

Comprehensive Annual Financial Report

School Board of the City of Norfolk



(A Component Unit of the City of Norfolk, Virginia)

Fiscal Year Ended June 30, 2017

Prepared by the Accounting Department



Norfolk Public Schools
The cornerstone of a proudly diverse community

School Board of the City of Norfolk
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(A Component Unit of the City of Norfolk, Virginia)
Fiscal Year Ended June 30, 2017

Prepared by:
Division of Business and Finance - Accounting Department

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2017
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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INTRODUCTORY SECTION

School Board for the City of Norfolk

Mr. Rodney A. Jordan
Chair

Dr. Noelle M. Gabriel
Vice Chair

Ms. Tanya K. Bhasin
Member

Ms. Courtney R. Doyle
Member

Rev. Edward. K. Haywood
Member

Dr. Brad N. Robinson
Member

Ms. Yvonne P. Wagner
Member

Mr. Torrion R. Espree
Student Representative

Dr. Melinda J. Boone
Superintendent

Members of Norfolk City Council

Mr. Kenneth Cooper Alexander
Mayor

Dr. Theresa W. Whibley
Vice Mayor

Ms. Andria P. McClellan
Council Member

Mrs. Angelia M. Williams Graves
Council Member

Ms. Mamie Johnson
Council Member

Mr. Martin A. Thomas, Jr
Council Member

Mr. Paul R. Riddick
Council Member

Mr. Thomas R. Smigiel
Council Member



Government Finance Officers Association

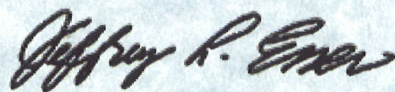
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**School Board of the City
of Norfolk, Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting
is presented to**

School Board of the City of Norfolk

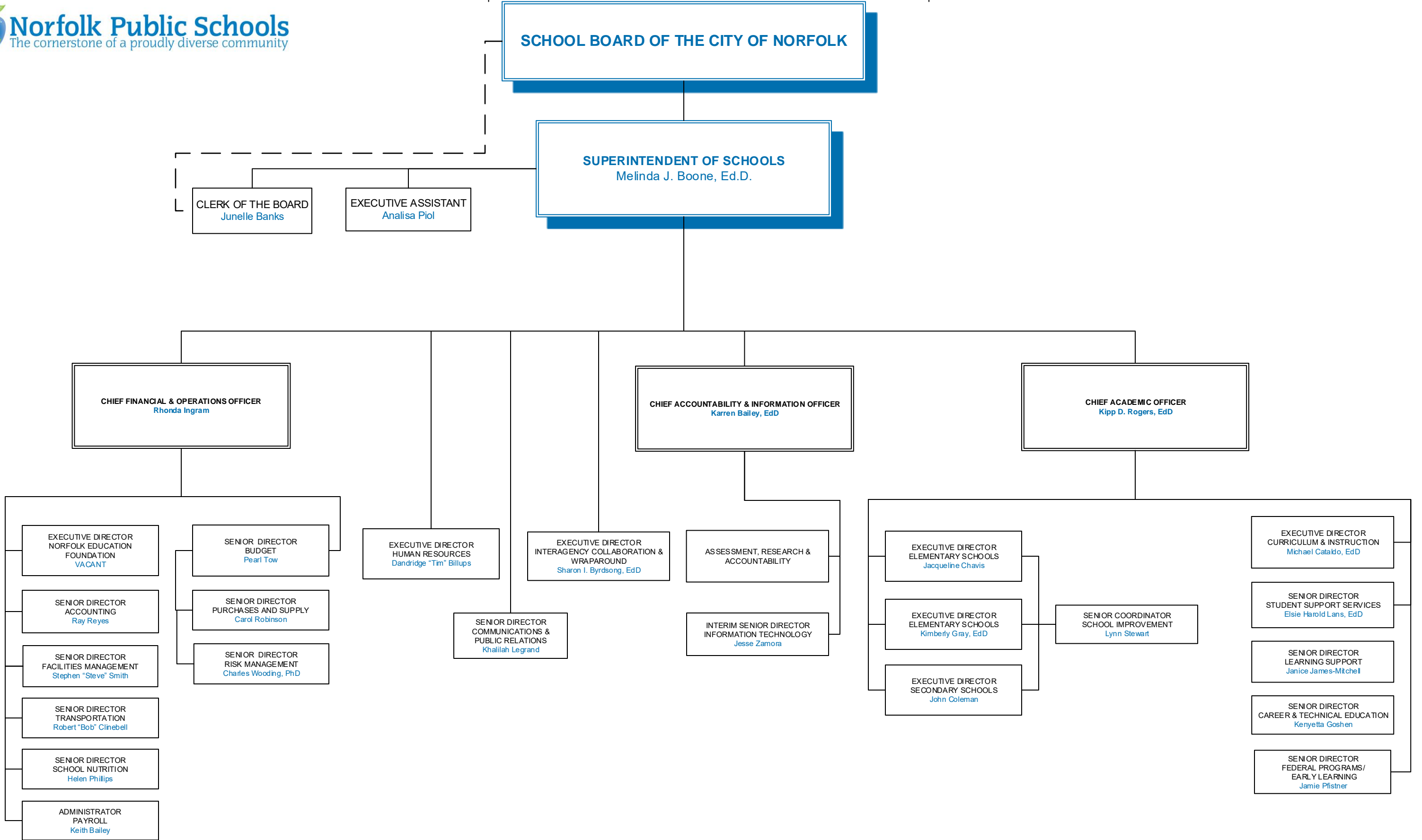
**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director





Norfolk Public Schools

Quality Teaching and Learning for All: ALL Means ALL

Mission

The mission of Norfolk Public Schools, the cornerstone of a proudly diverse community, is to ensure that all students maximize their academic potential, develop skills for lifelong learning and are successful contributors to a global society, as distinguished by:

- Courageous advocacy for all students.
- Family and community investment.
- Data-driven personalized learning.
- Strong and effective leadership teams.
- Shared responsibility for Teaching and Learning.
- Access to rigorous and rewarding college and career readiness opportunities

Strategies

- 1) We will promote NPS as the cornerstone of our community's well-being.
- 2) We will empower and facilitate meaningful family and community partnerships.
- 3) We will relentlessly pursue engaged learning through high-quality instruction.
- 4) We will host environments in which all individuals feel safe and secure.
- 5) We will nurture a culture of excellence, equity and justice through continuous improvement.



December 21, 2017

To the Honorable Members of the School Board of the City of Norfolk and to the Constituents of Norfolk Public Schools:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year ended June 30, 2017. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and includes all disclosures necessary to understand the School Board's financial activities. The responsibility for the accuracy, completeness and fairness of the data presented, as well as all accompanying disclosures, rests with the School Board and its management.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions, and the School Board. Generally accepted accounting principles (GAAP) require that management include a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). The letter of transmittal is intended to complement the required MD&A. The MD&A can be found immediately following the report of the independent auditors.

The independent public accounting firm of KPMG LLP performed the audit of the School Board of the City of Norfolk. They were awarded the contract to provide the annual financial audit for the year ending June 30, 2017, as part of a combined contract including the School Board of the City of Norfolk, the City of Norfolk (City), and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Board's financial reporting entity may be found in the notes to the basic financial statements. The School Board served approximately 31,000 students in 2017 and provided a full range of educational services appropriate to grades Pre-K-12,

including regular and enriched academic education, early childhood education, special education for special needs children, career and technical education, and programs for those with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics. The School Board is considered a component unit of the City of Norfolk.

ECONOMIC OUTLOOK



Norfolk, Virginia is a city of over 247,000 residents and more than 120 diverse neighborhoods. It is the cultural, educational, business and medical center of Hampton Roads, hosts the world's largest naval base, the region's international airport, and is one of the busiest international ports on the East Coast of the United States. Norfolk neighborhoods are vibrant and inclusive places where caring neighbors want to live, invest, and participate. The City of Norfolk operates under a Council-Manager form of government. The Norfolk City Council is the legislative body of the city government. It is authorized to exercise all powers conferred upon the City by the Commonwealth of Virginia in the State constitution, State laws and the Charter of the City of Norfolk. The Council establishes policy for the city, approves the budget, levies its taxes, and appoints the City Attorney, City Assessor, City Auditor, City Clerk, and the City Manager. The Council also appoints members to the Norfolk Redevelopment and Housing Authority, Planning Commission and other boards and commissions, as well as city representatives to regional and other boards and authorities. For additional information, go to www.norfolk.gov.

The City of Norfolk has approximately 141,831 employees in its workforce. Some of the most prominent industries include the military, manufacturing, construction, retail, education and finance, to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine.

The public school system is comprised of 31 elementary schools, 2 K-8 schools, 8 middle schools, 5 high schools, and 6 auxiliary schools. The auxiliary schools provide adult, career and technical education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$52,643 per year. City funding for the School Board is funded by real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.15 per \$100 of assessed value annually. The personal property tax rate for motor vehicles is \$4.33 per \$100 of assessed value, using the NADA Blue Book value.

Norfolk Public Schools (NPS) is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, NPS does not levy taxes or issue debt. All local funds are appropriated to NPS by the City Council, which has the authority to tax and incur debt. The School

Board derives its authority from the State and has a constitutional responsibility to provide public education to the citizens of Norfolk.

The School Board derives most of its funding from allocations from the Commonwealth of Virginia and the City of Norfolk. For the fiscal year 2017 budget year, the Commonwealth of Virginia funded 59.2% and the City of Norfolk funded 36.8% percent of the operating budget for the School Board. The remaining 4% is funded through Federal (1.8%) and other (2.2%) sources. Long-term financial planning includes a multi-year forecast that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes.

The School Board is cautiously optimistic about the economic outlook based on the slow economic recovery around the Commonwealth and the Hampton Roads region. As the Hampton Roads region continues to experience slow job growth and the moderate recovery of the region's real estate market, the School Board believes that these positive trends may result in additional funding support from the Commonwealth and the City of Norfolk over the next biennium. However, the School Board will maintain a position of fiscal restraint with respect to revenue projections and spending trends.

MAJOR INITIATIVES

During the 2012-13 school year, the School Division developed a five-year strategic plan for 2013-2018. The plan was developed around a vision of NPS becoming "the cornerstone of a proudly diverse community". The strategies, decisions, and actions of the NPS are guided by seven priorities:

1. Ensure full accreditation
2. Increase academic achievement of all students
3. Improve climate, safety and attendance
4. Become a School Board of Distinction
5. Promote Norfolk Public Schools to reflect the outstanding accomplishments of staff, teachers, and students
6. Develop and coordinate a capital improvement plan for facilities and technology to enhance teaching and learning
7. Attract, retain, and help to develop strong academic families and highly qualified teachers and staff

The School Board believes that the division is on the right path to becoming the cornerstone of the City's proudly diverse community. It also believes that a successful public school system is essential to the future growth and prosperity of the great city of Norfolk, VA. Despite the tough economic times, the School Board remains resilient and committed to "weathering the storm". As we continue to support one another, together we will make significant progress in improving achievement for all our students. The School Board and its employees will continue the work that is necessary for our students to have powerful teaching and learning opportunities.

FINANCIAL INFORMATION

Internal Controls

Internal controls are designed to provide reasonable assurance that assets of the reporting entity are protected from loss, theft, or misuse. In addition, internal controls are used to ensure that reliable

financial records are maintained for preparation of financial statements that are in conformity with generally accepted accounting principles.

Internal control monitoring occurs regularly. The School Board's internal controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

Budgetary Controls

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. The School Board presents a proposed budget to the City who then adopts its own operating and capital project budgets incorporating the City's contributions to the School Board. After the School Board makes required adjustments, they adopt an approved budget. The Superintendent is authorized to make expenditures and commitments of funds as approved by the Board in the adopted annual budget in accordance with the Board's policies and applicable state and federal regulations and laws.

The School Board also maintains an encumbrance accounting system as one method of accomplishing budgetary control. Outstanding encumbrances are reported as an assignment of fund balance of the General Fund at year-end. The School Board must request re-appropriation from the City to retain any unexpended or unencumbered appropriated funds.

Financial Highlights

The School Board continues to be in very sound financial condition as demonstrated by the basic financial statements included in this report. The School Board has operated within the resources available while achieving many of its program goals. As reflected in the reports:

- NPS had enough resources to cover current expenditures as presented in the governmental fund statements.
- NPS continues to rely on tax resources to fund its activities, which are primarily instructional.
- NPS did not need to use all of the carry forward funds budgeted in fiscal year 2017. Despite budgetary challenges, NPS' financial position remains stable.

The School Board of the City of Norfolk is a component unit of the City of Norfolk, Virginia, and the City is the legal holder of debt related to the acquisition of school facilities. The school buildings are titled to the City.

