	5,284,701
Series 2004 Property Acquisition	7/29/2004	1,775,000	7.00%	693,620	-	-	693,620
Series 2004 VRA	9/17/2004	11,100,000	3.10%	-	7,063,801	-	7,063,801
Series 2006 VRA	3/14/2006	11,187,809	2.25%	-	7,824,160	-	7,824,160
Series 2006B VRA	9/28/2006	14,250,000	0.00%	-	9,262,500	-	9,262,500
Variable - June 30, 2015, rate of 0.04%							
Series 2007 VRDB	3/29/2007	32,365,000	2015, rate of 0.04%	28,395,000	-	-	28,395,000
Series 2008A&B Refunding	2/13/2008	17,160,000	3.25 - 4.625%	4,865,000	-	-	4,865,000
Series 2008C Capital Improvement	6/30/2008	153,605,000	5.00%	12,310,000	2,235,000	-	14,545,000
Series 2009A&B Refunding	5/21/2009	77,175,000	3.00 - 5.00%	21,682,976	392,024	-	22,075,000
Series 2010A Capital Improvement	1/21/2010	49,875,000	3.00 - 5.00%	8,011,922	595,854	2,907,224	11,515,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.04 - 5.962%	108,841,905	8,808,095	-	117,650,000
Series 2010E Capital Improvement	2/25/2010	5,000,000	2.50 - 4.00%	-	-	4,000,000	4,000,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	3.40 - 5.60%	4,000,000	-	-	4,000,000
Series 2010G Refunding	10/19/2010	90,165,000	4.00 - 5.00%	77,152,514	6,588,789	193,697	83,935,000
Series 2012A Refunding	5/30/2012	69,030,000	2.00 - 5.00%	61,445,313	5,958,367	1,626,320	69,030,000
Series 2012B Refunding	5/30/2012	7,805,000	2.00 - 4.00%	6,360,000	-	-	6,360,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	4.00 - 5.00%	52,145,000	11,895,000	-	64,040,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	3.00 - 5.00%	85,400,000	7,205,000	36,740,000	129,345,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	0.4290 - 4.955%	-	-	79,850,000	79,850,000
Series 2013C QECB	11/7/2013	2,470,000	4.855%	2,470,000	-	-	2,470,000
Variable - June 30, 2015, rate of 1.1340%							
Series 2013D Refunding	11/7/2013	13,600,000	1.1340%	-	-	13,210,000	13,210,000
Series 2014 Refunding	4/2/2014	65,155,000	2.00 - 5.00%	52,231,220	12,923,780	-	65,155,000
Series 2014A Refunding	6/2/2014	11,725,000	1.400%	5,932,615	1,022,385	-	6,955,000
Series 2014B Refunding	10/1/2014	9,900,000	3.290%	9,112,877	647,449	154,674	9,915,000
Series 2014C Refunding	9/30/2014	58,510,000	2.00 - 5.00%	49,473,844	7,856,156	-	57,330,000
Series 2015 Refunding	3/2/2015	16,320,000	3.320%	14,493,792	1,826,208	-	16,320,000
Total General Obligation Bonds				\$ 617,328,945	\$ 97,389,269	\$ 138,681,915	\$ 853,400,129

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities		Balance Outstanding
			Wastewater		
			Water Utility	Utility	
Series 2005 Water Revenue and Refunding	3/23/2005	4.00%	\$ 540,000	\$ -	\$ 540,000
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	12,325,000	12,325,000
Series 2008 Water Revenue	4/23/2008	4.00 - 5.00%	5,035,000	-	5,035,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	6,000,000	6,000,000
Series 2010 Water Revenue	9/30/2010	2.50 - 4.50%	43,665,000	-	43,665,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	8,500,000	8,500,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	8,602,500	8,602,500
Series 2012 Water Revenue Refunding	4/4/2012	2.00 - 5.00%	162,480,000	-	162,480,000
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	11,309,355	11,309,355
Series 2013 Water Revenue	2/20/2013	5.00%	43,070,000	-	43,070,000
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	7,598,754	7,598,754
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	1,210,314	1,210,314
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
Total Revenue Bonds			\$ 338,470,000	\$ 55,545,923	\$ 394,015,923

The Series 2013D General Obligation Variable Rate Bond reset at an interest rate of 1.1340 percent as of June 30, 2015 (see Note VII).

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The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 0.04 percent as of June 30, 2015 (see Note VII).

**B. General Obligation Bonds**

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

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	44,074,531	26,470,702	10,259,523	8,721,880
2017	44,897,251	24,787,766	11,271,263	8,437,220
2018	44,135,859	22,840,362	11,085,177	8,043,779
2019	47,394,181	20,693,509	10,941,287	7,912,559
2020	46,261,618	18,688,117	11,475,184	7,619,980
2021-2025	193,826,426	66,069,528	59,125,327	31,926,302
2026-2030	126,591,221	28,838,646	49,701,281	21,696,471
2031-2035	53,997,857	6,720,032	40,142,142	12,094,338
2036-2040	11,940,000	1,813,687	32,070,000	2,875,966
2041-2044	4,210,000	344,069	-	-
<b>Total</b>	<b>\$ 617,328,945</b>	<b>\$ 217,266,417</b>	<b>\$ 236,071,184</b>	<b>\$ 109,328,495</b>

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

<b>Year Ending June 30,</b>	<b>Wastewater Utility Fund</b>		<b>Parking Facilities Fund</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	7,132,675	3,405,802	3,126,849	5,316,078
2017	7,167,107	3,177,757	4,104,156	5,259,463
2018	6,807,077	2,845,988	4,278,099	5,197,790
2019	6,894,302	2,794,230	4,046,985	5,118,329
2020	6,811,755	2,602,583	4,663,429	5,017,397
2021-2025	35,592,623	8,819,245	23,532,704	23,107,057
2026-2030	21,656,589	3,208,797	28,044,692	18,487,674
2031-2035	5,327,142	418,818	34,815,000	11,675,520
2036-2040	-	-	32,070,000	2,875,966
	<b>\$ 97,389,270</b>	<b>\$ 27,273,220</b>	<b>\$ 138,681,914</b>	<b>\$ 82,055,274</b>

**C. Revenue Bonds**

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and



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1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Position because their use is limited by applicable bond covenants.

The Wastewater Revenue Bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Wastewater Revenue Bond, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases which are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of June 30, 2015, draws for project expenses of \$2,199,169, \$5,671,812 and \$1,210,314 from bond issuances in fiscal year 2013, 2014 and 2015 respectively, resulted in total VRA drawdowns of \$9,081,295 for fiscal year 2015. In conjunction with the state water control board, the VRA administers and manages the Virginia Water Facilities Revolving Fund and the Bond was sold at 0 percent interest.

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

<b>Year Ending</b> <b>June 30,</b>	<u>Water Revenue</u>		<u>Wastewater Revenue</u>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	8,750,000	16,612,870	3,149,905	-
2017	10,090,000	15,988,725	3,180,162	-
2018	13,860,000	15,405,600	3,210,420	-
2019	14,200,000	14,714,975	3,210,420	-
2020	13,830,000	14,025,550	3,210,420	-
2021-2025	89,415,000	57,788,850	16,052,102	-
2026-2030	64,420,000	37,584,513	15,627,102	-
2031-2035	42,260,000	25,388,775	7,814,618	-
2036-2040	41,025,000	15,112,931	90,774	-
2041-2045	40,620,000	5,492,056	-	-
<b>Total</b>	<b>\$ 338,470,000</b>	<b>\$ 218,114,845</b>	<b>\$ 55,545,923</b>	<b>\$ -</b>

\*Wastewater Revenue Bonds were issued by Virginia Resources Authority at 0 percent interest



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**D. Current and Advanced Refundings**

On September 30, 2014, the City sold \$58,510,000 of General Obligation Refunding Bonds, Series 2014C to refinance \$56,925,000 of previously issued General Obligation Bonds. The advance's aggregate net present value savings was \$2.34 million representing 4.11 percent of the original bond par amount.

On October 1, 2014, the City sold \$9,915,000 of General Obligation Forward Refunding Bonds, Series 2014B that refinanced \$9,900,000 of previously issued General Obligation Bonds and lower the interest expense on the bonds. The City has achieved a true interest cost (TIC) of 3.29 percent. The total net present value saving achieved was \$487,792 representing 4.93 percent of the original bond par amount.

On March 2, 2015, the City sold \$16,320,000 of General Obligation Forward Refunding Bonds, Series 2015 that refinanced \$16,295,000 of previously issued General Obligation Bonds. The total net present value saving achieved was \$756,829 representing 4.64 percent of the original bond par amount.

On April 16, 2015, the City sold \$54,020,000 of Water Revenue Refunding Bonds, Series 2015B that refinanced \$62,600,000 of previously issued Water Revenue Bonds. The total net present value saving was \$3.84 million representing 6.13 percent of the original bond par amount.

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

At June 30, 2015, the following defeased bonds from advance refunding are still outstanding:

**General Obligation**

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2010	2008C	23,135,000	4/1/2017
2014	2008C	66,825,000	4/1/2017
2015	2009A	17,775,000	11/1/2019
2015	2012C	39,150,000	4/1/2021
		<u>\$ 146,885,000</u>	

**Water Revenue Bonds**

<b>Defeased In</b>	<b>Original Issue</b>	<b>Amount</b>	<b>Redemption</b>
2012	2005	2,720,000	11/1/2015
2015	2005	15,460,000	11/1/2015
2015	2008	47,140,000	11/1/2018
		<u>\$ 65,320,000</u>	

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**E. Line of Credit**

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America Merrill Lynch ("BofAML") for up to \$125,000,000. This line of credit will be used to provide flexible interim financing for capital improvements projects, including school construction. Borrowings under the line of credit bear interest payable semi-annually in February and August. Tax-exempt borrowings are at a rate of 70 percent of LIBOR, plus 40 basis points. Taxable borrowings are 100 percent of LIBOR, plus 50 basis 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 BofAML. 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 for that 12-month period.

On December 17, 2014, an initial advance of \$1,000,000 was made on the line of credit at the six month LIBOR Period, and therefore \$124,000,000 is available. The City may prepay all or any portion of any advance without cost, penalty or premium, on the final business day of the then applicable LIBOR Period with ten (10) business days' electronic notice to BofAML. This line of credit will terminate and all amounts outstanding will be due and payable in full on December 17, 2017, the third anniversary of the closing date. However, the City may request an extension in writing within a time period no greater than 180 days prior to the expiration date of the line of credit and may terminate the agreement on any date 90 days after written notice is provided.

**F. Notes Payable**

On December 14, 2014, the Authority entered into a promissory note to borrow \$2,500,000 to finance the purchase of the real estate from the J.C. Penney Corporation. The Authority is to repay this loan in full, plus any unpaid interest, on the maturity date of September 30, 2017. Interest is to be paid monthly commencing on January 12, 2015, at one-month LIBOR plus 2.5 percent. The interest rate as of June 30, 2015, was 2.62 percent. The loan is collateralized by a certificate of deposit and a negative pledge agreement.

**G. Lease Obligations**

Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$5,092,501 for the fiscal year ended June 30, 2015.

Future year lease obligations are listed below:

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<b>Year Ending June 30,</b>	<b>Operating Lease Obligations</b>
2016	\$ 5,033,769
2017	3,287,235
2018	1,933,707
2019	1,757,921
2020	1,426,282
Thereafter	3,042,721
Total minimum lease payments	<u>\$ 16,481,636</u>

**H. Landfill Liability**

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and 10 years of post-close care costs beyond December 31, 2010. The \$2,477,200 reported as an obligation for landfill closure and post-closure costs at June 30, 2015, 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, \$1,825,000 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

**I. Compensated Absences**

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

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Primary Government:

Governmental activities:

General fund	\$ 16,285,110
Non-major governmental funds	1,174,671
Internal service funds	<u>267,084</u>
Total governmental	<u><u>\$ 17,726,865</u></u>

Enterprise funds:

Water Utility fund	\$ 1,106,289
Wastewater Utility fund	381,022
Parking Facilities fund	<u>254,964</u>
Total enterprise funds	<u><u>\$ 1,742,275</u></u>

Component Unit - School Board	<u><u>\$ 9,501,128</u></u>
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**J. Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2015, the City's debt limit is \$1,873,420,173 of which \$1,019,675,044 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

**K. Bonds Authorized and Unissued**

A summary of bonds authorized and unissued as of June 30, 2015, are as follows:

<u>Projects</u>	<u>Total</u>
<b>General Obligation Bonds Authorized and Unissued:</b>	
<b>Capital Fund Projects</b>	
General Capital Improvement Projects	\$ 232,933,386
Maritime Center Capital Improvement Projects	-
Towing and Recovery Capital Improvement Projects	325,481
Storm Water Capital Improvement Projects	<u>4,190,000</u>
Capital Fund Projects Total	<u>\$ 237,448,867</u>
Parking Facilities Fund Projects	11,910,929
Wastewater Utility Fund Projects	<u>18,890,748</u>
<b>G.O. Bonds Authorized and Unissued</b>	<u><u>\$ 268,250,544</u></u>
<b>Revenue Bonds Authorized and Unissued:</b>	
Water Utility Fund Projects	<u>\$ 73,302,116</u>
<b>Revenue Bonds Authorized and Unissued</b>	<u><u>73,302,116</u></u>
<b>Total Bonds Authorized and Unissued:</b>	<u><u>\$ 341,552,660</u></u>

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

A summary of fiscal year 2015 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance, restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Bonds and Line of Credit:					
General obligation bonds	\$ 665,384,732	\$ 74,093,536	\$ (122,149,326)	\$ 617,328,942	\$ 44,074,528
Line of credit	-	1,000,000	-	1,000,000	-
Net premiums	53,552,476	7,530,154	(12,602,575)	48,480,055	-
Total Bonds and Line of Credit	718,937,208	82,623,690	(134,751,901)	666,808,997	44,074,528
Other Liabilities:					
Vested compensated absences	16,515,364	10,418,367	(9,473,950)	17,459,781	9,800,000
Other post-employment benefits	29,981,928	4,739,152	(2,689,829)	32,031,251	-
Retiree's life insurance	265,000	-	(35,000)	230,000	35,000
Self-insurance	29,055,228	5,887,750	(5,466,609)	29,476,369	4,175,009
Net pension liability	235,242,686	122,476,793	(206,189,659)	151,529,820	-
Landfill closure and post-closure costs	2,418,000	59,200	-	2,477,200	-
Total Other Liabilities	313,478,206	143,581,262	(223,855,047)	233,204,421	14,010,009
Governmental Activities					
Long-term liabilities	1,032,415,414	226,204,952	(358,606,948)	900,013,418	58,084,537
Internal Service Funds:					
Net pension liability	\$ 2,547,712	\$ 1,296,611	\$ (2,187,306)	\$ 1,657,017	\$ -
Vested compensated absences	241,280	142,114	(116,310)	267,084	186,958
Total Internal Service Funds	2,788,992	1,438,725	(2,303,616)	1,924,101	186,958
Total Governmental Activities	\$ 1,035,204,406	\$ 227,643,677	\$ (360,910,564)	\$ 901,937,519	\$ 58,271,495
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Bonds Payable:					
Water	\$ 325,742,786	\$ 83,680,000	\$ (70,952,786)	\$ 338,470,000	\$ 8,750,000
Wastewater	153,805,690	19,578,085	(20,448,581)	152,935,194	10,282,580
Parking facilities	141,916,764	154,674	(3,389,523)	138,681,915	3,126,849
Net premiums	48,652,795	19,036,296	(6,374,610)	61,314,481	-
Total Bonds Payable	670,118,035	122,449,055	(101,165,500)	691,401,590	22,159,429
Other Liabilities:					
Vested compensated absences	1,667,979	1,109,777	(1,035,481)	1,742,275	1,008,283
Net pension liability	22,286,298	11,342,203	(19,092,086)	14,536,415	-
Other post-employment benefits	3,055,094	405,944	(276,972)	3,184,066	-
Total Other Liabilities	27,009,371	12,857,924	(20,404,539)	19,462,756	1,008,283
Total Business-Type Activities	\$ 697,127,406	\$ 135,306,979	\$ (121,570,039)	\$ 710,864,346	\$ 23,167,712
<b><u>COMPONENT UNITS:</u></b>					
Other Liabilities - Norfolk Public Schools:					
Vested compensated absences	\$ 9,433,778	\$ 10,009,999	\$ (9,942,649)	\$ 9,501,128	\$ 7,083,993
Other post employment benefits	15,053,326	3,319,756	(2,629,186)	15,743,896	-
Net pension liability	360,770,756	23,520,955	(75,126,975)	309,164,736	-
Workers' compensation claims	3,746,044	162,513	(372,860)	3,535,697	328,071
Long-term Notes Payable	-	2,500,000	-	2,500,000	-
Claims liability	51,094	102,449	(107,237)	46,306	28,478
Component Units					
Long-term obligations	\$ 389,054,998	\$ 39,615,672	\$ (88,178,907)	\$ 340,491,763	\$ 7,440,542

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**IX. Pension Plans**

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (Note IX.A); a Virginia Retirement System (VRS) plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (Note IX.B); and a VRS plan for the benefit of state employees in constitutional offices (Note IX.C). In addition, the School Board has 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 Section 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, 2014, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,537
Public Safety	1,181
Vested Former Members:	
General	823
Public Safety	229
Active Plan Members:	
General	2,725
Public Safety	1,219
	<u>8,714</u>

**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

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of credited service for public safety employees. The normal service retirement benefit per annum is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees.

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

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

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

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

The DROP participant's monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive the DROP balance and will begin receiving the monthly pension directly. The participant's DROP balance is not credited with investment gains and losses.

### **Contributions**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, with



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the exception of 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 \$34,392,005 and \$42,330,492 for the years ended June 30, 2015 and 2014, respectively. These contributions combined with employee contributions of \$4,914,706 and \$1,671,644 for the years ended June 30, 2015 and June 30, 2014, 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, 2014, actuarial valuation, the actuarial assumptions included the following:

Actuarial Costs Method	Entry Age Normal
Amortization Method	Level Percent Closed, 20-year layers
Amortization Growth Rate	3.0 percent
Asset Valuation Method	3-year Smoothed Value
Inflation Rate	3.0 percent
Salary Increases – General Employees	Average of 5.64 percent over a 30 year career; based on rates that vary by year of service and are compounded annually
Salary Increases – Public Safety Employees	Average of 6.68 percent over a 30 year career; based on rates that vary by year of service and are compounded annually
Investment Rate of Return	7 percent
Mortality	RP-2000 Combined Healthy Mortality projected to 2010 by scale AA for healthy lives; and RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives.

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, 2014, are summarized in the following table:



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<u>Asset Class</u>	30-year 2015	<u>Target Allocations</u>
	<u>Long-term Expected Real Rate of Return</u>	
Private Core Real Estate	5.75%	5%
Master Limited Partnerships	7.50%	5%
Core Fixed Income	1.75%	35%
Core Plus Income	2.75%	0%
International Equity (AWI ex US)	5.90%	22%
Domestic Equity (Russell 3000)	4.50%	33%
		<u>100%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2014, with an actuarial valuation date of June 30, 2014. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. The employer contributions made in fiscal year 2015 of \$31,800,327 for governmental activities and \$3,131,678 for business-type activities are included as deferred outflows. As of June 30, 2015, the City reported a net pension liability of \$161,287,252; \$146,750,837 in governmental activities and \$14,536,415 in business-type activities. The net pension liability is allocated based on employer's contributions during the measurement period. The percentage for governmental activities and business-type activities for the measurement periods ended June 30, 2014 and 2013 were 90.99 percent and 9.01 percent, and 91.00 percent and 9.00 percent, respectively. Changes to the ERS net pension liability are as follows:

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2014</b>	<b>\$ 1,159,713,871</b>	<b>\$ 912,363,175</b>	<b>\$ 247,350,696</b>
Service costs	24,578,759	-	24,578,759
Interest	80,203,196	-	80,203,196
Changes in benefits terms	20,689,842	-	20,689,842
Contributions - employer	-	42,330,492	(42,330,492)
Contributions - employee	-	1,671,644	(1,671,644)
Net investment income	-	157,291,834	(157,291,834)
Benefits payments, including refunds of member contributions	(77,065,376)	(77,065,376)	-
Difference between expected and actual experience	(10,654,079)	-	(10,654,079)
Administrative expense	-	(412,808)	412,808
<b>Balances at June 30, 2015</b>	<b>\$ 1,197,466,213</b>	<b>\$ 1,036,178,961</b>	<b>\$ 161,287,252</b>

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ERS Net Pension Liability	\$ 285,502,068	\$ 161,287,252	\$ 54,715,590

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

Total Pension expense included for the City is \$35,742,992 for Governmental activities and \$3,540,525 for business-type activities.

At June 30, 2015, deferred inflows reported in the City's financial statements are as follows:

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	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between expected and actual experience	\$ 7,755,084	\$ 768,180	\$ 8,523,264
Net difference between projected and actual earnings on plan investments	67,779,319	6,713,885	74,493,204
	<u>\$ 75,534,403</u>	<u>\$ 7,482,065</u>	<u>\$ 83,016,468</u>

Deferred outflows related to pension contributions made after the measurement date of \$31,800,327 for governmental activities and \$3,131,678 for business-type activities will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts related to deferred inflows or resources will be recognized in pension expense as follows:

Amortization of Deferred Inflows			
Year Ended:	Governmental Activities	Business-type Activities	Total
2016	\$ 18,883,601	\$ 1,870,516	\$ 20,754,117
2017	18,883,601	1,870,516	20,754,117
2018	18,883,601	1,870,516	20,754,117
2019	18,883,600	1,870,517	20,754,117
2020	-	-	-
	<u>\$ 75,534,403</u>	<u>\$ 7,482,065</u>	<u>\$ 83,016,468</u>

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

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

**Plan Description – Virginia Retirement System**

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

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service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employee contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70 percent. The multiplier for Plan 2 members was reduced to 1.65 percent effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0 percent.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00 percent. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org> or <http://www.varetire.org/pdf/publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for School Board contains combined information related to the School Board and Southeastern Cooperative Educational Programs (SECEP), a joint venture for which the School Board acts as a fiscal agent. As such, amounts reflected herein present only the School Board's proportionate share as of the measurement date which amounted to 99.54 percent and 99.16 percent as of June 30, 2013 and 2014, respectively. The City's participation in the VRS agent multiple-employer plan resides solely within the governmental activities.

