

**NEW ISSUE****Book-Entry Only**

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

**CITY OF NORFOLK, VIRGINIA**

<b>\$103,520,000</b>	<b>\$3,590,000</b>	<b>\$59,275,000</b>
<b>General Obligation</b>	<b>General Obligation</b>	<b>General Obligation</b>
<b>Capital Improvement Bonds, Series 2017A (Tax-Exempt)</b>	<b>Capital Improvement Bonds, Series 2017B (Taxable)</b>	<b>Refunding Bonds, Series 2017C (Tax-Exempt)</b>

**Dated: Date of Delivery****Due: As shown on the inside front cover pages**

The City of Norfolk, Virginia (the "City"), prepared this Official Statement to provide information on the above-referenced 2017A Bonds, 2017B Bonds and 2017C Bonds (collectively, 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.

**Tax Matters**

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in the section herein "TAX MATTERS-2017A BONDS AND 2017C BONDS" interest on the 2017A Bonds and the 2017C Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2017A Bonds and the 2017C Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations and may be subject to other federal income tax consequences as described in "TAX MATTERS-2017A BONDS AND 2017C BONDS."

In the opinion of Bond Counsel, under current law, interest on the 2017B Bonds is includable in gross income for federal income tax purposes, see "TAX MATTERS-2017B BONDS." 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. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See the sections herein "TAX MATTERS-2017A BONDS AND 2017C BONDS" and "TAX MATTERS-2017B BONDS" regarding other tax considerations.

**Security**

The Bonds are general obligations of the City. See the section herein "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

**Redemption**

See inside front pages and see the section "DESCRIPTION OF THE BONDS-Redemption Provisions," for a description of the redemption provisions for the Bonds.

**Authorization**

Ordinance No. 46,874 and Ordinance No. 47,028, adopted by the City Council of the City on June 27, 2017, and October 24, 2017, respectively.

**Purpose**

The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and provide long-term financing of certain costs that have been financed on an interim basis, (ii) refund certain outstanding general obligation bonds and (iii) pay the costs of issuance of the Bonds. See the section herein "PART I - APPLICATION OF PROCEEDS OF THE BONDS."

**Interest Payment Dates**

Interest on the 2017A Bonds and the 2017B Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2018. Interest on the 2017C Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2018.

**Record Date**

February 15 for the March 1 payment date and August 15 for the September 1 payment date.

**Registration**

Book-Entry Only; The Depository Trust Company.

**Denomination**

\$5,000 or multiples thereof.

**Closing/Delivery Date**

On or about December 5, 2017.

**Bond Counsel**

McGuireWoods LLP, Richmond, Virginia.

**Underwriters' Counsel**

Kaufman & Canoles, a Professional Corporation, Norfolk, Virginia.

**Financial Advisor**

PFM Financial Advisors, LLC, Arlington, Virginia.

**Registrar/Paying Agent**

Director of Finance of the City.

**Issuer Contact**

Director of Finance of the City. (757) 664-4346.

**J.P. Morgan****Loop Capital Markets****BofA Merrill Lynch****Raymond James****RBC Capital Markets**

Dated: November 14, 2017

**CITY OF NORFOLK, VIRGINIA**

**\$103,520,000**

**General Obligation Capital Improvement Bonds, Series 2017A (Tax-Exempt)**

**(Base CUSIP Number 655867)<sup>†</sup>**

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

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> Suffix</b>
2019	\$5,515,000	3.000%	102.964%	1.270%	VR7
2020	5,510,000	4.000	107.072	1.360	VS5
2021	5,510,000	5.000	112.794	1.470	VT3
2022	5,510,000	5.000	115.553	1.580	VU0
2023	5,510,000	5.000	117.968	1.700	VV8
2024	5,510,000	5.000	120.289	1.790	VW6
2025	5,510,000	5.000	120.219*	1.800*	VX4
2026	5,510,000	5.000	120.149*	1.810*	VY2
2027	5,510,000	5.000	120.008*	1.830*	VZ9
2028	5,395,000	5.000	119.518*	1.900*	WA3
2029	5,395,000	5.000	119.030*	1.970*	WB1
2030	5,395,000	5.000	118.545*	2.040*	WC9
2031	5,395,000	5.000	118.200*	2.090*	WD7
2032	5,395,000	5.000	117.650*	2.170*	WE5
2033	5,390,000	5.000	117.376*	2.210*	WF2
2034	5,390,000	5.000	117.239*	2.230*	WG0
2035	5,390,000	5.000	116.898*	2.280*	WH8
2036	5,390,000	5.000	116.762*	2.300*	WJ4
2037	5,390,000	5.000	116.558*	2.330*	WK1

<sup>\*</sup> Priced to first optional redemption date of September 1, 2024.

**OPTIONAL REDEMPTION**

The 2017A Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The 2017A Bonds maturing on or after September 1, 2025, are subject to redemption prior to their respective maturities on or after September 1, 2024, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

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

## CITY OF NORFOLK, VIRGINIA

**\$3,590,000**

### **General Obligation Capital Improvement Bonds, Series 2017B (Taxable)**

#### MATURITY, AMOUNT, INTEREST RATE, PRICE AND YIELD

\$3,590,000 3.793% Term Bonds, due September 1, 2047, priced at 100.00% to yield 3.793% CUSIP<sup>†</sup> 655867 VQ9

#### OPTIONAL REDEMPTION

Prior to March 1, 2027, the 2017B 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 2017B 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 2017B 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 2017B 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 15 basis points;

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

*Definition of Treasury Rate.* "Treasury Rate" means, with respect to any redemption date for any particular 2017B Bond, the greater of:

- (a) the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (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 prior to the redemption date (excluding inflation indexed securities) (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 redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense and such determination shall be conclusive and binding on the owners of the 2017B Bonds, or

- (b) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2017B Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has or have an actual or interpolated maturity comparable to the remaining average life of the 2017B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2017B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below),

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

the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each a 'Primary Treasury Dealer'); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2017B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

*Calculation of Redemption Price.* The redemption price of any 2017B 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.

The 2017B Bonds are subject to redemption prior to their respective maturities on or after March 1, 2027, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

#### MANDATORY REDEMPTION

The 2017B Bonds are term bonds maturing on September 1, 2047, and are subject to mandatory redemption in part, on September 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2017B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

<u>Year</u>	<u>Amount</u>
2038	\$300,000
2039	315,000
2040	325,000
2041	335,000
2042	350,000
2043	365,000
2044	380,000
2045	390,000
2046	405,000
2047 (final maturity)	425,000

**CITY OF NORFOLK, VIRGINIA**

**\$59,275,000**  
**General Obligation Refunding Bonds, Series 2017C (Tax-Exempt)**  
**(Base CUSIP Number 655867)<sup>†</sup>**

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

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> Suffix</b>
2018	\$465,000	2.000%	100.645%	1.120%	WL9
2019	460,000	3.000	102.964	1.270	WM7
2020	465,000	4.000	107.072	1.360	WN5
2021	470,000	5.000	112.794	1.470	WP0
2022	470,000	3.000	106.457	1.580	WQ8
2023	470,000	3.000	107.077	1.700	WR6
2024	4,540,000	3.000	107.647	1.790	WS4
2025	465,000	2.500	104.371	1.890	WT2
2026	460,000	2.500	104.070	1.990	WU9
2027	460,000	5.000	124.235*	2.100*	WV7
2028	465,000	5.000	123.196*	2.210*	WW5
2029	7,505,000	5.000	122.354*	2.300*	WX3
2030	8,175,000	5.000	121.703*	2.370*	WY1
2031	10,805,000	5.000	121.241*	2.420*	WZ8
2032	10,920,000	4.000	110.736*	2.680*	XA2
2033	4,695,000	4.000	109.962*	2.770*	XB0
2034	7,250,000	4.000	109.535*	2.820*	XC8
2035	205,000	4.000	109.109*	2.870*	XD6
2036	210,000	4.000	108.771*	2.910*	XE4
2043	320,000	5.000	117.974*	2.780*	XF1

\* Priced to first optional redemption date of March 1, 2027.

**OPTIONAL REDEMPTION**

The 2017C Bonds maturing on or before September 1, 2026, are not subject to optional redemption prior to maturity. The 2017C Bonds maturing on or after September 1, 2027, are subject to redemption prior to their respective maturities on or after March 1, 2027, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017C Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

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

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## **CITY OF NORFOLK, VIRGINIA**

### **CITY COUNCIL**

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

Mamie B. Johnson  
Andria P. McClellan  
Paul R. Riddick

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

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### **CITY OFFICIALS**

Douglas L. Smith, City Manager  
Christine Garczynski, Director of Finance  
Bernard A. Pishko, City Attorney

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#### **BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

#### **FINANCIAL ADVISOR**

PFM Financial Advisors, LLC  
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 underwriters listed on the front cover (collectively, the "Underwriters") may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overallot in arranging the sales of the Bonds and (ii) make purchases 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 Underwriters 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.

Certain information included in this Official Statement related to the fiscal year ending June 30, 2017, is based on preliminary, unaudited data available to the City. Actual audited results may be different, and the differences may be material.

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

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## OFFICIAL STATEMENT

### Relating to the Issuance of

#### CITY OF NORFOLK, VIRGINIA

<b>\$103,520,000</b> <b>General Obligation</b> <b>Capital Improvement Bonds,</b> <b>Series 2017A (Tax-Exempt)</b>	<b>\$3,590,000</b> <b>General Obligation</b> <b>Capital Improvement Bonds,</b> <b>Series 2017B (Taxable)</b>	<b>\$59,275,000</b> <b>General Obligation</b> <b>Refunding Bonds,</b> <b>Series 2017C (Tax-Exempt)</b>
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### 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 \$103,520,000 General Obligation Capital Improvement Bonds, Series 2017A (Tax-Exempt) (the "2017A Bonds"), \$3,590,000 General Obligation Capital Improvement Bonds, Series 2017B (Taxable) (the "2017B Bonds") and \$59,275,000 General Obligation Refunding Bonds, Series 2017C (Tax-Exempt) (the "2017C Bonds" and together with the 2017A Bonds and the 2017B Bonds, 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 ("Rule 15c2-12"), 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 Rule 15c2-12. 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 2017A Bonds and the 2017B Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2018. Interest on the 2017C Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2018. 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 February 15 for the March 1 payment date and August 15 for the September 1 payment date.

### Redemption Provisions

*Optional Redemption of the 2017A Bonds.* The 2017A Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The 2017A Bonds maturing on or after September 1, 2025, are subject to redemption prior to their respective maturities on or after September 1, 2024, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

*Manner of Redemption for 2017A Bonds.* If less than all of the 2017A Bonds are called for redemption, the maturities of such 2017A 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 2017A Bonds, if less than all of the 2017A Bonds within a maturity are to be redeemed, The Depository Trust Company ("DTC") and its participants shall determine which of such 2017A Bonds within a maturity are to be redeemed.

*Optional Redemption of the 2017B Bonds.* The 2017B Bonds are subject to redemption prior to their respective maturities on or after March 1, 2027, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

*Optional Redemption of the 2017B Bonds with Make Whole Payment.* Prior to March 1, 2027, the 2017B 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:

(1) the price set forth on page (ii) (but not less than 100%) of such 2017B 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 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of such 2017B Bonds (the "Scheduled Redemption Date"), 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 15 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" means, with respect to any redemption date for any particular 2017B Bond, the greater of:

(1) the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (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 prior to the redemption date (excluding inflation indexed securities) (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 redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense and such determination shall be conclusive and binding on the owners of the 2017B Bonds or

(2) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2017B Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has or have an actual or interpolated maturity comparable to the remaining average life of the 2017B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2017B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each a 'Primary Treasury Dealer'); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2017B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

*Manner of Redemption for the 2017B Bonds.* The 2017B Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The City shall, at least 35 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Director of Finance of the City) notify the Director of Finance of the City of such redemption date and of the principal amount of 2017B Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding 2017B Bonds of a single maturity, the particular 2017B Bonds or portions of 2017B Bonds to be redeemed shall be selected not more than 45 days and not less than 35 days prior to the redemption date by the Director of Finance of the City from the outstanding 2017B Bonds of the maturity or maturities designated by the City by such

method as the Director of Finance of the City shall deem fair and appropriate and which may provide for the selection for redemption of 2017B Bonds or portions of 2017B Bonds in principal amounts of \$5,000 and integral multiples thereof. If less than all of a term bond is to be redeemed, the aggregate principal amount to be redeemed shall be allocated to the amortization installments on a pro-rata basis unless the City, in its discretion, designates a different allocation.

If less than all of the outstanding 2017B Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the City and the paying agent (if the Director of Finance of the City is not the paying agent for such 2017B Bonds) in writing of the 2017B Bonds or portions of 2017B Bonds selected for redemption and, in the case of any 2017B Bond selected for partial redemption, the principal amount thereof to be redeemed.

*Mandatory Redemption of the 2017B Bonds.* The 2017B Bonds are term bonds maturing on September 1, 2047, and are subject to mandatory redemption in part, on September 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2017B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2038	\$300,000	2043	365,000
2039	315,000	2044	380,000
2040	325,000	2045	390,000
2041	335,000	2046	405,000
2042	350,000	2047 (final maturity)	425,000

*Optional Redemption of the 2017C Bonds.* The 2017C Bonds maturing on or before September 1, 2026, are not subject to optional redemption prior to maturity. The 2017C Bonds maturing on or after September 1, 2027, are subject to redemption prior to their respective maturities on or after March 1, 2027, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2017C Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

*Manner of Redemption for 2017C Bonds.* If less than all of the 2017C Bonds are called for redemption, the maturities of such 2017C 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 2017C Bonds, if less than all of the 2017C Bonds within a maturity are to be redeemed, DTC and its participants shall determine which of such 2017C Bonds within a maturity are to be redeemed.

*Notice of Redemption of the Bonds.* 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.

### **Defeasance of the 2017B Bonds**

Persons considering the purchase of a 2017B Bond should be aware that a defeasance of a 2017B Bond by the City prior to maturity could result in the realization of gain or loss by the beneficial owner of the 2017B Bond for federal income tax purposes, without any corresponding receipts of money by the beneficial owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners are advised to consult their own tax advisers with respect to the tax consequences resulting from such events. See the subsection "TAX MATTERS-2017B BONDS – 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. 46,874 and Ordinance No. 47,028, adopted by the City Council of the City (the "City Council") on June 27, 2017 and October 24, 2017, respectively (collectively, the "Ordinance").

The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital projects and provide long-term financing of certain costs that have been financed on an interim basis, (ii) refund certain outstanding general obligation bonds and (iii) 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 a portion of the proceeds of the 2017A Bonds and the 2017B Bonds to pay the costs of projects identified in the City's Capital Improvement Program, as the City Council may amend it from time to time. The financing includes providing long-term financing of certain costs that have been financed on an interim basis.

## **Refunding**

The City expects to use a portion of the proceeds of the 2017C Bonds, together with other available funds, to refund, redeem and defease all or portions of its general obligation bonds (the "Refunded Obligations") included in the tables below.

### **General Obligation Capital Improvement Bonds, Series 2010A (Base CUSIP Number 655867)<sup>†</sup>**

<b>Year of Maturity (March 1)</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Suffix<sup>†</sup></b>
2019	\$165,000	4.000%	03/01/2018	100%	HD4
2020	165,000	4.000	03/01/2018	100	HE2
2021	165,000	3.500	03/01/2018	100	HF9
2022	165,000	3.500	03/01/2018	100	HG7
2023	165,000	3.500	03/01/2018	100	HH5
2024	165,000	3.500	03/01/2018	100	HJ1
2025	165,000	3.625	03/01/2018	100	HK8
2026	165,000	3.750	03/01/2018	100	HL6
2027	165,000	3.750	03/01/2018	100	HM4
2028	165,000	4.000	03/01/2018	100	HN2
2029	165,000	4.000	03/01/2018	100	HP7
2030	165,000	4.000	03/01/2018	100	HQ5
2031	165,000	4.250	03/01/2018	100	HU6

### **General Obligation Capital Improvement Bonds, Series 2010E (Tax-Exempt-Recovery Zone Facility Bonds) (Base CUSIP Number 655867)<sup>†</sup>**

<b>Year of Maturity (March 1)</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Suffix<sup>†</sup></b>
2019	\$250,000	3.000%	03/01/2018	100%	JW0
2020	250,000	3.000	03/01/2018	100	JX8
2021	250,000	3.500	03/01/2018	100	JY6
2022	250,000	4.000	03/01/2018	100	JZ3
2023	250,000	4.000	03/01/2018	100	KA6
2024	250,000	4.000	03/01/2018	100	KB4
2025	250,000	4.000	03/01/2018	100	KC2
2026	250,000	4.000	03/01/2018	100	KD0
2027	250,000	4.000	03/01/2018	100	KE8
2028	250,000	4.000	03/01/2018	100	KF5
2029	250,000	4.000	03/01/2018	100	KG3
2030	250,000	4.000	03/01/2018	100	KH1
2031	250,000	4.000	03/01/2018	100	KJ7

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

**General Obligation Capital Improvement Bonds, Series 2013A (Tax-Exempt)  
(Base CUSIP Number 655867)<sup>†</sup>**

<b>Year of Maturity (August 1)</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Suffix<sup>†</sup></b>
2024	\$4,455,000	5.000%	08/01/2023	100%	QZ5
2029	7,280,000	5.000	08/01/2023	100	RE1
2030	6,410,000	5.000	08/01/2023	100	RP6
2030	1,295,000	4.000	08/01/2023	100	RF8
2031	10,685,000	5.000	08/01/2023	100	RG6
2032	10,845,000	5.000	08/01/2023	100	RH4
2033	4,680,000	4.300	08/01/2023	100	RJ0
2034	4,470,000	5.000	08/01/2023	100	RN1
2034	2,800,000	4.250	08/01/2023	100	RK7
2038*	520,000	5.000	08/01/2023	100	VN6
2043**	375,000	4.625	08/01/2023	100	VP1

\* The 2038 term bond will be refunded by refunding the following principal amounts to the principal payments due on August 1 of the year indicated: \$255,000 (2035) and \$265,000 (2036).

\*\* The 2043 term bond will be refunded by refunding the \$375,000 of principal from the principal payment due on August 1, 2043.

**Escrow Agreement and Defeasance**

A portion of the proceeds of the 2017C Bonds, together with other available funds, in the aggregate amount of \$68,045,901.15, will be deposited with Wilmington Trust, N.A. (the "Escrow Agent"), pursuant to an Escrow Agreement to be dated the date of delivery of the 2017C Bonds, between the City and the Escrow Agent (the "Escrow Agreement"). The Escrow Agreement will provide for the purchase of non-callable, full, faith and credit obligations of the Treasury (the "Escrow Securities") that will mature and bear interest at times and in amounts sufficient to pay the principal of, premium and interest on the Refunded Obligations. The sufficiency of the Escrow Securities deposited with the Escrow Agent was verified by Robert Thomas CPA, LLC. See the section herein "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Contemporaneously with the closing of the Bonds, the City will use approximately \$5,246,183.42 of its own money to fund an escrow fund under a separate escrow agreement with the Escrow Agent to defease the 2018 maturity (with a principal amount of \$5,310,000) of the City's General Obligation Refunding Bonds, Series 2010G.

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

## 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:

	<u>2017A Bonds</u>	<u>2017B Bonds</u>	<u>2017C Bonds</u>	<u>Total</u>
Sources of Proceeds:				
Par Amount of Bonds	\$103,520,000.00	\$3,590,000.00	\$59,275,000.00	\$166,385,000.00
Original Issue Premium	17,136,503.35	-	8,951,785.35	26,088,288.70
City Contribution	-	-	101,454.44	101,454.44
Total:	<u>\$120,656,503.35</u>	<u>\$3,590,000.00</u>	<u>\$68,328,239.79</u>	<u>\$192,574,743.14</u>
Uses of Proceeds:				
Deposit to Project Fund	\$120,185,355.00	\$3,563,018.94	\$                  -	\$123,748,373.94
Refunding Escrow Deposit:	-	-	68,045,901.15	68,045,901.15
Costs of Issuance*	471,148.35	26,981.06	282,338.64	780,468.05
Total:	<u>\$120,656,503.35</u>	<u>\$3,590,000.00</u>	<u>\$68,328,239.79</u>	<u>\$192,574,743.14</u>

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

## SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

### General

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

The City has never defaulted in the payment of either principal of, or interest on, any 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 2017, the

Commonwealth provided approximately \$108,219,759 (unaudited) 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-2017A BONDS AND 2017C BONDS**

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

Bond Counsel's opinions regarding the 2017A Bonds and the 2017C Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by the City and certain other persons and entities, interest on the 2017A Bonds and the 2017C Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2017A Bonds and the 2017C Bonds) (i) is excludable from the gross income of the owners of the 2017A Bonds and the 2017C Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2017A Bonds and the 2017C Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. See Appendix B for the form of the opinions of Bond Counsel for the 2017A Bonds and the 2017C Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2017A Bonds and the 2017C Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2017A Bonds and the 2017C Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

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

As to questions of fact material to its opinion regarding the 2017A Bonds and the 2017C Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of the City and other third parties, and public officials, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2017A Bonds and the 2017C Bonds in order

for interest on the 2017A Bonds and the 2017C Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2017A Bonds and the 2017C Bonds and the use of the property financed or refinanced by the 2017A Bonds and the 2017C Bonds, limitations on the source of the payment of and the security for the 2017A Bonds and the 2017C Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2017A Bonds and the 2017C Bonds to the Treasury. Prior to the issuance of the 2017A Bonds and the 2017C Bonds, the City will enter into a tax certificate for the 2017A Bonds and the 2017C Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which the City has agreed to comply. A failure to comply with the Covenants could cause interest on the 2017A Bonds and the 2017C Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2017A Bonds and the 2017C Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2017A Bonds and the 2017C Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2017A Bonds and the 2017C Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

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

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2017A Bonds and the 2017C Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2017A Bonds and 2017C Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2017A Bonds and the 2017C Bonds.