While the School Division will continue to operate within a balanced budget, funding for FY2017-18 reflects modest growth. The demands of increased student achievement and teacher performance will require very strategic resource allocation decisions to ensure increased efficiency and effectiveness.

Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. An unmodified opinion by KPMG LLP, an independent audit firm, has been included in this report.

Single Audit Act

The School Board is required to undergo an annual single audit as part of the City in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Uniform Guidance. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal control and compliance with applicable laws regulations, contracts and grants, and a schedule of findings and questioned costs, if any, are included in the Comprehensive Annual Financial Report of the City of Norfolk.

AWARDS

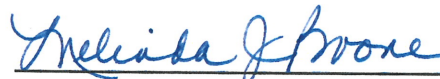
For the 10th consecutive year the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Norfolk for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, the CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the School Board has received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Program (COE) for excellence in the preparation and issuance of the financial statements for fiscal year ended 2016.

ACKNOWLEDGMENTS

We would like to express appreciation to the members of the School Board of the City of Norfolk for their concern in providing fiscal responsibility and accurate reporting of financial data to the students, parents, staff and general community of the School Board. We would also like to thank the members of the Business and Finance Division, in particular the Accounting department staff, who devote so many hours each year to the preparation of accurate financial reports.

Respectfully submitted,



Dr. Melinda J. Boone
Superintendent of Schools



Rhonda R. Ingram, CPA
Chief Financial and Operations Officer



Ray Reyes, CPA, CGFM
Senior Director, Accounting

FINANCIAL SECTION

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KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Members
School Board of the City of Norfolk, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School Board of the City of Norfolk, Virginia'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 the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, as of June 30, 2017, and the respective changes in financial position 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 on pages 4 through 16, the schedule of the School Board's proportionate share of the net pension liability of the VRS Teacher Retirement Plan on page 58, schedules of School Board contributions for the VRS Teacher Retirement Plan on page 59 and VRS Retirement Plan for Political Subdivisions on page 61, schedule of changes in the School Board's net pension liability and related ratios for the VRS Retirement Plan for Political Subdivision on page 60, schedule of funding progress – OPEB on page 62, and schedule of revenue, expenditures, and budgetary comparison on page 65 as listed in the 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 School Board of the City of Norfolk, Virginia's basic financial statements. The Other Supplementary Information, Introductory Section, and the Statistical Sections 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 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of the School Board of the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board of the City of Norfolk, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing*



Standards in considering the School Board of the City of Norfolk, Virginia's internal control over financial reporting and compliance.

KPMG LLP

Norfolk, Virginia
December 21, 2017

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

INTRODUCTION

Our discussion and analysis of the financial performance of the School Board of the City of Norfolk, Virginia (School Board) provides an overview of the school district's financial activities for the fiscal year ended June 30, 2017. The intent of management's discussion and analysis is to look at the School Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

The School Board has prepared its annual financial report using the Governmental Accounting Standards Board (GASB) financial reporting model. The reporting model is a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

- 1) Government-wide financial statements include the Statement of Net Position and the Statement of Activities, which provide a broad, long-term overview of the School Board's finances;
- 2) Fund financial statements, to include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, which provide a greater level of detail and focus on how well the School Board has performed in the short term in the most significant funds, and
- 3) Notes to the basic financial statements.

The report presents the financial highlights for the last fiscal year and contains other supplementary information.

OVERALL ANALYSIS

The School Board enrolls approximately 32,000 total students with a General Fund operating budget of \$321.9 million, and Child Nutrition Services budget of \$18.6 million. Grants and Capital Projects are multi-year funds. The Grants and Capital Improvement budgets were \$38.0 million and \$4.0 million respectively. In general, the financial operations of the School Board have weathered uncertain financial times with generally positive financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- On the government-wide financial statements:
 - Total net position deficit increased from a net deficit of \$319.3 million at June 30, 2016 to a net deficit of \$323.4 million at June 30, 2017, approximately \$4.1 million. The deficit increase is primarily due to an increase of approximately \$2.9 million in short-term payroll liabilities due immediately after year-end. Additionally, the net pension liability increased approximately \$1.2 million.
 - Total revenues decreased from \$379.8 million in 2016 to \$371.6 million at June 30, 2017, a decrease of approximately \$8.2 million, or 2%. The decrease is mostly the result of reduced funding for capital projects as compared to the previous fiscal year.
 - Total expenses increased \$7 million on the Statement of Net Activities from \$368.7 million in fiscal year 2016 to \$375.7 million in fiscal year 2017, or 2%. The largest increases occurred in the areas of Instruction, Pupil Transportation and School Facilities
- On the fund financial statements:
 - In the General Fund, the ending fund balance increased from \$6.9 million at June 30, 2016 to \$7.8 million at June 30, 2017.
 - In the General Fund, total encumbrances were \$7.5 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide readers with a broad overview of the School Board's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the School Board as a whole, presenting both an aggregate and a long-term view of finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- The **Statement of Net Position** presents information on all of the School Board's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.
- The **Statement of Activities** presents information on activities that shows how direct expenses for an activity versus program revenues received results in a *change to net position*. All changes in the 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 the statement for some items that will result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions with recovered costs through user fees and charges (*business-type activities*). The School Board reports only the governmental activities, since it has no business-type activities.

The government-wide financial statements (Statement of Net Position and Statement of Activities) present governmental activities of the School Board. The City, State sales tax, and intergovernmental revenues principally support these governmental activities. The reported governmental activities of the School Board are Instruction, Administration, Attendance and Health, Pupil Transportation, Information Technology, Operation and Maintenance, School Facilities, Food Services, and Community Services.

The government-wide financial statements are presented in Exhibits I and II.

Financial Analysis of the School Board as a Whole

All of the School Board's services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services, food services, and community services. Intergovernmental revenues, interest, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017

Summary of Net Position
(Thousands of dollars)

	Governmental Activities			
	2017	2016	Difference	% Change
Assets and Deferred Outflows of Resources:				
Current assets	\$ 70,759	\$ 70,222	\$ 537	0.8%
Capital assets, net	10,454	10,240	214	2.1%
Total assets	\$ 81,213	\$ 80,462	\$ 751	0.9%
Deferred outflows of resources	51,426	28,961	22,465	77.6%
Liabilities and Deferred Inflows of Resources:				
Current	59,857	55,516	4,341	7.8%
Non-current	373,814	339,329	34,485	10.2%
Total liabilities	\$ 433,671	\$ 394,845	\$ 38,826	9.8%
Deferred inflows of resources	22,379	33,839	(11,460)	-33.9%
Net Position:				
Invested in capital assets	\$ 10,454	\$ 10,240	\$ 214	2.1%
Restricted	10,094	8,566	1,528	17.8%
Unrestricted (deficit)	(343,958)	(338,067)	(5,891)	1.7%
Total net position (deficit)	\$ (323,410)	\$ (319,261)	\$ (4,149)	1.3%

- **Total assets and deferred outflows of resources** had an overall increase of 2.1% due primarily to an increase in deferred outflows of resources in Fiscal Year 2017. Deferred outflows of resources are a combination of contributions made after the measurement date (end of fiscal year 2016) and changes in actuarial assumptions.
- **Total liabilities and deferred inflows of resources** increased \$27 million or 6.4% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, net pension liabilities and Other Post Employment Benefits (OPEB) for the School Board. Current liabilities are due within a year. Current liabilities increased \$4.3 million from \$55.5 million in 2016 to \$59.9 million at June 30, 2017 with the largest increase being to accrued payroll that is due within 2 weeks after year-end. Non-current liabilities totaled \$339.3 million in fiscal year 2016 and \$373.8 million in fiscal year 2017. The increase was primarily due to the increase in the net pension liability. Additionally, deferred inflows of resources related to pensions decreased \$11.5 million or 34% over the prior fiscal year.
- **Total net position** decreased \$4.1 million when compared to the prior fiscal year. There is a net deficit of \$323.4 million at June 30, 2017, which is primarily due to the Net Pension Liability.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Invested in capital assets with a balance of \$10.5 million at June 30, 2017 did not represent a significant change from the 2016 balance of 10.3 million. Restricted assets decreased because there were less open purchase orders in the system at year-end in the Grants and Capital Projects funds.

Statement of Net Activities

(Thousands of dollars)

	Governmental Activities			
	2017	2016	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 3,844	\$ 3,966	\$ (122)	-3.1%
Operating grants and contributions	215,023	212,121	2,902	1.4%
Capital grants and contributions	2,417	9,892	(7,475)	-75.6%
Total Program Revenues	221,284	225,979	(4,695)	-2.1%
General Revenues:				
Use of money and property and other	2,857	1,999	858	42.9%
Local government	114,972	114,769	203	0.2%
Commonwealth of Virginia	32,470	37,088	(4,618)	-12.5%
Total General Revenues	150,299	153,856	(3,557)	-2.3%
Total Revenues	371,583	379,835	(8,252)	-2.2%
Expenses:				
Instruction	271,176	269,725	1,451	0.5%
Support Services:				
Administration, Attendance and Health	17,056	16,263	793	4.9%
Pupil Transportation	14,099	12,740	1,359	10.7%
Operation and Maintenance	35,328	34,641	687	2.0%
Information Technology	10,609	9,994	615	6.2%
School Facilities	8,669	6,960	1,709	24.6%
Food Services	18,718	18,123	595	3.3%
Community Services	78	207	(129)	-62.3%
Total Expenses	375,733	368,653	7,080	1.9%
Change in Net Position	(4,149)	11,182	(15,332)	-137.1%
Adjustment to Beginning Net Position (GASB 68)	-	-	-	-100.0%
Beginning Net Position	(319,261)	(330,443)	11,182	-3.4%
Adjusted Beginning Net Position	(319,261)	(330,443)	11,182	-3.4%
Ending Net Position (Deficit)	\$ (323,410)	\$ (319,261)	\$ (4,149)	1.3%

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017

- **Total revenues** decreased \$8.2 million or 2.0%. This decrease is mainly due to a special contribution from the Virginia Retirement System and additional revenue from the City of Norfolk for capital projects received in fiscal year 2016 that was not received in 2017.
- **Total expenses** increased \$7.1 million primarily due to increased spending in the areas of instruction, pupil transportation, and school facilities. Overall expenses increased 1.9% in fiscal year 2017 over balances in fiscal year 2016.

Capital Assets

At June 30, 2017, the School Board had an investment of \$10.5 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, equipment and vehicles. This amount represents a net increase of \$215 thousand or 2.1% between fiscal year 2016 and 2017.

Change in Capital Assets
(Thousands of dollars)

	Governmental Activities			
	June 30, 2017	June 30, 2016	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Total Non-Depreciable Assets	\$ 488	\$ 488	\$ -	0.0%
Other Capital Assets:				
Mobile Classrooms	6,701	6,701	-	0.0%
Equipment and Vehicles	36,648	36,194	454	1.3%
Intangible Assets	1,323	1,323	-	0.0%
Total Other Capital Assets	\$ 44,672	\$ 44,218	\$ 454	1.0%
Total Capital Assets	\$ 45,160	\$ 44,706	\$ 454	1.0%
Less: Accumulated Depreciation	(34,705)	(34,466)	(239)	0.7%
Total Capital Assets, Net	\$ 10,455	\$ 10,240	\$ 215	2.1%

The \$10.5 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Position (Exhibit I).

Additional information on the School Board's capital assets is presented in Note 2B of the financial statements. In addition, school buildings are recorded by the City, along with the related debt.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Long Term Obligations

As of June 30, 2017, the School Board had \$381.1 million in long-term obligations compared to \$346.6 million for fiscal year 2016. Long-term obligations are comprised of compensated absences, workers' compensation, claims liability, net pension liabilities and OPEB liabilities. Approximately \$7.3 million in long-term obligations is due within one year (see Exhibit I).

Workers' compensation and claims liability for the School Board are actuarial projections of probable liability based on reasonable estimates of loss. The School Board provides for payment of losses through a combination of purchased policies and self-insurance plans.

***Change in Long-Term Obligations
(Thousands of dollars)***

	June 30, 2016	Additions	Retirements	June 30, 2017	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,242	\$ 10,599	\$ (10,594)	\$ 9,247	\$ 5	0.1%
Workers' Compensation	3,693	173	(276)	3,590	(103)	-2.8%
Claims Liability	41	64	(63)	41	-	0.0%
Pollution Remediation	-	-	-	-	-	0.0%
Net pension liability	317,469	55,394	(22,379)	350,484	33,015	10.4%
Other Post Employment Benefits	16,172	4,151	(2,581)	17,743	1,571	9.7%
Total Long-Term Obligations	\$ 346,617	\$ 70,381	\$ (35,893)	\$ 381,105	\$ 34,488	9.9%

Additional information showing the breakdown of the School Board's long-term obligations is presented in Note 2C of this report.