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**Contributions**

The contribution requirement for active employees governed by Section 51.1-145 of the *Code of Virginia* (1950), as amended, by the Virginia General Assembly changed the funding requirements for VRS employees. Employees are required to contribute 5.00 percent of their annual reported compensation to the VRS. The Employers actuarially determined contribution rates as of June 30, 2015, not including the employee 5 percent contributions were 12.32 percent of covered payroll for the City of Norfolk employees, 14.50 percent of the annual covered payroll for School Board professional employees and 11.12 percent of annual covered payroll for the other school employees based on the June 30, 2013 actuarial valuation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

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

**Actuarial Assumptions**

The total pension liability was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

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

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

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the four year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follow:

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

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

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

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

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**Discount Rate**

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

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

Deferred inflows and outflows are recorded for the net differences between actual and projected investment earnings, contributions made subsequent to the measurement date of June 30, 2014, and changes in proportionate share between June 30, 2013 and June 30, 2014. Pension expense reported for the fiscal year 2015 for the City for Norfolk, School Board Political Subdivisions and School Board Teachers was \$1,749,000, \$743,539 and \$22,777,416, respectively. At June 30, 2015, the reported deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Inflows of Resources</b>		
	<b>Agent Multiple Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk Constitutional Offices	School Board Non-Professional	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 51,305	\$ 3,547,561
Net difference between projected and actual earnings on plan investments	4,872,000	4,511,134	44,239,660
	<u>\$ 4,872,000</u>	<u>\$ 4,562,439</u>	<u>\$ 47,787,221</u>

Contributions subsequent to the measurement date are included as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The City of Norfolk, the School Board Teachers and the School Board Political Subdivisions contributed \$2,794,920, \$26,205,705 and \$1,767,920 respectively in fiscal year 2015. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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	<b>Agent Multiple-Employer Plans</b>		<b>Cost Sharing Plan</b>
	City of Norfolk Constitutional Employees	School Board Political Subdivisions	School Board Teachers
Year Ended:			
2016	\$ (1,218,000)	\$ (1,140,610)	\$ (11,861,935)
2017	(1,218,000)	(1,140,610)	(11,861,935)
2018	(1,218,000)	(1,140,610)	(11,861,935)
2019	(1,218,000)	(1,140,609)	(11,861,935)
2020	-	-	(339,481)
	<u>\$ (4,872,000)</u>	<u>\$ (4,562,439)</u>	<u>\$ (47,787,221)</u>

**Plan Membership**

As of June 30, 2013, actuarial valuation, the plan memberships consisted of the following:

	<b>Agent Multiple Plans</b>	
	City of Norfolk Constitutional Offices	School Board Political Subdivisions
Inactive Member or their beneficiaries currently receiving benefits	193	594
Inactive Members	-	-
Vested	72	53
Non-vested	275	321
Active elsewhere in the VRS	182	109
Total Inactive members	<u>529</u>	<u>483</u>
Active Members	<u>622</u>	<u>657</u>
Total	<u>1,344</u>	<u>1,734</u>

**Change in Net Pension Liability**

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

**City of Norfolk**

	<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, 2014</b>	<b>\$ 81,034,000</b>	<b>\$ 68,307,000</b>	<b>\$ 12,727,000</b>
Service cost	3,600,000	-	3,600,000
Interest	5,574,000	-	5,574,000
Contributions - employer	-	3,167,000	(3,167,000)
Contributions - employee	-	1,422,000	(1,422,000)
Net investment income	-	10,933,000	(10,933,000)
Benefits payments, including refunds of employee contributions	(2,798,000)	(2,798,000)	-
Administrative expense	-	(57,000)	57,000
Other	-	1,000	(1,000)
<b>Balances at June 30, 2015</b>	<b><u>\$ 87,410,000</u></b>	<b><u>\$ 80,975,000</u></b>	<b><u>\$ 6,435,000</u></b>

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School Board Political Subdivisions

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2014*</b>	<b>\$ 82,124,515</b>	<b>\$ 65,572,932</b>	<b>\$ 16,551,583</b>
Service costs	1,530,404	-	1,530,404
Interest	5,585,659	-	5,585,659
Contributions - employer	-	1,721,601	(1,721,601)
Contributions - employee	-	774,947	(774,947)
Net investment income	-	10,151,404	(10,151,404)
Benefits payments, including refunds of employee contributions	(4,658,771)	(4,658,771)	-
Administrative expense	-	(56,055)	56,055
Other changes	-	536	(536)
<b>Balance at June 30, 2015</b>	<b>\$ 84,581,807</b>	<b>\$ 73,506,594</b>	<b>\$ 11,075,213</b>

\*The difference between the net pension liability reflected in this schedule and the similar amount reflected in Note 1.I as of June 30, 2014, is a result of changes in the School Board's proportionate share of the net pension liability which decreased from 99.54 percent as of the June 30, 2013, measurement date for the June 30, 2014, net pension liability to 99.16 percent as of the June 30, 2014, measurement date for the June 30, 2015, net pension liability. All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2014, measurement date for the June 30, 2015, net pension liability of 99.16 percent.

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>Agent Multiple Plans</b>			
School Board non-professional employee net pension liability	\$ 21,076,873	\$ 11,075,213	\$ 2,649,317
City of Norfolk's constitutional offices net pension liability	19,322,710	6,435,715	(4,166,477)
<b>Cost Sharing Plans</b>			
School Board Teachers net pension liability	\$ 437,714,486	\$ 298,089,523	\$ 183,132,236

**Payables to the Pension Plan**

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As of June 30, 2015, the School Board reported a payable of \$219,683 for the outstanding amount of contributions to the political subdivision pension plan required for the year ended June 30, 2015.

As of June 30, 2015, the School Board reported a payable of \$3,363,345 for the outstanding amount of contributions to the teacher's pension plan required for the year ended June 30, 2015.

**X. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. In the calendar year 2015, the deferral may be up to 25 percent of gross income up to a maximum of \$17,500 per year with increases to the annual contribution limit for catch-up contributions for participants over age 50 or for participants for three years prior to normal retirement age. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death or unforeseeable emergency.

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

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

**Plan Description**

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase healthcare coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the Schools' benefits offices based on the participation guidelines established by the Norfolk City Council and the Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty personnel who are paid or who volunteer, are included as OPEB obligations in the City's financial statements.

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**Funding Policy**

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

The annual required contribution was determined as part of the July 1, 2013, actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 3.5 percent investment rate of return and (b) projected salary increases of 3.5 percent per year. Both (a) and (b) include a medical inflation component of 9.0 percent (pre-Medicare) grading to 4.0 percent over 15 years. The actuarial value of the City's assets is equal to the market value of assets. The remaining amortization period is a rolling 30 years.

**Annual OPEB Cost and Net OPEB Obligation**

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

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

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<b>Fiscal Year Ended Year</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Cost Contributed Percent Contributed</b>	<b>Net OPEB Obligation</b>
<b>City Employees and Retirees</b>			
June 30, 2013	\$ 6,370,152	59%	\$ 27,359,584
June 30, 2014	\$ 5,363,162	59%	\$ 30,337,282
June 30, 2015	\$ 4,348,284	55%	\$ 31,718,764
<b>Line of Duty Benefits</b>			
June 30, 2014	\$ 3,734,104	28%	\$ 2,699,740
June 30, 2015	\$ 1,426,115	44%	\$ 3,496,553
<b>School Employees and Retirees</b>			
June 30, 2013	\$ 4,728,548	83%	\$ 14,092,158
June 30, 2014	\$ 3,630,442	93%	\$ 15,053,326
June 30, 2015	\$ 2,934,793	90%	\$ 15,743,896

The actuarial liabilities of the Plans as of July 1, 2014, are shown below:

	<b>City</b>	<b>Line of Duty</b>	<b>Schools</b>	<b>Total</b>
Actuarial liability:				
Active employees	\$ 27,032,662	\$ 3,035,485	\$ 31,328,698	\$ 61,396,845
Retirees	10,947,055	12,873,695	8,505,324	32,326,074
Total actuarial liability	\$ 37,979,717	\$ 15,909,180	\$ 39,834,022	\$ 93,722,919
Less: Plan assets	-	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 37,979,717	\$ 15,909,180	\$ 39,834,022	\$ 93,722,919

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

	<b>City</b>	<b>Line of Duty</b>	<b>Schools</b>	<b>Total</b>
<b>Expected Net OPEB obligation as of June 30, 2014</b>	\$ 30,337,282	\$ 2,699,740	\$ 15,053,326	\$ 48,090,348
Expected Employer contributions FY 2014	3,160,704	1,034,364	3,381,441	7,576,509
Adjusted FY14 valuation included in FY 2015	(218,740)	-	-	(218,740)
ACTUAL Employer Contributions FY 2014	(3,530,969)	(1,034,364)	(2,996,478)	(7,561,811)
Increase (decrease) In net OPEB Obligation	(589,005)	-	384,963	(204,042)
<b>Adjusted Net OPEB obligation as of June 30, 2014</b>	29,748,277	2,699,740	15,438,289	47,886,306
Annual required contribution (ARC) for FY2015	4,263,307	1,418,403	2,890,694	8,572,404
Interest on net OPEB obligation	1,189,931	107,990	617,532	1,915,453
Adjustment to ARC	(1,104,954)	(100,278)	(573,433)	(1,778,665)
Annual OPEB COST	4,348,284	1,426,115	2,934,793	8,709,192
Less: expected contributions made	(2,377,797)	(629,302)	(2,629,186)	(5,636,285)
Increase in net OPEB obligation	1,970,487	796,813	305,607	3,072,907
<b>Net OPEB obligation as of June 30, 2015</b>	\$ 31,718,764	\$ 3,496,553	\$ 15,743,896	\$ 50,959,213

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**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accrued liability for benefits was \$93.7 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$93.7 million. The combined covered payroll of active City and School employees covered by the plan was \$365.6 million, and the ratio of the UAAL to the covered payroll was 25.6 percent. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<b>CITY EMPLOYEES AND RETIREES</b>						
July 1, 2014	\$ -	\$ 37,979,717	\$ 37,979,717	0.0%	\$ 178,792,255	21.2%
<b>LINE OF DUTY BENEFITS</b>						
July 1, 2014	\$ -	\$ 15,909,180	\$ 15,909,180	0.0%	\$ 61,932,622	25.7%
<b>SCHOOL EMPLOYEES AND RETIREES</b>						
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0.0%	\$ 186,834,233	21.3%

**Actuarial Methods and Assumptions**

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

The actuarial valuation was performed as of July 1, 2014, with results projected for the fiscal year ended June 30, 2015. The entry age normal actuarial cost method was used with a level percent open amortization method over 30 years. A discount rate of 4.0 percent was used. Annual rates of health care inflation used were 8.33 percent (pre-Medicare) grading to 4.0 percent over 13 years and the annual rate of salary increases used was 3.5 percent.

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

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**XII. Interfund Receivable and Payable Balances**

The composition of interfund activity as of June 30, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects fund	\$ 60,857,050
	Non-major governmental funds	355,297
	HealthCare fund	7,988
	Water Utility fund	208,806
	Total General fund	<u>\$ 61,429,141</u>
Capital Projects Fund	Parking Facilities	\$ 1,508,224
	Water Utility fund	628,407
	Wastewater Utility fund	16,230
	Total Capital Projects fund	<u>\$ 2,152,861</u>
Non-major governmental funds	Other Non-major governmental funds	<u>\$ 503,301</u>
	<b>Total Governmental funds</b>	<u><b>\$ 64,085,303</b></u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility Fund	Capital Projects fund	\$ 26,696
	Wastewater Utility fund	251,270
	Non-major governmental funds	88,959
	Total Water Fund	<u>\$ 366,925</u>
	<b>Total Enterprise Funds</b>	<u><b>\$ 366,925</b></u>
	<b>Total Due From Other Funds</b>	<u><b>\$ 64,452,228</b></u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
General Fund	Non-Major Governmental	\$ 8,451
		<u>\$ 8,451</u>
Capital Projects Fund	General Fund	\$ 60,857,050
	Water Utility fund	26,696
	Total Capital Projects Fund	<u>\$ 60,883,746</u>
Non-major governmental funds	General Fund	\$ 346,846
	Water Utility fund	88,959
	Non-major governmental funds	503,301
	Total Non-major Governmental Funds	<u>\$ 939,106</u>
	<b>Total Governmental Fund</b>	<u><b>\$ 61,831,303</b></u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
Water Utility fund	General fund	\$ 208,806
	Capital Projects fund	628,407
	Total Water Utility fund	<u>\$ 837,213</u>
Wastewater Utility fund	Capital Projects fund	\$ 16,230
	Water Utility fund	251,270
	Total Wastewater Utility Fund	<u>\$ 267,500</u>
Parking Facilities Fund	Capital Projects Fund	<u>\$ 1,508,224</u>
	Total Parking Facilities Fund	<u>\$ 1,508,224</u>
Healthcare Fund	General Fund	<u>\$ 7,988</u>
	Total Healthcare Fund	<u>\$ 7,988</u>
	<b>Total Enterprise and Internal Service Funds</b>	<u><b>\$ 2,620,925</b></u>
	<b>Total Due to Other Funds</b>	<u><b>\$ 64,452,228</b></u>



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**XIII. 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 2015:

<b>Fund</b>	<b>In</b>	<b>Out</b>
General	\$ 16,805,117	\$ 76,651,992
Capital Projects	3,581,711	1,089,441
Debt Service	76,151,030	356,845
Nonmajor Governmental	6,066,194	14,472,693
Water Utility	-	8,500,000
Wastewater Utility	-	1,500,000
Parking Facilities	-	33,081
	<u>\$ 102,604,052</u>	<u>\$ 102,604,052</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$16,805,117 include \$8,500,000 from the Water Utility fund and \$1,844,013 from the Waste Management fund, \$1,500,000 from the Wastewater Utility fund which represent a return on investment back to the General fund, \$4,928,024 from the TIF fund, and \$33,081 from the Parking Facilities fund to cover parking costs of cruise customers at the Maritime Facility.

The General fund transfers out of \$76,651,992 represent a transfer of \$71,085,769 to the Debt Service fund to fund general obligation debt, \$909,666 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$3,120,629 to the Grants special revenue fund in support of grant projects, \$415,153 to the Cemeteries special revenue fund, \$309,048 to the Golf fund and \$811,727 to the Emergency Operations Center/E-911 special revenue fund.

The Capital Projects fund transferred \$1,089,441 to the Grants special revenue fund in support of grant projects. Capital projects transfers in included \$909,666 from the General fund, \$1,000,000 from the Public Amenities fund, \$1,315,200 from the Stormwater fund and \$356,845 from the Debt Service fund.

Debt service transfers in of \$76,151,030 include \$3,371,686 from the Storm Water special revenue fund, \$876,186 from the Public Amenities special revenue fund, \$206,122 from the Towing and Recovery Operations special revenue fund, \$611,266 from the Tax Increment Financing special revenue fund and \$71,085,769 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$3,371,686 to the Debt Service fund to cover its general obligation debt service cost, \$5,316 to the Grants fund and \$1,315,200 to the Capital Project fund to support the fund's capital related projects.



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The Public Amenities special revenue fund transferred \$1,000,000 to the Capital Projects fund in support of the fund's capital related projects, and \$876,186 to cover its general obligation debt service cost.

The Towing Recovery Operation special revenue fund transferred \$206,122 to the Debt Service fund to cover its general obligation debt service cost.

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

The Tax Increment Financing special revenue fund transferred \$611,266 to the Debt Service fund to fund current fiscal year debt service payments and \$4,928,024 to the General fund.

The Water and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000, respectively, to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$33,081 to the General fund to cover parking costs of cruise customers at the Maritime Facility.

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

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

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	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Restricted				
General government	\$ 2,099,960	\$ -	\$ 53,606.00	\$ 2,153,566
Judicial administration	-	-	806,293	806,293
Public safety	-	-	578,713	578,713
Public works	-	-	-	-
Health and public assistance	-	-	820,033	820,033
Culture and recreation	-	-	6,093,793	6,093,793
Community development	-	-	32,652	32,652
Total Restricted	2,099,960	-	8,385,090	10,485,050
Committed				
General government	4,000,000	-	-	4,000,000
Public works	-	-	2,723,035	2,723,035
Health and public assistance	-	-	-	-
Culture and recreation	-	-	41,198	41,198
Other purposes capital	-	14,704,127	-	14,704,127
Total Committed	4,000,000	14,704,127	2,764,233	21,468,360
Assigned				
General government	2,824,449	-	17,764	2,842,213
Judicial administration	-	-	-	-
Public safety	-	-	1,994,612	1,994,612
Public works	-	-	2,013,288	2,013,288
Health and public assistance	-	-	-	-
Culture and recreation	166,354	-	13,817,409	13,983,763
Community development	3,217,961	-	-	3,217,961
Education	3,635,400	-	-	3,635,400
(FY-16 Budget appropriation)	16,059,445	-	-	16,059,445
Total Assigned	25,903,609	-	17,843,073	43,746,682
Unassigned				
Other	65,580,379	(84,624,275)	(2,912,813)	(21,956,709)
Total Unassigned	65,580,379	(84,624,275)	(2,912,813)	(21,956,709)
Total Fund Balances	\$ 97,583,948	\$ (69,920,148)	\$ 26,079,583	\$ 53,743,383

There is a fund deficit in the Capital Projects fund of \$69,920,148 resulting from management decision to finance capital projects with existing cash and draws from a Line of Credit established with the Bank of America in order to reduce interest expense. The authorization to issue bonds to refinance long-term has been made. When the funds are borrowed, the amounts due to the general fund will be repaid.

The Special Revenue Grants fund has a negative balance of \$228,942 which will be covered by grant reimbursements and local match.

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

Deferred inflows and deferred outflows of resources, as represented in the entity wide and fund financial statements at June 30, 2015, are comprised of the following:

**A. Unavailable Revenues**

Deferred inflows in the General fund and non-major governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$27,546,236 and \$2,791,099 respectively as of June 30, 2015.

**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 \$19,596,270 for governmental activities and \$14,604,454 for business-type activities which consists of a loss of \$8,951,897 for the Water Utility, \$2,829,141 for the Wastewater Utility and \$2,823,416 for Parking Facilities. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$332,432 for governmental activities and \$33,474 for business-type activities, specifically \$30,832 for the Wastewater Utility and \$2,642 for Parking Facilities gains on defeasance.

**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. The amounts included in the June 30, 2015 financial statements are \$80,406,403 for governmental activities (which includes Fleet Management fund of \$852,887), and business-type activities including \$4,978,861 for the Water Utility fund, \$1,465,026 for the Wastewater Utility fund, and \$1,038,178 for the Parking Facilities fund.

Deferred outflows related to pension are the payments made in fiscal year 2015 that will not be reflected in the pension liabilities because they were made after the measurement date. The amounts included as deferred outflows or resources in the June 30, 2015, financial statements are \$34,595,247 for governmental activities (which includes \$337,217 in the Fleet Management fund), \$2,070,947 for the Water Utility fund, \$609,442 for the Wastewater Utility fund and \$451,289 for the Parking Facilities fund.

**XVI. Commitments and Contingencies**

**A. Capital Projects**

Commitments for completion of capital projects in the business-type activities, authorized at June 30, 2015, are as follows:

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Water Utility development projects	\$44,772,562
Wastewater Utility development projects	15,323,217
Parking Facilities development projects	<u>1,227,760</u>
Total	<u><u>\$61,323,539</u></u>

See Exhibit J-3 Schedule of Expenditures for listing of capital projects in the governmental activities, authorized at June 30, 2015.

**B. Contingent Liabilities**

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

The City was a guarantor for \$4,076,049 of VRA debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2015. See Note XXI for more information on this guarantee and the SPSA joint venture.

**C. Litigation**

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

**D. Pollution Remediation Obligation**

GASB Statement 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

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

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During the fiscal year the City paid the following liabilities for pollution remediation obligations: \$51,124 associated with the cleanup of the USS Wisconsin battleship, in order to open it to the public for tours, \$2,775 of which was associated with Nauticus. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates and are included in other liabilities on the financial statements. The potential for a change to the estimate is minimal. Additional liabilities incurred were \$110,000 for the USS Wisconsin Battleship, \$200,000 for Meadowbrook School and \$110,000 for the General District Court Building.

	Primary Government			Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>				
Pollution remediation obligation	\$ 68,685	\$ 420,000	\$ 53,899	\$ 434,786

**E. Encumbrances**

Encumbrances as of June 30, 2015, in the General fund and Capital Projects fund totaled \$13,408,941 and \$83,625,047, respectively. Encumbrances as of June 30, 2015 for nonmajor governmental funds in the aggregate totaled \$35,995,717.

**XVII. Surety Bonds and Insurance**

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

**XVIII. 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,

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**For the Year Ended June 30, 2015**

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 2015 was \$7,669,044.

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, 2015, these liabilities were estimated at \$29,476,369 with \$4,175,009 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2015 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, Norfolk Public Schools and Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposits their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act, and benefit consultant costs are expended from the fund. Employee premiums from city departments are netted against related expenses as a recovered cost. The City has recorded \$6,187,000 for medical and pharmacy claims incurred but not reported as of June 30, 2015. 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, 2015 was \$6,490,329. 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 2015 and 2014 are as follows:

	Workers Compensation and Risk Management		Health Insurance		Total	
	2015	2014	2015	2014	2015	2014
Estimated Outstanding Claims at the Beginning of Year	\$29,055,228	\$30,837,179	\$ 5,705,786	\$ -	\$34,761,014	\$30,837,179
Additional Incurred Claims or Changes in Estimates	5,887,750	5,527,877	\$82,948,159	49,183,482	88,835,909	54,711,359
Claims Paid	(5,466,609)	(7,309,828)	(82,466,945)	(43,477,696)	(87,933,554)	(50,787,524)
Estimated Outstanding Claims at the End of Year	\$29,476,369	\$29,055,228	\$ 6,187,000	\$ 5,705,786	\$35,663,369	\$34,761,014

The City in its General fund has committed \$4,000,000 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

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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, 2015, projected at \$3,582,003 of which \$626,494 is the current portion and a longer-term projection of \$3,225,454. 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 2014 and 2015 are as follows:

	Estimated Outstanding Losses Beginning of Fiscal Year	Additional Incurred Claims and/or Changes in Estimate	Claims Paid	Estimated Outstanding Losses End of Fiscal Year
2014	\$ 2,819,907	\$ 1,611,055	\$ 633,824	\$ 3,797,138
2015	3,797,138	264,962	480,097	3,582,003

**XIX. 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, 2015. Complete financial statements of HRRJA can be obtained from HRRJA.

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

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake,



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Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2015. Complete financial statements of the Commission can be obtained from the Commission.

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

TDC was formed on June 29, 1999, to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. TDC was established in accordance with Chapter 45 of Title 15.2 of the *Code of Virginia*. TDC provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TDC rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) which constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2015. Complete financial statements of TDC can be obtained from TDC.