Prospective purchasers of the 2017A Bonds and the 2017C Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2017A Bonds and the 2017C Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any 2017A Bond owner or to any 2017C Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2017A Bond owner or 2017C Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## **Original Issue Discount**

The "original issue discount" ("OID") on any 2017A Bond and 2017C Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the 2017A Bonds and the 2017C Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the 2017A Bonds and the 2017C Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2017A Bonds and the 2017C Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

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

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

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

## **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition

cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

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

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the 2017A Bonds or the 2017C Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2017A Bonds or the 2017C Bonds, as applicable, will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2017A Bonds or the 2017C Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2017A Bonds or the 2017C Bonds, as applicable.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. For example, the tax reform bill that has been filed in the House of Representatives (the Tax Cuts and Jobs Act, released on November 2, 2017), proposes changes to both corporate and individual tax rates and eliminates the federal tax exemption for interest on private activity bonds and advance refunding bonds. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2017A Bonds and the 2017C Bonds, regulatory interpretation of the Code or actions by a court involving either the 2017A Bonds, the 2017C Bonds or other tax-exempt obligations will not have an adverse effect on the 2017A Bonds and the 2017C Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2017A Bonds and the 2017C Bonds.

Prospective purchasers of the 2017A Bonds and the 2017C Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

Bond Counsel's opinion also will state that, under current law, interest on the 2017A Bonds and the 2017C 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 2017A Bonds and the 2017C Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2017A Bonds and the 2017C Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2017A Bonds and the 2017C Bonds should consult their own tax advisors regarding the tax status of interest on the 2017A Bonds and the 2017C Bonds in a particular state or local jurisdiction other than the Commonwealth.

## TAX MATTERS-2017B BONDS

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

Bond Counsel's opinion with respect to the 2017B Bonds will state that, based on current law, interest on the 2017B Bonds is includable 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 2017B Bonds. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2017B Bonds.

### **Summary**

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2017B Bonds as of the date hereof. Each prospective purchaser of the 2017B Bonds should consult with its own tax advisor regarding the application of United States 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 2017B 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 2017B Bonds that are "U.S. holders," as hereinafter defined, deals only with 2017B 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 2017B 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 2017B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2017B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2017B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States 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 United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

## **General Federal Income Tax Status of the 2017B Bonds**

The 2017B 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 2017B Bonds that allocate a basis in the 2017B Bonds that is greater than the principal amount of the 2017B 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 2017B Bonds for an amount that is less than the principal amount of the 2017B 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 2017B 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 2017B Bonds**

Upon a sale or exchange of a 2017B Bond, an owner generally will recognize gain or loss on the 2017B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2017B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2017B Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a 2017B Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includable in the gross income of the owner with respect to the 2017B Bonds and decreased by any principal payments received on the 2017B Bond. In general, if the 2017B 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 2017B 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 2017B Bond.

## **Foreign Investors**

Distributions of the 2017B Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2017B Bond generally will be made free of withholding tax, as long as the non-U.S. holder has complied with certain tax identification and certification requirements.

## **Backup Withholding**

Under current United States 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 2017B 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.

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

Bond Counsel's opinion also will state that, under current law, interest on the 2017B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2017B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2017B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2017B Bonds should consult their own tax advisors regarding the tax status of interest on the 2017B 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+' (with a positive outlook) 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 2016 are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants. Certain information included in this Official Statement related to the fiscal year ending June 30, 2017, is based on preliminary, unaudited data available to the City. Actual audited results may be different, and the differences may be material.

## **FINANCIAL ADVISOR**

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

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

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

## **RELATIONSHIP OF PARTIES**

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, represents each Underwriter from time to time in unrelated matters. Kaufman & Canoles, a Professional Corporation, Underwriters' Counsel, represents the Economic Development Authority of the City of Norfolk (the "EDA"), which is a separate legal entity and distinct from the City.

## **UNDERWRITING**

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and J.P. Morgan Securities LLC, as representatives of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of \$192,200,380.41 (representing the sum of (i) the \$103,520,000.00 par amount of the 2017A Bonds, plus original issue premium of \$17,136,503.35 less an underwriting discount of \$163,612.07 on such 2017A Bonds, (ii) \$3,590,000.00 par amount of the 2017B Bonds less an underwriting discount of \$15,277.74 on such 2017B Bonds and (iii) \$59,275,000.00 par amount of the 2017C Bonds, plus original issue premium of \$8,951,785.35 less an underwriting discount of \$94,018.48 on such 2017C Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

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

The Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in

connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriters to accept delivery of the Bonds is subject to the terms and conditions set forth in the Bond Purchase Agreement, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

## **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 Rule 15c2-12. 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.

## **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 Rule 15c2-12.

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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*Douglas L. Smith*  
City Manager

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*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 September 30, 2017, the total assessed value of taxable real property in the City was \$19,777,376,818. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,977,737,682. 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 September 30, 2017, was \$1,041,864,676 representing 52.68% of the constitutional debt limit.

**Table II-1**  
**City of Norfolk, Virginia**  
**Computation of Legal Debt Margin<sup>(1)</sup>**  
**September 30, 2017**

Total Assessed Value of Taxed Real Property	\$19,777,376,818
Debt Limit-10 percent of Total Assessed Value	1,977,737,682
Amount of Debt Applicable to Debt Limit:	
Gross Debt <sup>(2)(3)</sup>	\$ 840,970,798
Line of Credit Note <sup>(4)</sup>	189,673,878
Economic Development Authority Revenue Note <sup>(5)</sup>	11,220,000
Total Amount of Debt Applicable to Debt Limit	<u>\$1,041,864,676</u>
Legal Debt Margin <sup>(6)(7)</sup>	<u><u>\$ 935,873,006</u></u>
Amount of Debt as a percent of Debt Limit	<u><u>52.68%</u></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 \$189,673,878 on a General Obligation guaranty of up to \$200,000,000 on the revolving line of credit issued in December 2014. The revolving line of credit matures on December 17, 2018.
  - (5) Includes the outstanding balance of \$11,220,000 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 \$363,286,667.

## **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 September 30, 2017. 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 September 30, 2017. 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** (1) (2) (4) (5) (6) (7)

	<b>As of</b> <b>September 30, 2017</b>
A. General Fund Outstanding Debt	
General Fund Bonds Outstanding Debt <sup>(6)</sup>	\$525,694,260
Self-Supporting General Fund Bonds Outstanding Debt <sup>(7)</sup>	16,194,140
Total General Fund Outstanding Debt	<hr/> \$541,888,401 <hr/>
B. Special Revenue Fund and Enterprise Fund Bonds Outstanding Debt <sup>(3)</sup>	<hr/> \$299,082,398 <hr/>
C. Total General Obligation Bond Indebtedness Outstanding Debt (A+B)	<hr/> \$840,970,798 <hr/>

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 \$363,286,667.

(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 2008 – 2017**

<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>
2008	\$695,809	\$2,864	3.78%
2009	736,163	3,018	3.80
2010	887,772	3,656	4.45
2011	826,874	3,389	4.28
2012	875,786	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	796,268	3,223	4.17
2017 <sup>(7)</sup>	858,219	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, 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, 2016, 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 2008 - 2017 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, 2017 <sup>(1)</sup>**

<b>Maturing By Fiscal Year</b>	<b>Cumulative Amount Matured</b>	<b>Percent of Principal Retired</b>
2022	\$303,408,561	35.35%
2027	556,141,848	64.80
2032	713,862,566	83.18
2037	813,139,014	94.75
2042	843,219,448	98.25
2047	858,219,448	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 2008 – 2017**

<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<sup>(3)</sup></b>
2008	\$64,167,472	\$574,581,092	11.17%
2009	71,794,806	584,553,217	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
2016	73,130,582	596,768,904	12.25
2017 <sup>(3)</sup>	77,812,952	618,253,753	12.58

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

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.

(3) Figures are unaudited.

**Table II-6**  
**City of Norfolk, Virginia**  
**Ratio of Net General Bonded Debt to Assessed Value and**  
**Net Bonded Debt Per Capita**  
**Fiscal Years 2008 – 2017**

<b>Fiscal Year Ended June 30</b>	<b>Estimated Population</b>	<b>Assessed Value of Taxable Property (In Thousands)</b>	<b>Gross Bonded Debt <sup>(1)</sup></b>	<b>Debt Payable from Enterprise Revenue<sup>(1)</sup></b>	<b>Net Bonded Debt<sup>(1)</sup></b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2008	242,983	\$20,578,641	\$695,809,191	\$124,092,000	\$571,717,191	2.78%	\$2,353
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	887,771,667	199,619,847	688,151,820	3.16	2,834
2011	243,985	21,383,674	826,873,664	187,198,781	639,674,883	2.99	2,622
2012	245,803	20,529,023	875,785,664	187,909,550	687,876,114	3.35	2,798
2013	246,392	20,093,307	817,078,050	179,134,625	637,943,425	3.17	2,589
2014	246,394	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
2016	247,087	21,366,996	796,267,937	225,811,662	570,456,274	2.67	2,309
2017 <sup>(2)</sup>	N/A	21,918,700	858,219,448	244,032,413	614,187,034	2.80	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia. The source of 2008 and 2009 and 2011 through 2016 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, 2016, 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.  
 (2) Figures are unaudited.

**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			Total Debt Service		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2018	\$57,382,131	\$35,258,552	\$92,640,683	\$ -	\$614,046	\$614,046	\$57,382,131	\$35,872,598	\$93,254,729
2019	60,420,613	31,261,327	91,681,940	465,000	8,942,050	9,407,050	60,885,613	40,203,376	101,088,990
2020	62,637,092	28,615,611	91,252,703	5,975,000	7,618,269	13,593,269	68,612,092	36,233,880	104,845,972
2021	59,854,272	25,950,873	85,805,145	5,975,000	7,409,144	13,384,144	65,829,272	33,360,017	99,189,288
2022	56,144,453	23,456,974	79,601,427	5,980,000	7,140,144	13,120,144	62,124,453	30,597,117	92,721,570
2023	55,365,800	21,060,414	76,426,214	5,980,000	6,845,844	12,825,844	61,345,800	27,906,257	89,252,058
2024	53,868,344	18,703,807	72,572,151	5,980,000	6,556,244	12,536,244	59,848,344	25,260,050	85,108,395
2025	44,450,331	16,562,556	61,012,888	10,050,000	6,205,594	16,255,594	54,500,331	22,768,150	77,268,481
2026	46,674,346	14,470,916	61,145,261	5,975,000	5,856,181	11,831,181	52,649,346	20,327,097	72,976,442
2027	45,844,466	12,358,497	58,202,963	5,970,000	5,569,119	11,539,119	51,814,466	17,927,616	69,742,082
2028	40,824,559	10,460,851	51,285,411	5,970,000	5,276,369	11,246,369	46,794,559	15,737,220	62,531,779
2029	31,170,290	8,865,633	40,035,923	5,860,000	4,980,619	10,840,619	37,030,290	13,846,252	50,876,542
2030	24,865,290	7,571,200	32,436,489	12,900,000	4,511,619	17,411,619	37,765,290	12,082,819	49,848,108
2031	24,455,290	6,457,903	30,913,193	13,570,000	3,849,869	17,419,869	38,025,290	10,307,772	48,333,062
2032	9,075,290	5,297,730	14,373,019	16,200,000	3,105,619	19,305,619	25,275,290	8,403,348	33,678,638
2033	20,180,290	4,597,973	24,778,262	16,315,000	2,347,344	18,662,344	36,495,290	6,945,317	43,440,606
2034	14,625,290	3,930,769	18,556,059	10,085,000	1,765,419	11,850,419	24,710,290	5,696,188	30,406,477
2035	8,890,290	3,412,702	12,302,992	12,640,000	1,257,019	13,897,019	21,530,290	4,669,721	26,200,011
2036	16,165,290	2,896,331	19,061,621	5,595,000	838,419	6,433,419	21,760,290	3,734,750	25,495,040
2037	16,100,290	2,208,858	18,309,147	5,600,000	560,619	6,160,619	21,700,290	2,769,476	24,469,766
2038	13,400,290	1,562,923	14,963,213	5,390,000	286,919	5,676,919	18,790,290	1,849,842	20,640,131
2039	9,685,145	1,123,648	10,808,793	300,000	146,479	446,479	9,985,145	1,270,127	11,255,272
2040	2,315,000	914,725	3,229,725	315,000	134,816	449,816	2,630,000	1,049,541	3,679,541
2041	2,330,000	820,350	3,150,350	325,000	122,678	447,678	2,655,000	943,028	3,598,028
2042	2,350,000	741,575	3,091,575	335,000	110,161	445,161	2,685,000	851,736	3,536,736
2043	3,565,000	631,625	4,196,625	350,000	97,170	447,170	3,915,000	728,795	4,643,795
2044	2,610,000	487,750	3,097,750	685,000	75,610	760,610	3,295,000	563,360	3,858,360
2045	2,710,000	354,750	3,064,750	380,000	53,481	433,481	3,090,000	408,231	3,498,231
2046	2,815,000	216,625	3,031,625	390,000	38,878	428,878	3,205,000	255,503	3,460,503
2047	2,925,000	73,125	2,998,125	405,000	23,801	428,801	3,330,000	96,926	3,426,926
2048	-	-	-	425,000	8,060	433,060	425,000	8,060	433,060
Totals	<b>\$793,699,448</b>	<b>\$290,326,574</b>	<b>\$1,084,026,022</b>	<b>\$166,385,000</b>	<b>\$92,347,599</b>	<b>\$258,732,599</b>	<b>\$960,084,448</b>	<b>\$382,674,173</b>	<b>\$1,342,758,620</b>

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

- Notes:
- (1) Figures may not sum due to rounding.
  - (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, Parking Fund and the Towing and Recovery Fund, which are all special revenue funds.
  - (4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 3.74% and the City's 2013 Variable Rate Loan, assuming an average interest rate of 4.22%.
  - (5) Includes all interest on the Build America Bonds, Recovery Zone Economic Development Bonds, Qualified School Construction Bonds and Qualified Energy Conservation Bonds 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, 2018.

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 certain general obligation bonds. 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 \$200,000,000. 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, 2018.

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 unaudited Fiscal Year 2017 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 2018 on May 23, 2017. The total of the CIP budget for Fiscal Year 2018 is \$84,229,933, which includes \$11,802,456 in cash contributions. Each capital project included in the CIP budget for Fiscal Year 2018 is either approved for funding in the CIP budget for Fiscal Year 2018 or included as a planned project in Fiscal Years 2019 through 2022. 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 budget for Fiscal Year 2018 is summarized in Table II-8.

**Table II-8**  
**City of Norfolk, Virginia**  
**Capital Improvement Program for Fiscal Year 2018**

Uses	Fiscal Year 2018
General Capital Projects	\$26,911,400
Parking Fund Projects	2,900,000
Storm Water Fund Projects	7,615,200
Water Fund Projects	26,403,333
Wastewater Fund Projects	20,000,000
Waste Management Fund Projects	<u>400,000</u>
 Total Capital Program	 <u>\$84,229,933</u>
 <b>Appropriation Source</b>	
General Capital Projects	
From Bond Issue	\$23,575,453
Reappropriation of Prior Bond Authorization	748,691
From General Fund	1,587,256
From Public Amenities	1,000,000
 Parking Fund Projects	
From Cash	2,900,000
 Storm Water Fund Projects	
From Bond Issue	6,300,000
From Cash	1,315,200
 Water Fund Projects	
From Bond Issue	21,403,333
From Cash	5,000,000
 Wastewater Fund Projects	
From Bond Issue	20,000,000
 Waste Management Fund Projects	
From Bond Issue	<u>400,000</u>
 Total Capital Program	 <u>\$84,229,933</u>

Sources: Capital Improvement Program Budget, Fiscal Year 2018.

**Table II-9**  
**City of Norfolk, Virginia**  
**Capital Improvement Program**  
**Fiscal Years 2018 – 2022**

<b>Description</b>	<b>FY-2018 Budget</b>	<b>FY-2019 Plan</b>	<b>FY-2020 Plan</b>	<b>FY-2021 Plan</b>	<b>FY-2022 Plan</b>	<b>FY 2018 – 2022 Total</b>
General Capital	\$26,911,400	\$31,093,400	\$24,368,400	\$21,729,400	\$21,064,400	\$125,167,000
Storm Water Fund	7,615,200	7,615,200	7,615,200	7,615,200	7,615,200	38,076,000
Parking Facilities Fund	2,900,000	9,900,000	2,900,000	2,900,000	2,900,000	21,500,000
Wastewater Fund	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	100,000,000
Waste Management Fund	400,000	-	-	-	-	400,000
Water Fund	26,403,333	25,723,333	20,723,334	22,150,000	29,170,000	124,170,000
<b>Total Capital Improvement Program</b>	<b>\$84,229,933</b>	<b>\$94,331,933</b>	<b>\$75,606,934</b>	<b>\$74,394,600</b>	<b>\$80,749,600</b>	<b>\$409,313,000</b>

Source: Capital Improvement Program Budget, Fiscal Year 2018.

## **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 2016 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 Norfolk 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 2016 – General Fund Operating Budget and Results" for a discussion of the General Fund Operating Budget for Fiscal Years 2016, 2017 and 2018.

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 each Fiscal Year, including Fiscal Year 2018. 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 and has maintained the maximum balance through Fiscal Year 2017. 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 2018 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 and \$4.25 for machinery and tools. 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.

### **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 2008 – 2017**  
**(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>
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
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	N/A	166,686	684,200
2017 <sup>(1)</sup>	269,816	169,539	3,576	921	7,786	62,315	12,030	N/A	170,843	696,826

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

**Table III-1B**  
**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Fiscal Years 2008 – 2017**  
**(Amounts in Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Consumption Utility Taxes</b>	<b>Sales and Use Taxes</b>	<b>Restaurant Food Taxes</b>	<b>Business License Taxes</b>	<b>Cigarette Taxes</b>	<b>Motor Vehicle Licenses</b>	<b>Other</b>	<b>Total</b>
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
2016	41,849	30,330	34,224	28,935	7,784	4,448	18,424	166,034
2017 <sup>(1)</sup>	41,542	31,185	34,934	30,557	7,860	4,642	18,908	169,628

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

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, 2017, was approximately \$21.9 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$11 billion for Fiscal Year 2016 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 2008 – 2017**  
**(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>
2008	\$18,401,851	\$1,983,503	\$193,287	\$20,578,641	\$20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,738	1,952,956	277,302	21,336,996	21,336,996
2017 <sup>(4)</sup>	19,433,889	2,219,662	265,149	21,918,700	21,918,700

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

- 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.
  - (4) Figures are unaudited.

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

<b>Fiscal Year Ended June 30</b>	<b>Property Owned By:</b>											
	<b>Federal Government</b>		<b>City of Norfolk</b>		<b>Norfolk Redevelopment and Housing Authority</b>		<b>Commonwealth of Virginia</b>		<b>All Other Organizations<sup>(2)</sup></b>		<b>Total</b>	
2012	\$4,122,082	\$45,755	\$2,177,030	\$24,165	\$615,196	\$6,829	\$87,631	\$973	\$2,744,048	\$30,459	\$9,745,987	\$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	10,623,469	117,921
2014	5,031,661	57,864	2,287,727	26,309	594,528	6,837	87,466	1,006	2,872,631	33,035	10,874,013	125,051
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
2016	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 2014 through 2018.