OVERVIEW OF FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All School Board funds are reported in the governmental funds.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Governmental 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 the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the School Board's operations and the services it provides.

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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The School Board fund financial statements provide detailed information about the most significant funds – not the School Board as a whole.

The School Board maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for general, grants, and capital project funds, which are considered to be major funds. Data from the Child Nutrition Fund, which is considered a nonmajor fund, is shown in a single aggregated presentation.

The School Board adopts an appropriated multiyear budget for all of its major and non-major governmental funds, and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Schedule 6 within Required Supplementary Information for the General Fund to demonstrate compliance with the annual budget. General Fund budgetary highlights for the 2017 fiscal year include:

- Inflows of resources were \$8.9 million less than budgeted. This is primarily due to Construction, Technology and Infrastructure (CTI) funding in the amount of \$4.7 million not being used during fiscal year 2017 directly by the School Board and \$3.5 million in Construction projects not yet initiated.
- Outflows of resources were \$9.6 million less than budgeted. The majority of the variance is attributed to the areas of Instruction, Operation and Maintenance and School Facilities. Instruction expenditures are \$6.4 million less than budgeted due to personnel turnover and vacancies in teaching positions. School Facilities expenditures are \$3.5 million less than budgeted as a result of the CTI funding not being utilized in fiscal year 2017.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

As of June 30, 2017, the School Board's governmental funds reported combined fund balances of \$18.2 million, a decrease of \$3.8 million, in comparison to the prior fiscal year. In the General Fund, unassigned fund balance was \$0.72 million and represents resources which are not committed, restricted or assigned to a specific program or function. The remaining combined fund balances total is either a nonspendable asset or is restricted, committed or assigned to specific programs, functions or contracts.

The basic governmental fund financial statements are presented in Exhibits III and IV of this report.

General Fund

The General Fund is the general operating fund of the School Board that is used to account for all of the financial resources, except those required to be accounted for in another fund. At June 30, 2017, the total fund balance of the General Fund was \$7.8 million.

General Fund Revenues

Revenues for the General fund totaled \$311.8 million for fiscal year 2017, which was approximately \$4.6 million or 1.5% greater than the revenues received in fiscal year 2016. The following illustration presents the amounts of revenues from the General Fund sources, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each revenue source.

*General Fund Revenues by Source
(Thousands of Dollars)*

	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total	Increase (Decrease) From 2016	% Increase (Decrease) 2016
Local government	\$ 116,936	37.5%	\$ 115,758	37.7%	\$ 1,178	1.0%
Commonwealth of Virginia	185,774	59.6%	182,369	59.4%	3,405	1.9%
Federal government	5,264	1.7%	5,399	1.7%	(135)	-2.5%
Other revenues	3,854	1.2%	3,691	1.2%	163	4.4%
Total	<u>\$ 311,828</u>	<u>100.0%</u>	<u>\$ 307,217</u>	<u>100.0%</u>	<u>\$ 4,611</u>	<u>1.5%</u>

The largest sources of revenue are from the Local Government and the Commonwealth of Virginia. The Commonwealth of Virginia revenue includes funding for basic school aid, reimbursement of a portion of teachers' fringe benefits, salary support, remedial and vocational education, class size and at-risk initiatives, gifted and talented, special education, special educational regional programs and other purposes. As a percentage of the total, individual sources of revenue experienced no significant changes.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

General Fund Expenditures

General Fund expenditures were \$310.9 million for fiscal year 2017, which was approximately \$1.1 million or 0.4% lower than expenditures incurred in fiscal year 2016. The following table presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

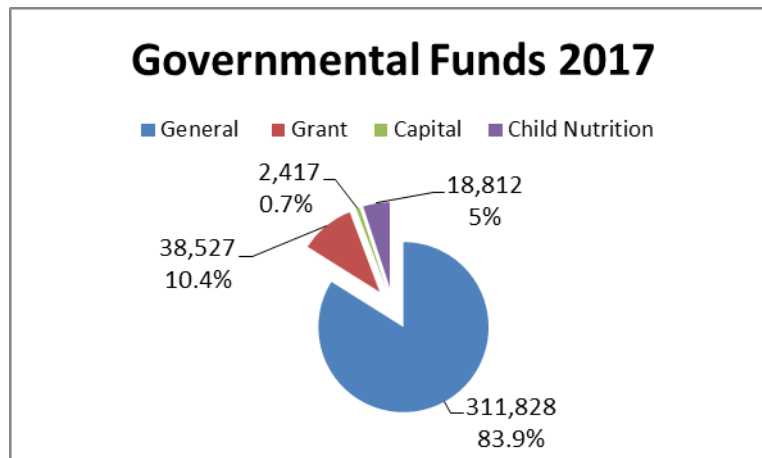
*General Fund Expenditures
(Thousands of Dollars)*

	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total	Increase/ (Decrease) From 2016	Percent Increase/ Decrease From 2016
Instruction	\$ 234,000	75.2%	\$ 236,024	75.6%	\$ (2,024)	-0.9%
Support Services:						
Administration, Attendance and Health	16,757	5.4%	16,521	5.3%	236	1.4%
Pupil Transportation	14,030	4.5%	13,376	4.3%	654	4.9%
Operation and Maintenance	35,044	11.3%	34,642	11.1%	402	1.2%
Information Technology	10,532	3.4%	9,582	3.1%	950	9.9%
School Facilities	603	0.2%	1,949	0.6%	(1,346)	-69.1%
Community Services	1	0.0%	1	0.0%	-	0.0%
Subtotal - Support Services	76,967	24.8%	76,071	24.4%	896	1.2%
Total - Instruction and Support Services	\$ 310,967	100.0%	\$ 312,095	100.0%	\$ (1,128)	-0.4%

The decrease in 2017 is due mainly to reductions in School Facilities expenses in the areas of contract services and building improvements due to budget cuts that were completed in 2016.

Grant Funds

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. In 2017, Norfolk Public Schools received revenue from approximately 59 grants that provided 10.4% of the overall funding for the School Board. The funds are received from federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.



**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

During fiscal year 2017, the School Board received \$38.5 million in grant funding. The Federal Government provided 86.2% or \$33.2 million in revenue for the year. The Commonwealth of Virginia provided 10.2% or \$3.9 million while private donors provided 3.6% or \$1.4 million of the resources received. The School Board expended \$38.1 million that was used 100% for instruction and instructional support.

Capital Projects Fund

The School Board's Capital Projects Fund is funded by the City. The Capital Projects Fund is considered multi-year funding for spending purposes. In 2017, it made up 0.7% (see chart above) of the overall governmental funds received and expended during the fiscal year. The capital funds are used for the infrastructure of the schools and auxiliaries. In fiscal year 2016, the City provided the School Board with additional funding to cover the costs of furniture, fixtures and equipment for five new schools under construction. As a result, there is a large variance between the revenue for capital projects received in 2017 as compared to 2016. In fiscal year 2017, the Capital Projects Funds expended \$7.9 million that were used by the School Board to implement various building improvement projects at school facilities as well as purchase furniture, fixtures and equipment for new school buildings. The City of Norfolk provided 100% of the revenue received for these projects.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School Board. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the School Board's programs.

The School Board's Fiduciary funds are Agency funds. Agency funds are used to account for the assets held by the School Board 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 equal liabilities*).

The agency funds consist primarily of fiscal agencies for the Governor's School for the Arts, the Southeastern Cooperative Educational Programs and the School Activity Funds. The School Activity Funds consist primarily of student clubs and restricted donations for the individual schools.

The Statement of Fiduciary Assets and Liabilities is presented in Exhibit V of this report.

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Basic Financial Statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

The Notes to the Basic Financial Statements begin after Exhibit V of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the School Board's progress in funding the retirement benefits for its employees through the Virginia Retirement System (VRS) and Other Post Employment Benefits (OPEB).

Required supplementary information on these retirement benefits is presented immediately following the Notes to the Basic Financial Statements.

BUDGETARY HIGHLIGHTS

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grants Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2017, the School Board adopted a balanced budget for fiscal year 2018 that reflected appropriations of \$325.3 million for the General Fund, or an increase of \$3.4 million from the fiscal year 2017 General Fund budget.

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final budget amounts for fiscal year 2018.

Revenue assumptions included:

- State revenue projections is per the 2016-2018 Biennial Budget and assumed slight change due to students Actual Daily Membership (ADM) affecting State Standards of Quality (SOQ).
- City funding is projected to increase in the next three years
- Federal and other funds are estimated to remain stable during the period

Expenditure assumptions included:

- Increases of salary and wages of support personnel
- Increases in employee benefits: retirement and health insurance premiums

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

- Classroom technology refresh
- School buses replacements
- Building maintenance
- Emerging issues are those that are expected to require additional resources in future years. Most emerging issues are related to efforts to improve student performance. Others are caused by legislative changes that require grater services to students and/or staff. Finally, several are related to external market conditions.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School Board's finances and to demonstrate compliance and accountability for its resources. Questions about any information provided in this report or requests for additional financial information should be addressed to Rhonda Ingram, Chief Financial and Operations Officer for the School Board of the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, at (757) 628-3482 and (757) 628-3883, respectively. Please visit our website at: <http://www.nps.k12.va.us> for a complete copy of the Comprehensive Annual Financial Report (CAFR) and other financial information.

FINANCIAL STATEMENTS

The next section includes the Government-wide financial statements, Governmental Funds financial statement, and a reconciliation between the two sets of statements.

Government-Wide Financial Statements comprise the:

- 1- Statement of Net Position, Exh. I
- 2- Statement of Activities, Exh. II

Governmental Funds Financial Statements comprise the:

- 1- Balance sheet, Exh. III
- 2- Statement of Revenue Expenditures and Changes
in Fund Balance, Exh. IV
- 3- Statement of Fiduciary Assets and Liabilities, Exh. V

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Net Position
June 30, 2017

Exhibit I

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 36,232,390
Accounts receivable	8,199,277
Due from primary government	1,513,728
Due from the Federal government	17,396,335
Due from the Commonwealth of Virginia	6,115,491
Inventories	1,301,802
Total current assets	<u>70,759,023</u>
Non-current Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment, vehicles and intangibles, net of accumulated depreciation and amortization	<u>9,966,952</u>
Total capital assets, net	<u>10,454,452</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 6)	<u>51,425,719</u>
Total assets and deferred outflows of resources	<u>\$ 132,639,194</u>
LIABILITIES	
Current Liabilities:	
Vouchers payable	\$ 5,711,343
Retainage payable	19,200
Payroll withholding	13,486,317
Accrued payroll	23,443,889
Unearned revenue	277,573
Due to other agencies	8,838,647
Other payables	788,571
Long-term liabilities - current portion (Note 2)	7,291,260
Total current liabilities	<u>59,856,800</u>
Non-current Liabilities:	
Net pension liability (Notes 2 and 6)	350,483,940
Other long-term liabilities (Note 2)	23,330,377
Total non-current liabilities	<u>373,814,317</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 6)	<u>22,378,528</u>
Total liabilities and deferred inflows of resources	<u>\$ 456,049,645</u>
NET POSITION	
Invested in capital assets	\$ 10,454,452
Restricted for:	
Capital Projects	1,227,183
Grants	997,141
Child Nutrition	7,869,532
Unrestricted (deficit)	<u>(343,958,759)</u>
Total net position (deficit)	<u>\$ (323,410,451)</u>

See Accompanying Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Activities
For the Year Ended, June 30, 2017

Functions/Programs:	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
Instruction	\$ 271,175,970	\$ 2,449,397	\$ 195,686,647	\$ -	\$ (73,039,926)
Administration, Attendance, and Health	17,056,434	-	-	-	(17,056,434)
Pupil Transportation	14,099,243	-	1,964,453	-	(12,134,790)
Operation and Maintenance	35,327,576	-	-	-	(35,327,576)
Information Technology	10,608,739	-	-	-	(10,608,739)
School Facilities	8,669,653	-	-	2,417,428	(6,252,225)
Food Services	18,717,715	1,394,680	17,371,967	-	48,932
Community Services	78,038	-	-	-	(78,038)
Total	<u>\$ 375,733,368</u>	<u>\$ 3,844,077</u>	<u>\$ 215,023,067</u>	<u>\$ 2,417,428</u>	<u>(154,448,796)</u>
Unrestricted Revenues:					
Use of money and property					1,449,430
Other					1,408,304
Unrestricted Intergovernmental Revenues:					
Local government					114,971,922
Commonwealth of Virginia					32,469,855
Total					<u>150,299,511</u>
Change in net position					(4,149,285)
Net position-beginning					(319,261,166)
Net position-ending					<u>\$ (323,410,451)</u>

See Accompanying Notes to the Basic Financial Statements.