**XX. 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 sixteen-member Board of Directors consisting of eight members appointed by the Governor and eight members appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resource Authority (VRA) which required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The member community guarantee percentages were calculated based on a



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three year average of proportional municipal tonnages. The member jurisdiction guarantees as of June 30, 2015, were as follows:

<u>Member community</u>	<u>Guarantee percentage</u>	<u>Principal guarantee</u>
Chesapeake	22.49%	\$ 5,398,725
Franklin	0.97%	232,848
Isle of Wight	3.98%	955,398
Norfolk	16.98%	4,076,049
Portsmouth	10.27%	2,465,314
Southampton	2.10%	504,105
Suffolk	12.87%	3,089,444
Virginia Beach	30.34%	7,283,117
	100.00%	\$ 24,005,000

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2015. 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 new central library for the City. Construction began in early 2012 and was completed in 2015. The new central library will be named the Samuel. L. Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, will be joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Foundation will be used for construction costs as well as purchase and maintenance of technology to be used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from donations made by third parties.

**C. Norfolk Botanical Gardens**

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

**XXI. 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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. NRHA develops its operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

**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.

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

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

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**XXII. Adoption of New Accounting Pronouncements**

The City of Norfolk implemented GASB 68 and 71 for the fiscal year ended June 30, 2015. GASB 68 required the reporting of net pension liability and current pension expense/revenue on the financial statement and a restatement of the beginning net position related to prior year expenses. Also included is the restatement for changes in reporting entities. Below are the restated beginning net position which represent the change in accounting treatment of net pension liability:

	Governmental Activities	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Total Business-Type Activities	Total Primary Government	Total Component Unit
Balance, June 30, 2014, as originally reported	\$ 370,415,205	\$ 235,353,203	\$ 102,262,928	\$ 47,167,266	\$ 384,783,397	\$ 755,198,602	\$ 8,178,688
Restatement for Pensions	(160,929,310)	(10,026,045)	(2,948,540)	(2,072,341)	(15,046,926)	(175,976,236)	(337,993,441)
Restatement for changes in reporting entity	750,547	(750,547)	-	-	(750,547)	-	22,125,858
Restated Balance at July 1, 2014	\$ 210,236,442	\$ 224,576,611	\$ 99,314,388	\$ 45,094,925	\$ 368,985,924	\$ 579,222,366	\$ (307,688,895)

The new standard includes recording the current year pension expense, the change in pension liability and deferred inflows and outflows related to various aspects of the net pension liability. The chart below shows the beginning net pension liability and the deferred outflows at the beginning of the year.

	Norfolk ERS	City of Norfolk VRS	Total Adjustment City of Norfolk	VRS Teacher Retirement Plan	VRS Retirement Plan for Political Subdivisions	Total Adjustment School Board
Net pension liability	\$ (247,350,696)	\$ (12,726,353)	\$ (260,077,049)	\$ (344,155,042)	\$ (16,615,714)	\$ (360,770,756)
Prior year accrual of retirement payable	38,602,968	-	38,602,968	-	-	-
Deferred Outflows of Resources:						
Contributions subsequent to measurement date	42,330,492	3,167,353	45,497,845	21,055,714	1,721,601	22,777,315
Net adjustment	\$ (166,417,236)	\$ (9,559,000)	\$ (175,976,236)	\$ (323,099,328)	\$ (14,894,113)	\$ (337,993,441)

The 2015 operating budget made organizational changes to the City's governmental funds. The City created a new fund for the waste management operations which were previously included in the general fund. The assets and liabilities of the Waste Management operations as of July 1, 2014 were moved from the General Fund and Water Utility fund to the new special revenue fund. The new Waste Management fund is a non-major special revenue fund. In addition, the Community Services Board fund previously reported as a non-major special revenue fund was merged into the General fund. The restatement is as follows:

	General Fund	Waste Management Fund	Community Services Board Fund	Water Utility Fund
Balance, June 30, 2014, as originally reported	\$ 85,265,709	\$ -	\$ 3,691,879	\$ 235,353,203
Restatement for Pensions	-	-	-	(10,026,045)
Restatement for changes in reporting entity	3,510,547	931,879	(3,691,879)	(750,547)
Restated Balance at July 1, 2014	\$ 88,776,256	\$ 931,879	\$ -	\$ 224,576,611

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**XXIII. Subsequent Events**

**Line of Credit**

On June 15, 2015, the City requested that Bank of America, N.A. reset the LIBOR Period for the advance in the aggregate principal amount of \$1,003,195. The funds for such advance are to pay costs of a tax-exempt project and shall mature on December 19, 2015. On December 15, 2015, the City requested a reset of the LIBOR periods in the aggregate principal amount of \$1,005,891 with the maturity on June 15, 2016. The City may repay all or any portion of any advance without cost, penalty or premium, on the final business day of the then applicable LIBOR period with ten (10) business days' electronic notice to Bank of America, N.A.

On August 18, 2015, a tax-exempt advance of \$50,000,000 was made on the line of credit at the six month LIBOR Period, and therefore \$73,994,109 is available. The City may prepay all or any portion of any advance without cost, penalty or premium, on the final business day of the then applicable LIBOR Period with ten (10) business days' electronic notice to Bank of America Merrill Lynch. The maturity date of the advance is February 18, 2016.

**XXIV. 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 72: *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for the financial statements beginning for fiscal periods after June 15, 2015.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. Statement 74 addresses reporting by OPEB plans that administer benefits on behalf of governments and basically parallels GASB Statement 67 and replaces GASB statement 43. The Statement is effective for fiscal years beginning after June 15, 2016.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. GASB Statement No. 75 requires governments to report a liability on the financial statements for the OPEB that they provide. The Statement is effective for fiscal years beginning after June 15, 2017.

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

- GASB Statement No 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments. Is supersede Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement is effective for fiscal years beginning after June 15, 2015.



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

**(Unaudited)**





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# CITY OF NORFOLK, VIRGINIA

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UUAL as a percentage of covered payroll
<b><u>Other Post-employment Benefits (OPEB):</u></b>						
<b>CITY EMPLOYEES AND RETIREES</b>						
July 1, 2009	\$ -	\$ 59,910,937	\$ 59,910,937	0.0%	\$ 171,944,051	34.8%
July 1, 2010	\$ -	\$ 60,204,591	\$ 60,204,591	0.0%	\$ 175,976,672	34.2%
July 1, 2011	\$ -	\$ 58,495,183	\$ 58,495,183	0.0%	\$ 170,921,920	34.2%
July 1, 2012	\$ -	\$ 57,193,058	\$ 57,193,058	0.0%	\$ 167,592,964	34.1%
July 1, 2013	\$ -	\$ 52,314,519	\$ 52,314,519	0.0%	\$ 180,447,292	29.0%
July 1, 2014	\$ -	\$ 37,979,717	\$ 37,979,717	0.0%	\$ 178,792,255	21.2%
<b>LINE OF DUTY BENEFITS</b>						
July 1, 2012	\$ -	\$ 18,584,711	\$ 18,584,711	0.0%	\$ 61,145,036	30.4%
July 1, 2013	\$ -	\$ 19,945,627	\$ 19,945,627	0.0%	\$ 62,477,160	31.9%
July 1, 2014	\$ -	\$ 15,909,450	\$ 15,909,450	0.0%	\$ 61,932,622	25.7%
<b>SCHOOL EMPLOYEES AND RETIREES</b>						
July 1, 2009	\$ -	\$ 80,250,361	\$ 80,250,361	0.0%	\$ 198,943,586	40.3%
July 1, 2010	\$ -	\$ 82,776,654	\$ 82,776,654	0.0%	\$ 198,660,313	41.7%
July 1, 2011	\$ -	\$ 77,556,192	\$ 77,556,192	0.0%	\$ 171,691,191	45.2%
July 1, 2012	\$ -	\$ 69,496,659	\$ 69,496,659	0.0%	\$ 186,413,340	37.3%
July 1, 2013	\$ -	\$ 46,450,857	\$ 46,450,857	0.0%	\$ 183,295,993	25.3%
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0.0%	\$ 186,834,233	21.3%
<b>TOTAL</b>						
July 1, 2009	\$ -	\$ 140,161,298	\$ 140,161,298	0.0%	\$ 370,887,637	37.8%
July 1, 2010	\$ -	\$ 142,981,245	\$ 142,981,245	0.0%	\$ 374,636,985	38.2%
July 1, 2011	\$ -	\$ 136,051,375	\$ 136,051,375	0.0%	\$ 342,613,111	39.7%
July 1, 2012	\$ -	\$ 145,274,428	\$ 145,274,428	0.0%	\$ 415,151,340	35.0%
July 1, 2013	\$ -	\$ 118,711,003	\$ 118,711,003	0.0%	\$ 426,220,445	27.9%
July 1, 2014	\$ -	\$ 93,723,189	\$ 93,723,189	0.0%	\$ 427,559,110	21.9%

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

**2015**

**Total Pension Liability**

Service costs	\$ 24,578,759
Interest	80,203,196
Changes of benefit terms	20,689,842
Difference between expected and actual experience	(10,654,079)
Changes in assumptions	-
Benefits payments, including refunds of member contributions	<u>(77,065,376)</u>
<b>Net change in total pension liability</b>	37,752,342
<b>Total pension liability - beginning</b>	1,159,713,871
<b>Total pension liability - ending</b>	<u><u>\$ 1,197,466,213</u></u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 42,330,492
Employee contributions	1,671,644
Net investment income	157,291,834
Benefit payments, Including refunds of member contributions	(77,065,376)
Administrative Expense	<u>(412,808)</u>
<b>Net change in fiduciary net position</b>	123,815,786
<b>Total net position - restated beginning</b>	912,363,175
<b>Total net position - ending</b>	<u><u>\$ 1,036,178,961</u></u>

<b>Net Pension Liability</b>	<u><u>\$ 161,287,252</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.53%
Covered-Employee payroll	\$ 177,560,789
Net Pension liability as a percentage of covered employee payroll	90.83%

\*This schedule is intended to illustrate the requirement to show information for 10 years. However, since 2014 is the first fiscal year when the information was available, no other data is included. Additional years will be included as they become available.

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

Fiscal Years	Actuarially Determined Required Contributions*	Employer Contributions*	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll**	Contributions as a % of Covered Employee Payroll
2015	\$ 38,263	\$ 34,932	\$ 3,331	\$ 178,468	19.57%
2014	42,330	42,330	-	177,561	23.84%
2013	41,466	41,466	-	184,062	22.53%
2012	42,828	42,828	-	167,593	25.55%
2011	35,515	35,515	-	170,922	20.78%
2010	28,279	28,279	-	175,179	16.14%
2009	25,668	25,668	-	179,591	14.29%
2008	25,136	25,136	-	175,390	14.33%
2007	25,728	25,728	-	168,130	15.30%
2006	23,653	23,653	-	159,279	14.85%

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

\*\* The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered-employee payroll was provided by the actuary. For the years 2014 and 2015, 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

**2015**

**Total Pension Liability**

Service Costs	\$ 3,599,757
Interest	5,574,444
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefits Payments, Including refunds of Member Contributions	<u>(2,797,953)</u>

**Net change in total pension liability** 6,376,248

**Total Pension Liability - Beginning** 81,033,885

**Total Pension Liability - Ending** \$ 87,410,133

**Plan Fiduciary Net position**

Employer Contributions	\$ 3,166,738
Employee Contributions	1,421,558
Projected Earnings on Plan Investments	10,932,812
Benefit payments, Including refunds of member contributions	(2,797,953)
Administrative Expense	(56,845)
Other	<u>576</u>

**Net change in Fiduciary Net Position** 12,666,886

**Total Net Position - Restated Beginning** 68,307,532

**Total Net Position - Ending** \$ 80,974,418

**Net Pension Liability** \$ 6,435,715

Plan fiduciary net position as a percentage of the total pension liability 92.64%

Covered-Employee payroll \$ 16,088,362

Net Pension liability as a percentage of covered employee payroll 40.00%

\*This schedule is intended to illustrate the requirement to show information for 10 years.  
However, since 2014 is the first fiscal year when the information was available, no other data is included. Additional years will be included as they become available.

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

Schedule of Employer Contributions (Unaudited)  
Last 10 Fiscal Years  
(Amounts in thousands)

Fiscal Years	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	Contractually Required Contributions	Contractually Required Contributions			
2015	\$ 2,795	\$ 2,795	\$ -	\$ 26,952	10.37%
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%
2009	3,490	3,490	-	25,997	13.42%
2008	2,376	2,376	-	25,855	9.19%
2007	2,305	2,305	-	24,932	9.25%
2006	1,812	1,812	-	22,898	7.91%

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

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

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

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

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

Fiscal Years	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 26,206	\$ 26,206	\$ -	\$ 189,624	13.82%
2014	21,056	21,056	-	189,067	11.14%
2013	20,911	20,911	-	144,714	14.45%
2012	19,516	19,516	-	148,138	13.17%
2011	16,027	16,027	-	135,016	11.87%
2010	21,492	21,492	-	157,542	13.64%
2009	26,461	26,461	-	157,178	16.84%
2008	32,696	32,696	-	152,536	21.43%
2007	28,482	28,482	-	187,608	15.18%
2006	21,035	21,035	-	182,016	11.56%

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

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

2015

**Total Pension Liability**

Service Costs	\$ 1,530
Interest	5,586
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefits Payments, Including refunds of Member Contributions	<u>(4,659)</u>
<b>Net change in total pension liability</b>	2,457
<b>Total Pension Liability - Beginning</b>	82,125
<b>Total Pension Liability - Ending</b>	<u><u>\$ 84,582</u></u>

**Plan Fiduciary Net Position**

Employer Contributions	\$ 1,722
Employee Contributions	775
Projected Earnings on Plan Investments	10,151
Benefit payments, Including refunds of member contributions	(4,659)
Administrative Expense	(56)
Other	<u>1</u>
<b>Net change in Fiduciary Net Position</b>	7,934
<b>Total Net Position - Restated Beginning</b>	65,573
<b>Total Net Position - Ending</b>	<u><u>\$ 73,507</u></u>

<b>Net Pension Liability</b>	<u><u>11,075</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.91%
Covered-Employee payroll	\$ 21,766
Net Pension liability as a percentage of covered employee payroll	50.88%

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



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

Fiscal Years	Contractually <b>Required</b> Contributions	Contributions in Relation to Contractually <b>Required</b> Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 1,768	\$ 1,768	\$ -	\$ 22,224	7.96%
2014	1,722	1,722	-	21,766	7.91%
2013	1,734	1,734	-	15,661	11.07%
2012	1,858	1,858	-	14,818	12.54%
2011	1,923	1,923	-	15,287	12.58%
2010	1,928	1,928	-	16,169	11.92%
2009	2,016	2,016	-	16,871	11.95%
2008	2,443	2,443	-	17,440	14.01%
2007	2,211	2,211	-	15,166	14.58%
2006	1,596	1,596	-	14,181	11.25%

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

City of Norfolk  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

A. VRS Teachers Retirement Plan

**Changes of benefit terms**

There have been no significant changes to the VRS benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component went into effect in fiscal year 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 is minimal.

**Changes of assumptions**

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

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

B. VRS Retirement Plan for Political Subdivisions

**Changes of benefit terms**

There have been no significant changes to the VRS benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component went into effect in fiscal year 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014, is minimal.

**Changes of assumptions**

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-1**

**Schedule of Revenue, Budget and Actual (Unaudited)  
General Fund  
For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
General property taxes	\$ 256,620,400	\$ 256,620,400	\$ 258,974,929	\$ 2,354,529
Other local taxes	155,385,600	155,385,600	154,867,325	(518,275)
Permits, privilege fees and licenses	3,009,500	3,009,500	3,013,376	3,876
Fines and forfeitures	1,192,600	1,192,600	1,261,218	68,618
Use of money and property	7,299,200	10,299,200	9,774,306	(524,894)
Charges for services	23,438,726	23,458,726	22,812,094	(646,632)
Miscellaneous revenue	9,009,444	9,009,444	7,570,101	(1,439,343)
Recovered costs	12,427,836	12,262,272	10,651,941	(1,610,331)
Non-categorical aid - Virginia	32,802,100	32,802,100	33,245,972	443,872
Shared expense - Virginia	20,802,200	20,802,200	20,478,109	(324,091)
Categorical aid - Virginia	252,256,961	252,686,307	253,525,365	839,058
Categorical aid - federal	8,551,137	9,179,040	8,545,750	(633,290)
Other sources and transfers	35,035,434	35,006,249	35,240,026	233,777
<b>Total revenue budget</b>	<b>\$ 817,831,138</b>	<b>\$ 821,713,638</b>	<b>\$ 819,960,512</b>	<b>\$ (1,753,126)</b>

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

## CITY OF NORFOLK, VIRGINIA

Exhibit E-2

**Schedule of Expenditures, Budget and Actual (Unaudited)**  
**General Fund**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budget Basis Actual</b>	<b>Positive (negative) Variance with Final Budget</b>
Legislative	\$ 4,551,518	\$ 4,566,973	\$ 4,478,055	\$ 88,918
Executive	2,264,625	2,264,625	2,211,686	52,939
Department of Law	4,035,246	4,166,176	4,166,176	-
Finance, City Treasurer, Commissioner of Revenue	9,254,935	9,254,935	9,063,957	190,978
Department of Human Resources	3,271,777	3,271,777	3,219,080	52,697
Courts, Sheriff and Detention	50,121,625	50,310,414	49,366,203	944,211
Department of Public Health	3,330,351	3,330,351	3,293,309	37,042
Department of Human Services	72,406,952	73,310,749	69,671,762	3,638,987
Department of Public Works	24,103,966	24,625,526	24,123,730	501,796
Recreation Parks and Open Space, Maritime Center	21,682,359	22,547,842	21,775,869	771,973
Education	317,618,431	319,250,931	311,405,432	7,845,499
Norfolk Public Libraries	9,850,533	9,850,533	9,564,591	285,942
Elections	661,520	696,520	691,361	5,159
Department of Planning & Community Development	4,615,334	4,632,284	4,447,013	185,271
Department of Neighborhood Development	3,189,860	3,199,860	3,012,302	187,558
Department of Cultural Facilities, Arts & Entertainment	5,666,941	5,666,941	5,574,804	92,137
Departmental Support	17,067,237	16,883,357	15,934,364	948,993
Outside Agencies	42,528,352	42,070,206	41,597,632	472,574
Department of Police	65,217,042	65,617,042	65,095,279	521,763
Department of Fire and Rescue	39,890,780	39,890,780	39,783,637	107,143
Debt service	73,084,865	73,084,865	72,208,722	876,143
Budget and Strategic Planning	1,550,315	1,534,860	1,299,027	235,833
General Services	22,864,529	22,667,090	22,085,852	581,238
Economic Development	1,964,930	1,902,386	1,774,373	128,013
Communications and Public Relations	1,547,595	1,547,595	1,393,549	154,046
Department of Information Technology	11,588,367	11,588,367	11,103,307	485,060
Virginia Zoological Park	3,622,824	3,702,324	3,782,781	(80,457)
Office of Homelessness	278,329	278,329	252,607	25,722
Total expenditure budget	<u>\$ 817,831,138</u>	<u>\$ 821,713,638</u>	<u>\$ 802,376,459</u>	<u>\$ 19,337,179</u>

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

**CITY OF NORFOLK, VIRGINIA**  
**Notes to Required Supplementary Information**  
**Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)**  
**June 30, 2015**

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 819,960,515
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(196,533,821)
The effects of accounting for transfer from fund balance	(9,377,290)
General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(16,805,118)
The effects of reclassification of recovered costs	(10,618,828)
The effects of accounting for Nauticus	(1,070,777)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 585,554,681</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 802,376,459
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(196,683,509)
The effects of reclassification of recovered costs	(8,201,413)
The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund	-
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	(3,511,830)
General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(76,651,992)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds	<u>\$ 517,327,715</u>

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2015.