**Table III-4**  
**City of Norfolk, Virginia**  
**Direct Property Rates**  
**Fiscal Years 2014 – 2018**

	<b>Fiscal Year</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Property tax rate per \$100 of assessed value:					
Real Property	\$1.15	\$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	1.15	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%	98.00%	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Approved Operating Budgets, Fiscal Years 2017 and 2018.

Note: (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 2012 through 2016.

**Table III-5**  
**City of Norfolk, Virginia**  
**Assessed Valuation and Change in Property Tax Levy**  
**Fiscal Years 2012 – 2016**  
**(Amounts In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Assessed Valuation</b>			<b>Percentage Increase in Property Tax Levy</b>
	<b>Real Property</b>	<b>Personal Property &amp; Other</b>	<b>Property Tax Levy</b>	
2012	\$18,676,729	\$1,852,294	\$247,529	(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
2016	19,106,738	2,230,258	264,043	3.13

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

Table III-6 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2007 through 2016.

**Table III-6**  
**City of Norfolk, Virginia**  
**Real and Personal Property Tax Levies and Collections<sup>(1)</sup>**  
**Fiscal Years 2007 – 2016**  
**(In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Original Tax Levy</b>	<b>Adjusted Tax Levy<sup>(2)</sup></b>	<b>Current Collections</b>	<b>Percent of Current Collections</b>		<b>Total Collections</b>	<b>Percentage of Total Tax Collections to Tax Levy<sup>(3)</sup></b>
				<b>to Tax Levy<sup>(3)</sup></b>	<b>Delinquent Collections</b>		
2007	\$254,703	\$228,209	\$219,993	96.40%	\$10,112	\$230,105	100.83%
2008	258,016	241,101	220,253	91.35	23,122	243,375	100.94
2009	261,535	254,471	233,725	91.85	18,246	251,971	99.02
2010	258,544	257,277	239,192	92.97	18,646	257,838	100.22
2011	254,756	252,794	235,518	93.17	16,506	252,024	99.70
2012	247,528	246,876	233,396	94.54	12,754	246,150	99.71
2013	244,309	244,410	229,872	94.05	12,298	242,170	99.08
2014	254,008	254,137	240,481	94.63	12,170	252,651	99.42
2015	256,040	260,110	245,803	94.50	10,532	256,335	98.55
2016	264,043	265,008	251,933	95.07	-	251,933	95.07

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

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 2017. The aggregate assessed value of the 10 largest taxpayers represented approximately 4.5% of the City's total assessable base at June 30, 2017.

**Table III-7**  
**City of Norfolk, Virginia**  
**Ten Principal Real Property Taxpayers<sup>(1)</sup>**  
**June 30, 2017**

<b>Taxpayer</b>	<b>2008</b>			<b>2017<sup>(2)</sup></b>		
	<b>Real Property Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Assessed Value</b>	<b>Real Property Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Assessed Value</b>
MacArthur Shopping Center LLC	\$173,032,800	2	0.95%	\$222,285,500	1	1.14%
Virginia Power Co.	178,290,528	1	0.97			
ODU Real Estate Foundation				127,226,400	2	0.65
Verizon Virginia, Inc.	131,127,740	3	0.71			
Norfolk Southern	94,561,445	4	0.51	82,733,700	3	0.43
Bank of America	87,462,500	5	0.48			
SLNWC Office Company LLC				75,311,300	4	0.39
Norfolk Hotel Associates LLC				72,595,400	5	0.37
Military Circle LLC	58,001,800	8	0.32	63,786,600	6	0.33
Dominion Enterprises				61,618,200	7	0.32
Dominion Tower LP	57,438,600	9	0.31	57,691,600	8	0.30
Ford Motor Company	81,588,900	6	0.44			
NWM Hotel LLC				57,067,200	9	0.29
The Next on 39 <sup>th</sup> LLC				51,464,500	10	0.26
Cox Virginia Telecom	65,187,525	7	0.35			
Trader Publishing Company	57,040,100	10	0.31			
Total	<u>\$983,731,938</u>		<u>5.35%</u>	<u>\$871,780,400</u>		<u>4.49%</u>
Total Assessed Value	\$18,401,851,069			\$19,433,889,018		

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008, Department of Finance, City of Norfolk, Virginia and Real Estate Tax Assessor's Office, City of Norfolk, Virginia.

Notes: (1) Based on total assessed value of taxable real property, including public service corporations, as of June 30, 2017, which was \$19,433,889,018.

(2) Figures are unaudited.

## 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 2014 – 2018**

<b>Fiscal Year</b>	<b>Number of Budgeted Positions<sup>(1)</sup></b>
2014	3,976
2015	4,133 <sup>(2)</sup>
2016	4,139
2017	4,165
2018	4,164

Sources: Approved Operating Budgets, Fiscal Years 2014 through 2018.

- 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 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, 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 2016 was \$9,231,537.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As of June 30, 2016, these liabilities were estimated at \$29,296,575 with \$4,180,781 projected as the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2016 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2012 through 2016 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>
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	29,055,228	5,887,750	5,466,609	29,476,369
2016	29,476,369	6,855,246	7,035,040	29,296,575

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2012, through 2016.

### **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 X of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, attached hereto as Appendix A, for a discussion of the City's pension plans.

On July 12, 2017, as a result of an independent actuarial experience study undertaken for the City, Norfolk's Retirement Board adopted certain changes to its actuarial assumptions, including changes to the assumed rates of termination, retirement, disability, mortality and salary raises. As a result of the changes, beginning in Fiscal Year 2018, the City's Unfunded Actuarially Accrued Liability (UAAL) is expected to increase by \$78.4 million, which decreases the system's funded status from 84% to 78%. This results in an increase in the City's annual funding of approximately \$700,000. In 2018, the City plans to undertake a comprehensive review of its pension system to ensure its long-term financial health and sustainability.

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 funded 100% of its actuarially required contributions in Fiscal Years 2016 – 2018.

**Table III-9**  
**City of Norfolk, Virginia**  
**Schedule of Annual Pension Contributions**  
**Fiscal Years 2016 - 2018<sup>(1)(2)</sup>**

<b>Fiscal Year</b>	<b>Annual Pension Contribution (In Thousands)</b>
2016	\$30,761
2017	33,457
2018	35,444

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, Department of Finance, City of Norfolk, Virginia, and Approved Operating Budgets, Fiscal Years 2017 and 2018.

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

(2) Fiscal Year 2017 and 2018 figures are unaudited.

## **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.

As of July 1, 2016, the following was projected:

	<b>City<sup>(1)</sup></b>	<b>Line of Duty<sup>(1)</sup></b>	<b>Schools<sup>(1)</sup></b>	<b>Total</b>
Expected Net OPEB Obligation as of June 30, 2016	\$35,377,624	\$4,428,100	\$16,172,527	\$55,978,251
Expected Employer Contributions FY 2016	2,021,737	724,466	2,390,415	5,136,618
Actual Employer Contributions FY 2016	(1,291,026)	(724,466)	(1,565,587)	(3,581,079)
Increase in Net OPEB Obligation	730,711	-	824,828	1,555,539
Adjusted Net OPEB Obligation as of June 30, 2016	36,108,335	4,428,100	16,997,355	57,533,790
Annual Required Contribution (ARC) for FY 2017	3,602,218	1,701,767	3,373,308	8,677,293
Interest on Net OPEB Obligation	1,029,088	126,201	484,425	1,639,714
Adjustment to ARC	(1,128,165)	(138,351)	(531,063)	(1,797,579)
Annual OPEB Cost	3,503,141	1,689,617	3,326,670	8,519,428
Less: Expected Contributions Made	(1,247,913)	(822,128)	(2,580,746)	(4,650,787)
Increase in Net OPEB Obligation	2,255,228	867,489	745,924	3,868,641
Net OPEB obligation as of June 30, 2017	<u>\$38,363,563</u>	<u>\$5,295,589</u>	<u>\$17,743,279</u>	<u>\$61,402,431</u>

Source: Actuarial Valuation Report by Cheiron, Inc.

Note: (1) Information provided by Actuarial Valuation Report by Cheiron, Inc. measures as of July 1, 2016, for Fiscal Year 2017.

## **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 Rule 15c2-12 promulgated by the SEC. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

## **GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2016**

On the budgetary basis of accounting, General Fund revenues were \$821,988,680 representing 100.4% of budgeted revenue. General Fund expenditures were \$800,410,663 representing 97.7% 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 2016**

	<b>Final Budget</b>	<b>Results</b>	<b>Percent of Budget</b>	<b>Variance Positive (Negative)</b>
Total Revenue and non-revenue receipts	\$818,879,121	\$821,988,680	100.4%	\$3,109,559
Total Expenditures	818,879,121	800,410,663	97.7	18,468,458
Revenue greater (less) than expenditures	\$ 0	\$ 21,578,017		\$21,578,017

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

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

The Fiscal Year 2017, General Fund Operating Budget (the "Fiscal Year 2017 Budget") was initially adopted on May 17, 2016, and the final budget totaled \$839,442,352 reflecting a 2.5% increase over the final Fiscal Year 2016, 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 2016. The audited CAFR for Fiscal Year 2017 is expected to be published in January 2018.**

**The following is a summary of Fiscal Year 2017 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 \$838.6 million, or 99.9% of the final budgeted revenue of \$839.4 million. Local taxes make up approximately 51% of the City's General Fund revenues. The Commonwealth provides approximately 37% of General Fund revenues which consist of funding for dedicated purposes such as education, mental health, social services, transportation and public safety.

Expenditures were approximately \$817.0 million, or 97.3% of the Fiscal Year 2017 budget of \$839.4 million. The largest variances in the operating budget were in education, mental health, human services and sheriff expenditure savings. Combining the lower than budgeted revenues and expenditures, the City preliminary expects a Fiscal Year 2017 General Fund positive variance of \$21.6 million, and after year-end and financial policy designations, the preliminary surplus is estimated to be approximately \$5.1 million.

The City Council adopted the CIP budget for Fiscal Year 2018, which totals \$84,229,933 on May 23, 2017. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Program Budget."

The Fiscal Year 2018, General Fund Operating Budget (the "Fiscal Year 2018 Budget") was adopted on May 23, 2017, and totals \$857,276,054 reflecting a 2.1% increase from the final Fiscal Year 2017 Budget.

The Fiscal Year 2018 Budget focuses on the City Council's six priorities of public safety, education and housing, and builds on the momentum created by prudent financial choices, creativity and a commitment to meeting the needs of residents. 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 2017 and Fiscal Year 2018 Budgets are summarized in the following tables.

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**Table III-11A**  
**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 Agency Appropriation	60,474,116
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
Carryforward	4,440,000	Debt Service	70,747,190
		Education	321,868,495
<b>Total</b>	<b>\$839,442,352</b>	<b>Total</b>	<b>\$839,442,352</b>

Source: Approved Operating Budget for Fiscal Year 2017, as amended.

**Table III-11B**  
**City of Norfolk, Virginia**  
**General Fund Budget**  
**Fiscal Year 2018**

<b>Anticipated Revenue Receipts</b>	<b>Approved Budget</b>	<b>Appropriations For Expenditures</b>	<b>Approved Budget</b>
General Property Taxes	\$272,214,800	Legislative	\$ 5,121,896
Other Local Taxes	166,625,000	Executive	5,859,918
Permits and Fees	3,191,900	Department of Law	4,613,010
Fines and Forfeitures	1,215,000	Constitutional Officers	56,249,002
Use of Money and Property	7,704,583	Judicial	1,328,043
Charges for Services	25,970,611	Office of Elections	862,298
Miscellaneous Revenue	8,970,789	General Management	45,878,343
Recovered Costs	11,758,591	Community Development	11,556,718
Non-Categorical Aid – Virginia	34,807,100	Parks, Recreation and Cultural	45,395,673
Shared Expenses – Virginia	21,377,000	Central and Outside Agencies Appropriations	65,651,909
Categorical Aid – Virginia	265,985,727	Public Health and Assistance	78,077,086
Federal Aid	8,701,490	Public Safety	117,145,211
Other Sources and Transfers In	28,753,463	Public Works	27,605,306
		Debt Service	66,639,496
		Education	325,292,145
<b>Total</b>	<b>\$857,276,054</b>	<b>Total</b>	<b>\$857,276,054</b>

Source: Approved Operating Budget for Fiscal Year 2018.

**Table III-12**  
**City of Norfolk, Virginia**  
**General Governmental Expenditures by Function**  
**Fiscal Years 2008 – 2017**  
**(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
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
2016	118,468	50,513	116,436	58,716	85,815	114,769	44,531	13,677	73,449	140,093	816,466
2017 <sup>(1)</sup>	127,367	52,057	121,494	63,181	76,821	114,972	44,825	24,212	77,813	98,492	801,234

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

## RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet as of June 30, 2016, and as of June 30, 2017, 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 Comparative Statement 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, 2017, with comparative totals for 2016**

	<b>2016</b>	<b>2017<sup>(1)</sup></b>
<b>ASSETS</b>		
Cash and short-term investments	\$64,474,671	\$64,748,035
Receivables, net:		
Taxes	40,596,868	42,292,907
Accounts	3,885,722	5,541,572
Accrued Investment Income	4,271	2,498
Due from other funds	25,431,854	32,565,837
Due from other governments	23,656,541	23,958,912
Deposits	4,427	4,854
Prepaid expenses	136,809	140,912
Inventory	2,239	-
<b>Total Assets</b>	<u>\$158,193,402</u>	<u>\$169,255,527</u>
<b>LIABILITIES</b>		
Vouchers payable	\$11,249,223	\$13,859,091
Employee withholdings	2,469,439	2,334,892
Contract retainage	118,898	238,780
Accrued payroll	5,332,066	4,438,000
Due to other funds	776,173	35,183
Due to other governments	36,273	36,253
Other liabilities	2,755,880	2,881,268
<b>Total Liabilities</b>	<u>\$22,737,952</u>	<u>\$23,823,467</u>
<b>Deferred Inflow of Resources</b>		
Revenues' levied for the next year and unavailable revenue	<u>\$27,667,706</u>	<u>\$29,312,151</u>
<b>FUND BALANCES</b>		
Nonspendable	\$ 139,048	\$ -
Restricted	3,015,325	165,000
Committed	5,000,000	8,697,809
Assigned	26,556,605	36,605,041
Unassigned	73,076,766	70,652,059
<b>Total Fund Balances</b>	<u>\$107,787,744</u>	<u>\$116,119,909</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$158,193,402</u>	<u>\$169,255,527</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

**Table III-14**  
**City of Norfolk, Virginia**  
**Comparative Statement of Revenue and Expenditures, General Fund**  
**Fiscal Years 2013 – 2017**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017<sup>(1)</sup></b>
<b>REVENUE:</b>					
General property taxes	\$243,604,191	\$254,523,678	\$258,974,929	\$260,959,130	\$264,432,379
Other local taxes	154,198,171	152,386,188	154,867,325	156,358,560	159,645,816
Permits and licenses	4,098,178	3,088,749	3,013,376	3,038,229	3,575,984
Fines and forfeitures	1,098,187	1,236,647	1,261,218	1,110,993	920,282
Use of money and property	6,102,209	5,556,052	9,564,794	7,254,583	7,639,462
Charges for services	33,392,110	36,457,826	20,248,407	22,460,673	22,533,193
Miscellaneous	8,996,990	10,711,008	7,226,869	8,605,242	9,343,122
Recovered costs	11,395,841	-	-	-	-
Intergovernmental	114,334,309	115,159,212	130,397,763	132,919,310	134,737,064
Total Revenue	<u>577,220,186</u>	<u>579,119,360</u>	<u>585,554,681</u>	<u>592,706,720</u>	<u>602,827,302</u>
<b>EXPENDITURES:</b>					
<b>Current operating:</b>					
General government	112,577,244	108,749,257	110,304,366	113,060,602	118,578,346
Judicial administration	47,357,216	48,122,290	48,294,929	47,562,103	47,597,095
Public safety	107,143,672	104,831,842	103,162,805	107,291,870	110,633,381
Public works	40,390,032	41,765,600	19,592,357	20,493,122	25,088,325
Health and public assistance	47,300,808	45,574,863	69,569,467	68,950,680	70,240,871
Culture and recreation	42,580,642	42,280,060	39,205,465	41,181,576	42,545,409
Community development	8,817,670	8,244,984	9,153,306	10,011,670	10,785,452
Education	109,286,600	111,854,400	117,721,922	114,768,522	114,971,922
<b>Debt service</b>					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
<b>Debt issuance costs</b>	-	-	323,098	318,176	-
<b>Capital outlay</b>	500,000	-	-	-	-
Total Expenditures	<u>515,953,884</u>	<u>511,423,296</u>	<u>517,327,715</u>	<u>523,638,321</u>	<u>540,440,801</u>
Excess (deficiency) of revenues over expenditures	<u>61,266,302</u>	<u>67,696,064</u>	<u>68,226,966</u>	<u>69,068,399</u>	<u>62,386,501</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land	800,000	-	-	-	-
Issuance of debt	-	-	-	-	-
Debt issuance costs	-	(344,423)	-	-	(174,276)
Proceeds sale of fixed assets	-	-	427,600	2,400,000	6,079,647
Transfers in	20,481,878	12,408,836	16,805,117	14,888,405	16,485,591
Transfers out	(83,781,713)	(85,768,426)	(76,651,992)	(76,153,008)	(76,445,298)
Total Other Financing Sources (Uses)	<u>(62,499,835)</u>	<u>(73,704,013)</u>	<u>(59,419,275)</u>	<u>(58,864,603)</u>	<u>(54,054,336)</u>
Net Change in Fund Balance	<u>\$ (1,233,533)</u>	<u>\$ (6,007,949)</u>	<u>\$ 8,807,691</u>	<u>\$ 10,203,796</u>	<u>\$ 8,332,165</u>

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2013, through 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

**Table III-15**  
**City of Norfolk, Virginia**  
**Comparative Statement of Changes in Fund Balance, General Fund**  
**Fiscal Years 2013 – 2017**

	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017<sup>(1)</sup></b>
Net Change in Fund Balance	\$ (1,233,533)	\$ (6,007,949)	\$ 8,807,691	\$ 10,203,796	\$ 8,332,165
Fund Balance at Beginning of Year	92,507,190	91,273,658	85,265,709	97,583,948	107,787,744
Adjustment to Beginning Balance	-	-	3,510,548	-	-
<b>Fund Balance at End of Year</b>	<b>\$91,273,657</b>	<b>\$85,265,709</b>	<b>\$97,583,948</b>	<b>\$107,787,744</b>	<b>\$116,119,909</b>

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2013, through 2016, and Department of Finance, City of Norfolk, Virginia.

Note: (1) Figures are unaudited.