Exhibit III

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
ASSETS					
Cash and investments	\$ 25,424,353	\$ -	\$ -	\$ 10,808,037	\$ 36,232,390
Accounts receivable	7,508,614	669,183	-	21,480	8,199,277
Due from other funds	15,699,580	-	1,028,719	-	16,728,299
Due from the primary government	-	-	1,513,728	-	1,513,728
Due from the Federal government	994,173	13,812,505	-	2,589,657	17,396,335
Due from the Commonwealth of Virginia	5,227,136	825,082	-	63,274	6,115,492
Inventories	486,785	-	-	815,017	1,301,802
Total assets	<u>\$ 55,340,641</u>	<u>\$ 15,306,770</u>	<u>\$ 2,542,447</u>	<u>\$ 14,297,465</u>	<u>\$ 87,487,323</u>
LIABILITIES					
Vouchers payable	\$ 3,696,011	\$ 633,892	\$ 1,296,065	\$ 85,375	\$ 5,711,343
Retainage payable	-	-	19,200	-	19,200
Payroll withholdings	13,486,317	-	-	-	13,486,317
Accrued payroll	21,313,083	1,840,506	-	290,299	23,443,888
Due to other agencies	8,838,647	-	-	-	8,838,647
Due to other funds	-	11,491,059	-	5,237,240	16,728,299
Unearned revenue	-	277,573	-	-	277,573
Other payables	252,374	536,197	-	-	788,571
Total liabilities	<u>47,586,432</u>	<u>14,779,227</u>	<u>1,315,265</u>	<u>5,612,914</u>	<u>69,293,838</u>
FUND BALANCES					
Nonspendable:					
Inventories	486,785	-	-	815,019	1,301,804
Restricted for:					
Food Services	-	-	-	7,869,532	7,869,532
Grants	-	997,141	-	-	997,141
Committed to:					
School Facilities	-	-	2,836,825	-	2,836,825
Assigned to:					
Instruction	2,952,038	-	-	-	2,952,038
Administration, Attendance and Health	149,233	-	-	-	149,233
Pupil Transportation	2,362,253	-	-	-	2,362,253
Operation and Maintenance	387,824	-	-	-	387,824
Information Technology	638,914	-	-	-	638,914
School Facilities	55,044	-	-	-	55,044
Funding Sources for 2017	-	-	-	-	-
Unassigned (deficit):	722,118	(469,598)	(1,609,643)	-	(1,357,123)
Total fund balances	<u>7,754,209</u>	<u>527,543</u>	<u>1,227,182</u>	<u>8,684,551</u>	<u>18,193,485</u>
Total liabilities and fund balances	<u>\$ 55,340,641</u>	<u>\$ 15,306,770</u>	<u>\$ 2,542,447</u>	<u>\$ 14,297,465</u>	<u>\$ 87,487,323</u>

See Accompanying Notes to the Basic Financial Statements.

(Con't.)

Exhibit III (Con't.)

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017**

Fund balances--total governmental funds	\$ 18,193,485
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Amounts reported for governmental activities in the Statement of
Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,454,452
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Deferred outflows of resources related to pensions	51,425,719
--	------------

Deferred inflows of resources related to pensions	(22,378,528)
---	--------------

Long-term obligations, are not due and payable in the current
period and therefore are not reported in the funds:

Compensated Absences	(9,247,154)
Workers Compensation	(3,590,006)
Claims Liability	(41,198)
Net Pension Liability	(350,483,940)
Other Post Employment Benefits	(17,743,281)
Net Position of Governmental Activities (deficit)	<u><u>\$ (323,410,451)</u></u>

See Accompanying Notes to the Basic Financial Statements.

Exhibit IV

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 1,404,427	\$ -	\$ -	\$ 45,003	\$ 1,449,430
Charges for services	2,449,397	-	-	1,394,680	3,844,077
Other	-	1,408,304	-	-	1,408,304
Intergovernmental:					
Local government	116,936,375	-	2,417,428	-	119,353,803
Commonwealth of Virginia	185,774,218	3,914,389	-	520,073	190,208,680
Federal government	5,263,559	33,204,335	-	16,851,894	55,319,788
Total revenues	<u>311,827,976</u>	<u>38,527,028</u>	<u>2,417,428</u>	<u>18,811,650</u>	<u>371,584,082</u>
EXPENDITURES					
Current:					
Instruction	233,999,089	37,152,714	-	-	271,151,803
Administration, Attendance, and Health	16,757,230	174,352	-	-	16,931,582
Pupil Transportation	14,030,598	-	-	-	14,030,598
Operation and Maintenance	35,044,101	98,517	-	-	35,142,618
Information Technology	10,532,679	328,791	-	-	10,861,470
School Facilities	603,625	-	-	-	603,625
Food Services	-	303,441	-	18,371,346	18,674,787
Community Services	111	77,927	-	-	78,038
Intergovernmental for Debt Service:					
School Facilities	-	-	-	-	-
Capital Outlay:					
School Facilities	-	-	7,910,463	-	7,910,463
Total expenditures	<u>310,967,433</u>	<u>38,135,742</u>	<u>7,910,463</u>	<u>18,371,346</u>	<u>375,384,984</u>
Excess of revenues over expenditures	<u>860,543</u>	<u>391,286</u>	<u>(5,493,035)</u>	<u>440,304</u>	<u>(3,800,902)</u>
Net change in fund balance	860,543	391,286	(5,493,035)	440,304	(3,800,902)
Fund balances--beginning	<u>6,893,666</u>	<u>136,257</u>	<u>6,720,218</u>	<u>8,244,246</u>	<u>21,994,387</u>
Fund balances--ending	<u>\$ 7,754,209</u>	<u>\$ 527,543</u>	<u>\$ 1,227,183</u>	<u>\$ 8,684,550</u>	<u>\$ 18,193,485</u>

See Accompanying Notes to the Basic Financial Statements.

(Con't.)

Exhibit IV (Con't.)

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2017**

Net change in fund balances--total governmental funds

Amounts reported for governmental activities in the Statement of Activities are
different because: \$ (3,800,902)

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over
the life of the assets:

Capital acquisitions	2,425,574	
Depreciation expense	<u>(2,210,722)</u>	214,852

Change in deferred outflows of resources related to pensions		22,465,015
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Change in deferred inflows of resources related to pensions		11,460,411
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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:

Compensated Absences		(5,333)
Workers Compensation		103,116
Claims Liability		(285)
Net Pension Liability		(33,015,407)
Other Post Employment Benefits		<u>(1,570,752)</u>
Change in Net Position of Governmental Activities		<u>\$ (4,149,285)</u>

See Accompanying Notes to the Basic Financial Statements.

Exhibit V

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Fiduciary Assets and Liabilities
June 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,885,661
Receivables from others	<u>20,724,936</u>
Total assets	<u><u>\$ 22,610,597</u></u>
LIABILITIES	
Amounts held for others	<u>\$ 22,610,597</u>
Total liabilities	<u><u>\$ 22,610,597</u></u>

See Accompanying Notes to the Basic Financial Statements.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies

The accounting policies of the School Board of the City of Norfolk, Virginia (School Board) have been adopted in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School Board is responsible for elementary and secondary education within the City of Norfolk, Virginia (City). The School Board is governed by an appointed seven-member board that serves staggered terms and is vested with policymaking and budgetary authority. On November 4, 2014, a referendum was passed requiring School Board members to be elected versus appointed. The first elected members joined the School Board in fiscal year 2017.

The process of replacing appointed members with elected members will continue until the terms of all appointed members expires. The School Board works in conjunction with the Superintendent, who is the executive and administrative head of the School Board. City Council approves the School Board's operating budget, levies taxes to finance operations, and approves the borrowing of money and the issuance of bonds, when necessary. The School Board receives local, state, and federal government funding and must adhere to the legal requirements of each funding entity.

The School Board is considered a component unit of the City due to its fiscal dependence on the City. Therefore, the School Board's financial position and results of operations are presented in the City's Comprehensive Annual Financial Report (CAFR). The School Board does not have any component units for financial reporting purposes.

B. Government-wide and Fund Financial Statements

The basic financial statements include both the government-wide (presentation of the School Board as a whole) financial statements (i.e. Statement of Position and Statement of Activities) and fund financial statements. While previous reporting models emphasized fund types (i.e. the total of all funds of a particular fund type), the current reporting model emphasizes either the School Board as a whole or a major individual fund within the basic financial statements and required supplementary information.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction or Food Services). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity, and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other items not attributable to program revenues are reported as general revenues. The School Board

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(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

does not allocate indirect expenses. The operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

In the government-wide Statement of Net Position, the governmental activities column is presented on a full accrual basis and the economic resources measurement focus. This basis incorporates long-term assets and receivables and long-term obligations. School Board funds that involve internal activity are eliminated for financial presentation purposes.

Fund financial statements are provided for governmental and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2017.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most functions of the School System are financed. The School Board reports the following funds:

General Fund – The General Fund is the general operating fund of the School Board and is used to account for all financial resources except for those accounted for in another fund. Revenues are derived primarily from Federal (including impact aid and grants), state (including basic aid, grants, and sales tax), and local governments. The General Fund is always considered a major fund for reporting purposes.

Grants Fund – The Grants Fund is used to account for proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions and finance expenditures for specified purposes. Grants are funded by federal, state, and private, agencies. The Grants Fund is considered a major fund for reporting purposes.

Capital Projects Fund - The Capital Projects Fund accounts for all of the financial resources used for the acquisition or construction of major capital facilities. The majority of the activity within the Capital Projects Fund is financed by the City. The Capital Projects Fund is considered a major fund for reporting purposes.

Child Nutrition Fund – The Child Nutrition Fund is used to account for proceeds of specific revenue sources that are restricted by legal and regulatory provisions that finance expenditures for food services. Child Nutrition is funded by state and federal agencies. The Child Nutrition Fund is considered a non-major fund for reporting purposes.

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(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations, and other governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Agency Funds of the School Board are funds held for School Activity Funds, and fiscal agencies (Governor’s School for the Arts and Southeastern Cooperative Educational Programs). See Note 4.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses (such as capital leases and compensated absences) are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the School System receives value without directly giving equal value in exchange, include appropriations from the City, state sales taxes, grants, and other similar items. Revenue from sales taxes is recognized on the accrual basis in the fiscal year during which the underlying exchange transaction takes place. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied. Revenues from City appropriations are recognized in the fiscal year the appropriations are made.

The accounting and financial reporting treatment related to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet for governmental funds. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

All governmental fund types use the modified accrual basis of accounting. The full accrual basis of accounting is used by the agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period). These funds are normally budgeted in this manner. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the School System; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System

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considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes, which are collected by the state and subsequently remitted to the School System, are recognized as revenues and receivables upon collection by the state, which is generally within two months preceding receipt by the School System. Reimbursement grants are recognized as revenue when measurable, all eligibility criteria have been met, the related amounts become available, and if received within one year. Revenue from the City for activity within the capital projects fund is recognized when the related expenditure is incurred. All other revenue items are considered measurable and available only when cash is received by the School System.

The following is a list of major revenue sources, which meet the “susceptible to accrual” criteria:

- Commonwealth of Virginia
- Federal Government
- Local Government
- Interest on Deposits

D. Budgets and Budgetary Accounting

The Superintendent is required by Section 22.1-92 of the *Code of Virginia*, as amended, to prepare, with the approval of the School Board, and submit to the City Council “the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public School Board.” Before the School Board gives final approval to its general operating, grants, child nutrition, and capital projects budgets, the School Board is required to hold at least one public hearing.

The City Manager is required by the City Charter to present a proposed operating budget, which includes the School Board’s operating budget, at least 60 days before the beginning of each fiscal year that begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper undesignated fund balances. The necessary budget ordinances are also submitted at this time. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment.

An annual budget is legally adopted for the General Fund. The budget for this fund is adopted on a budgetary basis generally consistent with the modified accrual basis except that expenditures are budgeted in the year that the applicable purchase orders or other contractual commitments are expected to be issued. The legal level of budgetary control for the General Fund is at the category (i.e. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; Information Technology; School Plant and Food Services) level; while Grants and Capital Projects, which are budgeted on a multi-year basis, are at the fund level. These categories or funds cannot legally be exceeded. In addition, certain controls are exercised administratively on all funds. The budgets are integrated into the

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YEAR ENDED JUNE 30, 2017**

accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures (including encumbrances) with the amended budgets.

Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the legally adopted budget as amended. Due to the difference in the basis of accounting for budgetary and fund accounting purposes, Schedule 6 within Required Supplementary Information provides reconciliation between the budgetary basis and fund financial accounting (modified accrual) basis. Unencumbered appropriations on the annual budget lapse at the end of each fiscal year for funds with annual budgets. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

E. 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 of the Virginia Retirement System (VRS) Teacher Retirement Plan and Political Subdivision's Retirement Plan and the additions to/deductions from the VRS Teacher and Political Subdivision's Retirement Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Deferred inflows and outflows are amortized over a closed five-year period or the average remaining service life of employees in the pension plan.