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# **OTHER SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

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

## **OTHER SCHEDULES**

**~ Schedule of Expenditures of Federal Awards ~**

**~ Notes to Schedule of Expenditures of Federal Awards ~**

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

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

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





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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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



## Nonmajor Governmental Funds (Cont'd.)

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



**CITY OF NORFOLK, VIRGINIA**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2015**

Special Revenue Funds											
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Total Special Revenue
<b>ASSETS</b>											
Cash and short term investments	\$ 928,197	\$ 312,285	\$ 1,656,197	\$ 1,556,519	\$ -	\$ 725,740	\$ -	\$ 13,936,222	\$ 226,145	\$ 1,834,464	\$ 21,176,769
Receivables, net	2,857,628	18,438	2,647,747	5,276,242	767,546	39,369	-	586,718	-	-	12,193,688
Due from other funds	-	-	8,451	-	-	-	494,850	-	-	-	503,301
Due from other governments	154,639	-	-	5,190,000	-	-	-	-	4,466	-	5,349,105
Prepays	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 3,941,464	\$ 330,723	\$ 4,312,395	\$ 12,022,761	\$ 767,546	\$ 765,109	\$ 494,850	\$ 14,522,940	\$ 230,611	\$ 1,834,464	\$ 39,222,863
											14
											\$ 5,794,150
											\$ 45,017,013
<b>LIABILITIES, DEFERRED INFLOWS</b>											
Vouchers payable	\$ 528,311	\$ 43,281	\$ 972,747	\$ 1,956,765	\$ 53,594	\$ 53,671	\$ 250	\$ 919,660	\$ 44,841	\$ -	\$ 4,573,120
Contract retainage	-	-	-	250,213	10,354	-	-	-	700	-	261,267
Accrued payroll	88,786	10,048	76,820	36,922	-	-	-	-	100,099	-	312,675
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	10,007,793	-	-	-	-	-	-	10,007,793
Due to other funds	88,959	-	-	-	48,905	494,850	306,392	-	-	-	939,106
Due to other governments	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	330	52,040	-	-	-	-	-	-	-	-	52,370
Total liabilities	706,386	105,369	1,049,567	12,251,693	112,853	548,521	306,642	919,660	145,640	-	16,146,331
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Revenue not available for current obligations	512,043	-	1,474,894	-	654,693	149,469	-	-	-	-	2,791,099
<b>FUND BALANCES</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	2,590,940	-	-	-	-	-	-	2,590,940
Committed	2,723,035	-	-	-	-	-	41,198	-	-	-	2,764,233
Assigned	-	225,354	1,787,934	92,941	-	67,119	147,010	13,603,280	84,971	1,834,464	17,843,073
Unassigned	-	-	-	(2,912,813)	-	-	-	-	-	-	(2,912,813)
Total fund balances	2,723,035	225,354	1,787,934	(228,932)	-	67,119	188,208	13,603,280	84,971	1,834,464	20,285,433
Total liabilities and fund balances	\$ 3,941,464	\$ 330,723	\$ 4,312,395	\$ 12,022,761	\$ 767,546	\$ 765,109	\$ 494,850	\$ 14,522,940	\$ 230,611	\$ 1,834,464	\$ 39,222,863
											\$ 5,794,150
											\$ 45,017,013

## Special Revenue Funds

OTHER FINANCING SOURCES (USES)

## Internal Service Funds

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

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

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





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-1**

**Combining Statement of Net Position - Internal Service Funds  
June 30, 2015**

	Healthcare	Fleet Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments	\$ 12,433,785	\$ 1,193,240	\$ 13,627,025
Receivables, net	5,313,357	340,115	5,653,472
Total current assets	<u>17,747,142</u>	<u>1,533,355</u>	<u>19,280,497</u>
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	3,311,462	3,311,462
Total noncurrent assets	<u>-</u>	<u>3,726,462</u>	<u>3,726,462</u>
Deferred outflows of resources			
Related to pensions	<u>-</u>	<u>337,217</u>	<u>337,217</u>
Total assets	<u>\$ 17,747,142</u>	<u>\$ 5,597,034</u>	<u>\$ 23,344,176</u>
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers payable	\$ 2,357,237	\$ 747,955	\$ 3,105,192
Unearned revenue	6,490,329	-	6,490,329
Compensated absences	-	186,958	186,958
Accrued payroll	-	51,214	51,214
Internal balances	7,988	-	7,988
Other liabilities	6,187,000	676	6,187,676
Total current liabilities	<u>15,042,554</u>	<u>986,803</u>	<u>16,029,357</u>
Noncurrent liabilities:			
Compensated absences	-	80,125	80,125
Net pension obligations	-	1,657,018	1,657,018
Other long-term liabilities	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>1,737,143</u>	<u>1,737,143</u>
Deferred inflows of Resources			
Related to Pensions	<u>-</u>	<u>852,887</u>	<u>852,887</u>
Total liabilities	<u>\$ 15,042,554</u>	<u>\$ 3,576,833</u>	<u>\$ 18,619,387</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 3,726,462	\$ 3,726,462
Unrestricted	2,704,588	(1,706,261)	998,327
Total net position	<u>\$ 2,704,588</u>	<u>\$ 2,020,201</u>	<u>\$ 4,724,789</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, 2015**

	Healthcare	Fleet Management	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 75,501,323	\$ 13,327,310	\$ 88,828,633
Miscellaneous	-	309,196	309,196
Total operating revenues	<u>75,501,323</u>	<u>13,636,506</u>	<u>89,137,829</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	2,656,960	2,656,960
Healthcare costs	77,540,779	-	77,540,779
Cost of goods sold	-	5,424,723	5,424,723
Plant operations	-	3,849,826	3,849,826
Depreciation and amortization	-	286,094	286,094
Retirement and OPEB contributions	-	403,587	403,587
Other	-	244,052	244,052
Total operating expenses	<u>77,540,779</u>	<u>12,865,242</u>	<u>90,406,021</u>
Operating income (loss)	<u>(2,039,456)</u>	<u>771,264</u>	<u>(1,268,192)</u>
Net income (loss)	<u>(2,039,456)</u>	<u>771,264</u>	<u>(1,268,192)</u>
Change in net position	<u>(2,039,456)</u>	<u>771,264</u>	<u>(1,268,192)</u>
Net change in net position	(2,039,456)	771,264	(1,268,192)
Net position - beginning	4,744,044	3,018,038	7,762,082
Restatement related to pension (Note XVII)	-	(1,769,101)	(1,769,101)
Net position - ending	<u>\$ 2,704,588</u>	<u>\$ 2,020,201</u>	<u>\$ 4,724,789</u>



**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-3**

**Combining Statement of Cash Flows - Internal Service Funds  
For the Year Ended June 30, 2015**

	Healthcare	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 76,763,287	\$ 13,875,322	\$ 90,638,609
Payments to suppliers	(74,704,428)	(9,770,360)	(84,474,788)
Payments to employees	-	(3,001,294)	(3,001,294)
Other payments	-	(244,681)	(244,681)
Net cash provide by (used in) operating activities	<u>2,058,859</u>	<u>858,987</u>	<u>2,917,846</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund activity	<u>7,988</u>	<u>915</u>	<u>8,903</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Disposal of Assets	-	2,037	2,037
Net cash provided by investing activities	<u>-</u>	<u>2,037</u>	<u>2,037</u>
Net increase in cash and short-term investments	2,066,847	861,939	2,928,786
Cash and short-term investments - beginning of the year	<u>10,366,938</u>	<u>331,301</u>	<u>10,698,239</u>
Cash and short-term investments - end of the year	<u>\$ 12,433,785</u>	<u>\$ 1,193,240</u>	<u>\$ 13,627,025</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Operating income (loss)	\$ (2,039,456)	\$ 771,264	\$ (1,268,192)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	286,094	286,094
Change in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	2,951,550	238,816	3,190,366
Vouchers payable	2,355,137	(495,811)	1,859,326
Accrued payroll	-	(1,389)	(1,389)
Net pension liability	-	34,839	34,839
Unearned revenue	(1,689,586)	-	(1,689,586)
Other liabilities	481,214	25,174	506,388
Net cash provided by (used in) operating activities	<u>\$ 2,058,859</u>	<u>\$ 858,987</u>	<u>\$ 2,917,846</u>



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# Agency Funds

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

Agency Fund – Other; to account for other monies held for private organizations and other funds including Sheriff's inmate funds and funds held on behalf of employees.

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



**CITY OF NORFOLK, VIRGINIA**  
**Combining Balance Sheet - Agency Funds**  
**June 30, 2015**  
(unaudited)

Exhibit H-1

	Other	Commonwealth of Virginia	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 4,331,181	\$ 26,196	\$ 4,357,377
Receivables, net of allowance for uncollectible accounts	-	-	-
Other	71,000	-	71,000
Total assets	<u>\$ 4,402,181</u>	<u>\$ 26,196</u>	<u>\$ 4,428,377</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ 65,486	-	\$ 65,486
Due to governmental funds	227,651	-	227,651
Due to other agencies	4,109,044	26,196	4,135,240
Total liabilities	<u>\$ 4,402,181</u>	<u>\$ 26,196</u>	<u>\$ 4,428,377</u>

## CITY OF NORFOLK, VIRGINIA

Exhibit H-2

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**  
(unaudited)

	Other			
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,324,938	\$ 8,408,325	\$ 8,402,082	\$ 4,331,181
Other receivables	71,724	402,528	403,252	71,000
Total assets	<u>\$ 4,396,662</u>	<u>\$ 8,810,853</u>	<u>\$ 8,805,334</u>	<u>\$ 4,402,181</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 977	\$ 876,719	\$ 812,210	\$ 65,486
Due to governmental funds	-	227,651	-	227,651
Due to other agencies	4,395,685	8,811,841	9,098,482	4,109,044
Total liabilities	<u>\$ 4,396,662</u>	<u>\$ 9,916,211</u>	<u>\$ 9,910,692</u>	<u>\$ 4,402,181</u>

	Commonwealth of Virginia			
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash and short-term investments	\$ 26,161	\$ 8,509,724	\$ 8,509,689	\$ 26,196
Total assets	<u>\$ 26,161</u>	<u>\$ 8,509,724</u>	<u>\$ 8,509,689</u>	<u>\$ 26,196</u>
<b>LIABILITIES</b>				
Due to the Commonwealth of Virginia	\$ 26,161	\$ 8,509,724	\$ 8,509,689	\$ 26,196
Total liabilities	<u>\$ 26,161</u>	<u>\$ 8,509,724</u>	<u>\$ 8,509,689</u>	<u>\$ 26,196</u>

	Total			
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,351,099	\$ 16,918,049	\$ 16,911,771	\$ 4,357,377
Other receivables	71,724	402,528	403,252	71,000
Total assets	<u>\$ 4,422,823</u>	<u>\$ 17,320,577</u>	<u>\$ 17,315,023</u>	<u>\$ 4,428,377</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 977	\$ 876,719	\$ 812,210	\$ 65,486
Due to governmental funds	-	227,651	-	227,651
Due to other agencies	4,421,846	17,321,565	17,608,171	4,135,240
Total liabilities	<u>\$ 4,422,823</u>	<u>\$ 18,425,935</u>	<u>\$ 18,420,381</u>	<u>\$ 4,428,377</u>



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# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





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**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2015**

Federal Granting Agency/Recipient Recipient State Agency/Grant Program	CFDA Number	Federal Expenditures
<b><u>Department of Agriculture:</u></b>		
Direct Payments:		
Food Stamp Program - Administration	10.561	3,809,047
Pass-through Payments:		
State Department of Agriculture:		
National School Breakfast Program	10.553	3,671,163
National School Lunch Program	10.555	9,172,831
National School Lunch Program	10.555	6,182
National School Lunch Program (Commodities)	10.556	1,409,789
National VA Child & Adult Care Food Program	10.558	779,682
USDA School Nutrition Program	10.559	652,863
USDA School Nutrition Program	10.559	94,766
<b><u>Department of Housing and Urban Development:</u></b>		
Direct Payments:		
Community Development Block Grant	14.218	3,521,570
ESG Administration	14.231	37,107
For Kids, Inc. Haven Family Services	14.231	27,573
ESG Planning Council	14.231	43,112
ESG Outreach Program	14.231	17,829
ESG Rapid Re-housing Program	14.231	132,783
ESG House Emergency Shelter	14.231	36,553
ESG Homeless Prevention Program	14.231	40,907
Salvation Army	14.231	21,807
ESG- Ecumenical Family Shelter	14.231	8,331
St Columbia Ecumenical	14.231	27,499
YWCA South Hampton Roads	14.231	49,807
Shelter Plus Care Program	14.238	504,044
HOME CHDO	14.239	34,089
Home Administration	14.239	8,030
Office to End Homelessness	14.239	36,018
Four for Life Grant	14.239	2,805
HOME NRHA Administration	14.239	83,152
Homebuyer Admin & Assistance	14.239	576,778
Beacon Light CHDO	14.239	7,548
Virginia Supportive Housing	14.239	320,000
HOME HART Program	14.239	5,730
HOME - TBRA Bridge Program	14.239	86,474
<b><u>Department of Justice:</u></b>		
Direct Payments:		
State Criminal Alien Assistance Program	16.606	30,281
Community Oriented Policing Services:		
COPS Hiring Program	16.710	267,156
Edward Byrne Memorial Justice Assistance Grant	16.738	78,732
Asset Forfeiture - Special Police Grant	16.922	268,978
Pass-Through Payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Block Grant	16.523	21,750
VSTOP	16.588	23,751
<b><u>Department of Transportation:</u></b>		
Pass-Through Payments:		
VDOT - Traffic Management System	20.205	136,735
VDOT - Citywide Traffic Signal Safety	20.205	2,446,672
VDOT - Elizabeth River Trail	20.205	1,178,156
VDOT - Congestion Mitigation	20.205	174,826
VDOT - Citywide retiming	20.205	500
Selective Enforcement - Alcohol	20.600	42,989
Selective Enforcement - Speed Initiative	20.607	37,323

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2015**

Federal Granting Agency/Recipient Recipient State Agency/Grant Program	CFDA Number	Federal Expenditures
<b><u>Environmental Protection Agency:</u></b>		
Pass-Through Payments:		
Virginia Resources Authority - Revolving Loan	66.458	5,671,812
<b><u>Department of Homeland Security</u></b>		
Direct Payments:		
Emergency Preparedness Grant	97.039	14,112
Port Security Grant	97.056	62,012
Pass-Through Payments:		
Emergency Management Performance Grant	97.042	14,161
Port Security Grant	97.056	18,765
Homeland Security	97.067	60,278
Homeland Security Grant	97.073	5,690
<b><u>Department of Education:</u></b>		
Direct Payments:		
School Assistance in Federally Affected Areas	84.041	2,613,766
Pass-Through Payments:		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult Literacy	84.002	308,143
Title I:		
Educationally Deprived Children- Programs Operated by LEA's	84.010	16,105,395
Negligent Delinquent Children	84.010	169,412
School Improvement - Title I	84.010	1,040,844
1003g School Improvement Grant (Award 2010)	84.377	1,073,412
Title III:		
Limited English	84.365	68,650
Immigrant and Youth State Grant	84.365	13,397
Title V:		
Assistance to States for Education of Handicapped Children:		
Special Education Flow Thru (Federal)	84.027	8,917,731
Handicapped Preschool Incentive Grant	84.173	254,449
Start for Success	84.027A	7,882
Title IV-B:		
Vocational Education:		
Carl Perkins Vocational	84.048	529,428
Special Projects:		
Equipment Assistance Grant	86.804	6,703
Safe Routes to Schools	20.205	80,310
McKinney Homeless Assistance	84.196	17,607
21st Century Community Learning Center	84.287	130,265
Teacher & Principal Training	84.367	1,471,245
Fruit and Vegetable Program	10.582	278,298
Investing in Innovations	84.411A	217,608
Dept of Mental Health, Mental Retardation and Substance Abuse		
Mental Retardation Early Intervention	84.181	217,239
<b><u>Department of Health and Human Services:</u></b>		
Direct Payments:		
Substance Abuse and Mental Health Services Administration	93.243	256,413
HIV/AIDS Grant	93.914	4,643,347
Minority AIDS Initiative	93.914	256,621
The Planning Council	93.914	136,069
Pass-Through Payments:		
Projects for Assistance in Transition to Homeless (PATH)	93.150	90,096
Mental Health VASIP / COSIG	93.243	108,090
Youth & Family Services Grant	93.556	121,363
Temporary Assistance to Needy Families	93.558	4,195,504

**CITY OF NORFOLK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2015**

Federal Granting Agency/Recipient	CFDA Number	Federal Expenditures
Recipient State Agency/Grant Program		
Refugee and Entrant Assistance State Administered Prog	93.566	9,507
Local-Income Home Energy Assistance	93.568	448,362
Payments to States for Child Care Assistance	93.575	(138)
Child Development Care	93.596	598,227
Independent Living Program - Education and Training	93.599	4,655
Family Preservation	93.645	27,635
Foster Care - Title IV - E	93.658	2,538,550
Adoptive Assistance	93.659	1,609,182
Social Services Block Grant	93.667	3,490,431
Independent Living Initiative Program	93.674	40,648
FAMIS Outreach Grants	93.767	125,673
Medical Assistance Program - Administrative	93.778	4,305,580
Mental Health Federal Block Grant	93.958	136,738
Substance Abuse Federal Black Grant	93.959	1,710,902
 Total		 <u><u>94,155,787</u></u>

**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

**1. General**

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

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

**2. Basis of Accounting**

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

**3. Relationship to the Basic Financial Statements**

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

Major governmental funds	\$ 25,961,787
Non-major governmental funds	15,864,324
Total revenues from federal government	<u>41,826,111</u>

**Component Unit - School Board**

Total Federal Grants Awarded	48,860,612	
Other Federal amounts not reported in SEFA:		
Navy Junior ROTC	378,484	
Erate-Universal Service Funds	424,842	
Advance Placement	35,002	
Medicaid	1,968,893	
Total - Norfolk Public Schools		51,667,833

**Total federal financial assistance reported in basic financial statements**

\$ 93,493,944

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

Enterprise - VRA Loan - Wastewater Fund	5,671,812
CSA Federal Revenue	897,862
Police Correction and U.S. Marshall	(22,409)
VDOT programs	(305,662)
Federal awards not reported on the SEFA:	
Norfolk Public Schools other federal amounts not reported on SEFA	(2,807,221)
Build America Bond Interest Rate Subsidy	(2,509,920)
Community Services Board	(94,489)
Community Development fund	(17,700)
Other reconciling items	(150,430)
<b>Total federal awards</b>	<u><u>\$ 94,155,787</u></u>

**Reconciliation to Exhibit A-3**

Revenues from federal government	\$ 41,826,111
Revenues from Commonwealth of Virginia	117,013,983
Total intergovernmental revenue	<u><u>\$ 158,840,094</u></u>

**Reconciliation to Exhibit B-3**

**4. Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree substantially with the amounts reported in the federal financial reports.

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

**4. Clusters**

Clustered programs for the year ended June 30, 2015, were as follows:

Grant Program / Cluster	CFDA Number	Federal Expenditures
National School Breakfast Program	10.553	\$ 3,671,163
National School Lunch Program	10.555	9,179,013
National School Lunch Program (Commodities)	10.556	1,409,789
USDA School Nutrition Program	10.559	747,629
<b>Total Child Nutrition Cluster</b>		<b>\$ 15,007,594</b>
Food Stamp Program - Administration	10.561	\$ 3,809,047
<b>Total Supplemental Nutrition Assistance Program (SNAP) Cluster</b>		<b>\$ 3,809,047</b>
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,521,570
ARRA - Community Development Block Grant	14.253	\$ -
<b>Total CDBG - Entitlement Grants Cluster</b>		<b>\$ 3,521,570</b>
ESG Administration	14.231	\$ 37,107
For Kids, Inc. Haven Family Services	14.231	27,573
ESG Planning Council	14.231	43,112
ESG Outreach Program	14.231	17,829
ESG Rapid Re-housing Program	14.231	132,783
ESG House Emergency Shelter	14.231	36,553
ESG Homeless Prevention Program	14.231	40,907
Salvation Army	14.231	21,807
ESG - Ecumenical Family Shelter	14.231	8,331
St Columbia Ecumenical	14.231	27,499
YWCA Shelter Program	14.231	
YWCA South Hampton Roads	14.231	49,807
<b>Total ESG Cluster</b>		<b>\$ 443,308</b>
HOME CHDO	14.239	\$ 34,089
Home Administration	14.239	8,030
Office to End Homelessness	14.239	36,018
Four for Life Grant	14.239	2,805
Habitat for Humanity Real Estate	14.239	
HOME NRHA Administration	14.239	83,152
Homebuyer Administration & Assistance	14.239	576,778
Beacon Light CHDO	14.239	7,548
Virginia Supportive Housing	14.239	320,000
HOME HART Program	14.239	5,730
HOME - TBRA Bridge Program	14.239	86,474
		<b>\$ 1,160,624</b>
Edward Byrne memorial Justice Assistance Grant	16.738	\$ 78,732
<b>Total JAG Program Cluster</b>		<b>\$ 78,732</b>
VDOT - Traffic Management System	20.205	\$ 136,735
VDOT - Citywide Traffic Signal Safety	20.205	2,446,672
VDOT - Elizabeth River Trail	20.205	1,178,156
VDOT - Congestion Mitigation	20.205	174,826
VDOT - Citywide retiming	20.205	500
Safe Routes to School	20.205	80,310
<b>Total Highway Planning and Construction Cluster</b>		<b>\$ 4,017,199</b>
Selective Enforcement - Speed	20.600	\$ 37,323
<b>Total Highway Safety Cluster</b>		<b>\$ 37,323</b>
Virginia Resources Authority - Revolving Loan	66.458	\$ 5,671,812
<b>Total Clean Water State Revolving Fund Cluster</b>		<b>\$ 5,671,812</b>

**Clusters (continued):**

**CITY OF NORFOLK, VIRGINIA**  
**CITY OF NORFOLK, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

Grant Program / Cluster	CFDA Number	Federal Expenditures
Educationally Deprived Children- Programs Operated by LEA's	84.010	16,105,395
Negligent Delinquent Children	84.010	169,412
School Improvement - Title I	84.010	1,040,844
<b>Total Title I, Part A Cluster</b>		<u>\$ 17,315,651</u>
Special Education Flow Thru (Federal)	84.027	\$ 8,917,731
Handicapped Preschool Incentive Grant	84.173	254,449
Start for Success		\$ 7,882
<b>Total Special Education Cluster (IDEA)</b>		<u>\$ 9,180,062</u>
McKinney Homeless Assistance	84.196	\$ 17,607
<b>Total Education of Homeless Children and Youth Cluster</b>		<u>\$ 17,607</u>
1003g School Improvement Grants (Award 2010)	84.377	\$ 1,073,412
<b>Total School Improvement Grants Cluster</b>		<u>\$ 1,073,412</u>
Temporary Assistance to Needy Families (TANF)	93.558	\$ 4,195,504
<b>Total TANF Cluster</b>		<u>\$ 4,195,504</u>
Payments to States for Child Care Assistance	93.575	\$ (138)
Child Development Care	93.596	\$ 598,227
<b>Total CCDF Cluster</b>		<u>\$ 598,089</u>
Medical Assistance Program - Administrative	93.778	\$ 4,305,580
<b>Total Medicaid Cluster</b>		<u>\$ 4,305,580</u>
HIV/AIDS Grant	93.914	\$ 4,643,347
Minority AIDS Initiative	93.914	256,621
The Planning Council	93.914	136,069
<b>Total Medicaid Cluster</b>		<u>\$ 5,036,037</u>

**5. Sub-recipients**

Federal funds passed through to subrecipients for the year ended June 30, 2015 were as follows:

Federal Granting Agency / Grant Program	Amount
<b>Department of Housing and Urban Development</b>	
Community Development Block Grant (14.218)	4,136,824
HOME Grant Program (14.239)	814,843
Emergency Shelter Grant Program (14.231)	326,434
<b>Total Department of Housing and Urban Development</b>	<u>5,278,101</u>
<b>Department of Health and Human Services</b>	
Temporary Assistance for Needy Families (93.558)	260,599
Child Development Care (93.596)	37,989
HIV/AIDS Grant (93.914)	4,146,370
<b>Total HIV/AIDS Grant</b>	
<b>Total Department of Health and Human Services</b>	<u>4,444,958</u>
<b>Total Payment to Sub-Recipients</b>	<u><u>9,723,059</u></u>