## **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 2017 is shown in Table IV-1.

**Table IV-1**  
**City of Norfolk, Virginia**  
**Water System**  
**Average Metered Water Delivered by Customer**  
**Fiscal Year 2017**

<b>Customer</b>	<b>Metered Consumption (mgd)</b>	<b>Percent of Total</b>
Norfolk	15.7	29.09%
Virginia Beach	31.5	58.48
U.S. Navy	4.6	8.45
Chesapeake	2.1	3.98
	53.8	100.00%

---

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

As of June 30, 2017, the Water System provided potable water to over 65,673 active 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's agreement with the U.S. Navy provides that the U.S. Navy pays rates equal to 110% of the current retail rate. Norfolk sells 2 mgd "take or pay" of treated water to Chesapeake under the raw water sales contract executed in December 2002. 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 raw water sales contract was executed in December 2002 and will remain in force through December 31, 2042. 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 produce the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2018	\$4.94 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

Chesapeake treated water rate revisions for inclusion in City ordinances are approved by City Council. The Chesapeake raw water rate is established by the raw water sales contract. The WTWA raw water rate is established by the raw water sales contract. 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, 2017:**

Approximate population served	247,189 accounts
Total wastewater pumping stations	134 pump stations
Miles of gravity wastewater mains	685 miles
Miles of wastewater force mains	55 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, 1984, 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. Beginning July 1, 2007, wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2018	\$4.13 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

## **PARKING FACILITIES FUND**

The City presently owns and operates 17 multi-level parking garages, 10 surface lots and more than 640 on-street spaces. These facilities provide a total inventory of over 21,108 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 unaudited balance sheet on June 30, 2017, presents total assets of over \$220 million, which includes restricted investments of over \$12.1 million, to be utilized for garage construction and operating reserves. In addition, unaudited fixed assets, including parking structures, consist of over \$180.5 million of the total \$220 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. In Fiscal Year 2017, 39,542 tickets were issued resulting in an 82% collection rate and revenue of over \$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, 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
2017	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 Women 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**

### **Douglas L. Smith, City Manager**

Douglas L. Smith assumed his position as City Manager in June 2017, after having served as the Interim City Manager since December 2016. He serves at the pleasure of the City Council and is responsible for the day-to-day management and oversight of the City. Prior to his appointment as Interim City Manager, Mr. Smith was President of The Doug Smith Group where he was an economic development consultant focused on transformational public private partnerships and regional innovation services. Mr. Smith also previously served as Deputy City Manager in Virginia Beach and Portsmouth. Mr. Smith also served as Portsmouth's Chief Plans and Policy Officer and Economic Development Director. Mr. Smith previously served on Portsmouth's City Council as well and was Portsmouth's representative to the Hampton Roads Transportation Planning Organization and the Hampton Roads Planning District. He earned a Bachelor of Art in History from the University of Virginia, Charlottesville, 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**

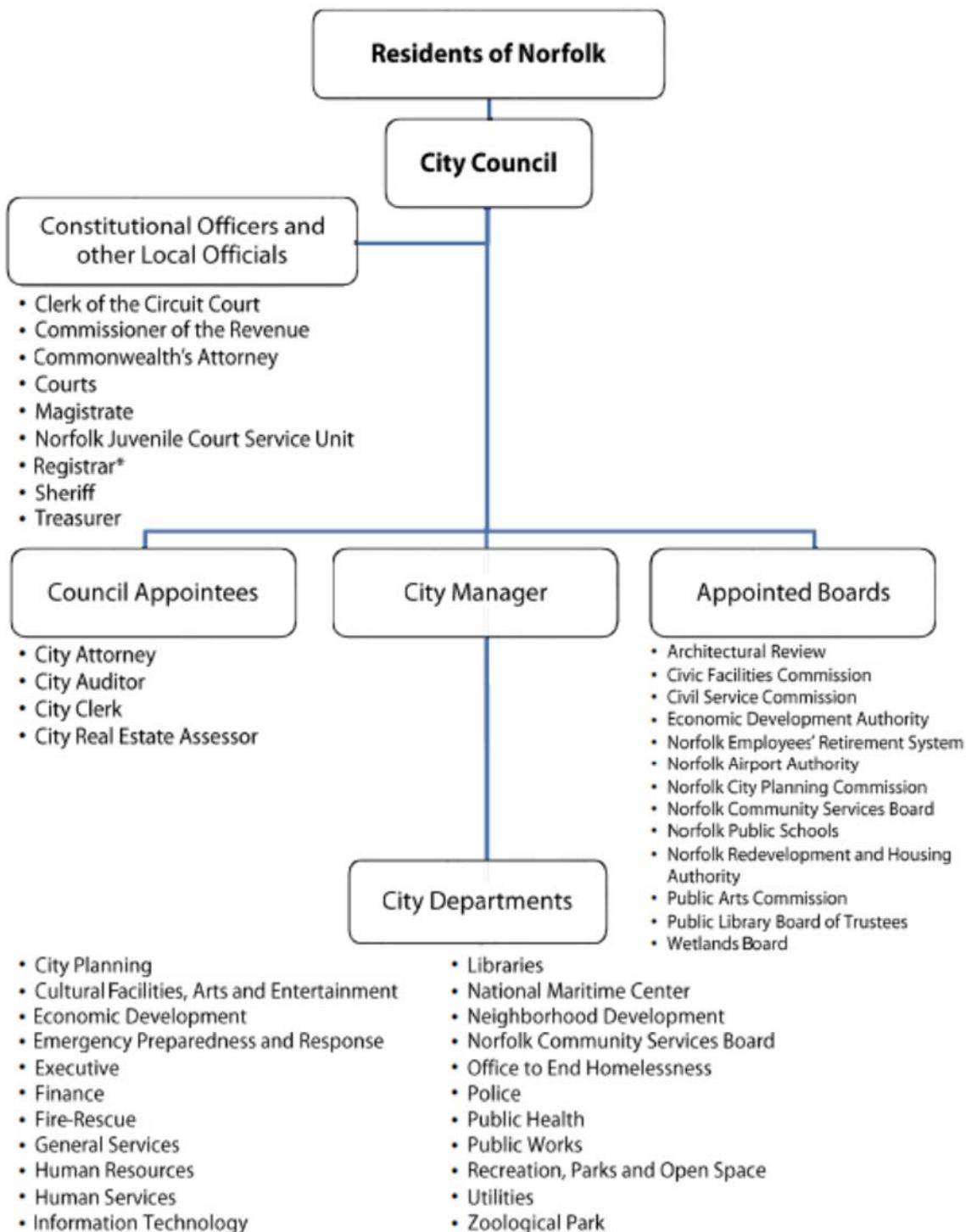
Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School 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



\*Appointed by State Board of Elections

## **OTHER GOVERNMENTAL ENTITIES**

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

Norfolk Public Schools held elections for two of the seven seats on its School Board for the first time on May 3, 2016, with the remaining five seats up for election in 2018. 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. 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 2016 the School Board's expenditures for education totaled \$368,653,397.

### ***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 and operates 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 sales and use tax and a wholesale fuel 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 Garden***

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 garden. This agreement expires on June 30, 2022. 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.

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## ECONOMIC AND DEMOGRAPHIC FACTORS

### Population

As reflected in Table V-2 and V-3 below, from 2007 to 2016 the City's population grew approximately 2.13%. The City is the second most populous city in Virginia, as shown in Table V-3.

**Table V-2**  
**Population Trend Comparisons**  
**2007 – 2016**

<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>
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
2016	247,087	1,727,366	8,411,808	324,707,000

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>2016 Population Estimate</b>
Virginia Beach	437,994	453,628
Norfolk	242,803	247,087
Chesapeake	222,209	240,485
Richmond	204,219	221,679
Newport News	180,719	183,218

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

Table V-4 provides an annual comparison of per capita personal income since 2007.

**Table V-4**  
**City of Norfolk, Virginia**  
**Per Capita Personal Income Comparison**  
**2007 – 2016**

Calendar Year	City	Hampton Roads MSA	State	U.S.
2007	\$35,940	\$39,277	\$44,422	\$39,776
2008	36,040	40,597	45,618	41,052
2009	34,237	40,345	44,458	39,366
2010	34,501	41,032	45,412	40,274
2011	35,342	42,830	47,689	42,459
2012	36,308	44,134	49,320	44,247
2013	36,066	44,097	48,956	44,425
2014	37,052	45,276	50,345	46,392
2015	38,676	46,400	52,052	48,112
2016	35,940	47,019	52,957	49,246

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2016 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**

Year	Population	Under 20	20-64	65 or Older
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 fall by approximately 0.1% (or 3 homes) during calendar year 2016, as compared to calendar year 2015. Total sales for calendar year 2016 were 2,867, as compared to 2,870 for calendar year 2015. The average price of homes sold in calendar year 2016 increased by approximately 1.2%, from \$208,545 to \$210,950, when compared to the average home price in calendar year 2015. Through August 2017, home sales and average sale prices are both up approximately 8.6% and 2.1%, 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 2008 – 2017**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Number of Units</b>	<b>Value (in thousands)</b>
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	383	827	68,694
2017	519	1,332	122,267

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 2008 – 2017**

<b>Fiscal Year</b>	<b>Building Permits</b>	<b>Value (in thousands)</b>
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
2017	34	90,716

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**  
**2008 – 2017**

<b>Calendar Year</b>	<b>Norfolk</b>	<b>Hampton Roads MSA</b>	<b>Virginia</b>	<b>U.S.</b>
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	5.4	4.6	4.0	4.9
2017 <sup>(1)</sup>	4.6	4.1	3.7	4.2

Source: U.S. Bureau of Labor Statistics.

Note: (1) Through September 2017.

**Table V-9**  
**City of Norfolk, Virginia**  
**Civilian Employment and Average Weekly Gross Wages**  
**1<sup>st</sup> Quarter, 2017**

	<b>Number of Establishments</b>	<b>Number of Employees</b>	<b>Average Weekly Wage</b>	<b>Percentage of Employment</b>
Education and Health Services	954	38,265	\$ 929	28.7%
Trade, Transportation & Utilities	1,308	31,595	952	23.7
Professional & Business Services	987	19,974	1,331	15.0
Public Administration	68	4,212	1,490	3.2
Leisure and Hospitality	647	13,192	409	9.9
Financial Activities	564	7,854	1,352	5.9
Manufacturing	144	6,074	1,176	4.5
Construction	382	4,444	975	3.3
Other Services	720	4,338	589	3.2
Information	114	3,605	1,571	2.7
<b>Total</b>	<b>5,952</b>	<b>148,416</b>	<b>\$1,004</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.

### **Resilience Strategy**

Norfolk is one of a number of localities in the United States vulnerable to flooding from sea level rise and storm-surge. In October 2017, the U.S. Army Corps of Engineers released a draft feasibility report addressing coastal storm risk management for Norfolk. The draft report will be reviewed and refined and is subject to public comment. The Corps is expected to make a final report to Congress in 2019. The draft feasibility report recommends infrastructure upgrades, which the report indicates will take many years to implement. The draft feasibility report indicates that these upgrades are estimated to cost up to \$1.6 billion. The draft feasibility report does not (and the final report is not expected to) identify a dedicated funding source for any of the recommended upgrades, other than to provide a suggested share of the costs to be paid by the federal government (subject to future appropriation by the federal government). There can be no assurance that funding for any of the recommended upgrades will be made available. Additionally, the draft feasibility report does not provide a timeframe over which the projects would need to be implemented or funded.

Norfolk has taken a proactive approach to addressing the impact of sea level rise with a resilience strategy described below, which embraces the City's relationship with its adjacent bay, rivers, streams, ponds and marshes.

In 2015, Norfolk adopted a comprehensive resilience strategy to address the challenges facing the City. This strategy is driven by three goals: (1) design the coastal community of the future, (2) create economic opportunity by advancing efforts to grow existing and new industry sectors and (3) advance initiatives to connect communities, deconcentrate poverty and strengthen neighborhoods.

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

(1) Partnering with the U.S. Navy and the City of Virginia Beach on a Joint Use Land Study to mitigate the impacts of sea level rise on Navy operations: the study is expected to be completed in August of 2018.

(2) Encouraging or requiring resiliency as part of development activities: the City is updating its zoning code and includes resilient development activities as part of its comprehensive long-term plan (plaNorfolk 2030). These efforts go far beyond the FEMA floodplain requirements and include provisions that target Norfolk's unique situation and circumstances.

(3) Seeking grants and other outside funding to help defray the cost of resiliency projects: in 2016, Norfolk and several partners in the Commonwealth received a \$120.5 million grant from the U.S. Department of Housing and Urban Development's National Disaster Resilience Competition. Grant funds will be used to address coastal resilience in the City's Ohio Creek watershed area.

(4) Partnering with other localities and organizations to promote resiliency: Norfolk has been designated as one of The 100 Resilient Cities (100RC) network, a program pioneered by the Rockefeller Foundation.

(5) Including resiliency projects routinely in the City's Capital Improvement Plan: in the City's Fiscal Year 2018-2022 Capital Plan, the City is investing \$7.6 million annually in Storm Water System upgrades, street elevations and shoreline protection through the self-supporting Storm Water Fund that will directly or indirectly improve the City's resiliency.

## **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 September 2017 is approximately 8.6%, as shown in Table V-10 below.

**Table V-10**  
**City of Norfolk, Virginia**  
**Downtown Norfolk Vacancy – Class A**  
**September 2017**

<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
Bank of America Tower	405,539	39,415	9.7
Main Street Tower	201,307	53,691	26.7
Norfolk Southern Tower	293,035	0	0.0
Wells Fargo Center	299,887	31,666	10.6
World Trade Center	367,000	35,720	9.7
Two Commercial	288,662	0	0.0
<b>Total</b>	<b>2,139,602</b>	<b>184,791</b>	<b>8.6%</b>

Source: CoStar, September 2017.

Renovation of Two Commercial Place is completed, converting from Class B to Class A and adding 286,000 additional occupied square foot. Bank presence in Downtown 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 in late 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 increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Residential investment continues to grow throughout the City, particularly in Downtown. Several new projects are currently under construction Downtown. These include 450 Boush (a mixed-use project with 150 units and 10,000 square feet of retail), the second phase of Rockefeller Apartments, a new building that will include 40 apartments. The former Bank of America building is being converted into a 300-unit luxury apartment development called the Icon at CityWalk. Two other conversion projects are underway on Granby Street: The Savoy with 36 new units and 151 Granby, with 8 new units. 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). St. Paul's Apartments, with 120 new units, will be the first residential project in the St. 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). Another major project in the Fort Norfolk area is the River Tower at Harbor's Edge, an expansion of Harbor's Edge, a full-service, premier Life Plan Retirement Community on the Elizabeth River. When completed in 2020, the 27-story River Tower will add 138 luxury residences and more than 95,000 square foot of common space.

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 has 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. Also along the Chesapeake Bay, Pinewell Station, with 145 apartments, is being planned for the former Ramada Hotel site and Captain's Landing, with 38 townhouses, and Villa Marina Apartments, with 111 apartments, are in the planning stage.

### **Commercial Development**

Simon Property Group Inc. has opened the first phase of Simon Premium Outlet Park. This represents an investment of approximately \$75 million to build an outlet center on an existing City-owned golf course. The redevelopment plan calls for the City to retain approximately 65 acres for green space and walking trails around the lake creating new public open space. Phase I of the Simon Premium Outlet Park includes approximately 85 stores, 332,000 square feet of leasable space and is anticipated to generate an estimated \$2.5 million in tax revenue.

Adjacent to the Simon Norfolk Premium Outlets will be a 331,000 square foot IKEA. Construction began in 2017, with a planned opening in spring 2019. IKEA is anticipated to bring more than \$2.5 million in direct tax revenue.

With a capital investment of \$32.5 million ADP, a comprehensive Human Capital Management solutions provider, moved to Downtown at the Atlantic at City Walk. The Atlantic features high ceilings, advanced fiber optics and connectivity. ADP is Downtown's largest employer with approximately 2,100 new jobs and an immediate impact of \$1 million in tax revenue.

Movement Mortgage, one of the fastest-growing mortgage banks in the country, has relocated its largest operations center to the adaptive re-use of the former J.C. Penney department store at Military Circle Mall owned by the Norfolk EDA, known as 824 Military. Movement Mortgage transferred 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. Optima Health is also occupying space at 824 Military, and added 200 new jobs.

## **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.

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 Perry Glass Studio of the Chrysler Museum of Art 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 Perry Glass Studio Chrysler Museum Glass Studio supports artists working in a variety of glassmaking processes, including blown glass, casting, fusing, flame working and cold working. Located adjacent to the museum, the Glass Studio is the only one of its kind in the Mid-Atlantic region, and complements the museum's extensive glass collection.

The 80,000 square foot Peter G. Decker, Jr. Half Moone Center is located in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. The Peter G. Decker, Jr. 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 1,500 guests.

## **Transportation Initiatives**

The City's light rail system, the Tide, began operation in August 2011. 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. 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 was completed a year ahead of schedule in June 2017. This \$2.1 billion project was 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 fall 2018. 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.

Announced in 2017, was the \$3.3 billion expansion of the I-64 Hampton Roads Bridge Tunnel that will include funding from the Hampton Roads Transportation Fund, and likely to include state funding and federal funding. The project is expected to enhance existing connections between Norfolk and the peninsula, and will reduce congestion. Construction is expected to begin in 2019, with an estimated completion in 2024.

### **Norfolk Airport**

Norfolk International Airport ("NIA") is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by Allegiant Air, 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 and is estimated to serve over 3.2 million passengers in 2017.

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 more than \$550 million in estimated indirect economic impacts that create more than 12,500 local jobs with an estimated payroll in excess of \$210 million.

### **Hotel Development**

Norfolk has approximately 5,000 hotel rooms, including nearly 1,650 in the Downtown area. Tourism and conventions employ over 7,000 workers in the City and generate an estimated \$28.8 million in state taxes and \$23.9 million in local tax revenue. It is estimated travelers to the City spend over \$764 million annually. The new Hilton Norfolk at The Main and The Exchange conference center opened March 2017. The \$164 million public/private Downtown project includes a 50,000 square foot conference center; a 4-Star Hilton hotel with approximately 300 rooms, three full-service restaurants and a parking garage. The project has created approximately 250 jobs and an estimated \$2 million in annual tax revenue. It was developed by Gold Key PHR Hotels and Resort.

The City has also announced the development of an Autograph Collection Marriott hotel, a boutique hotel to be located at the 200 block of Granby Street in the former Royster building. The \$27 million investment will have a glass art theme, and is expected to open in 2018.

## **Waterfront Recreation Investment**

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

The Waterside District is a regional destination located in the heart of the central business district and adjacent to the City of Norfolk's world-class waterfront and festival site. The project which opened in May 2017, is a \$40 million public-private partnership between Norfolk and Cordish Companies. The anchor is a 30,000 square foot section known as "The Marketplace" that has as many as nine businesses and restaurants, including a live performance stage and roof top deck.

## **Sports and Recreation**

Norfolk is home to the Norfolk Tides, a AAA minor league baseball team (the "Tides"). 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) Nashville Predators. 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.

Additionally, located at Harbor Park is the Norfolk Boxing Center, a 13,000 square foot state-of-the-art facility that boasts two U.S.A. Boxing regulation-sized competition rings, stadium-style seating and the capacity to host larger shows and championship bouts.

## **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, three universities, 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 in its Downtown location in Norfolk on Granby Street in 2014.

School construction remains a priority for the City, demonstrated by the commitment to build or replace five schools. The first school replaced was Crossroads Elementary, which opened in 2012. Additionally, Campostella K-8 and Broad Creek Elementary School opened in September 2016 and Larchmont and Ocean View Elementary Schools opened September 2017. Camp Allen will be the final school to open and will be completed in two phases. Phase 1 is scheduled to be completed in October 2018 and Phase 2 in October 2019. The Department of Defense will pay 80% of the construction costs. A dedicated two-cent real estate tax increase from July 1, 2013, supports the City's School Construction, Technology, and Infrastructure (CTI) Program. The tax increase accelerates the funding for school

construction projects and frees up capacity to address infrastructure and neighborhood capital needs Citywide.

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 2012 – 2016**

<b>Fiscal Year</b>	<b>September 30 Membership</b>	<b>Percent Change</b>
2012	31,142	(1.09)%
2013	30,702	(1.41)
2014	30,359	(1.12)
2015	30,116	(0.80)
2016	29,977	(0.46)

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 University, 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. 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 region's heart hospital and only Level 1 trauma center. Sentara Norfolk General Hospital embarked in 2016 on a \$199 million expansion and modernization project to be completed in 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 2016, the Port handled a total of 20,869,311 tons of general cargo, including 20,664,886 tons of containerized cargo, with 204,425 tons of breakbulk making up the remainder.

**Table V-12**  
**Virginia Port Authority Terminals**  
**General Cargo Tonnage**  
**Calendar Years 2012 – 2016**

<b>Calendar Year</b>	<b>Total General Cargo Tonnage (in thousands)</b>	<b>Percent Change over Previous Year</b>
2012	17,528	12.24%
2013	18,840	7.49
2014	19,061	1.17
2015	19,978	4.81
2016	20,869	4.50

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.