F. Upcoming GASB Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits). This Statement replaces the requirements of GASB's 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It also identifies the methods and assumptions that are required to be used in relation to defined benefit other postemployment benefits. The School Board will adopt this pronouncement in the fiscal year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues*---an amendment of GASB Statement No. 67, No. 68, and No. 73, provides presentation of payroll-related measures in required supplementary information; allows for selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; distinguishes classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 will be in effect in fiscal year 2018.

G. Assets, Liabilities and Fund Equity

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YEAR ENDED JUNE 30, 2017**

DEPOSITS AND INVESTMENTS

Deposits - All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (“Act”), Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the federal depository issuance. At June 30, 2017, the carrying amount of cash deposits for the School Board was \$38,118,051. This amount includes agency funds of \$1,885,661.

Investments - Virginia State statutes authorize 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 Developments (“World Bank”) and Asian Development Bank; the African Development Bank; “prime quality” commercial paper and certain corporate notes; bankers acceptances; money market mutual funds, and the State Treasurer’s Local Government Investment Pool (“LGIP”).

Investments 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. In accordance with the authoritative guidance on fair value investments and disclosures under U.S. GAAP, the fair value of investments are disclosed in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires 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 their interest rates, credit risk and alike factors.

Level 3 – Unobservable inputs for the assets, including the fund’s own investment assumptions for determination fair value.

At June 30, 2017, the School Board investment account had a zero balance.

Custodial Credit Risk - All deposits of the School Board are held in designated official depositories and are collateralized in accordance with the Act, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the Federal Depository Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral for 50% of excess deposits to a collateral pool in the name of the State

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Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of 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. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks.

Interest Rate and Foreign Currency Risk – Interest rate risk represents the risk governments are exposed to because of changes in interest rates for their debt investments. Interest rate risk is reduced by investing operating funds primarily in shorter-term securities. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School Board does not have interest rate or foreign currency risk.

RECEIVABLES AND PAYABLES

All inter-fund receivables and payables are displayed in the fund statements as “Due to/Due from Other Funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Position to avoid overstating assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts, if needed. There were no uncollectible accounts for fiscal year 2017.

INVENTORIES

Governmental fund inventories consist of expendable materials and supplies that are recorded as expenditures when consumed. The governmental fund inventories reported on the governmental funds' balance sheet are reflected as non-spendable fund balance reserves that indicate that they do not constitute resources available for appropriation even though they are a component of net position. The weighted average cost method is used to record inventories.

The Child Nutrition Fund's inventories also include United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$815,017 at year-end.

CAPITAL ASSETS

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent that assets meet the School Board's capitalization threshold of \$5,000 and have an estimated useful life greater than one year.

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YEAR ENDED JUNE 30, 2017**

Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Mobile Classrooms	20 years
Equipment	3 to 20 years
Vehicles (School Buses)	10 to 12 years
Intangible Assets	5 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their acquisition value on the date donated. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful life are capitalized. Upon sale or retirement of land, building improvements, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any related gain or loss is included in the results of operations.

School buildings share joint title with the City and are carried on the City's financial statements for reporting purposes and include all building improvements under the City's charter. Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of the School Board was reported in the School Board's discrete column along with the related capital assets. Under the revised law, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to the outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

However, the Charter of the City of Norfolk, Section 109, establishes that "all real estate with the buildings and improvements thereon purchased with money appropriated by the council or received from any other source for the purpose of public education, shall be the property of the said City of Norfolk unless such money so received from any other source be received on other conditions." Section 22.1-125 of the Code of Virginia provides that the title to school real property may vest in the City by mutual consent of the School Board and the governing body of the City." Therefore, the real estate of Norfolk Public Schools is recorded in the City's financial statements.

COMPENSATED ABSENCES

The School Board accrues compensated absences (i.e., annual and sick leave benefits). The current and non-current portions of vacation and sick leave, which accumulates monthly, are recorded in the School Board government-wide financial statements. Vacation leave is fully vested when earned by School Board employees; however, accumulated vacation leave cannot

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exceed 50 days. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Employees may accumulate an unlimited number of sick leave days; however, the School Board makes no payment on the unused portion upon employment termination. Employees are paid \$20 for each day of accumulated sick leave upon retirement. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

The amount of compensated absences liability for the School Board is reported within the government-wide financial statements. The payment of this liability is primarily made through the General Fund and Grants Fund. See Note 2C for further details.

NET POSITION/FUND BALANCES

The School Board's net position may be classified as 1) invested in capital assets, net of related obligations; 2) restricted or 3) unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state statute. The School Board generally first uses restricted resources for expenses incurred for which both restricted and unrestricted net position are available.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the governmental funds' financial statements, unassigned fund balance represents the portion of spendable fund balance which has not been assigned or committed at year end. The governmental fund types classify fund balances as follows:

Non-spendable

Non-spendable for inventories – Portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable, available resources.

Restricted

Portion of fund balance not available for appropriation because it represents the funds legally restricted by the grantor for specific purposes.

Committed

School Facilities –Portion of fund balance not available for appropriation because it represents the funds legally restricted by City ordinance for specific projects. The City is defined by the School Board as the highest level of decision-making authority in order to establish the category of a committed fund balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Assigned

Portion of fund balance that is intended to be used for specific purposes, but which is neither restricted nor committed. Assignment occurs by the School Board under the direction of the Chief Financial Officer. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation) in the General, Grants, Capital Projects, and Child Nutrition Funds.

Unassigned

Portion of spendable fund balance which is available for expenditure and which has not been assigned or committed at year-end. A negative unassigned fund balance may be reported in other governmental funds if the expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. Under GASB Statement No. 54, positive unassigned fund balances are only reported in the General Fund. However, in governmental funds other than the General Fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount for that purpose may result. If that occurs, any negative residual is offset to the extent of any other assigned amounts in that fund, and any remaining negative residual amount is classified as a negative unassigned fund balance in the applicable governmental fund.

As required under GASB 54, in the event that committed, assigned, and unassigned resources are available for use for the same purpose, committed amounts would be spent first, followed by assigned amounts, and then unassigned amounts. Negative unassigned balances within the capital projects and grants funds are a result of timing. These timing differences will correct themselves next year when the encumbrance is incurred and revenue generation is triggered.

H. Encumbrances

Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis. At June 30, 2017, the Child Nutrition Fund had purchase order commitments approximating \$1,022,239. These encumbrances are included in the restricted fund balance due to the requirements placed by the Department of Agriculture. In the Capital Projects Fund, there were open purchase orders amounting to \$2,836,825 at June 30, 2017 for various capital improvement projects, which will be reimbursed by the City as expenditures are incurred. These amounts are presented as committed fund balance. Fund balances in the Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2017. Encumbrances for the Grants Funds were approximately \$997,141 as of June 30, 2017, which are reflected as restricted fund balance. These encumbrances will be reimbursed

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by the grantor agencies as expenditures are incurred. In the General Fund, there were open purchase orders totaling \$6,545,306 at June 30, 2017.

Note 2. Detail Notes on All Funds

A. Inter-fund Receivables and Payables

The composition of inter-fund receivables and payable balances as of June 30, 2017 is as follows:

	Due From	Due to
	(Receivables)	(Payables)
Major Funds:		
General Fund	\$ 15,699,580	\$ -
Grants	-	11,491,059
Capital Projects	1,028,719	-
Non-Major Fund:		
Child Nutrition Fund	-	5,237,240
	<u>\$ 16,728,299</u>	<u>\$ 16,728,299</u>

Per the City's Charter and the Virginia State Code, all deposits must be deposited into the General Fund as public deposits for the School Board. Due to/due from accounts are created as a result.

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B. Capital Assets

Changes in Capital Assets

	Capital Assets				Capital Assets
	June 30, 2016	Additions	Deletions	Transfers	June 30, 2017
Capital assets, not being depreciated					
Land	\$ 487,500	\$ -	\$ -	\$ -	487,500
Total capital assets, not being depreciated	487,500	-	-	-	487,500
Capital assets, being depreciated:					
Mobile Classrooms	6,700,563	-	-	-	6,700,563
Equipment and vehicles	36,194,040	2,425,574	(1,971,900)	-	36,647,714
Intangible assets	1,323,387	-	-	-	1,323,387
Total capital assets, being depreciated	44,217,990	2,425,574	(1,971,900)	-	44,671,664
Less accumulated depreciation for:					
Mobile Classrooms	(4,807,236)	(534,584)	-	-	(5,341,820)
Equipment and vehicles	(28,747,979)	(1,508,442)	2,068,882	-	(28,187,539)
Intangible assets	(910,676)	(389,937)	125,260	-	(1,175,353)
Total accumulated depreciation	(34,465,891)	(2,432,963)	2,194,142	-	(34,704,712)
Total capital assets being depreciated, net	9,752,099	(7,388)	222,242	-	9,966,952
Total capital assets, net	\$ 10,239,599	\$ (7,388)	\$ 222,242	\$ -	10,454,452

Depreciation expense by function for the year ended June 30, 2017 follows:

Instruction	\$ 665,063
Administration, Attendance, and Health	100,176
Pupil Transportation	530,625
Operation and Maintenance	361,823
Information Technology	351,708
School Facilities	319,635
Food Services	103,933
Total	<u>\$ 2,432,963</u>

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C. Long-Term Obligations

The current portion of long-term obligations is normally paid from the General Fund. The following is a summary of the changes in long-term obligations for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Long-Term Obligations:					
Compensated absences	\$ 9,241,821	\$ 10,599,015	\$ (10,593,682)	\$ 9,247,154	\$ 6,935,365
Workers' compensation	3,693,122	173,352	(276,468)	3,590,006	332,230
Claims liability	40,913	63,694	(63,409)	41,198	23,665
Net pension liability	317,468,532	55,393,936	(22,378,529)	350,483,940	-
Other post employment benefits	16,172,527	4,151,498	(2,580,746)	17,743,279	-
Total Long-Term Obligations	<u>\$ 346,616,915</u>	<u>\$ 70,381,495</u>	<u>\$ (35,892,834)</u>	<u>\$ 381,105,576</u>	<u>\$ 7,291,260</u>

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2017, is a named defendant in several lawsuits and claims that may or may not become lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

B. Intergovernmental Grants

The School Board has received proceeds from several Federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying basic financial statements for the refund of grant monies.

C. Pollution Remediation

The School Board evaluates its exposure to certain environmental liabilities throughout the year at each of its locations across the City. Estimates of liabilities are made based on consultations with industry experts and often arise when school buildings are replaced. No pollution remediation obligations existed at June 30, 2017.

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Note 4. Joint Ventures

A. Southeastern Cooperative Educational Programs

The Southeastern Cooperative Educational Programs (“SECEP”) is a public body established in accordance with the *Code of Virginia*, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$6,234,204 to SECEP during the fiscal year ended June 30, 2017. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

B. The Governor’s School for the Arts

The Governor’s School for the Arts (Governor’s School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor’s School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor’s School can be obtained from the Governor’s School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$234,090 to the Governor’s School during the fiscal year ended June 30, 2017. The School Board is the fiscal agent for Governor’s School and the assets it holds for the Governor’s School are included in Agency Funds.

Note 5. Self-Insurance Program

The School Board is self-insured for a portion of its risks. This self-insurance is for workers’ compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2017 was \$1,963,522. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

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The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund and Grants. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2017, workers' compensation and claims liability totaling \$3,631,204 are reported as long-term liabilities. These liabilities are the School Board's best estimate based on currently available information.

The following is a summary of the changes (current and long-term) in the self-insurance program for the years ended June 30, 2017:

	June 30, 2017		
	Workers'	Claims'	
	Compensation	Liability	Total
Balance, beginning of year	\$ 3,693,122	\$ 40,913	3,734,035
Claims and other changes	173,352	63,694	237,046
Employer payments	(276,468)	(63,409)	(339,877)
Balance, end of year	<u>\$ 3,590,006</u>	<u>\$ 41,198</u>	<u>3,631,204</u>

In addition, effective January 1, 2014 the School Board, in conjunction with the City, became self-insured for health care coverage under a Healthcare Consortium. The Consortium also includes the Norfolk Redevelopment and Housing Authority. An internal service fund was established by the City to account for the self-insurance activity related to the consortium. This internal service fund is managed by the City. The School Board pays healthcare premiums directly to the City for deposit into the internal service fund. Employer and employees' share of premiums for active employees are collected a month in advance for coverage in the subsequent month. Premiums for employees are collected over a 10-month period (September through June) for 12 months of coverage. The School Board remitted a total of \$40.7 million in premiums to the fund in the fiscal year ended June 30, 2017 for active employees that consisted of \$35.5 million in employer contributions and \$5.2 million in employee contributions. The School Board, as a member of the consortium, has voting authority to amend the plan's provisions. Any deficits experienced by the fund will be recovered through adjustments in premiums over a reasonable period.