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

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**





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**Schedule of Revenues and Expenditures - Budget and Actual  
Towing and Recovery Operations Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 565	\$ 212	\$ (353)
Charges for services	1,620,182	1,218,758	(401,424)
Intergovernmental federal	-	4,455	4,455
Miscellaneous	86,400	89,858	3,458
Total revenue	<u>\$ 1,707,147</u>	<u>\$ 1,313,283</u>	<u>\$ (393,864)</u>
Expenditures and transfers:			
Towing and recovery	\$ 1,496,219	\$ 1,263,676	\$ 232,543
Transfer out	210,928	206,122	4,806
Total expenditures	<u>\$ 1,707,147</u>	<u>\$ 1,469,798</u>	<u>\$ 237,349</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Storm Water Utility Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 1,460	\$ 7,781	\$ 6,321
Charges for services	15,204,778	15,139,415	(65,363)
Miscellaneous	30,400	151,937	121,537
Intergovernmental - federal	-	88,050	88,050
Intergovernmental - state	-	13,063	13,063
Total revenue	<u>\$ 15,236,638</u>	<u>\$ 15,400,246</u>	<u>\$ 163,608</u>
Expenditures and transfers:			
Public works	\$ 10,508,268	\$ 11,059,418	\$ (551,150)
Transfer out	4,728,370	4,692,202	36,168
Total expenditures	<u>\$ 15,236,638</u>	<u>\$ 15,751,620</u>	<u>\$ (514,982)</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Golf Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 257,897	\$ 116,948	\$ (140,949)
Use of money and property	99,000	7,218	(91,782)
Transfer in	360,908	309,048	(51,860)
Total revenue	<u>\$ 717,805</u>	<u>\$ 433,214</u>	<u>\$ (284,591)</u>
Expenditures:			
Golf operations	<u>\$ 702,805</u>	<u>\$ 432,261</u>	<u>\$ 270,544</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Emergency Operations Special Revenue Fund (EOC 911)  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Recovered cost	1,376,253	1,429,999	53,746
Use of money and property	-	2,266	-
Transfer in	1,126,727	811,727	(315,000)
Total revenue	<u>\$ 6,074,576</u>	<u>\$ 5,815,588</u>	<u>\$ (261,254)</u>
Expenditures:			
Operations	\$ 6,074,576	\$ 5,809,514	\$ 265,062
Transfer out	-	9,300	9,300
Total expenditures	<u>\$ 6,074,576</u>	<u>\$ 5,818,814</u>	<u>\$ 274,362</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Cemeteries Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,262,773	\$ 1,174,179	\$ (88,594)
Miscellaneous	-	-	-
Recovered Cost	300,000	300,000	-
Transfer in	465,153	420,733	(44,420)
Rollover from last year	35,000	-	(35,000)
Total revenue	<u>\$ 2,062,926</u>	<u>\$ 1,894,912</u>	<u>\$ (168,014)</u>
Expenditures:			
Cemetery operations	<u>\$ 2,062,926</u>	<u>\$ 1,909,558</u>	<u>\$ 153,368</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Public Amenities Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-Hotel & Restaurant	<u>\$ 5,727,300</u>	<u>\$ 5,831,476</u>	<u>\$ 104,176</u>
Expenditures:			
Transfer out (CIP)	\$ 1,000,000	\$ 1,000,000	\$ -
Transfer out (Debt Service)	876,186	876,186	-
All purpose	3,851,114	5,924,587	(2,073,473)
Total expenditures	<u>\$ 5,727,300</u>	<u>\$ 7,800,773</u>	<u>\$ (2,073,473)</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Tax Increment Financing Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Taxes-real property	\$ 3,338,300	\$ 3,457,939	\$ 119,639
Rollover from last year	2,200,990	-	(2,200,990)
Total revenue	<u>\$ 5,539,290</u>	<u>\$ 3,457,939</u>	<u>\$ (2,081,351)</u>
Expenditures:			
Transfer out (Debt Service)	\$ 611,266	\$ 611,266	\$ -
Transfer out (General Fund)	4,928,024	4,928,024	-
Total expenditures	<u>\$ 5,539,290</u>	<u>\$ 5,539,290</u>	<u>\$ -</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Community Development Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Charges for services	\$ -	\$ 23,876	\$ 23,876
Intergovernmental federal	-	3,539,270	3,539,270
Total revenue	<u>\$ -</u>	<u>\$ 3,563,146</u>	<u>3,563,146</u>
Expenditures:			
Operations	<u>\$ -</u>	<u>\$ 3,563,146</u>	<u>(3,563,146)</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Waste Management Special Revenue Fund  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 24,000	\$ 15,075	\$ (8,925)
Charges for services	22,030,000	21,798,154	(231,846)
Miscellaneous	-	4,270	4,270
Total revenue	<u>\$ 22,054,000</u>	<u>\$ 21,817,499</u>	<u>\$ (236,501)</u>
Expenditures and transfers:			
Public works	\$ 21,840,313	\$ 19,117,431	\$ 2,722,882
Transfer out	213,687	1,844,013	(1,630,326)
Total expenditures	<u>\$ 22,054,000</u>	<u>\$ 20,961,444</u>	<u>\$ 1,092,556</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Grants Funds  
For the Year Ended June 30, 2015**

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
Revenues:			
Fines and forfeitures	\$ -	\$ 3,000	\$ 3,000
Use of money and property	-	176	176
Charges for services	-	129,220	129,220
Intergovernmental			
Federal	-	16,643,596	16,643,596
State	-	11,134,946	11,134,946
Operating Transfers	-	4,224,686	4,224,686
Miscellaneous	-	2,497,101	2,497,101
Total revenue	<u>\$ -</u>	<u>\$ 34,632,725</u>	<u>\$ 34,629,725</u>
Expenditures and transfers:			
General Government	\$ -	\$ 599,522	\$ (599,522)
Judicial Administration	-	3,064,991	(3,064,991)
Public Safety	-	3,082,799	(3,082,799)
Public Works	-	10,336,542	(10,336,542)
Health and Public Assistance	-	15,259,040	(15,259,040)
Cultural and Recreation	-	1,292,919	(1,292,919)
Community Development	-	389,406	(389,406)
Total expenditures	<u>\$ -</u>	<u>\$ 34,025,219</u>	<u>\$ (34,025,219)</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Fleet Internal Service Fund  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual Budgetary Basis</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 13,299,414	\$ 13,327,310	\$ 27,896
Miscellaneous & recovered costs	210,700	309,196	98,496
Total revenue	<u>\$ 13,510,114</u>	<u>\$ 13,636,506</u>	<u>\$ 126,392</u>
Expenditures:			
Fleet	<u>\$ 13,510,114</u>	<u>\$ 12,865,242</u>	<u>\$ 644,872</u>

**Schedule of Revenues and Expenditures - Budget and Actual  
Healthcare Management Internal Service Fund  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual Budgetary Basis</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	<u>\$ 86,282,292</u>	<u>\$ 75,501,323</u>	<u>\$ (10,780,969)</u>
Expenditures:			
Healthcare	<u>\$ 86,282,292</u>	<u>\$ 77,540,779</u>	<u>\$ 8,741,513</u>

**CITY OF NORFOLK, VA**  
**Schedule of Expenditures - Budget and Actual - Capital Projects**  
**From Inception and for the Year Ended June 30, 2015**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Community Development</b>					
Neighborhood Project Development	\$ 13,663,446	\$ 13,557,635	\$ 17,374	\$ 13,575,009	\$ 88,437
Neighborhood Conservation/Revitalization	97,066,317	78,480,072	5,944,031	84,424,103	12,642,214
Broad Creek Renaissance	24,143,761	20,324,045	14,001	20,338,046	3,805,715
Neighborhood Streets Improvements	3,340,938	2,244,114	459,201	2,703,315	637,623
Neighborhood commercial Improvements	12,642,706	10,889,826	214,982	11,104,808	1,537,898
Create Special Service Areas	750,000	493,585	-	493,585	256,415
Other	1,224,774	286,767	-	286,767	938,007
Community Development Total	152,831,942	126,276,044	6,649,589	132,925,633	19,906,309
<b>Cultural Facilities</b>					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	20,901,450	18,073,429	194,326	18,267,755	2,633,695
Chrysler Museum Improvements	11,808,912	10,789,716	1,000,000	11,789,716	19,196
Civic Building Improvements	1,217,017	1,229,595	-	1,229,595	(12,578)
Conference Center	61,411,437	15,830,870	10,085,913	25,916,783	35,494,654
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	3,582,500	3,561,133	20,985	3,582,118	382
USS Wisconsin Improvements	7,954,060	6,704,056	651,035	7,355,091	598,969
Other	6,918,803	4,060,011	683,151	4,743,162	2,175,641
Cultural Facilities Total	119,408,633	65,871,397	12,635,410	78,506,807	40,901,826
<b>Economic Development</b>					
Acquire/Dispose/Upgrade City Property	58,576,578	51,557,819	3,764,659	55,322,478	3,254,100
Nauticus/Cruise Terminal Development	38,326,404	38,282,063	-	38,282,063	44,341
Huntersville Redevelopment	1,000,000	70,882	181,541	252,423	747,577
Wachovia Center Development	5,375,000	3,553,101	-	3,553,101	1,821,899
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,221
Other	13,303,292	12,801,754	1,503	12,803,257	500,035
Economic Development Total	120,581,274	110,260,398	3,947,703	114,208,101	6,373,173
<b>General/Other</b>					
Campostella Landfill Closure	2,500,000	1,702,182	240,029	1,942,211	557,789
Beach Erosion Control	28,293,500	26,359,071	422,170	26,781,241	1,512,259
Transfer to Debt Service	6,392,418	5,194,024	117,914	5,311,938	1,080,480
IFMS Implementation	5,900,224	5,900,407	-	5,900,407	(183)
Waterway Dredging Projects	5,709,341	5,191,724	10,874	5,202,598	506,743
Conservation and Green Vision Implementation	6,600,000	4,266,248	-	4,266,248	2,333,752
Public Safety Radio Communication System Upgrade	4,703,668	4,703,668	-	4,703,668	-
Other	13,802,530	9,363,497	65,132	9,428,629	4,373,901
General/Other Total	73,901,681	62,680,821	856,119	63,536,940	10,364,741
<b>Public Buildings and Facilities</b>					
Fire Station Emergency Generation Program	906,700	897,038	-	897,038	9,662
Infrastructure Improvements	4,289,252	3,870,617	3,650	3,874,267	414,985
Annual Roof Maintenance	8,521,000	7,852,634	314,333	8,166,967	354,033
Library Facilities - Anchor Branch	11,476,238	10,303,339	9,993	10,313,332	1,162,906
Police Precinct Replacement	20,630,108	20,328,986	-	20,328,986	301,122
Courts Replacement and Renovations	122,620,170	83,002,263	8,903,555	91,905,818	30,714,352
Jail Renovations	2,529,451	2,435,624	21,506	2,457,130	72,321
Selden Arcade Renovations	8,400,543	8,400,543	-	8,400,543	-
City Hall Building Renovations	14,747,378	11,814,437	675,902	12,490,339	2,257,039
Tow Yard Acquisition	697,045	697,044	-	697,044	1
Fire Facilities Replacement/Improvements	4,143,305	3,751,145	91,690	3,842,835	300,470
Police Training Facilities	656,000	656,000	-	656,000	-
Main Library Construction	69,727,997	55,019,775	7,982,670	63,002,445	6,725,552
Design /Construct Government Center Plaza	4,750,000	610,719	5,043	615,762	4,134,238
Other	12,870,131	12,670,652	278,700	12,949,352	(79,221)
Public Buildings and Facilities Total	286,965,318	222,310,816	18,287,042	240,597,858	46,367,460

**CITY OF NORFOLK, VA**  
**Schedule of Expenditures - Budget and Actual - Capital Projects**  
**From Inception and for the Year Ended June 30, 2015**

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
<b>Parks/Recreational Facilities</b>					
Zoo Master Plan	27,093,422	26,607,117	-	26,607,117	486,305
Titustown Recreation Center Improvements	3,550,000	3,208,961	-	3,208,961	341,039
Botanical Gardens	2,494,413	1,998,823	-	1,998,823	495,590
Existing Recreation Center Improvements	10,325,433	11,010,394	676,702	11,687,096	(1,361,663)
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	6,844,027	6,843,948	-	6,843,948	79
Harbor Park Improvements	1,924,747	1,789,289	39,325	1,828,614	96,133
Athletic Field Renovations	2,687,105	2,685,903	-	2,685,903	1,202
Norfolk Fitness & Wellness Center Renovations	1,803,669	1,803,669	-	1,803,669	-
Broadcreek & Westside Neighborhood Parks	2,616,468	2,490,012	120,000	2,610,012	6,456
Town Point Park Improvements	11,525,000	11,478,749	-	11,478,749	46,251
Martin Luther King Park	116,019	116,020	-	116,020	(1)
Waterside Waterfront Renovations	3,671,788	2,228,534	211,714	2,440,248	1,231,540
Ingleside Gymnasium	6,698,813	6,693,093	2,781	6,695,874	2,939
Other	13,413,228	13,185,824	507,488	13,693,312	(280,084)
<b>Parks/Recreational Facilities Total</b>	<b>111,761,888</b>	<b>109,138,092</b>	<b>1,558,010</b>	<b>110,696,102</b>	<b>1,065,786</b>
<b>Schools</b>					
Blair Middle School Replacement	7,071,710	7,071,710	-	7,071,710	-
Norfolk Public School Initiative	5,265,000	5,263,456	-	5,263,456	1,544
Norview Construction	29,865,659	29,865,659	-	29,865,659	-
Southside Middle School	1,535,212	1,414,923	(363,083)	1,051,840	483,372
High School Athletic Field	1,495,091	1,495,091	-	1,495,091	-
Coleman Place Elementary Replacement	20,293,969	20,293,969	-	20,293,969	-
Crossroads Elementary Replacement	29,468,525	27,461,170	-	27,461,170	2,007,355
Larchmont	6,000,000	-	2,091,817	2,091,817	3,908,183
Ocean View	6,000,000	-	2,576,304	2,576,304	3,423,696
Campostella	21,925,282	-	19,358,413	19,358,413	2,566,869
Broad Creek	8,164,323	-	6,452,370	6,452,370	1,711,953
Other	26,112,062	22,461,268	4,544,748	27,006,016	(893,954)
<b>Schools Total</b>	<b>163,196,833</b>	<b>115,327,246</b>	<b>34,660,569</b>	<b>149,987,815</b>	<b>13,209,018</b>
<b>Storm Water</b>					
Storm Water Quality Improvements	21,320,000	17,173,426	1,368,108	18,541,534	2,778,466
Storm Water Facility Improvements	3,584,478	2,940,677	140,139	3,080,816	503,662
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	15,816,000	13,513,351	1,074,995	14,588,346	1,227,654
Bulkheading Master Project	2,100,000	2,087,100	-	2,087,100	12,900
Other	4,643,375	201,775	950,000	1,151,775	3,491,600
<b>Storm Water Total</b>	<b>50,247,951</b>	<b>38,700,427</b>	<b>3,533,242</b>	<b>42,233,669</b>	<b>8,014,282</b>
<b>Transportation</b>					
Old Dominion University Master Plan	4,998,203	6,940,505	-	6,940,505	(1,942,302)
VDOT Urban Support Program	12,160,025	8,123,009	16,964	8,139,973	4,020,052
Bridge Maintenance & Repair Program	34,168,240	25,607,421	2,966,097	28,573,518	5,594,722
Signal & Intersection Enhancements	14,311,651	9,610,428	1,092,765	10,703,193	3,608,458
Citywide Soundwall Program	8,418,346	8,376,141	10,864	8,387,005	31,341
Neighborhood Streets Improvements	68,705,977	53,201,207	5,445,407	58,646,614	10,059,363
Atlantic City Development	14,717,053	14,287,239	28,246	14,315,485	401,568
Citywide Boat Ramp Improvements	2,388,822	1,934,834	32,672	1,967,506	421,316
Construct Light Rail	109,643,157	70,295,818	7,505	70,303,323	39,339,834
Develop Multi-Modal Transfer Station at Harbor Park	24,643,970	3,464,370	298,593	3,762,963	20,881,007
Other	26,314,733	18,086,976	3,884,539	21,971,515	4,343,218
<b>Transportation Total</b>	<b>320,470,177</b>	<b>219,927,948</b>	<b>13,783,652</b>	<b>233,711,600</b>	<b>86,758,577</b>
<b>Grand Total</b>	<b>\$ 1,399,365,697</b>	<b>\$ 1,070,493,189</b>	<b>\$ 95,911,336</b>	<b>\$ 1,166,404,525</b>	<b>\$ 232,961,172</b>



**STATISTICAL**  
**SECTION**  
**(Unaudited)**





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**CITY OF NORFOLK, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2015**

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**STATISTICAL SECTION**

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

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

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

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

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

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

**Sources:** Unless otherwise noted, the information in these statistical schedules is from the comprehensive annual financial reports for the relevant years.





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## (UNAUDITED)

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

	2006	2007	2008	2009	2010	2011	2012 restated	2013 restated	2014	2015*
Governmental activities:										
Net investment in capital assets	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380
Restricted	6,605	6,731	6,890	64,397	120,974	6,744	11,081	11,111	22,062	10,485
Unrestricted	96,705	127,479	90,917	63,013	76,365	5,347	25,832	22,593	(149,763)	(217,542)
Subtotal governmental activities net position	494,702	467,198	422,980	379,538	353,293	336,667	332,119	353,254	210,236	221,323
Business-type activities:										
Net investment in capital assets	259,198	268,503	241,203	237,307	229,693	267,107	270,913	275,195	259,371	266,206
Restricted	-	2,526	2,506	39,306	40,056	12,928	12,928	13,244	32,495	29,610
Unrestricted	43,383	34,373	72,387	43,921	63,316	62,458	72,063	78,631	77,120	100,988
Subtotal business-type activities net position	302,581	305,402	316,096	320,534	333,065	342,493	355,904	367,070	368,986	396,804
Primary government:										
Net investment in capital assets	650,590	601,491	566,376	489,435	385,647	591,683	566,119	594,745	597,308	694,586
Restricted	6,605	9,257	9,396	103,703	161,030	19,672	24,009	24,355	54,557	40,095
Unrestricted	140,088	161,852	163,304	106,934	139,681	67,805	97,895	101,224	(72,643)	(116,554)
Total primary government net position	\$ 797,283	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 720,324	\$ 579,222	\$ 618,127

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

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

## (UNAUDITED)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Program Revenue</b>										
Governmental activities:										
Charges for services										
General government	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152
Judicial administration	200	778	931	935	3,501	3,629	3,690	3,717	3,142	2,938
Public safety	13,041	2,708	2,307	2,797	5,627	7,942	8,424	10,154	7,613	7,563
Public works	10,121	24,181	27,156	26,999	35,451	36,890	50,597	38,320	37,769	41,821
Health and public assistance	134	101	166	134	83	82	50	5,349	5,597	5,577
Culture and recreation	6,198	6,126	6,710	6,232	9,224	10,101	9,751	10,297	9,685	8,948
Community development	1,063	907	760	1,539	2,259	1,479	1,807	2,368	1,960	2,557
Capital grant contributions	-	-	-	16,933	7,175	-	765	15,000	15,933	1,000
Operating grants and contributions	116,827	115,779	112,960	112,419	127,665	116,648	119,553	131,719	120,713	125,802
Total governmental activities program revenue	148,814	153,030	153,159	169,788	204,141	195,401	203,878	226,413	206,561	203,358
Business-type activities:										
Charges for services										
Water utility	74,218	69,816	74,240	74,454	76,983	80,573	78,148	76,584	79,097	82,996
Wastewater utility	22,314	22,314	24,917	23,125	23,815	24,362	24,798	25,469	27,119	28,144
Parking facilities	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,413	19,520
Capital grants and contributions	78	731	219	504	366	130	187	-	2,761	3,005
Total business-type activities program revenues	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,215	129,390	133,665
Total primary government program revenues	266,396	267,490	272,960	287,919	326,090	320,148	326,463	347,628	335,951	337,023
<b>Expenses</b>										
Governmental activities:										
General government	94,763	113,279	113,142	111,629	112,874	103,550	109,188	119,764	122,656	126,959
Judicial administration	42,494	46,944	48,593	52,209	52,020	49,980	51,102	51,654	55,062	49,056
Public safety	106,705	111,803	126,609	120,703	130,263	129,721	129,138	125,270	125,122	120,710
Public works	109,907	119,176	118,888	134,274	132,176	101,137	91,542	71,324	66,909	81,171
Health and public assistance	91,443	93,775	95,234	93,495	91,923	82,368	75,428	90,993	90,919	86,776
Culture and recreation	44,933	52,965	56,890	63,438	73,342	64,352	63,499	56,039	56,499	58,443
Community development	14,930	14,772	15,345	10,867	15,429	18,638	17,223	16,158	12,622	13,040
Education	92,595	97,595	101,095	104,511	101,011	104,511	104,512	103,287	109,467	117,722
Interest on long-term debt	19,565	19,618	21,457	23,788	26,014	27,931	26,822	28,249	25,187	22,060
Total government activities expenses:	617,335	669,927	697,253	714,914	735,052	682,188	668,454	668,738	664,443	675,937
Business-type activities:										
Water utility	62,009	60,511	64,877	66,990	64,316	67,852	64,473	61,358	61,609	59,455
Wastewater utility	15,448	17,377	18,614	21,227	18,983	19,707	18,806	19,983	20,128	19,142
Parking facilities	18,356	18,861	21,539	19,036	20,008	22,050	20,469	20,961	23,677	20,045
Total business-type activities expenses	95,813	96,749	105,030	107,253	103,307	109,609	103,748	102,302	105,414	98,642
Total primary government expenses	713,148	766,676	802,283	822,167	838,359	791,797	772,202	771,040	769,857	774,579
<b>Net (Expense) Revenue</b>										
Governmental activities	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(442,325)	(457,882)	(472,579)
Business-type activities	21,769	17,711	14,771	10,878	18,642	15,138	18,837	18,913	23,976	35,023
Total primary government net expense	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,739)	\$ (423,412)	\$ (433,906)	\$ (437,556)

## (UNAUDITED)

City of Norfolk, Virginia  
Financial Trends Information  
Schedule 2-1

Changes in Net Position  
Last Ten Fiscal Years  
(Amounts in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenue and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490
Consumption utility	43,337	42,586	46,582	44,142	44,053	48,360	43,588	43,211	43,055	42,961
Sales and use	30,652	32,402	31,791	29,484	28,249	28,411	27,599	29,707	29,436	29,981
Restaurant food	27,277	28,578	28,758	28,079	27,292	24,094	30,300	30,818	31,127	32,634
Business licenses	24,412	25,268	26,343	27,692	26,009	25,849	28,667	29,301	29,889	28,640
Cigarette	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926	7,409	7,821
Motor vehicle licenses	3,576	3,529	3,498	4,005	4,308	4,313	4,318	4,210	3,966	3,953
Other	21,544	19,800	18,025	17,192	16,528	15,698	18,665	18,124	16,618	18,280
Interest and investment earnings	7,306	6,536	5,307	2,789	892	1,065	916	563	783	164
Grants and contributions not restricted to specific programs	68,133	66,524	69,352	60,513	32,892	32,642	32,726	33,539	33,788	33,793
Miscellaneous	15,851	4,845	11,881	9,600	5,637	5,901	4,653	11,501	14,563	11,916
Gain on disposal of assets	3,249	65	62	-	-	-	-	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
Total governmental activities	481,811	489,393	499,876	501,684	502,816	470,161	455,055	467,093	475,043	483,666
Business-type activities:										
Interest and investment earnings	3,161	2,739	3,046	925	618	511	314	234	496	111
Grants and contributions not restricted to specific programs	-	333	-	-	148	557	371	1,626	219	214
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042	3,162	2,506
Gain (Loss) on disposal of assets	-	(6)	-	-	2,744	(157)	26	9	(88)	(3)
Transfers between governmental and business-type activities	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)
Total business-type activities	(4,796)	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)	(6,263)	(7,205)
Total primary governmental activities	477,015	485,025	495,798	495,244	496,704	464,451	449,630	462,890	468,780	476,461
<b>Change in Net Position</b>										
Governmental activities	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,087
Business-type activities	16,973	13,343	10,693	4,438	12,530	9,428	13,412	15,814	17,713	27,818
Total Primary Government changes in net position	\$ 30,263	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 41,299	\$ 34,874	\$ 38,905