In 2016, the Port received 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 and Outside the Continental United States 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 2<sup>nd</sup> Quarter 2017**

Company	Number of Employees	Product/Service
	1,000+	
Sentara Healthcare		Hospitals
Old Dominion University		Educational Services
Children's Hospital of The King's Daughters		Hospitals
Eastern Virginia Medical School		Educational Services
Norfolk State University		Educational Services
Norshipco/BAE Systems		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
	500 – 999	
Tidewater Community College		Educational Services
Maersk Line Limited		Water Transportation
CMA CGM (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
	250 – 499	
Virginia Wesleyan College		Educational Services
Wal-Mart Associates		Warehouse Clubs and Supercenters
Spartan Nash Associates		General Line Grocery Wholesalers
Art FX Inc.		Commercial Screen Printing
Briggs Home Health Agency		Home Health Care Services
St. Mary's Home for the Disabled		Residential Intellectual and Developmental Disability Facility
Southwest Airlines		Scheduled Passenger Air Transportation
Dominion Web Solutions		Software Publishers
Virginia Electric Power Company		Electric Bulk Power Transmission and Control
McDonald's		Food Services
Electronic Data Systems Corp		Internet Service Providers and Data Processing Services
ODU Research Foundation		Professional, Scientific and Technical Services
Marine Hydraulics International		Transportation Equipment Manufacturing
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
Event Staffing Inc.		Food Services and Drinking Places
United Express Airtran Jet Con		Air Transportation
Transit Management Company		Transit and Ground Passenger Transportation
The Virginian-Pilot		Publishing Industries
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 2013, the City has realized over \$2.4 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 2013 – 2017**

Company	Types	E/N	C/D/A	Investment (millions)
201 Twenty-One	Mixed-use residential apartments and retail	N	C	\$ 40
824 Military	Renovation of former retail space into office space	E	C	18
Atlantic at City Walk	Renovation of Class B to Class A space	E	C	50
Glass Light Hotel	120-room boutique hotel Downtown	E	A	27
Banks at Berkley	155 new apartments	N	C	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	Residential Apartments	N	C	45
Bon Secours DePaul	New medical building	N	C	25
CIRS	New advanced manufacturing building	N	D	TBD
Clairmont Apartments	156 apartments and 25 single-family homes	N	C	20
CMA CGM	Americas Headquarters, shipping line	E	C	11.5
Colonna's Shipyard	Expansion to add larger dry dock	E	C	30
Commander Corporate	Second office building	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@450	150 apartments with first floor retail Downtown	N	C	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
River Tower at Harbor's Edge	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
Hilton Hotel and Conference Center	New hotel and conference center	N	C	126
Hurrah Players	Theatre, dance, voice and acting troupe	N	C	1.4
Icon at Citywalk	Conversion of building into apartments	E	D	100
IKEA	Construction of new retail store at Lake Wright East	N	D	75
Kroc Center	Community center	N	C	84
Lamberts Point	Recreation facility	N	C	7.6
MacArthur Memorial	Expansion	E	C	5
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	C	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 area	N	D	TBD
Sentara Offices	48,000 square foot office at Poplar Halls	N	D	9
Sentara Norfolk General	Expansion and modernization project	E	D	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	C	40
Wells Fargo Center	Mixed-use office, retail and residential	N	C	170
			Total	\$2,449

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, celebrating its centennial in 2017, 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 Hampton Roads region is home to six aircraft carriers. While not a permanent homeporting, it will mean the 2,500 plus personnel from the Gerald R. Ford will be in the region for a few years due to schedule and maintenance requirements for the Navy. The additional carrier joined the USS Dwight D. Eisenhower, USS Abraham Lincoln (currently undergoing overhaul at Newport News Shipbuilding), USS Harry S. Truman, USS George Washington and the USS George H.W. Bush at Naval Station Norfolk.

According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$10.75 billion in Fiscal Year 2015, comprised of a total annual payroll of \$8.9 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 57,000, with an additional 7,000 military contractor personnel. In addition, the Hampton Roads region is home port to approximately 65 ships and home to 39 aircraft squadrons.

**APPENDIX A**

**CITY OF NORFOLK, VIRGINIA  
GENERAL PURPOSE FINANCIAL  
STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016**

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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

### **Independent Auditors' Report**

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

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

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

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

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

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

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and no to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016

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





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

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

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

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

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City had two internal service funds, Fleet Management and Healthcare during fiscal year 2016. The internal service funds are allocated to governmental activities at the entity wide level.

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

The basic proprietary fund financial statements can be found on pages 61 – 63 of this report.

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

The fiduciary fund financial statements can be found in pages 64 - 65 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 71.

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

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

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

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

By far, the largest portion of the City's net position, \$687,980,646 or 103.6 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 6.7 percent represent resources that are subject to external restrictions on how they may be used. The negative balance of \$67,799,592 of unrestricted net position is due to the adoption of GASB 68 and the recognition of the net pension liability to the employee retirement system and the Virginia retirement system.

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

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

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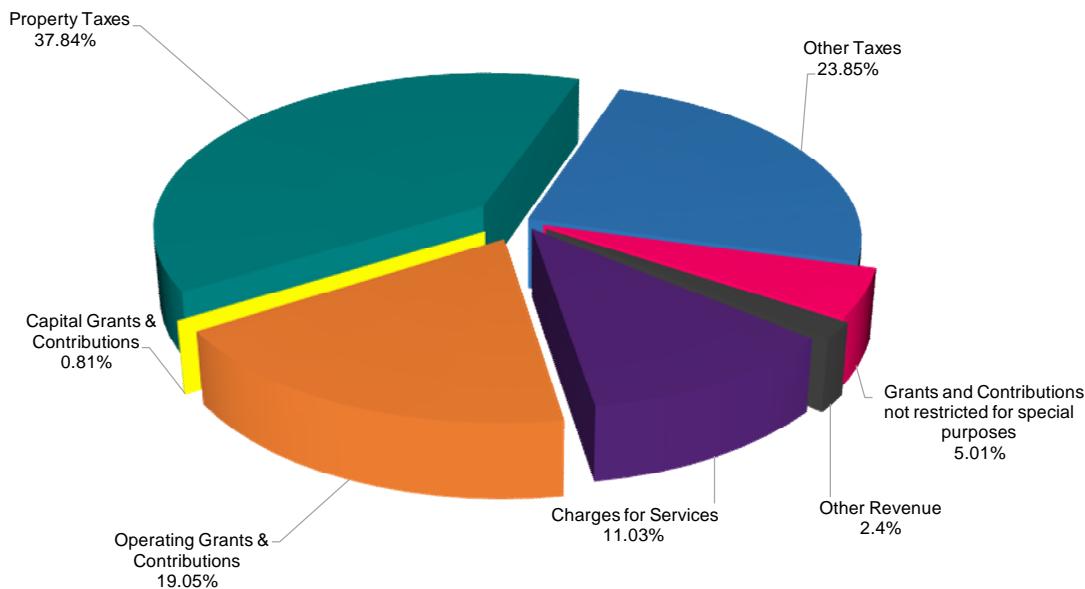
For business-type activities, net position increased by \$21,969,796 or 5.5 percent during the fiscal year. Of this amount, an increase of \$15,526,042, \$7,451,483, and a decrease of \$1,007,729 are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively.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

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

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

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

**Governmental Activities: Revenues by Source**



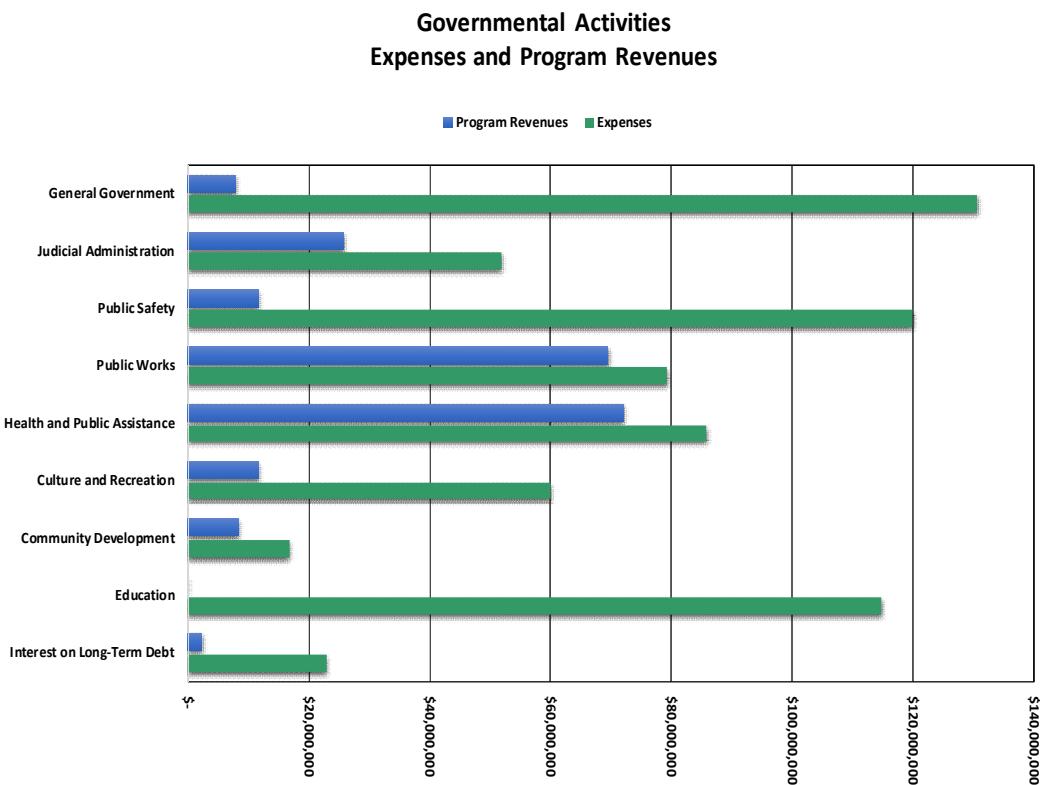
**Governmental Activities** – The City's total revenues from governmental activities were \$696,013,399 for the fiscal year that ended June 30, 2016. The largest sources of revenue for the City are property taxes and other taxes which comprise 61.7 percent of total governmental revenues. Revenues from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

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

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

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

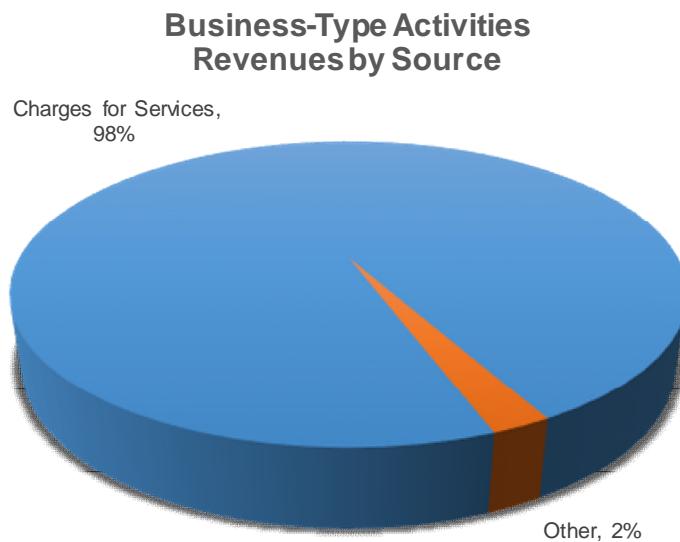
**CITY OF NORFOLK, VIRGINIA**  
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**For the Fiscal Year Ended June 30, 2016**

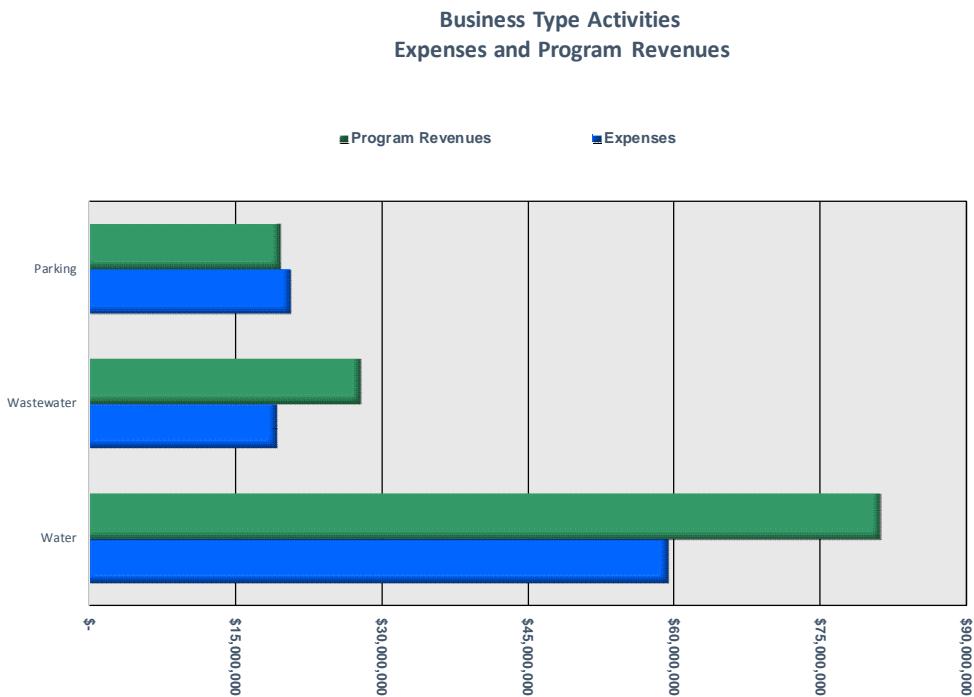
**Business-type Activities** – Business-type activities increased the City's net position by \$21,969,796. Key elements of this change are as follows:

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



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

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



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

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

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

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

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

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

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

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

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

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

**Capital Asset and Debt Administration**

**Capital Assets** – The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$687,980,646. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Infrastructure assets represent 16.7 percent of total general governmental assets.

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

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

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

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

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

**CITY OF NORFOLK, VIRGINIA**  
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Additional information on the City's capital assets can be found in Note VI on pages 94 - 96 of this report.

**Long-term Debt** – At June 30, 2016, the City (including the enterprise funds) had total bonded debt outstanding of \$1,379,158,880. Of this amount, \$988,267,936 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All of these factors were considered in preparing the City's budget for fiscal year 2017. The fiscal year 2017 operating budget includes transfers in from non-general funds of approximately \$16.5 million and carrying forward prior year unspent appropriations and

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

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

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

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

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

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

**Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit 1**

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

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

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

CITY OF NORFOLK, VIRGINIA

Statement of Activities  
For the Year Ending June 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities		Component Units
					Government Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 130,549,665	\$ 4,641,836	\$ 3,156,252	\$ -	\$ (122,751,577)	\$ -	
Judicial administration	51,926,496	8,729,506	23,081,613	\$ -	(26,115,377)		
Public safety	119,827,879	8,306,937	3,354,747	\$ -	(108,166,195)		
Public works	79,200,166	42,340,559	27,268,046	\$ -	(9,591,561)		
Health and public assistance	85,730,329	6,310,043	68,870,978	\$ -	(13,549,308)		
Culture and recreation	60,064,216	10,054,032	1,575,399	5,672,118	(42,762,667)		
Community development	16,733,929	2,370,166	5,885,446	\$ -	(8,478,317)		
Education	114,768,522	\$ -	\$ -	\$ (114,768,522)			
Interest on long-term debt	22,950,501	\$ -	2,418,607	\$ -	(20,531,894)		
Total governmental activities	<u>681,751,703</u>	<u>76,753,079</u>	<u>132,611,088</u>	<u>5,672,118</u>	<u>(466,715,418)</u>		
<b>Business-type activities:</b>							
Water utility	59,414,650	80,749,120	\$ -	337,654	\$ -	21,672,124	
Wastewater utility	19,225,868	27,822,842	\$ -	\$ -	\$ 8,596,974		
Parking facilities	20,650,568	19,611,826	\$ -	\$ -	(1,038,742)		
Total business-type activities	<u>99,291,086</u>	<u>128,183,788</u>	<u>\$ 204,936,867</u>	<u>\$ 337,654</u>	<u>\$ 29,230,356</u>	<u>\$ (437,485,062)</u>	<u>\$ -</u>
<b>Total primary government</b>	<u><u>\$ 781,042,789</u></u>	<u><u>\$ 204,936,867</u></u>	<u><u>\$ 132,611,088</u></u>	<u><u>\$ 6,009,772</u></u>	<u><u>\$ (466,715,418)</u></u>		
<b>Component units:</b>							
Norfolk Public Schools	\$ 368,653,397	\$ 3,965,762	\$ 212,121,314	\$ 9,891,639			
Norfolk Economic Development Authority	19,485,168	494,857	7,125,100	\$ -			
Total component units	<u>\$ 388,138,565</u>	<u>\$ 4,460,659</u>	<u>\$ 219,246,114</u>	<u>\$ 9,891,639</u>			
<b>General revenues:</b>							
Taxes:							
General property taxes - real estate and personal property				263,395,351			
Consumption utility taxes				41,848,773			
Sales and use taxes				30,330,390			
Restaurant food taxes				34,223,971			
Business license taxes				28,935,140			
Hotel/Motel taxes				8,767,454			
Cigarette taxes				7,784,080			
Admissions taxes				3,784,645			
Motor vehicle licenses				4,488,298			
Franchise, recordation and other miscellaneous local taxes				5,870,860			
Use of money and property				281,052			
Gain on Investment				\$ -			
Grants and contributions not restricted to specific programs				34,863,429			
Miscellaneous				16,403,671			
Commonwealth of Virginia				2,294,924			
Payment from Primary Government				\$ -			
Transfers							37,088,042
Total general revenues and transfers				10,000,000			120,999,470
Changes in net position				<u>490,977,114</u>			
Net position - beginning				<u>24,261,696</u>			<u>160,142,690</u>
Net position - ending				<u>221,325,758</u>			<u>5,602,737</u>
				<u><u>\$ 245,585,454</u></u>			<u><u>(307,804,808)</u></u>
							<u><u>\$ 664,359,833</u></u>
							<u><u>\$ (302,202,071)</u></u>

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-1**

**Balance Sheet - Governmental Funds**

**June 30, 2016**

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

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, 2016**

---

**Exhibit A-2**

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit A-3**

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

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

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

# CITY OF NORFOLK, VIRGINIA

Exhibit A-4

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

For the Year Ending June 30, 2016

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-1**

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

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-2**

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

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit B-3**

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

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

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

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

**Exhibit C-1**

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

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, 2016**

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**Exhibit C-2**

**Changes to net position attributed to:**

Investment income:

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

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

Benefit payments and expenses:

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

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

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

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

**Exhibit D-1**

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

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

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grant Contributions	Capital Contributions	Norfolk Public Schools	Norfolk Economic Development Authority	Totals
<b>Norfolk Public Schools:</b>						
Instructional Administration, attendance and health	\$ 2,519,613	\$ 193,621,985	\$ -	\$ (73,583,166)	\$ -	\$ (73,583,166)
Pupil transportation	-	989,279	-	(16,263,446)	-	(16,263,446)
Operation and maintenance	-	-	-	(11,750,748)	-	(11,750,748)
Information technology	-	-	-	(34,640,464)	-	(34,640,464)
School facilities	9,993,901	-	9,891,639	(9,993,901)	-	(9,993,901)
Food services	6,960,308	-	-	2,931,331	-	2,931,331
Community services	18,123,260	1,446,149	17,510,050	-	832,939	832,939
	207,227	-	-	(207,227)	-	(207,227)
<b>Total Norfolk Public Schools</b>	<b>\$ 368,653,397</b>	<b>\$ 3,965,762</b>	<b>\$ 212,121,314</b>	<b>\$ 9,891,639</b>	<b>\$ (142,674,682)</b>	<b>\$ (142,674,682)</b>
<b>Norfolk Economic Development Authority:</b>						
Economic development	19,413,417	494,897	7,125,000	-	(11,793,520)	(11,793,520)
Interest expense	71,751	-	-	-	(71,751)	(71,751)
<b>Total Norfolk Economic Development Authority</b>	<b>\$ 19,485,168</b>	<b>\$ 494,897</b>	<b>\$ 7,125,000</b>	<b>\$ -</b>	<b>\$ (11,865,271)</b>	<b>\$ (11,865,271)</b>
<b>Total component units</b>	<b>\$ 388,138,565</b>	<b>\$ 4,460,659</b>	<b>\$ 219,246,314</b>	<b>\$ 9,891,639</b>	<b>\$ (142,674,682)</b>	<b>\$ (154,539,953)</b>
General revenues:						
Use of money and property						
Payment from Primary Government						
Miscellaneous						
Commonwealth of Virginia						
Total general revenues						
Changes in net position						
Net position - beginning						
Net position - ending						

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

**CITY OF NORFOLK VIRGINIA**

**Exhibit D-3**

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

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

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

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**





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

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**I. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity Information**

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 247,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following other fund types:

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

**CITY OF NORFOLK, VIRGINIA**  
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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 by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City owned cemeteries.
- The *Agency funds* are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets = liabilities).

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

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

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

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

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

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

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

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

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

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

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

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Budgets and Budgetary Accounting**

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

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

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

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

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

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

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

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

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

#### **E. Deposits and Investments**

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

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

The City has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk. The City's fixed income investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

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

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

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

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

**F. Restricted Assets**

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

**G. Interfund Transactions**

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

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

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

**H. Inventories**

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

**I. Capital Assets**

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

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

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

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

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

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

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

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

**K. Compensated Absences**

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

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

**L. Net Position/Fund Balances**

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

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

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

**M. Estimates**

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

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

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

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

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

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

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

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

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**P. Pensions**

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

**II. Deposits and Investments**

**Custodial Credit Risk - Deposits**

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

All deposits of the City and its component units are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105 percent to 130 percent of all public deposits held by the bank, based on rating determined under the Act; and therefore

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will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City's primary banking institution has elected to be governed by the Dedicated Method.

**Custodial Credit Risk - Investments**

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

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

**Interest Rate Risk**

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

Other than for the assets of the City's Pension Trust fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2016.