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Note 6. Retirement and Other Post-Employment Benefits

A. Virginia Retirement System

PLAN DESCRIPTION

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board as well as a hybrid plan which contains both defined benefit and defined contribution aspects. All full-time, salaried, permanent professional employees of the School Board must participate and are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent non-professional employees of the School Board must participate and are automatically covered by the VRS Retirement Plan for political subdivisions. Members earn one month of service credit for each month they are employed and for which the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Members hired on or after January 1, 2014 are covered under the Hybrid Retirement Plan (Hybrid Plan) as well as Plan 1 and 2 members who were 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 employer contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0%.

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%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or obtained by writing the VRS System at P. O. Box 2500, Richmond, VA 23218-2500.

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B. VRS Teacher Retirement Plan

Contributions

The information included in this note reflects the early implementation of GASB Statement No 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73" by the VRS Teacher Retirement Plan as of June 30, 2016, which is the measurement date used in these financial statements in accordance with GASB Statement 68. The requirements of Statement 82 will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end.

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their annual reported compensation to the VRS. Prior to fiscal year 2013, the School Board had assumed the 5.00% member contribution for its employees. However, beginning on July 1, 2012, employers were required to begin making the employee pay the 5% member contribution. The employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The School Board elected to require employees to pay the full 5% member contribution beginning on July 1, 2012.

The School Board's professional contribution rate for the fiscal year ended June 30, 2017 and June 30, 2016, was 13.79% and 13.26%, respectively, of the annual covered payroll (not including 5% employee contribution). This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The School Board's proportionate share of the payback was \$4,687,665, which was reported as revenue on the Statement of Activities in fiscal year 2016. The actuarial rate for the Teacher Retirement Plan was 14.66%. 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 §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 94.07% of the actuarial rate for the year ended June 30, 2017. The School Board's contributions to the VRS for the years ended June 30, 2017, 2016 and 2015 for professional employees were \$26,582,248, \$25,755,298, and \$26,205,705, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the School Board reported a net pension liability of \$336,787,153 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the collective net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 2.403% as compared to 2.430% at June 30, 2016.

For the year ended June 30, 2017, the School Board recognized pension expense of \$26,439,238. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,913,853
Net difference between projected and actual earnings on pension plan investments	19,238,731	-
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	7,889,890
School Board contributions subsequent to the measurement date	26,582,248	-
Total	<u>\$ 45,820,979</u>	<u>\$ 18,803,743</u>

The deferred outflows of resources of \$26,582,248 resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. At June 30, 2017, there were net deferred outflows of resources of \$434,988 not including the contributions subsequent to measurement date of \$26,582,248. The net deferred outflows of resources are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. These net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

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2018	\$ (4,774,568)
2019	(4,774,568)
2020	6,460,877
2021	4,355,478
2022	(832,231)
Total	<u>\$ 434,988</u>

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on the following:

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.

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The actuarial assumptions used in the June 30, 2015 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:

- Updated the 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 rates of salary increase by 0.25% per year

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected 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	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

*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

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8.33% 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%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's 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 by the School Board for the VRS Teacher Retirement Plan 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 School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	<u>(6.00%)</u>	<u>Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$480,091,600	\$336,787,153	\$218,739,307

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Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

As of June 30, 2017, the School Board reported a payable of \$3,352,716 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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C. VRS Retirement Plan for Political Subdivisions

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for the School Board contains combined information related to the School Board and SECEP. As such, amounts reflected herein present only the School Board's proportionate share as of the measurement date, which amounted to 99.18% as of June 30, 2015 and remained unchanged as of June 30, 2016.

The information included in this note reflects the early implementation of GASB Statement No 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73" by the VRS Teacher Retirement Plan as of June 30, 2016, which is the measurement date used in these financial statements in accordance with GASB Statement 68. The requirements of Statement 82 will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	607
Inactive members:	
Vested inactive members	45
Non-vested inactive members	241
Inactive members active elsewhere in VRS	<u>95</u>
Total inactive members	381
Active members	<u>653</u>
Total	<u><u>1,641</u></u>

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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their annual reported compensation to the VRS. Prior to fiscal year 2013, the School Board had assumed the 5.00% member contribution for its employees. However, beginning on July 1, 2012, employers were required to begin making the employee pay the 5% member contribution. The employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The School Board elected to require employees to pay the full 5% member contribution beginning on July 1, 2012.

The School Board contractually required contribution rate for the fiscal year ended June 30, 2017 was 8.49% of covered employee compensation (not including 5% employee contribution). This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The School Board's contributions to the VRS for the years ended June 30, 2017, 2016 and 2015 for non-professional employees were \$1,408,370, \$1,794,211, and \$1,767,920 respectively.

Net Pension Liability

The School Board's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined 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, 2016:

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Mortality rates were based on the following:
14% of deaths are assumed to be service related.

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years 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 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 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:

- Updated the mortality table
- Decreased the rates of service retirement
- Decreased the rates of disability retirement
- Reduced the rates of salary increase by 0.25% per year

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected 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		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's 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 by the School Board for the VRS Retirement Plan for political subdivisions 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 School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 86,565,948	\$ 74,997,917	\$ 11,568,031
Changes for the year:			
Service cost	1,527,216	-	1,527,216
Interest	5,891,204	-	5,891,204
Difference between expected and actual experience	(1,511,422)	-	(1,511,422)
Contributions - employer	-	1,794,211	(1,794,211)
Contributions - employee	-	800,642	(800,642)
Net investment income	-	1,247,729	(1,247,729)
Benefits payments, including refunds of employee contributions	(4,814,364)	(4,814,364)	-
Administrative expense	-	(47,079)	47,079
Change in proportionate share	1,292	1,118	174
Other changes	-	(17,087)	17,087
Net changes	1,093,926	(1,034,830)	2,128,756
Balances at June 30, 2017	\$ 87,659,874	\$ 73,963,087	\$ 13,696,787

All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2016 measurement date for the June 30, 2017 net pension liability of 99.18%. The remainder 0.82% is SECEP's proportionate share of the Net Pension Liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's Net Pension Liability	\$23,712,196	\$13,696,787	\$5,230,293

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the School Board recognized pension expense of \$606,573. At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 1,292,965
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	4,194,555	2,256,169
Changes in proportion and differences between School Board contributions and proportionate share of contributions	1,815	25,651
School Board contributions subsequent to the measurement date	1,408,370	-
Total	<u>\$ 5,604,740</u>	<u>\$ 3,574,785</u>

The deferred outflows of resources of \$1,408,370 resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Not including the contributions subsequent to measurement date of \$1,408,370 at June 30, 2017, there were also net deferred outflows of resources of \$621,585. The net deferred outflows of resources are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. These net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ (834,980)
2019	(465,578)
2020	1,137,513
2021	784,630
Total	<u>621,585</u>

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Payables to the Pension Plan

As of June 30, 2017, the School Board reported a payable of \$194,693 or the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

D. Other Post-Employment Benefits

PLAN DESCRIPTION

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who had not turned 50 as of July 1, 2013, need 15 years of service to qualify for the benefit. All employees hired on or after July 1, 2008 will need 15 years of service to qualify regardless of when they attain the age of 50. The School Board had agreed to pay the sum of \$75 per month towards the cost of their health care benefit for each retiree who has elected to continue health care coverage through the School Board. Effective January 1, 2014, the School Board eliminated health care coverage for post 65 retirees (e.g., retirees eligible for Medicare) along with the \$75 monthly subsidy. The pre-65 retirees will continue to receive the subsidy and will participate in The Consortium with the active employees. Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. The plan is considered a single employer plan. The plan is unfunded and does not issue a stand-alone financial statement.

In accordance with GAAP, the Plan Sponsor records the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrues a liability to the extent actual contributions are less than this expense.

The fundamental principle is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit contributions. The *normal cost* is an annual amount which would be sufficient to fund the plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. Under the method used, the normal cost is determined as a percentage of pay. This means the underlying dollar amount is expected to increase each year as salary increases. The *actuarial liability* represents the portion of the value of the projected benefit at retirement that is allocated to service earned prior to the valuation date; that is, it represents the accumulation of past normal costs from date of hire until the valuation date. The *unfunded actuarial liability* represents the excess of the actuarial liability over plan assets. The *pay-as-you-go cost* represents the expected annual cost of health coverage less retiree contributions for current and future retirees based on the valuation assumptions. This figure can be significantly higher than the premiums because the premiums primarily reflect the cost of active, not retiree, coverage. In addition,

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

the actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts reflect a long-term perspective and are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

METHODOLOGY

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination and retirement.

PAY-AS-YOU-GO FUNDING

Currently, the School Board pays a set amount towards the monthly premiums of pre-65 retirees. These payments are primarily made through the General Fund. These retirees are allowed to purchase health care using the same premium structure as active employees.

The actuarial liability of the Plan as of July 1, 2016 is \$60.3 million as shown below:

Pay-As-You-Go Funding
(2.85% assumed discount)

Actuarial Liability	
Actives	\$ 52,487,512
Retirees	<u>7,802,523</u>
Total	\$ 60,290,035
Assets	<u>-</u>
UAL	<u>\$ 60,290,035</u>

The annual required contribution (ARC) consists of three parts: (1) the *normal cost*, representing the annual cost attributable to services earned in a given year, (2) the 30-year amortization of the unfunded actuarial liability (UAL), and (3) interest to the end of the year. The contributions to the plan consist of both the explicit subsidy (\$75 per month) and an implicit subsidy. The implicit subsidy arises from the fact that the School Board pays the same monthly premium to insure pre-Medicare retirees as it pays for active employees. If the premium structure were to be changed to separately identify premiums for these two groups you would see a much lower premium for actives than for retirees. The difference is the implicit subsidy that the School Board is paying. The combination of the implicit and explicit subsidies is known as the pay-as-you-go cost (PAYGo cost).

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

The ARC was computed for 2017 under the pay-as-you-go funding method and an assumed 2.85% discount rate. The table includes the PAYGo cost and the net difference:

**GASB ARC - FY 2017
Pay-As-You-Go Funding
(2.85% assumed discount)**

Normal Cost	\$ 1,448,337
UAL Amortization	1,831,496
Interest	<u>93,475</u>
Total ARC	\$ 3,373,308
PAYGo Cost (Contributions made - including implicit subsidy)	<u>2,580,746</u>
ARC in excess of PAYGo Cost	<u><u>\$ 792,562</u></u>

Schedule of Employer Contribution

The Schedule of Employer Contribution shows whether the employer has made contributions that are consistent with a sound actuarial method of funding the benefits to be provided.

**Schedule of Employer Contribution
(\$ in millions)**

Fiscal Year Ended June	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation at end of year
2015	\$ 2.93	90%	\$ 15.74
2016	\$ 2.70	89%	\$ 16.17
2017	\$ 3.30	78%	\$ 17.00

Development of Net OPEB Obligation

The development of net OPEB obligation shows the accumulation of actual contributions less expense (ARC). The calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The net OPEB obligation will increase as actual contributions are less than the calculated ARC payments. If contributions exceed ARC payments, the net OPEB obligation will decrease. The net OPEB obligation is shown on the Schools financial statements.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Development of Net OPEB Obligation

Expected Net OPEB Obligation as of June 30, 2016	\$ 16,172,527
Expected Employer Contributions FY2016	(2,390,415)
Actual Employer Contributions FY 2016	<u>(1,565,587)</u>
Increase in Net OPEB Obligation	824,828
Net OPEB Obligation as of June 30, 2016	\$ 16,997,355
 Actuarial Required Contribution (ARC) for FY 2017	 \$ 3,373,308
Interest on Net OPEB Obligation (NOO)	484,425
Adjustment to ARC	<u>(531,063)</u>
Annual OPEB Cost (AOC)	\$ 3,326,670
Expected Employer Contributions FY 2017 - including implicit rate subsidy	<u>(2,580,746)</u>
Net OPEB Obligation as of June 30, 2017	<u>\$ 17,743,279</u>

Funding Status and Funding Progress

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:

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
			Unfunded			
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ -	\$ 60,290,035	\$ 60,290,035	0%	\$ 196,825,107	30.6%

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

Actuarial Methods and Assumptions

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Not Applicable
Actuarial assumptions:	
Investment rate of return	2.85%
Rate of salary increases	3.50%
Rate of Medical Inflation	7.80% (pre-Medicare) grading to 3.0% over 19 years

In determining the ARC, the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Cost or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

REQUIRED SUPPLEMENTARY INFORMATION

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School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Schedules of Required Supplementary Information
Schedule of the School Board's Proportionate Share of the Net Pension Liability
VRS Teacher Retirement Plan
Last Ten Fiscal Years*
(Amounts in thousands)