## (UNAUDITED)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund:</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	395	330	300	265	2,100
Committed	-	-	-	-	-	1,899	3,000	3,000	3,000	4,000
Assigned	-	-	-	-	-	38,014	34,839	33,919	23,901	25,904
Unassigned	-	-	-	-	-	55,968	54,338	54,055	58,100	65,580
Reserved <sup>(1)</sup>	16,057	17,223	11,669	7,842	8,296	-	-	-	-	-
Unreserved <sup>(1)</sup>	66,619	71,056	56,302	50,784	53,840	-	-	-	-	-
<b>Total General Fund</b>	<b>82,676</b>	<b>88,279</b>	<b>67,971</b>	<b>58,626</b>	<b>62,136</b>	<b>96,281</b>	<b>92,507</b>	<b>91,274</b>	<b>85,266</b>	<b>97,584</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
Assigned	-	-	-	-	-	26,307	15,345	7,339	4,052	-
Unassigned	-	-	-	-	-	-	-	-	-	(84,624)
Reserved <sup>(1)</sup>	20,885	48,894	57,186	50,987	60,696	-	-	-	-	-
Unreserved <sup>(1)</sup>	-	15,424	64,504	25,939	86,260	-	-	-	-	-
<b>Total Capital Projects Fund</b>	<b>20,885</b>	<b>64,318</b>	<b>121,690</b>	<b>76,926</b>	<b>146,956</b>	<b>79,348</b>	<b>124,774</b>	<b>20,976</b>	<b>29,465</b>	<b>(69,920)</b>
<b>All Other Governmental Funds:</b>										
Nonspendable	-	-	-	-	-	22	23	24	-	-
Restricted	-	-	-	-	-	2,621	9,474	10,811	10,864	8,385
Committed	-	-	-	-	-	11,259	3,246	2,454	5,050	2,764
Assigned	-	-	-	-	-	9,877	13,569	20,708	22,144	17,843
Unassigned	-	-	-	-	-	-	-	-	(1,556)	(2,913)
Reserved <sup>(1)</sup>	19,075	20,123	30,716	27,049	34,634	-	-	-	-	-
Unreserved <sup>(1)</sup>	17,131	24,211	13,987	12,535	14,008	-	-	-	-	-
<b>Total other governmental funds</b>	<b>36,206</b>	<b>44,334</b>	<b>44,703</b>	<b>39,584</b>	<b>48,642</b>	<b>23,779</b>	<b>26,312</b>	<b>33,997</b>	<b>36,502</b>	<b>26,079</b>
<b>Total fund balance, governmental funds</b>	<b>\$ 139,767</b>	<b>\$ 196,931</b>	<b>\$ 234,364</b>	<b>\$ 175,136</b>	<b>\$ 257,734</b>	<b>\$ 199,408</b>	<b>\$ 243,593</b>	<b>\$ 146,247</b>	<b>\$ 151,233</b>	<b>\$ 53,743</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 Capital Projects fund balance is primarily attributable to timing of the City's external borrowing (see page 34).



## (UNAUDITED)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenue:</b>										
General property taxes	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433
Other local taxes	157,616	159,119	162,573	157,927	153,615	153,886	161,234	163,297	161,499	164,270
Licenses and permits	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098	3,089	3,013
Fines and forfeitures	1,461	1,605	1,317	1,260	1,164	1,164	1,108	1,102	1,242	1,264
Use of money and property	10,498	11,105	10,560	8,332	6,746	7,169	6,695	6,539	6,329	9,668
Charges for services	32,772	37,071	40,159	40,345	50,540	47,955	47,859	56,077	60,040	59,983
Miscellaneous	33,494	11,691	17,923	12,911	18,080	14,580	11,643	26,178	29,133	10,142
Recovered costs <sup>(1)</sup>	12,667	8,408	8,622	8,952	9,503	10,723	10,312	11,396	-	-
Intergovernmental	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148	153,782	158,840
<b>Total revenues</b>	<b>614,141</b>	<b>625,106</b>	<b>643,361</b>	<b>635,516</b>	<b>652,848</b>	<b>647,065</b>	<b>656,914</b>	<b>676,194</b>	<b>672,093</b>	<b>669,613</b>
<b>Expenditures:</b>										
<b>Current</b>										
General government	92,062	102,031	110,974	102,426	97,061	80,855	100,504	112,804	109,292	110,904
Judicial administration	41,795	45,173	47,331	50,347	48,726	47,535	48,233	50,920	51,673	51,360
Public safety	105,634	108,565	116,208	118,073	115,488	115,975	116,296	117,427	113,394	112,055
Public works	46,959	49,161	60,370	56,146	59,574	70,124	62,330	54,427	55,267	61,369
Health and public assistance	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413	88,671	85,631
Culture and recreation	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153	46,705	48,765
Community development	13,552	11,158	10,745	9,899	10,851	16,565	15,142	15,128	12,482	12,303
Education	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287	111,854	117,722
Debt service:										
Principal retirement	37,660	35,872	40,260	48,092	46,052	50,865	57,683	50,559	48,135	49,255
Interest and other charges	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668	28,682	26,896
Debt issuance costs	-	-	-	-	-	-	-	-	1,127	680
Capital outlay	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580	100,709	103,113
<b>Total expenditures</b>	<b>675,221</b>	<b>702,861</b>	<b>767,688</b>	<b>761,948</b>	<b>743,145</b>	<b>718,258</b>	<b>749,812</b>	<b>790,366</b>	<b>767,991</b>	<b>780,053</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(61,080)</b>	<b>(77,755)</b>	<b>(124,327)</b>	<b>(126,432)</b>	<b>(90,297)</b>	<b>(71,193)</b>	<b>(92,898)</b>	<b>(114,172)</b>	<b>(95,898)</b>	<b>(110,440)</b>
<b>Other financing surces (uses):</b>										
Proceeds of refunding bonds	-	15,480	-	16,000	-	84,136	74,859	-	73,428	74,094
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-	-	1,000
Cost of issuance	-	-	-	-	-	-	-	-	1,127	811
Proceeds of debt (general obligation bonds and notes)	-	121,705	145,663	55,280	156,208	2,821	109,835	-	77,930	-
Payment to refunded bonds escrow agent	-	(15,480)	-	(16,000)	-	(84,136)	(74,859)	-	(79,964)	(81,267)
Premium on bonds issued	-	2,070	5,785	1,707	3,633	505	15,311	-	17,081	7,530
Miscellaneous	(122)	66	62	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	-	-	-	-	-	2,700	1,966	-	-
Operating transfers in	97,185	89,254	109,901	105,641	104,007	104,930	107,136	112,121	107,633	102,604
Operating transfers (out)	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)
<b>Total other financing sources (uses)</b>	<b>10,921</b>	<b>134,919</b>	<b>161,758</b>	<b>67,203</b>	<b>172,895</b>	<b>12,867</b>	<b>137,083</b>	<b>12,081</b>	<b>102,011</b>	<b>12,201</b>
<b>Net change in fund balances</b>	<b>\$ (50,159)</b>	<b>\$ 57,164</b>	<b>\$ 37,431</b>	<b>\$ (59,229)</b>	<b>\$ 82,598</b>	<b>\$ (58,326)</b>	<b>\$ 44,185</b>	<b>\$ (102,091)</b>	<b>\$ 6,113</b>	<b>\$ (98,239)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.67%</b>	<b>9.01%</b>	<b>9.13%</b>	<b>10.40%</b>	<b>9.69%</b>	<b>12.19%</b>	<b>12.27%</b>	<b>11.57%</b>	<b>11.22%</b>	<b>11.27%</b>

Note:

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

## (UNAUDITED)

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities:</b>										
General government	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739
Judicial administration	19,605	27,904	28,707	23,173	26,461	27,069	27,880	29,479	28,537	23,113
Public safety	20,674	8,137	5,244	11,036	7,459	12,335	14,217	15,980	11,116	14,226
Public works	30,438	44,769	47,407	48,156	55,542	61,552	77,436	68,326	63,124	76,359
Health and public assistance	39,930	42,261	40,567	41,695	62,585	52,280	51,654	62,657	62,224	57,059
Culture and recreation	9,603	9,655	10,359	9,148	23,976	10,330	11,573	26,284	25,837	9,947
Community development	3,762	3,690	3,168	20,538	7,532	10,040	8,538	10,266	7,626	7,498
Interest on Long-term debt	-	-	-	-	849	-	2,115	2,587	3,021	2,417
<b>Total governmental activities</b>	<b>148,814</b>	<b>153,030</b>	<b>153,159</b>	<b>169,788</b>	<b>204,140</b>	<b>195,401</b>	<b>203,879</b>	<b>226,412</b>	<b>206,562</b>	<b>203,358</b>
<b>Business-type activities:</b>										
Water utility	74,277	70,411	74,416	74,958	79,349	80,703	78,335	76,585	81,757	85,925
Wastewater utility	22,394	22,450	24,960	23,125	23,815	24,362	24,798	25,469	27,219	28,144
Parking facilities	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,414	19,596
<b>Total business-type activities</b>	<b>117,582</b>	<b>114,460</b>	<b>119,801</b>	<b>118,131</b>	<b>121,949</b>	<b>124,747</b>	<b>122,585</b>	<b>121,216</b>	<b>129,390</b>	<b>133,665</b>
<b>Total primary government</b>	<b>\$ 266,396</b>	<b>\$ 267,490</b>	<b>\$ 272,960</b>	<b>\$ 287,919</b>	<b>\$ 326,089</b>	<b>\$ 320,148</b>	<b>\$ 326,464</b>	<b>\$ 347,628</b>	<b>\$ 335,952</b>	<b>\$ 337,023</b>

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs <sup>(1)</sup>	Inter-Governmental	Totals
2006	\$ 211,788	\$ 157,616	\$ 4,088	\$ 1,461	\$ 10,498	\$ 32,772	\$ 33,494	\$ 12,667	\$ 149,757	\$ 614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	NA	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	NA	158,840	669,613
Change 2006-2015	35.8%	9.2%	-14.9%	-28.3%	-5.5%	105.9%	-46.5%	NA	8.0%	17.8%

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

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2006	\$ 43,337	\$ 30,652	\$ 27,277	\$ 24,412	\$ 6,819	\$ 3,576	\$ 21,543	\$ 157,616
2007	42,586	32,402	28,578	25,268	6,957	3,529	19,799	159,119
2008	46,582	31,791	28,758	26,343	7,577	3,498	18,024	162,573
2009	44,142	29,484	28,078	27,692	7,333	4,005	17,192	157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,296
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
Change 2006-2015	-0.9%	-2.2%	19.6%	17.3%	14.7%	10.5%	-15.1%	4.2%

## Notes:

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

2. Presents additional details on Other Local Taxes presented in schedule 6 above.

NA - Not Available

(UNAUDITED)

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

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2006	\$ 12,691,527	\$ 1,655,021	\$ 316,863	\$ 14,663,411	\$ 14,663,411
2007	15,607,512	1,687,318	324,387	17,619,217	17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
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

Notes:

1. Real property and personal property includes both general and public service corporations.
2. Other property includes machinery and tools, mobile homes, airplanes and boats.
3. Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.18	0.18	0.18	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.35	1.27	1.11	1.11	1.11	1.11	1.11	1.11	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	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	1.55	1.45	1.25	1.23	1.19	1.19	1.21	1.22	1.22	1.22

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

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

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 2006 through 2015.
3. The most recent Virginia Assessment/Sales ratio study is for 2015.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

(UNAUDITED)

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

Taxpayer	2006			2015		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Dominion Virginia Power	\$ 146,231,554	2	1.15%	\$ 310,508,696	1	1.66%
Norfolk Western Railway Company	75,454,011	7	0.59%	198,408,924	2	1.06%
MacArthur Shopping Center LLC	156,945,800	1	1.24%	180,366,200	3	0.96%
Ford Motor Company	81,347,300	5	0.64%			
Bank of America	75,884,300	6	0.60%			
Cox Virginia Telecom	53,031,839	10	0.42%			
Real Estate Foundation				116,806,100	4	0.62%
Norfolk Southern				93,590,800	5	0.50%
Verizon Virginia, Inc.	131,139,260	4	1.03%	84,861,347	6	0.45%
Virginia Natural Gas, Inc.				72,856,378	7	0.39%
Taubman Co.	139,582,300	3	1.10%			
Wells Fargo				70,561,700	8	0.38%
Dominion Enterprises	53,157,400	9	0.42%	61,618,200	9	0.33%
Military Circle Ltd. Partnership	65,249,400	8	0.51%	58,948,000	10	0.31%
Total	<u>\$ 978,023,164</u>		<u>7.71%</u>	<u>\$ 1,248,526,345</u>		<u>6.66%</u>
Total Assessed Value	\$ 12,691,527,668			\$ 18,734,201,726		

Note:

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

(UNAUDITED)

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

Tax Year	Original Tax Levy	Adjusted Tax Levy <sup>(1)</sup>	Current Collections	Percentage of Current Collections to Tax Levy <sup>(2)</sup>	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy <sup>(2)</sup>
2006	\$ 227,796	\$ 202,862	\$ 197,669	97.44%	\$ 5,150	\$ 202,819	99.98%
2007	254,703	230,114	219,993	95.60%	10,120	230,113	100.00%
2008	258,016	243,383	220,253	90.50%	23,117	243,370	99.99%
2009	261,535	251,996	233,725	92.75%	18,252	251,977	99.99%
2010	258,544	257,886	239,192	92.75%	16,987	256,179	99.34%
2011	254,756	253,595	235,518	92.87%	16,434	251,952	99.35%
2012	247,528	247,854	233,396	94.17%	12,654	246,050	99.27%
2013	244,309	244,148	229,872	94.15%	12,096	241,968	99.11%
2014	254,008	255,529	240,481	94.11%	10,816	251,297	98.34%
2015	256,040	259,480	245,803	94.73%	-	245,803	94.73%

Notes:

1. Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. Information obtained from Office of the City Treasurer.
2. Percentage of Collections to Tax Levy are calculated using the adjusted Tax Levy amounts. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2015, were \$259,988,000 of which \$14,185,000 are for prior years and are included under the column entitled "Delinquent Collections."

(UNAUDITED)

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

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
<b>Governmental Activities</b>							
2006	\$ 397,306	\$ 239	\$ -	\$ 397,545	\$ 1,659	5.41%	1.24
2007	484,782	227	-	485,009	1,993	6.17%	0.96
2008	590,712	2,000	-	592,712	2,457	7.32%	0.71
2009	587,743	1,000	-	588,743	2,441	7.09%	0.64
2010	699,748	1,812	-	701,560	2,902	8.46%	0.50
2011	651,755	1,208	-	652,963	2,689	7.72%	0.52
2012	717,407	-	-	717,407	2,940	8.07%	0.46
2013	664,909	-	-	664,909	2,705	7.25%	0.53
2014	718,937	-	-	718,937	2,918	7.82%	0.49
2015	665,809	1,000	-	666,809	N/A	N/A	0.33
<b>Business-Type Activities</b>							
2006	\$ 92,871	\$ -	\$ 364,535	\$ 457,406	\$ 1,911	5.76%	0.66
2007	107,752	-	355,841	463,593	1,916	5.59%	0.66
2008	125,363	-	413,213	538,576	2,217	6.32%	0.59
2009	159,902	-	410,377	570,279	2,338	6.85%	0.56
2010	201,701	-	403,485	605,186	2,492	7.06%	0.55
2011	189,782	-	445,687	635,469	2,605	7.10%	0.54
2012	193,729	-	439,410	633,139	2,576	6.63%	0.56
2013	184,119	-	486,832	670,951	2,726	6.99%	0.55
2014	259,717	-	410,401	670,118	2,720	7.29%	0.55
2015	247,490	-	443,911	691,401	N/A	N/A	0.57
<b>Total Primary Governmental Activities</b>							
2006	\$ 490,177	\$ 239	\$ 364,535	\$ 854,951	\$ 3,572	10.77%	0.92
2007	592,534	227	355,841	948,602	3,921	11.44%	0.84
2008	716,075	2,000	413,213	1,131,288	4,656	13.28%	0.68
2009	747,645	1,000	410,377	1,159,022	4,751	13.92%	0.64
2010	901,449	1,812	403,485	1,306,746	5,382	15.25%	0.54
2011	841,537	1,208	445,687	1,288,432	5,281	14.40%	0.53
2012	911,136	-	439,410	1,350,546	5,494	14.15%	0.50
2013	849,028	-	486,832	1,335,860	5,427	13.91%	0.51
2014	978,654	-	410,401	1,389,055	5,638	15.11%	0.52
2015	913,299	1,000	443,911	1,358,210	N/A	N/A	0.53

N/A - not available

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

(UNAUDITED)

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

Fiscal Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
2006	\$ 490,177	\$ 92,871	\$ 397,306	\$ 14,663,411	239,355	2.71%	\$ 1,660
2007	592,534	107,752	484,782	17,619,217	241,941	2.75%	2,004
2008	716,075	125,363	590,712	20,578,641	242,983	2.87%	2,431
2009	747,645	159,902	587,743	21,308,309	243,957	2.76%	2,409
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	N/A	3.19%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2006 through 2009 and 2011 through 2014 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.

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2015**

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:			
City of Norfolk	\$ 914,299	100%	\$ 914,299

Notes:

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



(UNAUDITED)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total assessed value of taxed real property	\$12,691,527,668	\$15,496,207,804	\$18,401,851,069	\$19,395,789,387	\$19,940,273,451	\$19,320,643,495	\$18,676,730,533	\$18,319,948,478	\$18,421,412,121	\$18,734,201,726
Debt Limit -10% of total assessed valuation	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212	1,873,420,173
Net debt applicable to debt limitation	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379
Legal Debt Margin	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622	\$ 1,013,926,798	\$ 929,440,869	\$ 959,120,794
Net Debt percentage of debt limitation	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%	49.55%	48.80%

(UNAUDITED)

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

Fiscal Year	Revenue Available for Debt Service <sup>(1)</sup>	Operating Expenses Less Depreciation & Amortization <sup>(2)</sup>	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 78,788,158	\$ 34,144,763	\$ 44,643,395	\$ 6,580,000	\$ 14,827,960	\$ 21,407,960	2.09
2007	76,013,563	32,427,377	43,586,186	7,310,000	14,379,821	21,689,821	2.01
2008	78,730,024	37,026,528	41,703,496	7,665,000	14,022,200	21,687,200	1.92
2009	78,020,552	38,182,373	39,838,179	8,050,000	16,411,343	24,461,343	1.63
2010	82,470,020	34,567,741	47,902,279	9,420,000	15,929,680	25,349,680	1.89
2011	83,737,444	37,068,753	46,668,691	9,875,000	16,527,844	26,402,844	1.77
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08
2015	85,403,384	36,882,803	51,550,516	7,805,000	13,905,866	21,710,866	2.37

Notes:

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

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 6**  
**Revenue Bonds Debt Service Coverage**  
**Wastewater Utility Fund**  
**Last Six 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	10,734,628	17,507,093	2,490,000	-	2,490,000	7.03

Notes:

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

(UNAUDITED)

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

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2006	\$ 37,659,547	\$ 5,886,597	\$ 18,824,743	\$ 379,498	\$ 62,750,385	\$ 510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	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%

Notes:

1. Total general expenditures include the expenditures of the General fund and Debt Service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

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

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2005	239,650	\$	\$	96,113	5.1%
2006	243,406	7,861,702	32,299	95,709	4.3%
2007	241,248	8,094,455	33,552	99,742	4.1%
2008	241,201	8,302,452	34,421	100,847	5.3%
2009	241,725	8,291,931	34,303	98,751	8.5%
2010	242,803	8,458,384	34,816	112,449	8.8%
2011	243,985	8,889,173	36,472	113,035	8.4%
2012	245,803	9,167,589	37,244	113,029	7.6%
2013	246,392	9,192,498	37,477	113,001	6.9%
2014	246,394	9,439,861	38,463	112,971	6.4%

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 2015.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2015.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2015.
4. All information on an average annual calendar year.

(UNAUDITED)

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

Employer	Rank	
	2006	2015
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City Public Schools	2	3
City of Norfolk	4	4
Old Dominion University	5	5
Children's Hospital of the King's Daughters	6	6
Norshipco		7
Eastern Virginia Medical School	10	8
Norfolk State University	9	9
U.S. Navy Exchange		10
United States Postal Service	8	
Ford Motor Company	7	
Total Employment	95,175	133,080

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2015 is the quarter ended March 2015, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

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

<u>Year</u>	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2006	531	1,058	\$ 133,053	60	\$ 165,989
2007	389	491	68,476	55	81,396
2008	277	815	101,212	35	102,714
2009	209	535	35,878	38	138,131
2010	191	621	58,729	35	104,922
2011	221	479	37,298	27	40,073
2012	268	371	39,360	26	116,401
2013	384	822	63,728	28	105,635
2014	432	1,393	93,072	33	37,575
2015	399	711	59,018	36	233,824

Notes:

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

(UNAUDITED)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Goods-Producing Industries:										
Construction	6.0	6.0	6.2	5.9	5.0	4.7	4.4	4.1	3.8	3.8
Manufacturing	9.6	8.7	7.9	7.1	7.1	6.8	6.5	6.8	6.7	6.1
Service-Providing Industries:										
Wholesale trade	5.1	5.1	5.1	4.7	4.3	4.1	3.9	3.7	3.5	3.5
Retail trade	14.1	14.4	14.7	14.1	12.9	12.8	12.9	12.6	12.8	12.7
Transportation and warehousing	9.9	9.3	9.4	9.6	8.8	8.8	8.8	9.0	8.8	8.8
Information	3.9	3.5	3.7	3.5	3.0	2.7	2.5	2.9	2.9	2.8
Finance and insurance	6.7	6.0	6.6	6.6	6.1	5.4	5.5	5.3	5.3	5.6
Real estate and rental and leasing	2.8	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.7	2.6
Professional and technical services	10.1	10.2	10.7	11.4	11.7	11.6	11.5	11.0	11.4	11.0
Management of companies and enterprises	3.7	2.7	2.5	2.6	2.3	2.1	2.0	2.0	1.9	1.8
Administrative, support and waste services	7.5	7.4	7.4	7.6	6.6	6.6	7.4	6.8	7.6	7.7
Educational services	15.2	15.5	15.6	15.8	16.1	16.1	15.9	16.0	16.1	15.9
Health care and social assistance	19.6	20.1	20.6	21.2	20.7	21.0	21.9	22.4	22.4	21.8
Arts, entertainment and recreation	2.3	2.4	2.4	2.5	2.3	2.2	2.3	2.3	2.3	2.3
Accommodation and food services	10.9	11.1	10.7	10.5	10.3	10.3	10.9	10.9	10.6	10.5
Public administration	12.1	12.2	12.1	13.5	14.1	13.9	14.2	14.4	12.7	12.4
Other services	4.3	4.1	4.0	3.9	3.8	3.8	4.0	4.1	4.2	4.3
Total (adjusted for rounding)	144.6	142.4	143.1	144.0	138.7	136.3	138.0	137.8	136.4	134.4

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 2005 - 2014 as calendar year. Calendar year data not available for 2015.