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**Primary Government**

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

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

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

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

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

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

Total Primary Government and Fiduciary Funds	\$ 1,313,175,574
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Less cash	247,502,459
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Deposits and investments reported above	\$ 1,065,673,115
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**Credit Risk Related to Issuer**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Global Ratings ("S&P"), are not permitted without the written permission of the board. PIMCO, one of the ERS fund managers, has been given the authority by the Board to invest 20% of the portfolio in below investment grade securities. The City's

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

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

### Concentration of Credit Risk

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

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

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

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**Foreign Currency Risk**

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

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

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

**Fair Value Measurement**

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

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

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

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

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

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

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

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

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

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

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

### School Board

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

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

### Economic Development Authority (EDA)

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

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

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**III. Property Taxes**

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2016, on each \$100 of assessed value, were \$1.15 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.15 for mobile homes, \$2.40 for airplanes, \$0.50 for recreational boats and \$1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements.

**The property tax calendar is as follows:**

	<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.

**IV. Accounts Receivable**

**A. Unbilled Accounts Receivable**

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

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

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

**B. Allowances for Uncollectible Accounts Receivable**

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2016, are as follows:

**Primary Government:**

General Fund:

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

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

**V. Due From Other Governments**

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

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

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**VI. Capital Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**B. General Obligation Variable Rate Bond**

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

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

**IX. Long-Term Obligations**

**A. General Obligation and Revenue Bonds**

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

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

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

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

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

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

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

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

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

**B. General Obligation Bonds**

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

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

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

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

**C. Revenue Bonds**

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the

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terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Position because their use is limited by applicable bond covenants.

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

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

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

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

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

**D. Line of Credit**

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

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

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

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

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

**E. Current and Advanced Refundings**

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

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

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General Obligation

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

Water Revenue Bonds

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

**F. Economic Development Authority**

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

**G. Lease Obligations**

Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$5,057,777 for the fiscal year ended June 30, 2016.

Future year lease obligations are listed below:

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

**H. Landfill Liability**

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The \$2,511,028 reported as an obligation for landfill closure and post-closure costs at June 30, 2016, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,895,213 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

**I. Compensated Absences**

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

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

**J. Debt Limit**

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2016, the City's debt limit is \$1,910,673,796 of which \$922,291,957 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

**K. Bonds Authorized and Unissued**

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

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

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

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

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

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**X. Pension Plans**

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

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

**Plan Description**

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

**Plan Membership**

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

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

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**Plan Benefits**

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

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

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

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

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

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

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

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

### **Contributions**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, with the exception of the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective January 8, 2015. Total employer contributions to the ERS plan were \$30,761,340 and \$34,932,005 for the year ended June 30, 2016 and 2015, respectively. These contributions combined with employee contributions of \$8,733,482 and \$4,194,726 for the year ended June 30, 2016 and June 30, 2015, respectively were expected to cover the actuarially determined contributions.

### **Actuarial Assumptions**

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

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

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

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

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

### **Discount Rate**

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

### **Net Pension Liability**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Plan Description – Virginia Retirement System**

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

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

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

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

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

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

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

**Contributions**

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

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

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

**Actuarial Assumptions**

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

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

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

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

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

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

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

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

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

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

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

### Discount Rate

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

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

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

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

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

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

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

**Amortization of Deferred Inflows and Outflows**

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

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**Plan Membership**

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

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

**Change in Net Pension Liability**

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

**City of Norfolk**

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

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**School Board Political Subdivisions**

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

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

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

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

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

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**Payables to the Pension Plan**

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

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

**XI. Deferred Compensation Plan**

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

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

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

**Plan Description**

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

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

**Funding Policy**

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

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

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

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

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

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

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

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**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accrued liability for benefits was \$94.9 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$94.9 million. The combined covered payroll of active City and School employees covered by the plan was \$362.3 million, and the ratio of the UAAL to the covered payroll was 21.3 percent. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2015, with results projected for the fiscal year ended June 30, 2016. The entry age normal actuarial cost method was used with a level percent open amortization method over 30 years. A discount rate of 4.0 percent was used. Annual rates of health care inflation used were 8.0 percent (pre-Medicare) grading to 4.0 percent over 20 years and the annual rate of salary increases used was 3.5 percent.

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

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**XIII. Interfund Receivable and Payable Balances**

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

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

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**XIV. Interfund Transfers**

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

The following interfund transfers occurred during fiscal year 2016:

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

The purpose of the transfer balances are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**A. Unavailable Revenues**

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

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

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

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

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

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

**XVII. Commitments and Contingencies**

**A. Capital Projects**

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

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

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

**B. Contingent Liabilities**

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

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

**C. Litigation**

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

**D. Pollution Remediation Obligation**

GASB Statement 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean-up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and

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- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

During the fiscal year the City paid the following liabilities for pollution remediation obligations: \$65,910 associated with the cleanup of the USS Wisconsin battleship, in order to open it to the public for tours, \$28,801 of which was associated with Nauticus. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates and are included in other liabilities on the financial statements. The potential for a change to the estimate is minimal. Additional liabilities incurred were \$200,000 for Meadowbrook School and \$110,000 for the General District Court Building.

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

## **E. Encumbrances**

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

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

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

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**XIX. Self and Purchased Insurance Programs**

The City is exposed to various risks of losses related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2016 was \$9,231,537.

The City currently reports all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates, but excluded in the liability estimates. At June 30, 2016, these liabilities were estimated at \$29,296,575 with \$4,180,781 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal 2016 were determined by an independent actuary.

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

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

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

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

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

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

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

## **XX. Jointly Governed Organizations**

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

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

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

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

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

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

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

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

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

**XXI. Joint Ventures**

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

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

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

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

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

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

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

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

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

**XXII. Related Organizations**

**A. Norfolk Redevelopment and Housing Authority (NRHA)**

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of

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the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not exercise a significant degree of oversight responsibility for the NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

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

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

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

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

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

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

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

**XXIII. Adoption of New Accounting Pronouncements**

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

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

**XXIV. Subsequent Events**

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

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

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

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

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

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

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

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

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

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

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

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

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

# **REQUIRED SUPPLEMENTARY INFORMATION**

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

**(Unaudited)**





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# CITY OF NORFOLK, VIRGINIA

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

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

See accompanying independent auditors' report

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

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

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

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

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

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

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

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

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

**Plan Fiduciary Net position**

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

**Net Pension Liability**

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

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

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

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

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

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

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

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

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

Schedule of School Boards' Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

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

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

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

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

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

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

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

Schedule of School Board Contributions (unaudited)

Last 10 Fiscal Years

(Amounts in thousands)

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

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

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

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

### **Changes of benefit terms**

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

### **Changes of assumptions**

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

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

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

### **Changes of benefit terms**

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

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-1**

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

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

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

See accompanying independent auditors' report

**CITY OF NORFOLK, VIRGINIA**

**Exhibit E-2**

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

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

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

See accompanying independent auditors' report

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

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

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

See accompanying independent auditors' report



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# **OTHER SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

- ~ Nonmajor Governmental Funds ~**
- ~ Agency Funds ~**
- ~ Internal Service Funds ~**

## **OTHER SCHEDULES**

- ~ Schedule of Expenditures of Federal Awards ~**
- ~ Notes to Schedule of Expenditures of Federal Awards ~**
- ~ Schedule of Revenues and Expenditures – Budget and  
Actual – Special Revenue Funds ~**
- ~ Schedule of Revenues and Expenditures – Budget and  
Actual – Internal Service Funds ~**
- ~ Schedule of Revenues and Expenditures – Budget and  
Actual – Capital Projects Fund ~**





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# Nonmajor Governmental Funds

## Special Revenue Funds

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

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

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

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

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

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

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

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

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



## Nonmajor Governmental Funds (Cont'd.)

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



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

Special Revenue Funds											Nonmajor Governmental Funds			
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Total Special Revenue	Endowed Care Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>														
Cash and short-term investments	\$ 1,241,865	\$ 74,367	\$ 2,025,250	\$ 5,357,160	\$ 574,880	\$ 512,360	\$ 134,482	\$ 155,260	\$ 237,058	\$ 205,59,026	\$ 303,932	\$ 1,834,464	\$ 32,547,354	
Receivables, net	2,986,943	22,182	2,834,335	-	-	-	-	-	-	569,985	-	-	7,586,725	
Accrued investment income	119	15	-	-	38	-	-	-	-	-	172	6,405	7,593,330	
Due from other funds	-	-	43,634	545,523	-	-	-	-	-	-	589,157	-	589,157	
Due from other governments	154,639	-	-	6,622,351	93,760	-	-	-	-	-	6,881,216	-	6,881,216	
Preadad	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	570,882	
<b>Total assets</b>	<b>\$ 4,293,466</b>	<b>\$ 96,564</b>	<b>\$ 5,703,219</b>	<b>\$ 3,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 290,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,301</b>	<b>\$ 308,389</b>	<b>\$ 1,834,464</b>	<b>\$ 48,175,706</b>	<b>\$ 59,14,050</b>	<b>\$ 53,989,946</b>	
<b>LIABILITIES, DEFERRED INFLOWS</b>														
Vouchers payable	\$ 595,075	\$ 33,291	\$ 1,136,210	\$ 2,535,096	\$ 121,934	\$ 244,054	\$ 1,743	\$ 26,798	\$ 17,143	\$ -	\$ 49,303	\$ -	\$ 4,636,860	
Contract retainerage	325	-	-	46,630	-	46,630	-	28,372	-	-	104,115	-	124,022	
Accrued payroll	96,401	10,402	83,420	-	-	-	-	-	-	-	-	36,940	36,940	
Accrued expenses	-	-	12,320	-	9,029,583	-	-	-	-	-	-	-	-	
Unearned revenue	-	-	2,846	-	519,550	-	-	-	-	-	-	9,041,903	9,041,903	
Due to other funds	-	-	-	-	-	-	-	-	-	-	2,846	-	2,846	
Due to component units	-	-	-	-	-	-	-	-	-	-	519,550	-	519,550	
Other liabilities	5	-	-	-	-	-	-	-	-	-	5	-	5	
<b>Total liabilities</b>	<b>692,206</b>	<b>56,013</b>	<b>1,222,476</b>	<b>12,252,983</b>	<b>245,797</b>	<b>53,170</b>	<b>17,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153,418</b>	<b>-</b>	<b>14,693,206</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Revenue not available for current obligations	507,844	-	1,666,487	-	-	565,669	141,764	-	-	-	-	2,821,764	-	
<b>FUND BALANCES</b>														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted	-	-	-	-	3,286,239	371,546	-	-	-	-	3,657,785	-	3,657,785	
Committed	-	-	-	-	-	-	-	-	-	-	3,131,827	-	3,131,827	
Assigned	-	-	40,551	2,874,256	249,817	-	95,808	175,524	21,128,901	154,980	1,834,464	26,554,331	-	26,554,331
Unassigned	-	-	40,551	2,874,256	(2,689,087)	846,989	37,154	21,128,901	154,980	1,834,464	(2,689,087)	-	(2,689,087)	
Total fund balances	<b>3,093,466</b>	<b>40,551</b>	<b>98,564</b>	<b>\$ 5,703,219</b>	<b>\$ 13,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 290,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,901</b>	<b>\$ 308,389</b>	<b>\$ 1,834,464</b>	<b>\$ 48,175,706</b>	<b>\$ 59,14,050</b>	<b>\$ 53,989,946</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,293,466</b>	<b>\$ 96,564</b>	<b>\$ 5,703,219</b>	<b>\$ 13,099,952</b>	<b>\$ 1,183,012</b>	<b>\$ 290,742</b>	<b>\$ 237,058</b>	<b>\$ 21,128,901</b>	<b>\$ 308,389</b>	<b>\$ 1,834,464</b>	<b>\$ 48,175,706</b>	<b>\$ 59,14,050</b>	<b>\$ 53,989,946</b>	

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

	Special Revenue Funds										Total Nonmajor Governmental Funds		
	Storm Water	Towing	Waste Management	Grants	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Special Revenue		
<b>REVENUES</b>													
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,984,100	\$ -	\$ -	\$ 4,984,100	\$ 9,675,051
Other local taxes	-	-	-	-	-	-	-	-	-	-	-	-	9,675,051
Fines and forfeitures	-	-	-	200	-	-	-	6,103,455	3,557,596	\$ 9,675,051	200	-	200
Use of money and property	7,789	146	18,600	227	-	48,600	-	-	-	75,362	22,855	98,217	
Charges for services	15,520,857	1,239,519	21,076,074	135,971	1,445,685	-	-	-	-	40,020,895	22,625	40,448,520	2,16,357
Miscellaneous	88,515	88,640	57,225	2,010,671	471,306	-	-	-	-	2,716,357	-	-	
Intergovernmental:	-	-	-	-	-	-	-	-	-	-	-	-	
Commonwealth of Virginia	-	-	-	-	-	-	-	-	-	-	-	-	
Federal government	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenue	81,241	4,465	-	-	14,847,734	-	-	-	1,380,202	-	16,237,936	-	16,237,936
	15,705,402	1,332,770	21,751,889	30,429,915	4,000,645	4,471,951	1,445,685	48,600	6,103,455	4,984,100	17,528,482	-	17,528,482
											91,238,363	250,480	91,488,843
<b>EXPENDITURES</b>													
General government	-	-	-	1,302,337	-	-	-	-	4,075,412	-	-	5,407,749	-
Judicial administration	-	-	-	2,980,530	-	-	-	-	-	2,980,530	-	2,980,530	
Public safety	-	-	-	3,308,915	-	-	-	-	-	9,144,488	-	9,144,488	
Public works	-	-	19,589,173	6,516,253	835,720	-	-	-	-	38,222,589	-	38,222,589	
Health and public assistance	-	-	-	16,028,152	1,398,442	1,934,389	16,893	-	-	16,883,872	-	16,883,872	
Cultural and recreation	-	-	-	-	2,200,588	1,464,885	-	-	-	3,349,724	-	3,349,724	
Community development	-	-	-	-	-	-	-	-	-	3,685,273	-	3,685,273	
General services	-	-	-	-	-	-	-	-	-	-	-	-	
Education	-	-	-	-	-	1,800,000	-	-	-	-	1,800,000	-	
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	10,803,742	1,314,421	19,589,173	33,735,217	4,100,405	1,934,389	16,893	4,075,412	5,833,553	-	81,404,205	-	81,404,205
Excess (deficiency) of revenue over (under) expenditures	4,907,650	18,349	2,162,726	(3,305,302)	371,546	(488,701)	31,707	2,028,043	(870,967)	4,984,100	9,834,158	250,480	10,084,638
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources and uses	(4,532,259)	(203,152)	(1,076,404)	4,381,203	-	517,393	-	7,500,000	940,976	(4,984,100)	13,339,572	-	13,339,572
Net change in fund balances	(4,532,259)	(203,152)	(1,076,404)	4,381,203	-	517,393	-	(2,002,422)	5,497,578	(4,984,100)	(12,788,337)	(30,580)	(13,03,917)
Fund balances-beginning	370,401	(184,003)	1,068,322	1,075,901	371,546	28,689	31,707	7,525,621	70,009	-	10,375,383	(55,000)	10,20,293
Fund balances-ending	\$ 2,723,025	\$ 225,354	\$ 1,987,934	\$ (228,932)	\$ 846,999	\$ 371,546	\$ 67,119	\$ 188,208	\$ 13,603,280	\$ 84,971	\$ 1,834,464	\$ 5,794,150	\$ 26,079,583
	\$ 3,093,436	\$ 40,351	\$ 2,074,266	\$ 40,351	\$ 2,074,266	\$ 40,351	\$ 2,074,266	\$ 219,915	\$ 21,220,901	\$ 154,930	\$ 1,834,464	\$ 30,603,826	\$ 5,794,150

## Internal Service Funds

**Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:**

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

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





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**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-1**

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

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

**CITY OF NORFOLK, VIRGINIA**

Exhibit G-2

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

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

**CITY OF NORFOLK, VIRGINIA**

**Exhibit G-3**

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

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



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## Agency Funds

**Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:**

Agency Fund – Other; to account for other monies held for private organizations and other funds including Sheriff's inmate funds and funds held on behalf of employees.

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





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

(unaudited)

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

**CITY OF NORFOLK, VIRGINIA**

Exhibit H-2

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

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

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





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

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

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

**Department of Transportation:**

Pass-Through Payments:

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

**Environmental Protection Agency:**

Pass-Through Payments:

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

**Department of Homeland Security**

Direct Payments:

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

Pass-Through Payments:

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

**Department of Education:**

Direct Payments:

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

Pass-Through Payments:

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

**Federal Emergency Management Agency**

Direct Payments:

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

**Department of Health and Human Services:**

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

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

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**1. General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board and Community Services Board component units.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

**2. Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

**3. Relationship to the Basic Financial Statements**

Federal award revenue is reported in the City's basic financial statements as follows:

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

**Component Unit - School Board**

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

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

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

**Reconciliation to Exhibit A-3**

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

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

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**4. Clusters**

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

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

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

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**Clusters (continued):**

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

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

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**5. Virginia Resources Authority Loans**

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

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

**6. Indirect Cost Rate**

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



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

**~Special Revenue Funds~**

**~Internal Service Funds~**

**~Capital Projects Fund~**





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**STATISTICAL  
SECTION  
(Unaudited)**





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

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**STATISTICAL SECTION**

This section of the City of Norfolk's comprehensive annual financial report provides detailed historical and economic information for users of the financial statements, notes to the financial statements, and required supplementary information for the purpose of assessing and evaluating the City's economic condition.

**Financial Trends Information** – These schedules provide information on the City's net assets, changes to net assets and fund balance for assessing the changes in financial position over time.

**Revenue Capacity Information** – These schedules provide information on the City's ability to generate revenue, specifically property tax revenue (the major source of revenue for governmental activities).

**Debt Capacity Information** – These schedules provide information on the City's outstanding debt, debt limitations and the ability to leverage and pay future debt.

**Demographic and Economic Information** – These schedules provide information about the environment in which the City operates.

**Operating Information** – These schedules provide operating information related to the City's infrastructure, assets and services provided by function.

**Sources:** Unless otherwise noted, the information in these statistical schedules is from the comprehensive annual financial reports for the relevant years.