Schedule 1

Fiscal Year	2017	2016	2015
School Board's proportion of the net pension liability (asset)	2.403%	2.430%	2.467%
School Board's proportionate share of the net pension liability (asset)	\$ 336,787	\$ 305,901	\$ 298,089
School Board's covered-employee payroll	\$ 194,172	\$ 189,624	\$ 189,067
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173%	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.68%	70.88%

*The schedule is intended to show information for 10 years. 2017 is the third fiscal year for presentation. 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)
Schedules of Required Supplementary Information
Schedule of School Board Contributions
VRS Teacher Retirement Plan
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 2

Fiscal Years	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 26,582	\$ 26,582	\$ -	\$ 192,822	13.79%
2016	\$ 25,755	\$ 25,755	\$ -	\$ 194,172	13.26%
2015	\$ 26,206	\$ 26,206	\$ -	\$ 189,624	13.82%
2014	\$ 21,056	\$ 21,056	\$ -	\$ 189,067	11.14%
2013	\$ 20,911	\$ 20,911	\$ -	\$ 144,714	14.45%
2012	\$ 19,516	\$ 19,516	\$ -	\$ 148,138	13.17%
2011	\$ 16,027	\$ 16,027	\$ -	\$ 135,016	11.87%
2010	\$ 21,492	\$ 21,492	\$ -	\$ 157,542	13.64%
2009	\$ 26,461	\$ 26,461	\$ -	\$ 157,178	16.84%
2008	\$ 32,696	\$ 32,696	\$ -	\$ 152,536	21.43%

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 the 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)
Schedules of Required Supplementary Information
Schedule of Changes in the School Board's Net Pension Liability and Related Ratios
VRS Retirement Plan for Political Subdivisions
Last Ten Fiscal Years*
(Amounts in thousands)

	Fiscal Year		
	2017	2016	2015
Total pension liability			
Service cost	\$ 1,527	\$ 1,563	\$ 1,530
Interest	5,891	5,770	5,586
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,511)	(1,027)	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contribution:	(4,814)	(4,343)	(4,659)
Change in proportionate share	1	21	-
Net change in total pension liability	<u>1,094</u>	<u>1,984</u>	<u>2,457</u>
Total pension liability - beginning	<u>86,566</u>	<u>84,582</u>	<u>82,125</u>
Total pension liability - ending (a)	<u><u>\$ 87,660</u></u>	<u><u>\$ 86,566</u></u>	<u><u>\$ 84,582</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 1,794	\$ 1,768	\$ 1,722
Contributions - employee	800	785	775
Net investment income	1,248	3,321	10,151
Benefit payments, including refunds of employee contribution:	(4,814)	(4,343)	(4,659)
Administrative expense	(47)	(47)	(56)
Change in proportionate share	1	18	-
Other	(17)	(11)	1
Net change in plan fiduciary net position	<u>(1,035)</u>	<u>1,491</u>	<u>7,934</u>
Plan fiduciary net position - beginning	<u>74,998</u>	<u>73,507</u>	<u>65,573</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 73,963</u></u>	<u><u>\$ 74,998</u></u>	<u><u>\$ 73,507</u></u>
School Board's net pension liability (a) - (b)	<u><u>\$ 13,697</u></u>	<u><u>\$ 11,568</u></u>	<u><u>\$ 11,075</u></u>
Plan fiduciary net position as a percentage of the total pension liability	84.37%	86.64%	86.91%
Covered-employee payroll	22,219	22,224	21,766
School Board's net pension liability as a percentage of covered-employee payroll	61.65%	52.05%	50.88%

*The schedule is intended to show information for 10 years. 2017 is the third fiscal year for presentation. 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)
Schedules of Required Supplementary Information
Schedule of School Board Contributions
VRS Retirement Plan for Political Subdivisions
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 4

Fiscal Years	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 1,408	\$ 1,408	\$ -	\$ 23,756	5.93%
2016	\$ 1,794	\$ 1,794	\$ -	\$ 22,219	8.07%
2015	\$ 1,768	\$ 1,768	\$ -	\$ 22,224	7.96%
2014	\$ 1,722	\$ 1,722	\$ -	\$ 21,766	7.91%
2013	\$ 1,734	\$ 1,734	\$ -	\$ 15,661	11.07%
2012	\$ 1,858	\$ 1,858	\$ -	\$ 14,818	12.54%
2011	\$ 1,923	\$ 1,923	\$ -	\$ 15,287	12.58%
2010	\$ 1,928	\$ 1,928	\$ -	\$ 16,169	11.92%
2009	\$ 2,016	\$ 2,016	\$ -	\$ 16,871	11.95%
2008	\$ 2,443	\$ 2,443	\$ -	\$ 17,440	14.01%

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 the 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)
REQUIRED SUPPLEMENTARY SCHEDULES
YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress – OPEB (Unaudited)

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability (AAL) under GASB is determined assuming that the Plan is ongoing and the participants continue to terminate employment, retire, etc., in accordance with actuarial assumptions. The schedule of funding progress, presented as required supplemental information (RSI), presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
			Unfunded			
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ -	\$ 60,290,035	\$ 60,290,035	0%	\$ 196,825,107	30.6%
July 1, 2015	\$ -	\$ 42,088,034	\$ 42,088,034	0%	\$ 179,913,077	23.4%
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0%	\$ 186,834,233	21.3%

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

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, 2016 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% 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, 2016 are not material.

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study for the four-year period ending June 30, 2012:

- Used the following mortality tables:
 - RP-2000 Employee Mortality Table
 - RP-2000 Combined Mortality Table
 - RP-2000 Disability Mortality Table
- Decreased the rates of service retirement
- Decreased the rates of disability retirement
- Reduced the rates of salary increase by 0.25% per year

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and
Actual for the General Fund
- Unaudited -
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)
Resources (inflows)				
Local sources	\$ 4,023,361	\$ 4,023,361	\$ 3,853,824	(169,537)
Commonwealth of Virginia	190,545,112	190,545,112	185,774,218	(4,770,894)
Federal government	5,651,426	5,651,426	5,263,559	(387,867)
Local government*	118,499,322	118,499,322	114,971,922	(3,527,400)
Carryforward funds from fiscal year 2016	3,149,274	3,149,274	3,149,274	-
Amounts available for appropriation	321,868,495	321,868,495	313,012,797	(8,855,698)
Charges to appropriations (outflows)				
Instruction	241,569,398	241,908,854	235,512,657	(6,396,197)
Administration, Attendance, and Health	17,688,024	17,343,068	16,622,833	(720,235)
Pupil Transportation	13,346,285	12,639,283	14,342,252	1,702,969
Operation and Maintenance	35,142,078	35,626,299	34,880,930	(745,369)
Information Technology	10,225,310	10,452,538	10,453,861	1,323
School Facilities	3,897,400	3,898,453	374,875	(3,523,578)
Total charges to appropriations	321,868,495	321,868,495	312,187,408	(9,681,087)
Budgetary fund balance, June 30, 2016	\$ -	\$ -	825,389	825,389

Reconciliation of Budgetary Inflows and Outflows with Revenues and Expenditures in Exhibit IV:

Sources/Inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule, above	\$ 313,012,797
Acquisition of School buses by local government	1,964,453
Other budgetary resources but not revenue for financial reporting purposes	(3,149,274)
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 311,827,976</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 312,187,408
Difference - budget to GAAP:	
Acquisition of school buses by the local government	1,964,453
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year received for GAAP purposes	(3,184,428)
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 310,967,433</u>

OTHER SUPPLEMENTARY INFORMATION

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School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
ASSETS				
Cash, investments and accounts receivable				
Governor's School for the Arts	386,701	4,145,940	4,064,795	467,846
Southeastern Cooperative Educational Programs	\$ 13,546,126	\$ 103,259,509	\$ 102,606,719	\$ 14,198,915
Trust Fund	3,736,128	163,359,417	160,468,497	6,627,049
School Activity Funds	1,853,199	3,591,914	4,128,326	1,316,787
Total Assets	<u>\$ 19,522,154</u>	<u>\$ 274,356,780</u>	<u>\$ 271,268,337</u>	<u>\$ 22,610,597</u>
LIABILITIES				
Due to Other Agencies				
Governor's School for the Arts	386,701	14,195,615	14,114,470	467,846
Southeastern Cooperative Educational Programs	\$ 13,546,126	\$ 213,386,250	\$ 212,733,460	\$ 14,198,915
Trust Fund	3,736,128	266,534,154	263,643,234	6,627,049
Due to Students	1,853,199	3,591,914	4,128,326	1,316,787
Total Liabilities	<u>\$ 19,522,154</u>	<u>\$ 497,707,933</u>	<u>\$ 494,619,490</u>	<u>\$ 22,610,597</u>

STATISTICAL SECTION (UNAUDITED)

The overall financial health is presented for the School Board and/or the City of Norfolk. The School Board is a component unit of the City. Where applicable and available, ten years worth of financial data is presented.

Contents

Financial Trends Information

These schedules contain trend information that is intended to assist readers in understanding and assessing how the government's financial performance and well-being have changed over time.

Revenue Capacity Information

These schedules contain information that is intended to assist readers in understanding and assessing the government's most significant local revenue sources.

Debt Capacity Information

These schedules present information that is intended to assist readers in assessing the affordability of the government's current levels of outstanding debt, and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to assist readers in understanding the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to assist readers in understanding how the information in the government's financial report relates to the services the government provides and the activities it performs.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Net Position by Category
Last Ten Fiscal Years
(Amounts in thousands)

Schedule 1

Fiscal Year									
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Note 1		

Government-wide:

Invested in capital assets	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568	\$ 12,265	\$ 14,406	\$ 12,874	\$ 11,775	\$ 10,240	\$ 10,454
Restricted	1,837	1,003	611	1,000	416	1,920	2,339	2,739	8,566	2,761
Unrestricted	5,179	(670)	5,625	2,225	(2,036)	(1,810)	(7,034)	(344,957)	(338,067)	(336,625)
Total government-wide net position	\$ 78,829	\$ 69,977	\$ 29,825	\$ 14,793	\$ 10,645	\$ 14,516	\$ 8,179	\$ (330,443)	\$ (319,261)	\$ (323,410)

Note:

1. GASB Statement No. 68 was implemented in fiscal year 2015.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

Schedule 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Instruction	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,477	\$ 265,178	\$ 272,338	\$ 265,740	\$ 265,732	\$ 269,725	\$ 271,176
Support Services:										
Administration, Attendance and Health	13,312	13,414	13,396	12,412	12,436	16,138	15,962	15,908	16,263	17,056
Pupil Transportation	10,913	10,917	10,765	11,028	10,869	13,668	12,162	12,952	12,740	14,099
Operation and Maintenance	36,258	38,954	33,660	35,283	33,038	34,551	34,703	35,232	34,641	35,328
Information Technology	8,950	8,972	10,860	8,274	10,547	10,373	11,239	13,234	9,994	10,609
School Facilities	16,099	17,151	52,851	20,266	24,171	9,160	3,735	5,771	6,960	8,669
Food Services	14,533	14,918	14,676	15,564	15,935	16,821	17,227	16,967	18,123	18,718
Other	224	264	306	238	276	250	244	144	207	78
Total Expenses	379,571	387,392	418,727	370,542	372,450	373,299	361,012	365,940	368,653	375,733
Revenues:										
Program Revenues:										
Charges for services	6,250	5,781	5,527	4,847	4,597	4,349	3,562	3,451	3,966	3,844
Operating grants and contributions	224,043	229,557	238,021	209,644	206,947	224,467	203,139	207,303	212,121	215,023
Capital grants and contributions	8,941	7,115	2,877	6,877	20,652	8,207	3,700	3,541	9,892	2,418
Total Program Revenues	239,234	242,453	246,425	221,368	232,196	237,023	210,401	214,295	225,979	221,285
Net (Expense) Revenue	(140,337)	(144,939)	(172,302)	(149,174)	(140,254)	(136,276)	(150,611)	(151,645)	(142,674)	(154,448)
General Revenues:										
Use of money and property	2,325	1,499	799	716	1,284	1,262	806	841	1,227	1,449
Other	51	200	74	2	-	235	912	462	772	1,408
Commonwealth of Virginia	32,292	30,102	30,267	28,912	30,311	31,463	30,702	31,992	37,088	32,470
Local government	101,095	104,511	101,011	104,511	104,511	107,187	111,854	117,722	114,769	114,972
Total General Revenues	135,763	136,312	132,151	134,141	136,106	140,147	144,274	151,017	153,856	150,299
Change in Net Position	\$ (4,574)	\$ (8,627)	\$ (40,151)	\$ (15,033)	\$ (4,148)	\$ 3,871	\$ (6,337)	\$ (628)	\$ 11,182	\$ (4,149)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 3