(UNAUDITED)

City of Norfolk, Virginia  
Operating Information

Schedule 1  
Full-Time Equivalent (FTE) Positions by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	450	477	264	481	438	492	501	461	425	473
Judicial administration	16	17	18	16	14	12	10	13	12	10
Public safety										
Police	839	1,031	887	861	878	891	879	828	837	823
Fire	499	508	508	517	517	510	517	507	504	489
Other	84	-	-	84	83	90	90	77	76	76
Public works	392	379	346	414	440	431	427	395	388	269
Health and public assistance	562	469	598	487	485	532	534	709	697	697
Culture and recreational	406	478	569	558	509	512	501	459	456	429
Community development	70	59	95	75	113	137	142	94	96	103
Business-type activities:										
Water utility	264	261	290	268	269	289	289	266	273	265
Wastewater utility	95	96	103	99	95	103	104	99	99	95
Parking facilities	78	90	88	89	87	85	85	85	76	63
Total full-time equivalent positions	3,755	3,865	3,766	3,949	3,928	4,084	4,079	3,993	3,937	3,792

Note:

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



(UNAUDITED)

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Service calls	191,037	237,451	258,254	242,139	245,336	241,282	251,099	245,620	259,938	240,459
Arrests	22,235	22,222	24,050	26,583	28,069	27,930	29,080	27,073	25,850	21,404
Reports filed	29,600	31,986	31,220	32,477	31,487	30,507	28,649	28,035	26,060	26,039
Fire:										
Incidences (fires, EMS)	40,337	31,266	41,212	39,714	40,234	40,641	45,350	44,370	43,713	44,699
Highways and Streets:										
Streets resurfacing (miles)	77	70	80	66	69	67	139	53	76	25.6
Sanitation:										
Total solid waste collected and disposed (tons)	99,131	97,143	93,799	92,333	100,480	84,162	89,106	83,297	79,382	80,128
Water Utilities:										
Water delivered to water mains (gallons in thousands)	21,721,000	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690	21,532,680	21,147,530	21,530,000
Total water consumption (gallons in thousands)	23,012,112	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972	20,109,000	20,241,312	20,054,780
Percent of unmetered water	7.13%	7.30%	6.95%	7.31%	6.11%	7.25%	7.62%	6.62%	4.29%	6.85%
Average daily delivery (gallons in thousands)	68,090	66,650	66,200	62,900	62,100	62,494	60,217	58,994	57,938	59,000
Maximum daily pumpage (gallons in thousands)	83,640	83,600	82,000	79,000	76,400	80,200	76,310	74,640	74,890	88,970
Minimum daily pumpage (gallons in thousands)	57,200	56,200	52,200	52,000	52,200	52,350	50,070	49,890	48,030	51,110

## (UNAUDITED)

City of Norfolk, Virginia  
Operating Information

Schedule 3  
Capital Assets and Infrastructure Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety:										
Police Stations	3	3	3	3	3	3	3	3	3	3
Fire	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	9	9	9	9	8	8	8	8	8	7
Elementary (K - 8 & Pre K - 8)	35	35	35	35	35	35	34	33	33	33
Other educational facilities	11	11	11	9	5	5	6	6	6	7
Libraries	10	10	11	11	11	11	11	11	11	11
Public Recreation:										
Parks:										
Acreage	591	587	586	587	587	587	587	587	587	587
Regional parks	1	1	1	2	2	2	2	2	2	2
Neighborhood parks	121	85	85	71	71	71	71	71	71	71
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	3	1	1	1	1	1	1	1	1	1
Playgrounds	45	79	123	100	101	101	101	102	105	106
Hiking trails (miles)	11	1	2	2	2	2	2	2	2	2
Recreation:										
Acreage	231	860	868	954	957	957	957	957	957	957
Recreational and senior centers	22	18	19	25	30	30	30	30	30	30
Swimming pools	6	6	8	6	6	6	6	6	6	6
Tennis courts	152	101	134	148	148	148	142	142	142	142
Baseball/softball diamonds	36	63	99	86	86	86	86	86	86	86
Football/soccer fields	18	47	65	49	49	49	49	49	49	49
Field hockey	4	5	5	3	3	3	3	3	3	3
Basketball courts	42	229	179	204	203	203	201	201	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	2	3	3	3	3	3	3	3	3	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,183	2,193	2,210	2,193	2,188	2,188	2,189	2,174	2,175	2,166
Sidewalks (miles)	968	968	968	968	968	968	968	968	887	887
Bridges	50	49	49	49	50	50	50	50	50	52
Signalized intersections	299	283	287	284	304	304	305	304	311	312
Street lights	29,888	30,200	30,583	30,653	30,717	31,277	31,132	31,138	31,138	31,269
Utilities:										
Water fund capital assets (in thousands)	\$ 425,289	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659
Wastewater fund capital assets (in thousands)	134,152	147,020	163,068	177,928	183,974	198,842	214,308	229,891	238,931	249,210
Total utilities assets (in thousands)	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,249	\$ 684,774	\$ 710,094	\$ 726,479	\$ 752,869
Water customer accounts	65,548	65,000	65,549	64,433	66,140	64,289	64,440	64,654	64,856	65,687
Miles of water main in the system	825	827	829	832	835	838	824	826	828	828
Convention Center:										
Meeting rooms	7	8	8	8	8	8	8	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/ballroom space (square feet)	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Parking Facilities:										
Parking lots/garages	28	21	23	23	26	25	24	24	24	24
Parking meters	660	718	669	614	584	584	756	738	752	676
Storm Water Management:										
Miles of storm sewers	351	357	357	357	357	357	357	366	386	386

(UNAUDITED)  
City of Norfolk, Virginia  
Operating Information  
Schedule 4  
Water System Statistics  
As of June 30, 2015

**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

**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

**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

**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

**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

(1) "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, 2014 - June 30, 2015  
July 1, 2015 - June 30, 2016

2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 5**  
**Wastewater System Statistics**  
**As of June 30, 2015**

**The Wastewater System**

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

Approximate population served	246,394	citizens
Total wastewater pumping stations	131	pump stations
Miles of gravity wastewater mains	909	miles
Miles of wastewater force mains	67	miles

**Organization and Management**

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

**Rates**

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2015	\$3.67 per 100 cubic feet
2016	\$3.82 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

**Largest Users**

<b>Rank</b>	<b>Entity</b>	<b>Usage (CCF)</b>
1	Norfolk Redevelopment and Housing Authority	377,162
2	BAE Systems	162,996
3	Virginia & Norfolk International Terminals	148,730
4	Old Dominion University	112,551
5	S.L. Nusbaum Realty	68,553

**Operating Income**

	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2015</b>
Total Operating Revenues	\$ 27,409,238	\$ 28,241,721
Total Operating Expenses	16,500,470	16,702,281
Total Operating Income	<u>\$ 10,908,768</u>	<u>\$ 11,539,440</u>

(UNAUDITED)  
**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 6**  
**Parking System Statistics**  
**As of June 30, 2015**

**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%

**Additional Information**

- 1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.  
July 1, 2014 - June 30, 2015  
July 1, 2015 - June 30, 2016
- 2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.
- 3) Financial information on the Parking Facilities Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.



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# **OTHER REPORTS OF INDEPENDENT AUDITORS**





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# COMPLIANCE SECTION





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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2015, which included a paragraph emphasizing that in fiscal year 2015, the City adopted new accounting guidance described in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under the Specifications and which are described in the accompanying schedule of finding and responses as items 2015-011 through 2015-014.

### **Responses to the Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Norfolk, Virginia  
December 23, 2015



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Norfolk's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***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, 2015.

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### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as the following items:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance requirement</b>
2015-001	14.218	Community Development Block Grant	Cash Management
2015-001	14.239	Home Investment Partnerships Program	Cash Management
2015-002	14.218	Community Development Block Grant	Reporting
2015-003	14.218	Community Development Block Grant	Matching, Level of Effort, and Earmarking
2015-004	14.218	Community Development Block Grant	Procurement and Suspension and Debarment
2015-005	84.010	Title I, Part A	Special Test and Provisions-Comparability
2015-007	84.027, 84.173, 84.027A	Special Education Cluster (IDEA)	Reporting
2015-009	93.558	Temporary Assistance for Needy Families	Eligibility
2015-010	93.914	HIV Emergency Relief Project Grants	Reporting

Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain



deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as the following items that we consider to be significant deficiencies:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance requirement</b>
2015-001	14.218	Community Development Block Grant	Cash Management
2015-001	14.239	Home Investment Partnerships Program	Cash Management
2015-002	14.218	Community Development Block Grant	Reporting
2015-003	14.218	Community Development Block Grant	Matching, Level of Effort, and Earmarking
2015-004	14.218	Community Development Block Grant	Procurement and Suspension and Debarment
2015-005	84.010	Title I, Part A	Special Test and Provisions-Comparability
2015-006	84.010	Title I, Part A	Special Test and Provisions-School-wide
2015-006	84.027, 84.173, 84.027A	Special Education Cluster (IDEA)	Special Test and Provisions-School-wide
2015-007	84.027, 84.173, 84.027A	Special Education Cluster (IDEA)	Reporting
2015-008	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions-Child Support Non-Cooperation
2015-009	93.558	Temporary Assistance for Needy Families	Eligibility
2015-010	93.914	HIV Emergency Relief Project Grants	Reporting

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic



financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Norfolk, Virginia  
December 23, 2015



## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

### (1) Summary of Auditors' Results

#### *Financial Statements*

- (a) The type of report issued on the financial statements: **Unmodified opinion**
- (b) Material weaknesses in internal control were disclosed by the audit of the financial statements: **None**
- (c) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **None**
- (d) Noncompliance, which is material to the financial statements: **None**

#### *Federal Awards*

- (a) Material weaknesses in internal control over major programs: **None**
- (b) Significant deficiencies in internal control over major programs: **2015-001 through 2015-010**
- (c) The type of report issued on compliance each for major programs:

<b>Federal programs</b>	<b>CFDA No.</b>	<b>Type</b>
Community Development Block Grant	14.218	Unmodified
Home Investment Partnerships Program	14.239	Unmodified
Title I, Part A Cluster	84.010	Unmodified
Special Education Cluster	84.027, 84.173, and 84.027A	Unmodified
Temporary Assistance for Needy Families	93.558	Unmodified
HIV Emergency Relief Project Grants	93.914	Unmodified
Medical Assistance Program	93.778	Unmodified
Social Services Block Grant	93.667	Unmodified
Substance Abuse Prevention and Treatment Block Grant	93.959	Unmodified
Child Nutrition Cluster	10.553, 10.555 and 10.559	Unmodified

- (d) Any audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133: **2015-001 through 2015-005, 2015-007, 2015-009 and 2015-010**
- (e) Major programs:
  - Community Development Block Grant (CDBG): CFDA No. 14.218
  - Home Investment Partnerships Program (HOME): CFDA No. 14.239
  - Title I, Part A Cluster (Title I): CFDA No. 84.010
  - Special Education Cluster (Special Education): CFDA Nos. 84.027, 84.172, and 84.027A
  - Temporary Assistance for Needy Families (TANF): CFDA No. 93.558
  - HIV Emergency Relief Project Grants (HIV): CFDA No. 93.914
  - Medical Assistance Program (Medicaid): CFDA No. 93.778

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

- Social Services Block Grant: CFDA No. 93.667
- Substance Abuse Prevention and Treatment Block Grant: CFDA No. 93.959
- Child Nutrition Cluster: CFDA Nos. 10.553, 10.555 and 10.559

(f) Dollar threshold used to determine Type A programs: \$2,824,674

(g) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

### (2) Financial Statement Findings

None

### (3) Findings and Questioned Costs Related to Federal Awards

#### **Finding# 2015-001: Cash Management**

##### ***Program, CFDA No., Program Year, Federal Agency, Grant Number***

Community Development Block Grant, CFDA No. 14.218, Program Year 2015, U.S. Department of Housing and Urban Development, award B14-MC-51-0016

Home Investment Partnerships Program, CFDA No. 14.239, Program Year 2015, U.S. Department of Housing and Urban Development, award M14-MC-51-0203

##### ***Recipient***

City of Norfolk

##### ***Criteria***

In accordance with 24 CFR Section 84.22, payment methods shall be established to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Additionally, recipients must maintain or demonstrate the willingness to maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient. The general rule as clarified in *Chapter 11: Financial Management Guidelines* is three business days of deposit of the funds. If payment takes longer than three business days, written justification should be maintained in the recipient's files.

##### ***Condition Found***

*Community Development Block Grant:* In a sample of sixty five cash management selections, there were two cash advances that were not disbursed to vendors within three business days of deposit of the CDBG funds and no documentation was included in the recipient's files indicating the reason why disbursement of the CDBG funds took longer than three business days.

In our sample of sixty five cash management selections, there were two cash management selections that included invoices where management requested reimbursement for retainage prior to completion of the project and prior to the vendor requesting payment of the retainage. Upon receipt of the retainage from Housing Urban Development (HUD), management did not disburse the funds to the vendor within the three business day time frame. In our allowable costs/activities sample, another invoice was identified that

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

Year ended June 30, 2015

included a request for retainage prior to completion of the project and prior to the vendor requesting payment for the retainage.

Additionally, we identified two cash management selections where management requested reimbursement of the same allowable expenditures twice. Management found the error and returned the funds to HUD within the fiscal year.

*Home Investment Partnerships Program:* In our sample of nine cash management selections, there was one cash advance that was not disbursed to the vendor within three business days of deposit of the HOME funds and no documentation was included in the recipient's file indicating the reason why disbursement of the HOME funds took longer than three business days.

### ***Perspective and Questioned Costs***

*Community Development Block Grant:* Out of sixty five selections of cash management selected for testwork, one cash advance sample was disbursed in 4 working days from the receipt of the CDBG funds and one cash advance sample was disbursed in 12 working days from the receipt of CDBG funds. As the expenditures were allowable, there are no questioned costs in relation to these findings.

Out of sixty five selections of cash management selected for testwork, two reimbursement requests included invoices which requested reimbursement for retainage in the amount of \$10,354.29 prior to completion of the project and prior to the vendor requesting payment of the retainage. An additional sample in our allowable costs/activities sample requested reimbursement for retainage in the amount of \$5,513.16 prior to completion of the project and prior to the vendor requesting payment of the retainage. The retainage was otherwise allowable, therefore there are no questioned costs with this finding.

Out of sixty five selections of cash management selected for testwork, management requested reimbursement for allowable expenditures in the amount of \$34,206 twice. The error was identified by management and the funds were returned to HUD. As the expenditures were allowable, there are no questioned costs in relation to these findings.

*Home Investment Partnerships Program:* Out of nine selections of cash management selected for testwork, one cash advance sample was disbursed in 5 working days from the receipt of the HOME funds. As the expenditures were allowable, there are no questioned costs in relation to these findings.

### ***Cause and Effect***

The requirement to disburse cash advance funds from HUD within three business days of receipt of the funds or to maintain written justification in the recipient's files as to the reason the funds could not be disbursed within three business days was not administered correctly. Furthermore, management requested reimbursement for retainage prior to the expense being incurred and requested reimbursement for the same expenditures twice.

### ***Recommendation***

The City should implement procedures to ensure that cash advances from HUD are disbursed within three business days of receipt of funds or ensure documentation is included in their files as to the reasons why the disbursement of funds could not be made in three business days. Additionally, the City should implement procedures to ensure reimbursements requests are not duplicated.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

### ***Views of Responsible Officials***

Management agrees with the finding. Management implemented a procedural change in November 2014 and believes this change has already corrected the identified disbursement delay issue. As a result of this procedural change, there were no delayed disbursement issues identified for the remainder of the fiscal year. Management strives to continually improve accuracy and efficiency and will continue to provide proper oversight and adequate training.

The request for reimbursement for retainage was an error and the process has been corrected to properly reflect the expenditure for accounting purposes. The process now holds the retainage in abeyance with respect to grant drawdowns until such time as there is evidence of project completion and impending payment. The City has additionally revised its process for preparing and submitting drawdowns to ensure duplicate payments are not made.

### **Finding# 2015-002: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Grant Number***

Community Development Block Grant: CFDA No. 14.218, Program Year 2015, U.S. Department of Housing and Urban Development, award B14-MC-51-0016

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with OMB No. 2506, grantees may include reports generated by the Integrated Disbursement and Information System, such as the C04PR26-CDBG Financial Summary (Financial Summary Report), as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement Program 90 days after the end of the grantee's program year.

In accordance with OMB and HUD requirements, an SF-425 Federal Financial Report must be completed quarterly for the CDBG. The *Federal Financial Report Instructions* published by the OMB, states that when completing the SF-425 Federal Financial Report, grantees should enter the cumulative amounts from the date of the inception of the award through the end date of the reporting specified on the report.

#### ***Condition Found***

In our testwork over the Financial Summary Report, we noted that information included in the report was not calculated correctly, which caused the earmarking ratios to be reported incorrectly. Additionally, upon correcting the Financial Summary report, it was identified that one of the earmarking compliance requirement was not met. The earmarking requirement for the percentage of CDBG funds obligated during the program year for public services is required to be less than 15%. In the current year it was 15.12% or an additional obligation of \$5,010 in public services.

*SF-425 Federal Financial Reports:* In our testwork over the four quarterly SF-425 Federal Financial Reports, all four reports were completed on a quarterly basis. Information was not represented on a cumulative basis from the inception of the award through the end date of the reporting specified on the report. Additionally, we were unable to obtain support for when the first quarter SF-425 Federal Financial Report was submitted.

## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

### ***Perspective and Questioned Costs***

*Financial Summary Report:* Management did not perform a detail review for accuracy of the Financial Summary Report and submitted the report with incorrect amounts. Once the issue was identified, the City resubmitted a corrected Financial Summary Report. There are no questioned costs associated with this finding.

*SF-425 Federal Financial Report:* The four reports tested were completed on a quarterly basis instead of a cumulative basis. There are no questioned costs associated with this finding.

### ***Cause and Effect***

Management did not perform a detail review for accuracy of the Financial Summary Report prior to submission of the Consolidated Annual Performance and Evaluation Report (CAPER). The requirement to report amounts on the SF-425 Federal Financial Reports on a cumulative basis was not administered consistently with the Federal Financial Report Instructions. The City followed informal guidance provided by a representative from the awarding agency and completed the SF-425 Federal Financial Reports on a quarterly basis.

### ***Recommendation***

The City should implement procedures to ensure that all reports submitted to HUD are properly reviewed prior to submission to ensure compliance with the reporting requirements.

### ***Views of Responsible Officials***

Management agrees with this finding. To address this finding, the City has implemented an internal process to assure timely and accurate submission. All reports will be prepared in advance of their due date, leaving sufficient time for review and corrections, as necessary. All reports will be reviewed by at least one senior team member prior to their submission. This process creates a check and balance system, clear lines of responsibilities, and a tool to confirm compliance.

Additionally, the City continues to hire a full complement of qualified staff and will ensure adequate training in the areas of grant management.

The Financial Summary (PR26) Report contained incorrect calculations that effected the reporting of three program spending ratios. The corrected PR26 indicates that the city spent greater than the maximum allowable for public service projects. Management strives to continually improve accuracy and will implement an additional level of review of the final submission prior to its release.

The City is currently filing form SF-425 on a timely basis. Additionally, the corrected PR26 report has been submitted to HUD.

### **Finding# 2015-003: Matching, Level of Effort, and Earmarking**

#### ***Program, CFDA No., Program Year, Federal Agency, Grant Number***

Community Development Block Grant: CFDA No. 14.218, Program Year 2015, U.S. Department of Housing and Urban Development, award B14-MC-51-0016

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

Year ended June 30, 2015

### ***Recipient***

City of Norfolk

### ***Criteria***

In accordance with 24 CFR section 570.201(e), the amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year.

### ***Condition Found***

Per review of the corrected Financial Summary Report used to communicate the compliance with the earmarking requirements, the percentage of CDBG funds obligated during the program year for public services was 15.12% or an additional obligation of \$5,010 in public services.

### ***Perspective and Questioned Costs***

The additional obligation in the current year above the earmarking requirement is \$5,010 out of \$4,175,233 in grant funds for the current year and program income from the prior year.

### ***Cause and Effect***

Management had not implemented a process for subsequent review of the CDBG budget during the year to ensure the earmarking requirements were met.

### ***Recommendation***

The City should implement a process to review the CDBG budget as compared to actual amounts throughout the year to ensure the earmarking requirements are met.

### ***Views of Responsible Officials***

Management agrees with this finding. To address this finding, the City has implemented an internal process to assure timely and accurate submission. All reports will be prepared in advance of their due date, leaving sufficient time for review and corrections, as necessary. All reports will be reviewed by at least one senior team member prior to their submission. This process creates a check and balance system, clear lines of responsibilities, and a tool to confirm compliance.

Additionally, the City continues to hire a full complement of qualified staff and will ensure adequate training in the areas of grant management.

The Financial Summary (PR26) Report contained incorrect calculations that effected the reporting of three program spending ratios. The corrected PR26 indicates that the city spent greater than the maximum allowable for public service projects. Management strives to continually improve accuracy and will implement an additional level of review of the final submission prior to its release.

The corrected PR26 report has been submitted to HUD.

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

Year ended June 30, 2015

### **Finding# 2015-004: Procurement and Suspension and Debarment**

#### ***Program, CFDA No., Program Year, Federal Agency, Grant Number***

Community Development Block Grant: CFDA No. 14.218, Program Year 2015, U.S. Department of Housing and Urban Development, award B14-MC-51-0016

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with 2 CFR part 180, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. "Covered Transactions" include those procurement contracts for goods or services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (now called System for Award Management (SAM)), collecting a certification from the entity, or adding a clause or condition to the contract related to the covered transaction with that entity.