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## (UNAUDITED)

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

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

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

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

## (UNAUDITED)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenue</b>										
Governmental activities:										
Charges for services	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642
General government	\$ 778	\$ 931	\$ 935	\$ 3,501	\$ 3,629	\$ 3,690	\$ 3,717	\$ 3,142	\$ 2,938	\$ 2,729
Judicial administration	2,708	2,307	2,797	5,627	7,942	8,424	10,154	7,613	7,563	8,307
Public safety	24,181	27,156	26,999	35,451	36,890	50,597	38,320	37,769	41,821	42,341
Public works	101	166	134	83	82	50	5,349	5,597	5,577	6,310
Health and public assistance	6,126	6,710	6,232	9,224	10,101	9,751	10,297	9,685	8,948	10,054
Culture and recreation	907	760	1,539	2,259	1,479	1,807	2,368	1,960	2,557	2,370
Community development	-	-	16,933	7,175	-	765	15,000	15,933	1,000	5,672
Capital grant contributions	115,779	112,960	112,419	127,865	116,648	119,353	131,719	120,713	125,802	132,611
Operating grants and contributions										
Total governmental activities program revenue	153,030	153,159	169,788	204,141	195,401	203,878	226,413	206,561	203,358	215,036
Business-type activities:										
Charges for services										
Water utility	69,816	74,240	74,454	78,963	80,573	78,148	76,584	79,097	82,996	80,749
Wastewater utility	22,314	24,917	23,125	23,815	24,362	24,798	25,469	27,119	28,144	27,823
Parking facilities	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,413	19,520	19,612
Capital grants and contributions	731	219	504	366	130	187	-	2,761	3,006	338
Total business-type activities program revenues	114,460	119,801	118,131	121,949	124,747	122,585	121,215	129,390	133,666	128,522
Total primary government program revenues	267,490	272,960	287,919	326,090	320,148	326,463	347,628	335,951	337,024	343,558
<b>Expenses</b>										
Governmental activities:										
General government	113,279	113,142	111,629	112,874	103,550	109,188	119,764	122,656	126,859	130,550
Judicial administration	46,944	48,583	52,209	52,020	49,980	51,102	51,654	55,062	49,056	51,926
Public safety	111,803	126,609	120,703	130,263	129,721	129,138	125,270	125,122	120,710	119,828
Public works	119,76	118,888	134,274	132,176	101,137	91,542	71,324	66,909	81,171	79,200
Health and public assistance	93,775	95,234	93,495	91,923	82,368	75,428	90,993	96,776	86,776	85,730
Culture and recreation	52,065	56,890	63,438	73,342	64,352	63,499	56,039	56,499	58,443	60,064
Community development	14,772	15,345	10,867	15,429	18,638	17,223	16,158	12,622	13,040	16,734
Education	97,595	101,095	104,511	101,011	104,511	104,512	109,287	109,467	117,722	114,769
Interest on long-term debt	19,618	21,457	23,788	26,014	27,931	26,822	28,249	25,187	22,060	22,950
Total government activities expenses:	669,327	687,253	714,914	735,052	682,188	668,454	668,738	664,443	675,937	681,751
Business-type activities:										
Water utility	60,511	64,877	66,990	64,316	67,852	64,473	61,358	61,609	59,448	59,415
Wastewater utility	17,377	18,614	21,227	18,983	19,707	18,806	19,983	20,128	19,142	19,226
Parking facilities	18,861	21,539	19,036	20,008	22,050	20,469	20,961	23,677	20,045	20,651
Total business-type activities expenses:	96,749	105,030	107,253	103,307	109,609	103,748	102,302	105,414	98,635	99,222
Total primary government expenses:	766,676	802,283	822,167	838,359	791,797	772,202	771,040	769,857	774,572	781,043
<b>Net (Expense) Revenue</b>										
Governmental activities	\$(516,897)	\$(544,094)	\$(545,126)	\$(530,911)	\$(486,787)	\$(464,576)	\$(442,325)	\$(457,882)	\$(472,579)	\$(466,715)
Business-type activities	17,711	14,771	10,878	18,642	15,138	18,837	18,913	23,976	35,031	29,230
Total primary government net expense	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,289)	\$ (471,649)	\$ (445,739)	\$ (423,412)	\$ (433,906)	\$ (437,548)	\$ (437,485)

## (UNAUDITED)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenue and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Real estate and personal property	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395
Consumption utility	42,586	46,582	44,142	44,053	48,360	43,588	43,211	43,055	42,961	41,849
Sales and use	32,402	31,791	29,484	28,249	28,411	27,599	29,707	29,436	29,981	30,330
Restaurant food	28,578	28,758	28,079	27,292	24,094	30,300	30,818	31,127	32,634	34,224
Business licenses	25,268	26,343	27,682	26,009	25,849	28,667	29,301	29,889	28,640	28,935
Cigarette	6,957	7,577	7,333	7,176	7,161	8,097	7,926	7,409	7,821	7,784
Motor vehicle licenses	3,529	3,498	4,005	4,308	4,313	4,318	4,210	3,966	3,953	4,488
Other	19,800	18,025	17,192	16,528	15,698	18,665	18,124	16,618	18,280	18,424
Interest and investment earnings										
Grants and contributions not restricted to specific programs	6,536	5,307	2,789	892	1,065	916	563	783	164	281
Miscellaneous	66,524	69,352	60,513	32,892	32,642	32,726	33,539	33,788	33,793	34,863
Miscellaneous	4,845	11,881	9,600	5,637	5,901	4,653	11,501	14,563	11,916	16,404
Gain/Loss on disposal of assets	65	62	-	-	-	-	1,734	-	-	-
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	-	-	-	-
Transfers between governmental and business-type activities	10,988	10,212	10,215	13,054	10,052	10,087	10,114	10,052	10,033	10,000
Total governmental activities	489,393	499,876	501,684	502,816	470,161	455,055	467,093	475,043	483,666	490,977
Business-type activities:										
Interest and investment earnings	2,739	3,046	925	618	511	314	234	496	112	295
Grants and contributions not restricted to specific programs	333	-	-	148	557	371	1,626	219	214	149
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,554	3,088	2,850	3,432	3,431	3,951	4,042	3,162	2,506	2,295
Gain (Loss) on disposal of assets	(6)	-	-	2,744	(157)	26	9	(88)	(2)	-
Transfers between governmental and business-type activities	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)
Total business-type activities	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)	(6,263)	(7,203)	(7,261)
Total primary governmental activities	485,025	495,798	495,244	496,704	464,451	449,630	462,890	468,780	476,463	483,716
<b>Change in Net Position</b>										
Governmental activities	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,087	24,262
Business-type activities	13,343	10,693	4,438	12,530	9,428	13,412	15,814	17,713	27,828	21,969
Total Primary Government changes in net position	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 41,299	\$ 34,874	\$ 38,915	\$ 46,231

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	395	330	300	265	2,100
Committed	-	-	-	-	-	1,899	3,000	3,000	3,000	4,000
Assigned	-	-	-	-	-	38,014	34,839	33,919	23,901	25,904
Unassigned	-	-	-	-	-	55,968	54,338	54,055	58,100	65,580
Reserved <sup>(1)</sup>	17,223	11,969	7,842	8,296	-	-	-	-	-	73,077
Unreserved <sup>(1)</sup>	71,056	56,302	50,784	53,840	-	-	-	-	-	-
Total General Fund	<u>88,279</u>	<u>67,971</u>	<u>58,626</u>	<u>62,136</u>	<u>96,281</u>	<u>92,507</u>	<u>91,274</u>	<u>85,266</u>	<u>97,584</u>	<u>107,788</u>
Capital Projects Fund: <sup>(2)</sup>										
Nonspendable	-	-	-	-	-	41,063	95,053	-	10,933	-
Restricted	-	-	-	-	-	11,978	14,376	13,637	14,480	14,704
Committed	-	-	-	-	-	26,307	15,345	7,339	4,052	6,170
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved <sup>(1)</sup>	48,894	57,186	50,987	60,696	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	15,424	64,504	25,939	86,260	-	-	-	-	-	-
Total Capital Projects Fund	<u>64,318</u>	<u>121,690</u>	<u>76,926</u>	<u>146,956</u>	<u>79,348</u>	<u>124,774</u>	<u>20,976</u>	<u>29,465</u>	<u>(69,920)</u>	<u>(210,310)</u>
All Other Governmental Funds:										
Nonspendable	-	-	-	-	-	22	23	24	-	-
Restricted	-	-	-	-	-	2,621	9,474	10,811	10,864	8,385
Committed	-	-	-	-	-	11,259	3,246	2,454	5,050	2,764
Assigned	-	-	-	-	-	9,877	13,569	20,708	22,144	17,843
Unassigned	-	-	-	-	-	-	-	(1,556)	(2,913)	26,554
Reserved <sup>(1)</sup>	20,123	30,716	27,049	34,634	-	-	-	-	-	-
Unreserved <sup>(1)</sup>	24,211	13,987	12,535	14,008	-	-	-	-	-	-
Total other governmental funds	<u>44,334</u>	<u>44,703</u>	<u>39,584</u>	<u>48,642</u>	<u>23,779</u>	<u>26,312</u>	<u>33,997</u>	<u>36,502</u>	<u>26,079</u>	<u>36,400</u>
Total fund balance, governmental funds	<u>\$ 196,931</u>	<u>\$ 234,364</u>	<u>\$ 175,136</u>	<u>\$ 257,734</u>	<u>\$ 199,408</u>	<u>\$ 243,593</u>	<u>\$ 146,247</u>	<u>\$ 151,233</u>	<u>\$ 53,743</u>	<u>\$ (66,122)</u>

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

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenue:</b>										
General property taxes	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943
Other local taxes	159,119	162,573	157,927	153,615	153,886	161,234	163,297	161,499	164,270	166,034
Licenses and permits	4,055	4,012	3,526	3,691	3,574	4,098	3,089	3,013	3,013	3,038
Fines and forfeitures	1,605	1,317	1,260	1,164	1,298	1,108	1,102	1,242	1,264	1,111
Use of money and property	11,105	10,560	8,332	6,746	7,169	6,695	6,539	6,329	9,668	7,354
Charges for services	37,071	40,159	40,345	50,540	47,955	47,859	56,077	60,040	59,983	62,709
Miscellaneous	11,691	17,923	18,080	14,850	11,643	26,178	29,133	10,142	11,325	-
Recovered costs <sup>(1)</sup>	8,408	8,622	8,952	9,503	10,723	10,312	11,386	-	-	-
Intergovernmental	156,637	156,862	149,774	152,619	149,489	161,572	161,148	153,782	158,840	166,686
<b>Total revenues</b>	<b>625,106</b>	<b>643,361</b>	<b>635,516</b>	<b>652,848</b>	<b>647,065</b>	<b>656,914</b>	<b>676,194</b>	<b>672,093</b>	<b>669,613</b>	<b>684,200</b>
<b>Expenditures:</b>										
Current										
General government	102,031	110,974	102,426	97,061	80,855	100,504	112,804	109,292	110,904	118,468
Judicial administration	45,173	47,331	50,347	48,726	47,535	48,233	50,920	51,673	51,360	50,513
Public safety	108,565	116,208	118,073	115,486	115,975	116,286	117,427	113,394	112,055	116,436
Public works	49,161	60,370	56,146	59,574	70,124	62,330	54,427	55,267	61,369	58,716
Health and public assistance	93,397	95,159	91,648	89,682	79,757	74,331	88,413	88,671	85,631	85,815
Culture and recreation	46,397	51,071	52,248	51,708	45,862	44,529	47,153	46,705	48,765	44,531
Community development	11,158	10,745	9,899	10,851	16,585	15,142	15,128	12,482	12,303	13,677
Education	97,595	101,096	104,511	101,011	104,511	104,512	109,287	111,854	117,722	114,769
Debt service:										
Principal retirement	35,872	40,260	48,092	46,052	50,865	57,683	50,559	48,135	49,255	46,175
Interest and other charges	18,917	20,468	23,666	23,782	29,675	27,360	27,668	28,682	28,896	26,955
Debt issuance costs	-	-	-	-	-	-	-	1,127	680	318
Capital outlay	94,595	114,007	104,892	99,210	76,534	98,892	116,580	100,709	103,113	140,093
<b>Total expenditures</b>	<b>702,861</b>	<b>767,688</b>	<b>761,948</b>	<b>743,145</b>	<b>718,258</b>	<b>749,812</b>	<b>790,366</b>	<b>767,991</b>	<b>780,053</b>	<b>816,466</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(77,755)</b>	<b>(124,327)</b>	<b>(126,432)</b>	<b>(90,297)</b>	<b>(71,193)</b>	<b>(92,898)</b>	<b>(114,172)</b>	<b>(95,898)</b>	<b>(110,440)</b>	<b>(132,266)</b>
<b>Other financing sources (uses):</b>										
Proceeds of refunding bonds	15,480	-	16,000	-	84,136	74,859	-	73,428	74,094	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	2,400
Proceeds from line of credit	-	-	-	-	-	-	-	-	1,000	-
Cost of issuance	-	-	-	-	-	-	-	-	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	-	15,311	-	17,081	7,530	-
Miscellaneous	66	62	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of capital assets	89,254	109,901	105,641	104,007	104,873	2,700	1,966	112,121	107,633	102,604
Operating transfers in	(78,176)	(99,653)	(95,425)	(90,983)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)
<b>Total other financing sources (uses)</b>	<b>134,919</b>	<b>161,758</b>	<b>67,203</b>	<b>172,895</b>	<b>12,867</b>	<b>137,083</b>	<b>12,081</b>	<b>102,011</b>	<b>12,201</b>	<b>12,400</b>
<b>Net change in fund balances</b>	<b>\$ 57,164</b>	<b>\$ 37,431</b>	<b>\$ (59,229)</b>	<b>\$ 82,598</b>	<b>\$ (58,326)</b>	<b>\$ 44,185</b>	<b>\$ (102,091)</b>	<b>\$ 6,113</b>	<b>\$ (98,239)</b>	<b>\$ (119,866)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.01%</b>	<b>9.13%</b>	<b>10.40%</b>	<b>9.69%</b>	<b>12.19%</b>	<b>12.27%</b>	<b>11.57%</b>	<b>11.22%</b>	<b>11.27%</b>	<b>10.91%</b>

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

## (UNAUDITED)

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

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

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 6**  
**Total Revenue by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

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

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

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

## Notes:

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

N/A - Not Available

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 1**  
**Assessed Valuations and Estimated Actual Values of Taxable Property**  
**Last Ten Years**  
(in thousands)

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

## Notes:

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.18	0.18	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.00	4.25	4.25	4.25	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.27	1.11	1.11	1.11	1.11	1.11	1.11	1.15	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.45	1.25	1.23	1.19	1.19	1.21	1.22	1.22	1.22	1.24

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

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

## Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2007 through 2016.
3. The most recent Virginia Assessment/Sales ratio study is for 2016.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

(UNAUDITED)

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

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

Note:

1. Information obtained from the City's Real Estate Assessor's Office.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 4**  
**Property Tax Levy and Collections by Tax Year**  
**Last Ten Years**  
(in thousands)

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

Notes:

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

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 1**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Amount in Thousands)

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

N/A - not available

- Population is detailed in Schedule 2 Debt Capacity Information.

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

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

## Notes:

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

N/A - not available

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

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

## Notes:

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

(UNAUDITED)

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

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

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 5**  
**Revenue Bonds Debt Service Coverage**  
**Water Utility Fund**  
**Last Ten Fiscal Years**

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

## Notes:

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

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

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

## Notes:

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

**City of Norfolk, Virginia**  
**Debt Capacity**  
**Schedule 7**  
**Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt**  
**Last Ten Years**  
**to Total General Expenditures**

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

## Notes:

1. Total general expenditures include the expenditures of the General fund and Debt Service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 1**  
**Population Statistics**  
**Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
2006	243,406	\$ 8,687,142	\$ 35,690	95,709	4.3%
2007	241,248	\$ 8,670,457	\$ 35,940	99,742	4.1%
2008	241,201	\$ 8,692,900	\$ 36,040	100,847	5.3%
2009	241,725	\$ 8,276,010	\$ 34,237	98,751	8.5%
2010	242,803	\$ 8,380,127	\$ 34,501	112,449	8.8%
2011	243,985	\$ 8,608,415	\$ 35,342	112,932	8.4%
2012	245,803	\$ 8,928,833	\$ 36,308	112,881	7.6%
2013	246,392	\$ 8,842,338	\$ 36,066	112,815	6.9%
2014	246,394	\$ 9,122,284	\$ 37,052	112,466	6.4%
2015	247,189	\$ 9,529,615	\$ 38,676	111,318	5.6%

Notes:

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

(UNAUDITED)

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

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

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2016 is the quarter ended December 2015, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 3**  
**New Construction and Property Values**

Year	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2007	389	491	\$ 68,476	55	\$ 81,396
2008	277	815	101,212	35	102,714
2009	209	535	35,878	38	138,131
2010	191	621	58,729	35	104,922
2011	221	479	37,298	27	40,073
2012	268	371	39,360	26	116,401
2013	384	822	63,728	28	105,635
2014	432	1,393	93,072	33	37,575
2015	399	711	59,018	36	233,824
2016	384	1,067	74,294	20	91,171

Notes:

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

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

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

## Notes:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. This schedule includes data for the ten year period 2006 - 2015 as calendar year. Calendar year data not available for 2016.

(UNAUDITED)

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

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

Note:

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

(UNAUDITED)

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

Function/Program	Fiscal Year						2016
	2007	2008	2009	2010	2011	2012	
Police:							
Service calls	237,451	258,254	242,139	245,336	241,282	251,099	245,620
Arrests	22,222	24,050	26,583	28,069	27,930	29,080	27,073
Reports filed	31,986	31,220	32,477	31,487	30,507	28,649	28,035
Fire:							
Incidences (fires, EMS)	31,266	41,212	39,714	40,234	40,641	45,350	44,370
Highways and Streets:							
Streets resurfacing (miles)	70	80	66	69	67	139	53
Sanitation:							
Total solid waste collected and disposed (tons)	97,143	93,799	92,333	100,480	84,162	89,106	83,297
Water Utilities:							
Water delivered to water mains (gallons in thousands)	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690	21,532,680
Total water consumption (gallons in thousands)	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972	20,199,000
Percent of unmetered water	7.30%	6.95%	7.31%	6.11%	7.25%	7.62%	6.62%
Average daily delivery (gallons in thousands)	66,650	66,200	62,900	62,100	62,494	60,217	58,994
Maximum daily pumpage (gallons in thousands)	83,600	82,000	79,000	76,400	80,200	76,310	74,640
Minimum daily pumpage (gallons in thousands)	56,200	52,200	52,000	52,200	52,350	50,070	49,890

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

Function/Program	2007	2008	2009	2010	Fiscal Year			2012	2013	2014	2015	2016
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2015	2016
Public Safety:												
Police												
Stations	3	3	3	3	3	3	3	3	3	3	3	3
Fire	14	14	14	14	14	14	14	14	14	14	14	14
Fire stations												
Fire stations												
Education:												
High schools	5	5	5	5	5	5	5	5	5	5	5	5
Middle schools	9	9	9	8	8	8	8	8	8	7	7	8
Elementary (K - 8 & Pre K - 8)	35	35	35	35	35	35	34	33	33	33	33	33
Other educational facilities	11	11	9	5	5	5	6	6	6	7	7	10
Libraries	10	11	11	11	11	11	11	11	11	11	11	11
Public Recreation:												
Parks:												
Acreage	587	586	587	587	587	587	587	587	587	587	587	630
Regional parks	1	1	2	2	2	2	2	2	2	2	2	2
Neighborhood parks	85	85	71	71	71	71	71	71	71	71	71	72
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1	1	1
Playgrounds	79	123	100	101	101	101	102	102	105	106	106	106
Hiking trails (miles)	1	2	2	2	2	2	2	2	2	2	2	5
Recreation:												
Acreage	860	868	954	957	957	957	957	957	957	957	957	981
Recreational and senior centers	18	19	25	30	30	30	30	30	30	30	30	30
Swimming pools	6	8	6	6	6	6	6	6	6	6	6	6
Tennis courts	101	134	148	148	148	148	142	142	142	142	142	142
Baseball/softball diamonds	63	99	86	86	86	86	86	86	86	86	86	86
Football/soccer fields	47	65	49	49	49	49	49	49	49	49	49	49
Field hockey	5	5	3	3	3	3	3	3	3	3	3	3
Basketball courts	229	179	204	203	203	203	201	201	201	201	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	3	3	3	3	3	3	3	2
Public Services:												
Transportation and Engineering:												
Streets (lane miles)	2,193	2,210	2,193	2,188	2,188	2,189	2,189	2,174	2,175	2,166	2,166	2,195
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	968	968	902
Bridges	49	49	49	50	50	50	50	50	50	50	50	52
Signalized intersections	283	287	284	301	304	305	304	304	311	312	312	312
Street lights	30,200	30,583	30,653	30,717	31,277	31,132	31,138	31,138	31,138	31,269	31,269	31,289
Utilities:												
Water fund capital assets (in thousands)	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 532,089		
Wastewater fund capital assets (in thousands)	\$ 147,020	\$ 163,068	\$ 177,928	\$ 183,974	\$ 198,842	\$ 214,308	\$ 229,891	\$ 236,931	\$ 249,210	\$ 260,188		
Total utilities assets (in thousands)	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,842	\$ 684,774	\$ 710,094	\$ 726,479	\$ 752,869	\$ 792,277		
Water customer accounts	65,000	65,549	64,433	66,140	64,289	64,654	64,654	64,654	65,687	65,687	65,426	
Miles of water main in the system	827	829	832	835	838	824	826	828	828	828	828	821
Convention Center:												
Meeting rooms	8	8	8	8	8	8	8	8	8	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	
Meeting/ballroom space (square feet)	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	
Parking Facilities:												
Parking lots/garages	21	23	23	26	25	24	24	24	24	24	24	25
Parking meters	718	669	614	584	584	756	738	752	676	676	643	
Storm Water Management:												
Miles of storm sewers	357	357	357	357	357	357	357	366	386	386	386	404

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

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

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

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

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

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

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

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

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

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

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

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

**Additional Information:**

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

(UNAUDITED)

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

**The Wastewater System**

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

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

**Organization and Management**

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

**Rates**

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

<b>Fiscal Year</b>	<b>Retail Rate</b>
2016	\$3.82 per 100 cubic feet
2017	\$3.97 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

**Largest Users**

<b>Rank</b>	<b>Entity</b>	<b>Usage (CCF)</b>
1	Norfolk Redevelopment and Housing Authority	413,391
4	Old Dominion University	135,124
2	BAE Systems	131,655
3	Sentara Norfolk General	131,495
5	Norfolk State University	76,137

**Operating Income**

	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2016</b>
Total Operating Revenues	\$ 28,241,721	\$ 28,014,182
Total Operating Expenses	<u>16,702,281</u>	<u>16,707,522</u>
Total Operating Income	<u>\$ 11,539,440</u>	<u>\$ 11,306,660</u>

(UNAUDITED)

**City of Norfolk, Virginia  
Operating Information  
Schedule 6  
Parking System Statistics  
As of June 30, 2016**

**Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages**

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	3.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	4.50	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	6.00		
4 to 5 Hours	7.50		
5 to 6 Hours	9.00		
6 to 7 Hours	10.50		
7 to 8 Hours	12.00		
Maximum Daily Rate (up to 24 Hours)	13.00		
Lost Ticket/Per Day	13.00		

**Short-term Parking Rates at the MacArthur Center Garages**

**Monday - Friday**

\$1.00 for first hour - third hour  
\$2.00 for each additional hour until 6 PM  
\$2.00 for entry after 6 PM  
Maximum of \$10.00 per 24-hour period

**Saturday & Sunday**

\$1.00 for entry prior to 6 PM  
\$2.00 for entry after 6 PM  
Maximum of \$10.00 per 24-hour period

**Special Event Rates**

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garages special event fee is \$2.00 per vehicle.

**Metered Parking Rates**

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four hour limit
ODU Village	161 meters located on 41 <sup>st</sup> , 43 <sup>rd</sup> , 45 <sup>th</sup> , 46 <sup>th</sup> , 47 <sup>th</sup> Street and Monarch Way	\$0.50 per 30 minutes

**Monthly Parking Rates at all City-Owned Facilities**

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

**Parking Fines**

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

**Parking Fines**

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2012	58,928	\$ 2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%

**Additional Information**

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2015 - June 30, 2016

July 1, 2016 - June 30, 2017

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Parking Facilities Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.



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# COMPLIANCE SECTION





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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under the Specifications and which are described in the accompanying schedule of finding and responses as items 2016-005 through 2016-008.



## **Responses to the Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Norfolk's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the City as of and for the year ended June 30, 2016, and have issued our report thereon dated December 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to



the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Norfolk, Virginia  
December 22, 2016

**(1) Summary of Auditors' Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
- Material weaknesses: **No**
  - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **No**
  - Significant deficiencies: **Findings 2016-001 through 2016-004**
- (e) Type of report issued on compliance for major programs:

<b>Federal Programs</b>	<b>CFDA No.</b>	<b>Type</b>
Temporary Assistance for Needy Families	93.558	Unmodified
Medical Assistance Program	93.778	Unmodified
Social Services Block Grant	93.667	Unmodified
Supplemental Nutrition Assistance Program (SNAP)	10.561	Unmodified
Impact Aid	84.041	Unmodified
Capitalization Grants for Clean Water State Revolving Funds	66.458	Unmodified

- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Findings 2016-001 through 2016-004**

- (g) Major programs:

<b>Federal Programs</b>	<b>CFDA No.</b>
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778
Social Services Block Grant	93.667
Supplemental Nutrition Assistance Program (SNAP)	10.561
Impact Aid	84.041
Capitalization Grants for Clean Water State Revolving Funds	66.458

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,977,747**

- (i) Auditee qualified as a low-risk auditee: **Yes**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

### **(3) Findings and Questioned Costs Related to Federal Awards**

#### **Finding No. 2016-001: Eligibility**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Temporary Assistance for Needy Families (TANF), CFDA No. 93.558, Program Year 2016, U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Award BEN-13-045-12

*Recipient*

City of Norfolk

*Criteria*

In accordance with the eligibility requirements of the TANF grant, the City is required to maintain sufficient documentation and approval support for the determination of compliance with the eligibility criteria for the individuals applying for TANF assistance. Specifically, TANF Guidance Manual section 201.1 specifies each factor that is required for the individual to be eligible to receive benefits.

*Condition Found*

In a sample of 65 selections for eligibility, one instance was identified in which an individual who was ineligible received TANF benefits. In an unrelated sample of 80, as a part of our testwork over special tests and provisions – Non-Cooperation, two additional ineligible individuals were found to have received TANF benefits.

*Perspective and Questioned Costs*

There was one individual who inappropriately received TANF benefits in the amount of \$254. In this case, the individual's application was approved in error since the individual's income was higher than the maximum allowable threshold.

There was one individual who inappropriately received TANF benefits in the amount of \$737. In reviewing the case for noncooperation, it was discovered that the individual was not eligible to receive TANF benefits and the application from January 2016 was approved in error.

There was one individual who inappropriately received TANF benefits in the amount of \$742. In reviewing the case for noncooperation, it was discovered that the individual was not eligible to receive TANF benefits and the application dated February 2015 was approved in error.

In each of the cases discussed above, because the City is the administrator of these local funds and the Commonwealth of Virginia provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding. However, the City's processes did not result in the appropriate decision with respect to eligibility of these individuals, as such the instances listed above are considered reportable compliance findings.

*Cause and Effect*

The requirement to determine eligibility was not administered properly, which led to ineligible applications being approved for payment.

*Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeated Finding Compared to Prior Year Audit*

A similar finding was reported in the prior year's audit as finding number 2015-009.

*Recommendation*

The City should implement a process to ensure that all eligibility applications are properly approved and maintained. We further recommend that the City increase the frequency and precision level of management's review of applications for TANF benefits to ensure errors are detected and resolved in a timely manner.

*Views of Responsible Officials*

*We agree with the finding and recommendation and will work to implement the actions the auditors have proposed. The internal team conducts in-depth case reviews on every worker each month. Particular areas of focus are income, applications, and re-certifications. Case reviews are conducted to bolster consistency and maintain a focus on problematic areas. Targeted training support needs are identified by eligibility operations by reviewing review results. The Department of Human Services (DHS) team will continue to work to clearly interpret the policies, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training.*

**Finding No. 2016-002: Special Test and Provisions – Penalty for Refusal to Work**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Temporary Assistance for Needy Families, CFDA No. 93.558, Program Year 2016, U.S. Department of Health and Human Services (HHS), Award BEN-13-045-12

*Recipient*

City of Norfolk

*Criteria*

In accordance with 45 CFR section 261.14, the City is required to reduce or terminate assistance to the individual once it has been determined that a recipient receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

*Condition Found*

In a sample of 80 instances of VIEW sanctions due to refusal to work tested, there was one individual which had been sanctioned and payments suspended, in which a renewal application was later approved despite the valid sanction. Another individual appealed a sanction, however, upon the decision to uphold the sanction rendered by the hearings officer, the VIEW sanction was not re-imposed appropriately and timely.

*Perspective and Questioned Costs*

One individual had sanctions imposed due to noncompliance with refusal to work requirements in December 2014. The participant reapplied for benefits in May 2015, and the application was approved despite the outstanding VIEW sanction. During the City's review of TANF benefits in June 2015, it was discovered that the application was approved in error, and the City took action to suspend benefits. As a result of the delay in identifying the error, the participant received an overpayment of \$640.

In addition, another individual had sanctions imposed due to noncompliance with refusal to work requirements in April 2015. The participant appealed the sanction and their benefits were properly reinstated effective May 2015. The appeal was denied in May 2015, however, the sanction was not re-imposed until January 2016. As the City received the decision rendered by the hearings officer in

May 2015, the participant's sanction should have been re-imposed effective June 2015. As a result, the participant received an overpayment of \$2,624.

In each of the cases discussed above, because the City is the administrator of these local funds and the Commonwealth of Virginia provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding. However, the City's processes did not impose sanctions for refusal to work timely, as such the instances listed above are considered reportable compliance findings.

#### *Cause and Effect*

Both of the situations noted related to appeals or a reapplication for benefits after a sanction had been imposed. The outstanding VIEW sanctions are not being properly updated in the City's ADAPT system to allow for the City's personnel to prevent payments to sanctioned individuals.

#### *Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

#### *Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

#### *Recommendation*

The City should strengthen controls over its review process regarding the participant appeal or reapplication of benefits, to ensure that VIEW sanctioned individuals do not receive payments.

#### *Views of Responsible Officials*

*We agree with the finding and recommendation and will work to implement the actions the auditors have proposed. The internal team conducts in-depth case reviews on every worker each month. Particular areas of focus are income, applications, and re-certifications. Case reviews are conducted by a small number of specialized reviewers to bolster consistency and maintain a focus on problematic areas, and are focused on real-time case reviews to render immediate feedback to workers.*

*Targeted training support needs are identified by eligibility operations by reviewing review results. Training is given to teams and/or individual staff and is geared specifically toward problem areas based on a given team's or individual staff's performance. Training feedback is given to supervisors and managers as the staff's performance is followed up on to ensure progress has been made. We will enhance DHS staff's understanding of the concepts by watching the various error rate measures for trends and providing appropriate and timely feedback.*

*The DHS team will continue to work to clearly interpret the policies, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training. Management will continue to focus their review projects on error prone areas to shore up DHS' understanding of the policy and how it relates to specific cases.*

#### **Finding No. 2016-003: Eligibility**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Medical Assistance Program Administration, CFDA No. 93.778, Program Year 2016, U.S. Department of Health and Human Services, Medical Assistance Program, Award 1200117

#### *Recipient*

City of Norfolk

### *Criteria*

In accordance with Medicaid Manual Chapter 15, Section 1520.200(b) and Medicaid Eligibility requirements, the City is required to notify the applicant by means of a Notice of Action of their eligibility decision. Additionally, per the Medicaid Manual Chapter 1, Section M0110.400 (b) and Medicaid Eligibility requirements, the City is also required to maintain case records that contain information necessary to support the facts essential to the determination of initial and continuing eligibility, as well as any basis for discontinuing or denying assistance.

### *Condition Found*

In a sample of 25 Medicaid recipients tested for eligibility, there was one instance in which no notice was sent to an applicant after the applicant was determined eligible for Medicaid coverage and one instance in which no case records were maintained to support the determination of eligibility, as the renewal process was not properly performed by a case worker.

### *Perspective and Questioned Costs*

In the first case, an applicant was not sent a notice of action after they were determined eligible for Medicaid coverage, and as a result the individual did not receive benefits even though they were eligible. In the second case, no mandated review of renewal was undertaken, therefore, no documentation was maintained in the applicant's case file for the redetermination period. As no examination was undertaken, there is no way to determine if the participant would have been eligible or ineligible and therefore no determination can be made if this led to under or overpayments.

### *Cause and Effect*

The City's controls to ensure that the case worker will mail out a notice of action do not appear to be working properly in all cases. Additionally, controls need to be strengthened to ensure that proper renewals are performed and documentation of such renewals are maintained in the applicant's case file.

### *Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

### *Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

### *Recommendation*

The City should enhance controls to ensure that notice of actions are accurately completed and sent in a timely manner. The City should also enhance its controls to ensure proper review and maintenance of documentation for renewals.

### *Views of Responsible Officials*

*Management agrees with the finding. DHS will revise policies and procedures to ensure consistency of guidance with regard to the timeliness of notice of actions where feasible. In addition, it will strengthen controls to ensure that proper renewals are performed and documentation of such renewals are maintained in the applicant's case file. Furthermore, DHS will work to implement a process for acquiring a report to aid in compliance.*

### **Finding No. 2016-004: Special Test and Provisions – ADAPT System for SNAP**

*Program, CFDA No., Program year, Federal Agency, Grant Number*

Supplemental Nutrition Assistance Program, CFDA No. 10.561, Program Year 2016, U.S. Department of Agriculture (USDA), Award 0050117

*Recipient*

City of Norfolk

*Criteria*

In accordance with 7 CFR Section 271.10 and ADAPT (ADP) System for SNAP special test requirements of the SNAP grant, the City is required to process and store all case file information necessary for the determination of eligibility to ensure compliance with the special test criteria for the individuals applying for SNAP assistance.

*Condition Found*

In a sample of 25 instances of ADP System for SNAP tested, there was one instance in which pertinent information, such as verification of identity, residency, and income/resources was not stored and maintained in the individual's case file and the case worker inappropriately approved their application for benefits.

*Perspective and Questioned Costs*

There was one instance in which an individual inappropriately received SNAP benefits without proper supporting documentation being included in the individual's file. In this case, the case worker did not obtain and store the information necessary to determine eligibility, calculate benefits, or validate the eligibility calculations. As the special test for ADP System for SNAP is tested on an attribute and case basis, and we could not determine if the individual was eligible for benefits, no dollar value is assigned to this finding.

*Cause and Effect*

Controls that would ensure that case workers store pertinent documentation which is used to determine the applicant's eligibility were not operating properly in all cases.

*Sampling Method*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeated Finding Compared to Prior Year Audit*

This is not a repeated finding from the prior year's audit.

*Recommendation*

The City should enhance its controls to ensure proper retention of pertinent information within the case file.

*Views of Responsible Officials*

*Management agrees with the finding. DHS will revise policies and procedures to ensure consistency of guidance with regard to the retention period of information and that all appropriate and supporting documents are maintained and filed.*

**(4) Findings and Questioned Costs Related to Commonwealth of Virginia**

**State Finding 2016-005: Information Systems Security Controls Access Termination**

In accordance with the Auditor of Public Accounts (APA) Specifications for Counties, Cities and Towns, Chapter 3, Section 15, local government officials are required to terminate the access privileges of all VDSS system users within three working days of employment termination. In our testwork of thirteen terminated employees, one employee's access was not terminated within the three day threshold. KPMG notes that due to the employee being on a leave, the access to the computer login was disabled, which

reduces the risk of terminated employee accessing the State systems, however, it was not terminated as required per the APA Specifications. We recommend that the City implement a management review control over the access termination process to ensure that access is terminated within the appropriate time frame.

#### **Views of Responsible Officials**

*Management agrees with this finding and will review policies and procedures to ensure the necessary documentation related to IT security access processes are incorporated and properly performed within the appropriate time frame.*

#### **State Finding 2016-006: Information Systems Security Controls Initial Training Compliance**

In accordance with the (APA) Specifications for Counties, Cities and Towns, Chapter 3, Section 15 all employees, contractors, vendors, volunteers, and work experience personnel shall receive security awareness training. This training will occur upon initial hiring or prior to his or her access to VDSS systems. Per the VDSS IT manual, newly hired employees have 30 days to complete the Initial Security Awareness Training. Otherwise, their access to VDSS systems must be suspended. In our testwork, out of six newly hired employees, one employee did not complete the Initial Security Awareness Training within 30 days and her access to VDSS systems was not suspended. We recommend that the City implement a management review control over the access suspension process to ensure that access is suspended if the employee does not complete the Initial Security Awareness Training within the appropriate time frame.

#### **Views of Responsible Officials**

*Management agrees with this finding and will revise policies and procedures to ensure the City processes incorporate the necessary documentation related to IT security. This will ensure that orientation and documents for new hires, as well as for those moving within and across departments, includes presentation of security-related directives within the appropriate time frame.*

#### **State Finding 2016-007: Virginia Retirement System**

In accordance with the APA Specifications for Counties, Cities and Towns, Chapter 3, Section 7, the local government participating in the Virginia Retirement System should reconcile the information in the entity's payroll system to the data in the monthly contribution confirmation in myVRS Navigator each month. The employer should confirm the contributions between the first and the 10th of the following month and schedule payment immediately after confirming the snapshot. In our sample of 3 months from the City of Norfolk and 3 additional months for the Norfolk Public Schools, payments were scheduled between 3 to 7 days after confirming the information, and 5 of the 6 payments were not submitted within 10 days of the following month.

#### **Views of Responsible Officials**

*Management agrees with this finding. Both the City and Norfolk Public Schools strive to make timely monthly contributions to the Virginia Retirement System. While both the City and Norfolk Public Schools has ensured that confirmation is performed by the 10th of the following month, payment follows shortly thereafter normally within three days as allowed by VRS. The City has taken steps to strengthen and streamline the existing process and procedures to ensure we adhere to the required VRS payment deadline.*

#### **State Finding 2016-008: Conflicts of Interest**

In accordance with the APA Specifications for Counties, Cities and Towns, Chapter 3, Section 5, local government officials are required to file a statement of economic interest with the clerk of the governing body annually. The act requires local government officials to provide extensive disclosure of personal

financial interest that may cause conflicts. The annual disclosure forms are required to be filed on or before December 15th of each year. In our testwork of disclosure forms of 25 local government officials, one was not filed on or before the deadline date. However, it was determined that the individual was appropriately fined due to the late submission. We recommend that the City implement a management review control over the process to ensure the disclosure forms are submitted within the appropriate time frame.

### **Views of Responsible Officials**

*The City is committed to obtaining and filing timely and accurate disclosure forms. It is noteworthy that all elected officials filed on time. Although we strive to meet the deadline by communicating extensively, obtaining these forms for those that serve on council appointed bodies can on occasion be difficult. Management continues to utilize review control procedures established over this process to ensure the disclosure forms are submitted timely and is aware that extenuating medical reasons precluded one individual from filing the statement in the appropriate timeframe. As we noted previously, when reappointing officials the City Council is now informed on the compliance status, which has significantly helped the City in obtaining these forms more timely. Beginning with the upcoming year, Virginia Code prescribes a civil penalty of \$250 for delinquent filers. This will be communicated with the disseminated statement of economic interest forms and should further encourage timeliness.*

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**APPENDIX B**  
**FORM BOND COUNSEL OPINIONS**

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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]

December 5, 2017

City Council of the City of Norfolk, Virginia  
Norfolk, Virginia

**City of Norfolk, Virginia**

**\$103,520,000  
General Obligation  
Capital Improvement Bonds,  
Series 2017A (Tax-Exempt)**

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 \$103,520,000 General Obligation Capital Improvement Bonds, Series 2017A (Tax-Exempt) (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, including any accrued "original issue discount" properly allocable to the owners of the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations, as defined for federal income tax purposes under Section 56 of the Tax Code, interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same series and maturity was sold. We express no opinion regarding other tax consequences related to the ownership or disposition of, or amount, accrual or receipt of interest on, the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants, as hereinafter defined, by the City and certain other persons and entities, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificates and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City and certain other persons and entities contain covenants (the "Covenants") with which each has agreed to comply. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

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 November 6, 2017, and the Official Statement of the City dated November 14, 2017. 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]

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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]

December 5, 2017

City Council of the City of Norfolk, Virginia  
Norfolk, Virginia

**City of Norfolk, Virginia**

**\$3,590,000  
General Obligation  
Capital Improvement Bonds,  
Series 2017B (Taxable)**

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 \$3,590,000 General Obligation Capital Improvement Bonds, Series 2017B (Taxable) (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. 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 November 6, 2017, and the Official Statement of the City dated November 14, 2017. 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]

*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]

December 5, 2017

City Council of the City of Norfolk, Virginia  
Norfolk, Virginia

**City of Norfolk, Virginia**

**\$59,275,000  
General Obligation  
Refunding Bonds,  
Series 2017C (Tax-Exempt)**

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 \$59,275,000 General Obligation Refunding Bonds, Series 2017C (Tax-Exempt) (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. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by PFM Financial Advisors, LLC, financial advisor to the City, the mathematical accuracy of which was verified by Robert Thomas CPA, LLC, relating to the yield on investments in the escrow fund established with a portion of the proceeds of the Bonds and the yield on the Bonds and the sufficiency of the escrow fund established to provide for the payment and redemption of the refunded bonds.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this 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, including any accrued "original issue discount" properly allocable to the owners of the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations, as defined for federal income tax purposes under Section 56 of the Tax Code, interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same series and maturity was sold. We express no opinion regarding other tax consequences related to the ownership or disposition of, or amount, accrual or receipt of interest on, the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants, as hereinafter defined, by the City and certain other persons and entities, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificates and related documents for the Bonds (the "Tax Certificates") delivered at closing by the City and certain other persons and entities contain covenants (the "Covenants") with which each has agreed to comply. A failure to comply with the Covenants

could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

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 November 6, 2017, and the Official Statement of the City dated November 14, 2017. 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]

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**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of December 5, 2017 (the "Closing Date") by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of its \$103,520,000 General Obligation Capital Improvement Bonds, Series 2017A (Tax-Exempt), \$3,590,000 General Obligation Capital Improvement Bonds, Series 2017B (Taxable) and \$59,275,000 General Obligation Refunding Bonds, Series 2017C (Tax-Exempt) (collectively, the "Bonds"), pursuant to Ordinance No. 46,874 and Ordinance No. 47,028, adopted by the City Council of the City on June 27, 2017 and October 24, 2017, respectively (collectively, the "Ordinance"). The proceeds of the Bonds are being used by the City, together with other available funds, to (i) finance capital projects and provide long-term financing of certain costs that have been financed on an interim basis, (ii) refund certain outstanding general obligation bonds and (iii) 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 November 14, 2017 (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 titled "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: \_\_\_\_\_  
Douglas L. Smith  
City Manager, City of Norfolk, Virginia

By: \_\_\_\_\_  
Christine Garczynski  
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

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Office of the City Attorney  
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

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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.