#### ***Condition Found***

For three of the four vendors and subrecipients tested, management was unable to provide documentation of management's review of suspension and debarment prior to use of vendor's services.

#### ***Perspective and Questioned Costs***

There were no questioned costs as none of the vendors or subrecipients noted were identified as being suspended or debarred based on a subsequent review of the SAM.

#### ***Cause and Effect***

Management had not implemented a process for all types of contracts that supported management's determination and verification that a vendor or subrecipient was not suspended or debarred at the time of procurement.

#### ***Recommendation***

The City should implement a procedure to verify and document vendors' and subrecipient's suspension and debarment through the SAM, collecting a certification from the entity, or adding a clause or condition to the contract related to the covered transaction with the vendor.

#### ***Views of Responsible Officials***

Management agrees with the finding. The City is in the process of revising its procedures for verifying the suspension and debarment status of vendors via [www.SAM.gov](http://www.SAM.gov). Verification will occur during contract implementation, and prior to any contract amendment, to ensure compliance. Additionally, a copy of that verification document will be included in both the contract and project file.



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

Year ended June 30, 2015

### **Finding# 2015-005: Special Tests and Provisions – Comparability**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Title I, Part A, CFDA No. 84.010, Program Years 2011, 2012, 2013 and 2014, U.S. Department of Education, Virginia Department of Education, awards 2011-S010A110046, 2012-S010A110046, 2013-S010A110046 and 2014- S010A110046

#### ***Recipient***

Norfolk Public Schools

#### ***Criteria***

In accordance with Section 1120A of the No Child Left Behind Act, a local educational agency may receive funds under Title I, Part A and Title I, Part C only if state and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part. Each local educational agency shall develop procedures for compliance with the comparability requirements and maintain records that are updated biennially documenting such agency's compliance with the comparability requirements (the Comparability Report).

#### ***Condition Found***

Management uses the average number of students per instructional staff as a measure of comparability. The Comparability Report submitted to the Virginia Department of Education (VDOE) indicated that Norfolk Public Schools did not provide comparable services for the 2014-2015 school year for kindergarten through eighth grade schools. The VDOE notified Norfolk Public Schools (the Schools) regarding the noncompliance. Due to employee turnover, the Schools was unable to provide supporting documentation for the comparability report or proof of management review over the Comparability Report during our audit.

#### ***Perspective and Questioned Costs***

Management did not meet the comparability requirements. Based on the audit finding received from the VDOE, the Schools have added additional instructors to the school to meet the comparability requirements. There are no questioned costs associated with this finding.

#### ***Cause and Effect***

Due to employee turnover, management was not able to provide evidence of a management review process over the submission of the Comparability Report.

#### ***Recommendation***

The Schools should implement a process to review the information included in the Comparability Report and ensure adequate planning and ongoing monitoring to meet the comparability requirements.

#### ***Views of Responsible Officials***

Management agrees with the finding. Norfolk Public Schools has corrected the comparability issue identified by the Virginia Department of Education. Additionally, improvements have been made to the comparability data gathering and reporting process to ensure are all appropriate and supporting documents are maintained and filed.



## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

### **Finding# 2015-006: Special Tests and Provisions – Schoolwide**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Title I, Part A, CFDA No. 84.010, Program Years 2011, 2012, 2013 and 2014, U.S. Department of Education, Virginia Department of Education, awards 2011-S010A110046, 2012-S010A110046, 2013-S010A110046 and 2014- S010A110046

Special Education Cluster (IDEA), CFDA Nos. 84.027, 84.173, and 84.027A, Program Years 2012, 2013 and 2014, U.S. Department of Education, Virginia Department of Education, awards 2012- H027A120107, 2013- H027A130172 and 2014- H027A140107

#### ***Recipient***

Norfolk Public Schools

#### ***Criteria***

In accordance with 34 CFR section 200.25, a school may operate a schoolwide program if not less than 40 percent of the children enrolled in the school or residing in the school attendance area for the initial year of the schoolwide program are from low-income families. The locality is required to maintain records to demonstrate compliance with this requirement.

#### ***Condition Found***

In our initial sample of 5 schoolwide programs, management was unable to provide evidence of the number of children with low-income families for one school selected. Management determined the percentage of low-income families for a school based on the number of students receiving free and reduced meals. For the one school selected, management reported there were 700 students receiving free and reduced meals representing an 85.6% low-income percentage for the school. However, management was unable to provide supporting documentation for 87 students included in the schools free and reduced meal count. A decrease of 87 students in the free and reduced meal count would bring the school to a 74.9% low-income percentage.

In response to the sample above, we expanded the sample to an additional 27 schools to test 100% of schoolwide programs to address whether the percentage of students who received free-reduced meals reported for each school was greater than 40% based on the supporting documentation. In our additional sample of 27, management was unable to provide evidence of number of children from low-income families for one additional school. With respect to this school, management reported there were 631 students receiving free and reduced meals which equaled a 93.3% low-income percentage for the school. However, management was unable to provide supporting documentation for 244 students included in the school's free and reduced meal count. A decrease of 244 students in the free and reduced meal count would bring the school to a 57.2% low-income percentage.

#### ***Perspective and Questioned Costs***

There were no questioned costs related to this finding as the schools were determined to be in compliance with the 40% requirement.

#### ***Cause and Effect***

Management was not able to provide evidence of how the low-income count was derived for two schools.

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

Year ended June 30, 2015

### ***Recommendation***

The Schools should implement a procedure to ensure adequate documentation is maintained to demonstrate compliance with this requirement.

### ***Views of Responsible Officials***

Management agrees with the finding. The changes in student count identified resulted from schools closings and reconfigurations which required estimation of expected student movements for the Title I application. Appropriate documentation was not maintained for these estimations. As such, Norfolk Public Schools has made improvements to the Title I application process to ensure that supporting documentation is maintained as it relates to the number of eligible students.

### **Finding# 2015-007: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Special Education Cluster (IDEA), CFDA Nos. 84.027, 84.173, and 84.027A, Program Years 2012, 2013 and 2014, U.S. Department of Education, Virginia Department of Education, awards 2012- H027A120107, 2013- H027A130172 and 2014- H027A140107

#### ***Recipient***

Norfolk Public Schools

#### ***Criteria***

In accordance with 34 CFR section 300.132 through 300.144, each state is required to report to the Secretary an unduplicated count of children with disabilities receiving special education and related services. The local agency is required to establish procedures for counting the number of children with disabilities receiving special education and related services and required to certify to the State that an unduplicated and accurate count has been made.

#### ***Condition Found***

Norfolk Public Schools submitted an unduplicated count of children to the VDOE (December 1 count) which the VDOE used to create the December 1, 2014 count report. To test the inputs in the December 1, 2014 count report, we selected a sample of twenty five children and tested accuracy of significant data elements used in the December 1 count. Of the twenty five children selected, two children receiving special education services were coded to a different school than the school they attend. An additional child was determined to be eligible and receiving special education services prior to December 1, 2014 but was not included in the December 1 count report.

#### ***Perspective and Questioned Costs***

There were no questioned costs related to this finding.

#### ***Cause and Effect***

The management review control over the December 1 count was not operating effectively, which led to the inconsistencies in reporting.

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

Year ended June 30, 2015

### ***Recommendation***

The Schools should implement a process to ensure an adequate review is completed over the December 1 count report.

### ***Views of Responsible Officials***

Management agrees with the finding. Norfolk Public Schools is currently working on making improvements to the process that results in the annual December 1 count report. Improvements will include additional levels of documented reviews as well as a more comprehensive review at the student file level to ensure students are classified appropriately.

### **Finding# 2015-008: Special Tests and Provisions – Child Support Non-Cooperation**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through agency, Grant Number***

Temporary Assistance for Needy Families, CFDA No. 93.558, Program Year 2015, U.S. Department of Health and Human Services (HHS), Commonwealth of Virginia Department of Social Services, awards BEN-13-045-12

#### ***Recipient***

City of Norfolk

#### ***Criteria***

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

#### ***Condition Found***

In a sample of eighty instances of noncooperation tested, two families received additional monthly payments after benefits should have been terminated.

#### ***Perspective and Questioned Costs***

Out of eighty instances of noncooperation selected for testwork, there were two instances in which an individual inappropriately received TANF benefits in the amount of \$1,020.50 after the date upon which benefits should have been terminated. The total amount sampled was \$20,891. In each case, the individual had been receiving TANF benefits for longer than 6 months, and became noncompliant with DCSE regulations subsequent to the sixth month. Also, in each instance paternity had not been established. As such, the TANF case must be closed as soon as administratively possible. Because the City is the administrator of these local programs and the State provides payments directly to the individuals, there are no questioned costs to the City in relation to these findings.

#### ***Cause and Effect***

The requirement to stop benefit payments based on a DCSE referral was not administered in a timely manner, which led to inconsistencies in the process.

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

Year ended June 30, 2015

### ***Recommendation***

The City should enhance its process to ensure that benefit are terminated timely for all cases referred by the DSCE due to noncooperation.

### ***Views of Responsible Officials***

Management concurs with the finding. Over the past few years, the City has worked to strengthen and improve internal controls and the findings were a result of extraordinary circumstances/requirements beyond our local agency control. Demands on existing eligibility staff due to a challenging VDSS computer system change, the addition of FAMIS caseloads transferred from DMAS, and extensive changes in federal requirements for eligibility for MAGI that affected a large portion of our benefit operations continued into 2015. With the ongoing challenges, the City was only able to decrease the instances of errors from (3) instance in 2014 to (2) instances in 2015 for this program.

The City is committed to continuous improvement of internal controls and will redistribute the Standard Operating Procedure and review compliance with the supervisors. The TANF and VIEW workers continue to receive refresher training on DCSE policy. Notifications are received on the first of the month from the ADAPT notification system. On the sixth of the month, the Supervisor receives an alert on cases that have not been processed and alerts the worker to process immediately. Supervisors will continue to review 100% of case actions. Program Supervisors, on the ninth of the month, will check the notification system to make sure that case actions have been taken in ADAPT and on the work list. Standard operating procedures have been established to ensure timely and accurate processing of cases. All workers are advised to review the wrap-up menu screens in ADAPT to ensure accurate TANF payments. Workers will establish a claim or create a benefit adjustment as soon as possible following the discovery of an error. Management also established a special project where a TANF quality control Benefit Programs Senior worker reviews the DCSE cases for compliance. We also consolidated the TANF cases among three supervisory units and the cases are being transferred directly to those specialized TANF units.

### **Finding# 2015-009: Eligibility**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number***

Temporary Assistance for Needy Families, CFDA No. 93.558, Program Year 2015, U.S. Department of Health and Human Services (HHS), Commonwealth of Virginia Department of Social Services, award BEN-13-045-12

#### ***Recipient***

City of Norfolk

#### ***Criteria***

In accordance with the eligibility requirements of the TANF grant, the City is required to maintain sufficient documentation and approval support for the determination of compliance with the eligibility criteria for the individuals applying for TANF assistance. Specifically, the TANF Guidance Manual section 201.1 specifies each factor that is required for the individual to be eligible to receive benefits.

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

Year ended June 30, 2015

### ***Condition Found***

In a sample of sixty five selections selected for eligibility testwork, we noted no eligibility findings. However, as part of our testwork over the special tests and provisions –VIEW Sanctions, KPMG determined that one individual received TANF benefits and was not eligible. The individual received ineligible payments in the amount of \$259.

### ***Perspective and Questioned Costs***

There was one instance in which an individual inappropriately received TANF benefits in the amount of \$259 when they should not have. In this case, the individual received a VIEW sanction in March 2014 terminating TANF benefits. Six months later, the individual reapplied for TANF benefits claiming a dependent child. This application for TANF benefits was approved for the adult and child. However, TANF benefits should have only been approved for the child since the adult had a previously outstanding VIEW sanction. Eligibility is tested on an attribute and case basis and the benefits paid to the individuals in the sample tested were not quantified. Because the City is the administrator of these local funds and the State provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding.

### ***Cause and Effect***

The requirement to review and determine eligibility was not administered properly, which led to inconsistencies in the process.

### ***Recommendation***

The City should implement a process to ensure that all eligibility applications are properly approved and maintained. We further recommend that the City increase the frequency and precision level of management's review to ensure errors are detected and resolved in a timely manner.

### ***Views of Responsible Officials***

Management agrees with the findings. Individual training on proper procedures and TANF policies have been reinforced with all workers. Supervisors from the Intake Units will monitor the first 10 TANF cases monthly. Intake was redesigned in the past year so that TANF applications are assigned to one of the three units (WDC and Berkley). Additionally, dedicated worker(s) from the Intake Units may be assigned to all TANF applications for processing. The TANF refresher quarterly training Powerpoints will be used in Unit meetings to reinforce payment accuracy. Workers will establish a claim or create a benefit adjustment as soon as possible following the discovery of an error.

### **Finding# 2015-010: Reporting**

#### ***Program, CFDA No., Program Year, Federal Agency, Pass-Through agency, Grant Number***

HIV Emergency Relief Grant, CFDA No. 93.914, Program Years March 1, 2014 through February 28, 2015 and March 1, 2015 through February 28, 2016, U.S. Department of Health and Human Services (HHS), awards H89HA0053-16-01 and H89HA00053-17-01

### ***Recipient***

City of Norfolk

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

Year ended June 30, 2015

### ***Criteria***

In accordance with 45 CFR Section 74.52 and 92, the HHS awarding agency requires recipients to report the status of funds for all non-construction projects or programs. Grantees are required per the Office of Management and Budget (OMB) to use the SF-425 Federal Financial Report (FFR) to report the expenditures.

1. The submission of interim FFRs will be on a quarterly, semiannual, or annual basis, as directed by the federal agency. A final FFR shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For final FFRs, the reporting period end date shall be the end date of the project or grant period.
2. Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.
3. The agency requires cash management information to be reported on specific lines noted on the SF-425 form.
4. Grantees are required to enter cumulative amounts from date of the inception of the award through the end of the reporting period. For final FFRs, the reporting period end date shall be the end date of the project or grant period.

### ***Condition Found***

In a sample of two quarterly SF-425 FFRs tested, we noted the first quarter SF-425 was not completed by management. As such, management included the first quarter expenditures on the second quarter SF-425. Additionally, we noted the fourth quarter SF-425 was completed using quarterly amounts instead of cumulative amounts.

### ***Perspective and Questioned Costs***

The first quarter and second quarter expenditures were documented on the second quarter SF-425. The fourth quarter SF-425 was completed on a quarterly basis instead of a cumulative basis. There are no questioned costs associated with this finding.

### ***Cause and Effect***

The City did not have adequate staffing assigned to prepare the reports. The requirement to report amounts on a cumulative basis was not administered consistently with the FFR Instructions.

### ***Recommendation***

The City should implement a process to ensure that SF-425s are completed accurately and timely.

### ***Views of Responsible Officials***

Management agrees with this finding. To address this finding, the Department of Finance has implemented an internal process to assure timely submission of all grant reporting requirements. This process entails a joint evaluation by the Department's Accountant IV and the Senior Accounting Manager to review grant requirements, to prepare a reporting schedule, establish timeframes and identify responsible parties. This process creates a check and balance system, clear lines of responsibilities, and a tool for the Senior



## THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2015

Accounting Manager to confirm grant compliance. This also will provide an opportunity for the Granting Agency to confirm the City's understanding of Agency reporting and process requirements.

Additionally, the Department of Finance continues to hire a full complement of qualified staff and will ensure adequate training in the areas of grant management

### **(4) Findings and Questioned Costs Relating to Commonwealth of Virginia**

#### ***State Finding 2015-011: Conflicts of Interest***

In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3, Section 5*, local government officials are required to file a statement of economic interest with the clerk of the governing body annually. The specifications requires local government officials to provide extensive disclosure of personal financial interest that may cause conflicts. The annual disclosure forms are required to be filed on or before January 15<sup>th</sup> of each year. In our testwork of disclosure forms of fifteen local government officials, one was not filed on or before the deadline date. We recommend that the City implement a management review control over the process to ensure the disclosure forms are submitted within the appropriate time frame.

#### ***Views of Responsible Officials***

Management concurs with this finding, but notes that local elected officials are required to file a statement of economic interests twice a year, on December 15 and June 15, and certain other local government officials are required to file financial or real estate disclosures annually. The City is committed to obtaining and filing timely and accurate disclosure forms. It is noteworthy that all elected officials filed on time. Although we strive to meet the deadline by communicating extensively, obtaining these forms for those that serve on council-appointed bodies can on occasion be difficult. As we noted previously, when reappointing officials the City Council is now informed of the compliance status, which has significantly helped the City in obtaining these forms more timely. Additionally, last year the State Legislature changed the filing requirements such that, beginning January 1, 2016, the City Clerk is required to report the names of late filers to the Virginia Council of Conflict of Interests and Ethics Advisory Council and a \$500 fine is assessed.

#### ***State Finding 2015-012: Highway Maintenance (Weldon Cooper Survey)***

In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3, Section 13*, local government officials are required to submit the annual Weldon Cooper Center Local Finance Survey and its supporting schedules, worksheets, and other documentation every year. In our testwork of twenty five expenditures supporting the survey, we noted one expenditure was not accurately reported based upon the supporting documentation. In addition, we noted a total of eighteen invoices were not accurately reported on the Weldon Cooper Center Local Finance Survey. The net impact for the eighteen invoices was an overstatement of expenditures by \$425.22 out of the total expenditures sampled of \$195,708.16. We recommend that the City implement a management review control over the process to ensure that all expenditures submitted on the annual survey are accurate.

#### ***Views of Responsible Officials***

Management agrees with the finding, although recognizes the minimal over-reporting relative to the Total Eligible Expenditures. The \$425.22 related to Other Traffic Services (roadside) and was an overstatement of 0.02% of the \$1,715,379.27 total of that category and a 0.002% difference in the Total Eligible Expenditures

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

Year ended June 30, 2015

of \$27,826,125.71. Management strives to continually improve accuracy and will implement an additional level of review of the final submission prior to its release.

### ***State Finding 2015-013: Exonerations***

In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 2, Section 4*, the commissioner of revenue's office must approve all personal property exonerations. In our sample of twenty five personal property tax exonerations, none of the twenty five personal property tax exonerations reflected documentation indicating that they were reviewed and approved. However, we determined that the exonerations were properly calculated and recorded.

### ***Views of Responsible Officials***

Management agrees with the finding, and recognizes that all the exonerations were properly recorded. Management has communicated the need for this review and written approval, by signature, with the Commissioner of the Revenue. The Commissioner of the Revenue has indicated agreement of the need for written approve of all personal property exonerations and has incorporated the approval into the exoneration process.

### ***State Finding 2015-014: Virginia Retirement System***

In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3, Section 7*, the local government participating in the Virginia Retirement System (VRS) should reconcile the information in the entity's payroll system to the data in the monthly contribution confirmation in myVRS Navigator each month. The employer should confirm the contributions between the first and the 10th of the following month and schedule payment immediately after confirmation. Additionally the payment for the month must be scheduled immediately after confirming the data. In our sample of twelve months for the City of Norfolk, six months were confirmed after the 10th of the following month. For the sample of twelve months, payments were scheduled between 3 to 35 days after confirming the information, and no payments were submitted within 10 days of the following month. In our sample of three months for Norfolk Public Schools, all samples were confirmed within 10 days of the following month and payment was scheduled immediately for all samples. However, two out of the three samples were paid to VRS on the 14th of the following month.

### ***Views of Responsible Officials***

Management agrees with this finding. Both the City and Norfolk Public Schools strive to make timely monthly contributions to the Virginia Retirement System. While Norfolk Public Schools has ensured that confirmation is performed by the 10th of the following month, payment follows shortly thereafter normally within three days as allowed by VRS.



**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

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*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds. It is preliminary and subject to change prior to the delivery of the Bonds.*

[Letterhead of McGuireWoods LLP]

October 19, 2016

City Council of the City of Norfolk, Virginia  
Norfolk, Virginia

**City of Norfolk, Virginia**  
**\$10,500,000**  
**General Obligation Qualified Energy Conservation Bonds,**  
**Series 2016C**

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance and sale of the City's \$10,500,000 General Obligation Qualified Energy Conservation Bonds, Series 2016C (the "Bonds") dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon and are assuming the accuracy of (i) certifications and representations of the City and others contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds and (ii) certifications of public officials furnished to us, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes as required under Section 6431(f)(1)(D) of the Tax Code. We express no opinion regarding any other federal tax consequences with respect to the Bonds.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or equity.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the City dated September 21, 2016, and the Official Statement of the City dated September 27, 2016. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

[To be signed: MCGUIREWOODS LLP]

## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of October 19, 2016 (the "Closing Date") by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its \$10,500,000 General Obligation Qualified Energy Conversation Bonds, Series 2016C (the "Bonds"), pursuant to Ordinance No. 46,413, adopted by the City Council of the City on June 14, 2016 (the "Ordinance"). The proceeds of the Bonds are being used by the City, together with other available funds, to (i) finance energy conservation projects and (ii) pay the costs of issuance of the Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated September 27, 2016 (the "Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

**"Annual Financial Information"** with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-5, Assessed Valuation and Change in Property Tax Levy," "Table III-6, Real and Personal Property Tax Levies and Collections," "Table III-7, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

**"Dissemination Agent"** shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

**"Fiscal Year"** shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

**"Holder"** shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

**"Make Public"** or **"Made Public"** has the meaning set forth in Section 4 of this Disclosure Agreement.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board.

**"Participating Underwriter"** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

**"Rule"** shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

**"SEC"** shall mean the U.S. Securities and Exchange Commission.

**Section 2. Purpose of the Disclosure Agreement; Representation.** This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

**Section 3. Obligations of the City.** (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than March 31 after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;



(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year.

**Section 4. Information Made Public.** Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

**Section 5. Incorporation by Reference.** Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

**Section 6. CUSIP Numbers.** The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

**Section 7. Termination of Reporting Obligation.** The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

**Section 8. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

**Section 9. Identifying Information.** All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

**Section 10. Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

**Section 11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

**Section 12. Default.** Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or

any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

**Section 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

**CITY OF NORFOLK, VIRGINIA**

By: \_\_\_\_\_  
Marcus D. Jones,  
City Manager, City of Norfolk, Virginia

By: \_\_\_\_\_  
Christine Garczynski  
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

\_\_\_\_\_  
Office of the City Attorney  
City of Norfolk, Virginia

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## **APPENDIX D**

### **BOOK-ENTRY ONLY SYSTEM**

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## BOOK-ENTRY ONLY SYSTEM

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.



Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