	Fiscal Year									
	2005	2008	2010	2011	2012	2013	2014	2015	2016	2017
				Note 1						
General Fund										
Reserved	\$ 11,481	\$ 8,482	\$ 11,394							
Unreserved	8,549	4,446	4,369							
Nonspendable				\$ 293	\$ 293	\$ 293	\$ 398	\$ 424	\$ 461	\$ 487
Restricted				-	-	-	-	-	-	-
Committed				-	-	-	-	-	-	-
Assigned				14,103	13,109	16,807	11,891	10,198	6,420	7,266
Unassigned				2,102	3,126	2,445	3,411	1,149	13	1
Total General Fund	\$ 20,030	\$ 12,928	\$ 15,763	\$ 16,498	\$ 16,528	\$ 19,545	\$ 15,700	\$ 11,771	\$ 6,894	\$ 7,754
All Other Governmental Funds										
Reserved	\$ 8,062	\$ 5,406	\$ 4,073							
Unreserved, reported in:										
Grant Fund	(2,033)	(1,235)	(2,484)							
Capital Projects Fund	-	(1,105)	(457)							
Child Nutrition Services Fund	4,295	4,541	5,108							
Nonspendable				\$ 430	\$ 401	\$ 495	\$ 598	\$ 825	\$ 691	\$ 815
Restricted				5,331	5,560	6,608	6,933	7,963	9,398	8,866
Committed				72	4,651	-	2,543	2,058	6,720	2,837
Assigned				1,033	-	1,854	-	-	-	-
Unassigned				(105)	(4,235)	(2,225)	(2,185)		(1,709)	(2,079)
Total all other governmental funds	\$ 10,324	\$ 7,607	\$ 6,240	\$ 6,761	\$ 6,377	\$ 6,732	\$ 7,889	\$ 10,846	\$ 15,100	\$ 10,439

Note:

1. The change in the classification of fund balance amounts in 2011 is discussed in FY12 Management's Discussion and Analysis. Prior year amounts have not been restated for the implementation of Statement 54.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Use of money and property	\$ 2,325	\$ 1,499	\$ 799	\$ 716	\$ 1,284	\$ 1,262	\$ 806	\$ 842	\$ 1,227	\$ 1,449
Charges for services	6,250	5,781	5,526	4,847	4,597	4,349	3,562	3,451	3,966	3,844
Other	51	508	224	397	218	235	912	462	772	1,408
Intergovernmental :										
Local government	109,441	111,034	103,889	111,389	125,163	117,494	116,514	122,177	125,650	119,354
Commonwealth of Virginia	208,271	212,885	195,582	177,685	168,216	192,776	183,947	186,713	186,893	190,209
Federal government	48,659	47,058	72,556	60,477	68,824	61,055	48,934	51,668	56,639	55,320
Total revenues	<u>374,997</u>	<u>378,765</u>	<u>378,576</u>	<u>355,511</u>	<u>368,302</u>	<u>377,171</u>	<u>354,675</u>	<u>365,313</u>	<u>375,147</u>	<u>371,584</u>
EXPENDITURES										
Current:										
Instruction	285,213	286,995	284,101	263,502	263,542	272,152	261,357	268,246	273,972	271,151
Administration, Attendance, and Health	13,457	13,369	12,998	11,990	11,980	15,853	15,382	15,686	16,610	16,932
Pupil Transportation	10,896	10,723	10,503	10,709	10,639	13,435	12,995	13,669	13,390	14,031
Operation and Maintenance	33,778	36,058	33,695	35,225	32,938	34,629	34,207	35,158	34,706	35,143
Information Technology	8,818	8,769	10,665	8,161	10,517	10,348	11,193	13,238	9,947	10,861
School Facilities	15,178	3,427	2,784	2,356	1,535	1,958	1,318	1,938	1,940	604
Food Services	14,870	15,135	14,721	15,525	15,971	16,916	17,110	17,025	18,215	18,675
Other	294	264	306	238	275	247	242	145	207	78
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	224	1,400	206	198	189	181	172	114	8	-
Capital Outlay:										
School Facilities	-	6,701	3,049	6,350	21,069	8,080	3,387	3,533	4,307	7,910
Total expenditures	<u>382,728</u>	<u>382,841</u>	<u>373,028</u>	<u>354,254</u>	<u>368,655</u>	<u>373,799</u>	<u>357,363</u>	<u>368,752</u>	<u>373,302</u>	<u>375,385</u>
Excess (deficiency) of revenues over expenditures	(7,731)	(4,076)	5,548	1,257	(353)	3,372	(2,688)	(3,439)	1,845	(3,801)
OTHER FINANCING SOURCES (USES)										
Transfers in from primary government										
Transfers in	-	303	-	-	-	-	-	-	-	-
Transfers out	-	(303)	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (7,731)</u>	<u>\$ (4,076)</u>	<u>\$ 5,548</u>	<u>\$ 1,257</u>	<u>\$ (353)</u>	<u>\$ 3,372</u>	<u>\$ (2,688)</u>	<u>\$ (3,439)</u>	<u>\$ 1,845</u>	<u>\$ (3,801)</u>

Debt service as a percentage of noncapital Expenditures	0.06%	0.37%	0.06%	0.06%	0.05%	0.05%	0.05%	0.03%	0.00%	0.00%
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School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Program Revenues by Function (Optional Schedule)
Last Ten Fiscal Years
(Amounts in Thousands)

Function/Program	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Charges for Services										
Instruction	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201	\$ 2,564	\$ 2,054	\$ 2,018	\$ 2,520	\$ 2,449
Food Services	3,060	2,886	2,579	2,601	2,396	1,785	1,508	1,433	1,446	1,395
Subtotal of Charges for Services	6,250	5,781	5,526	4,847	4,597	4,349	3,562	3,451	3,966	3,844
Operating Grants and Contributions										
Instruction	212,930	218,006	225,951	196,997	193,423	207,885	186,579	190,303	193,622	195,687
Pupil Transportation	-	-	-	-	-	2,100	960	915	989	1,964
Information Technology	-	-	-	-	-	-	-	-	-	-
Food Services	11,112	11,551	12,070	12,646	13,523	14,483	15,600	16,086	17,510	17,372
Subtotal of Operating Grants and Contributions	224,042	229,557	238,021	209,643	206,946	224,468	203,139	207,304	212,121	215,023
Capital Grants and Contributions										
School Facilities	8,941	7,115	2,877	6,877	20,652	8,208	3,700	3,541	9,892	2,417
Subtotal of Capital Grants and Contributions	8,941	7,115	2,877	6,877	20,652	8,208	3,700	3,541	9,892	2,417
Total Program Revenues	\$ 239,233	\$ 242,453	\$ 246,424	\$ 221,367	\$ 232,195	\$ 237,025	\$ 210,401	\$ 214,296	\$ 225,979	\$ 221,284

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Total Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 6

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
2008	2,325	6,250	51	109,440	208,271	48,659	374,996
2009	1,499	5,781	508	111,034	212,885	47,058	378,765
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	111,389	177,685	60,477	355,511
2012	1,284	4,597	218	125,163	168,216	68,824	368,302
2013	1,262	4,349	235	117,494	192,776	61,055	377,171
2014	806	3,562	912	116,514	183,947	48,934	354,675
2015	842	3,451	462	122,177	186,713	51,668	365,313
2016	1,227	3,966	772	125,650	186,893	56,639	375,147
2017	1,449	3,844	1,408	119,354	190,209	55,320	371,584
Change 2007-2017	-37.7%	-38.5%	2660.8%	9.1%	-8.7%	13.7%	-0.9%

Schedule 1

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Debt Capacity Information
Transportation Facility
Last Ten Fiscal Years

Fiscal Year	Debt Service		
	Principal	Interest	Total
2008	156,900	66,860	223,760
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478
2011	156,900	40,937	197,837
2012	156,900	32,297	189,197
2013	156,900	23,656	180,556
2014	156,900	15,015	171,915
2015	107,775	6,375	114,150
2016	7,975	437	8,412
2017	-	-	-

Notes:

1. The debt was fully paid to the City of Norfolk from 1995-2016.
2. The original cost of the facility was \$3.1 million. No additional debt has been incurred.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Debt Capacity Information
Ratio of Annual Debt Service Expenditures
to Total General Expenditures
Last Ten Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2008	156,900	66,860	223,760	382,636,157	0.06%
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%
2011	156,900	40,937	197,837	354,254,534	0.06%
2012	156,900	32,297	189,197	283,647,437	0.07%
2013	156,900	23,656	180,556	304,651,547	0.06%
2014	156,900	15,015	171,915	305,083,446	0.06%
2015	107,775	6,375	114,150	313,153,524	0.04%
2016	7,975	437	8,412	312,094,823	0.00%
2017	-	-	-	-	0.00%

Notes:

1. Total general expenditures include the expenditures for debt service.
2. Total general expenditures are presented using the modified accrual basis of accounting.
3. The debt was fully paid in 2016. No additional debt was incurred.

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
School Nutrition
Summary of Meals Served
As of June 30, 2017

School	Breakfast	Lunch	Total
Elementary Schools	1,775,004	2,150,247	3,925,251
Middle Schools	162,197	520,599	682,796
High Schools	130,899	436,483	567,382
Auxiliary Facilities	61,854	75,505	137,359
Totals	2,129,954	3,182,834	5,312,788

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Percentage of Free and Reduced Price Lunch Eligibility Data
For the Month of October 2016

Schools		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	41.14%	80.00%	76.40%	60.14%
114	CAMP ALLEN ELEM.	48.68%	76.60%	87.62%	69.63%
109	CAMPOSTELLA ELEM.	0.00%	0.00%	100.00%	100.00%
126	CHESTERFIELD ACADEMY ELEM.	0.00%	0.00%	100.00%	100.00%
128	COLEMAN PLACE ELEM.	0.00%	0.00%	100.00%	100.00%
129	CROSSROADS ELEM	42.01%	82.35%	79.05%	63.76%
168	FAIRLAWN ELEM.	46.34%	87.50%	96.43%	79.27%
135	GHENT ELEM.	38.27%	78.38%	86.21%	52.05%
134	GRANBY ELEM.	0.00%	0.00%	100.00%	100.00%
136	INGLESIDE ELEM	0.00%	0.00%	100.00%	100.00%
108	JACOX ELEM.	0.00%	0.00%	100.00%	100.00%
150	JAMES MONROE ELEM.	0.00%	0.00%	100.00%	100.00%
141	LARCHMONT ELEM.	25.76%	86.96%	93.48%	39.85%
142	LARRYMORE ELEM.	40.83%	82.35%	82.02%	66.08%
145	LINDENWOOD ELEM.	0.00%	0.00%	100.00%	100.00%
146	LITTLE CREEK ELEM.	0.00%	0.00%	100.00%	100.00%
147	LITTLE CREEK ELEM. ANNEX	0.00%	0.00%	100.00%	100.00%
123	MARY CALCOTT ELEM.	33.09%	71.88%	74.76%	53.85%
151	NORVIEW ELEM.	0.00%	0.00%	100.00%	100.00%
154	OCEAN VIEW ELEM.	41.48%	91.30%	85.15%	68.85%
153	OCEANAIR ELEM.	0.00%	0.00%	100.00%	100.00%
165	P.B. YOUNG SR. ELEM.	0.00%	0.00%	100.00%	100.00%
169	POPLAR HALLS ELEMENTARY	0.00%	0.00%	100.00%	100.00%
122	RICHARD BOWLING ELEM.	0.00%	0.00%	100.00%	100.00%
137	SEWELLS POINT ELEM.	39.37%	83.85%	89.86%	65.35%
156	SHERWOOD FOREST ELEM.	38.28%	81.67%	87.39%	70.23%
131	ST. HELENA ELEM.	0.00%	0.00%	100.00%	100.00%
159	SUBURBAN PARK ELEMENTARY	0.00%	0.00%	100.00%	100.00%
161	TANNERS CREEK ELEMENTARY	0.00%	0.00%	100.00%	100.00%
118	TARRALLTON ELEM.	39.68%	79.17%	84.92%	61.76%
119	TIDEWATER PARK ELEM.	0.00%	0.00%	100.00%	100.00%
160	W.H. TAYLOR ELEM	29.57%	100.00%	95.54%	53.89%
115	WILLARD MODEL ELEM.	0.00%	0.00%	100.00%	100.00%
106	WILLOUGHBY ELEM.	41.24%	75.00%	73.17%	57.44%
Middle Schools					
206	AZALEA MIDDLE	43.02%	9057.00%	91.05%	71.09%
207	BLAIR MIDDLE	34.98%	81.32%	88.74%	66.58%
217	LAFAYETTE-WINONA MIDDLE	33.40%	84.38%	89.09%	53.02%
216	LAKE TAYLOR MIDDLE	0.00%	0.00%	100.00%	100.00%
211	NORTHSIDE MIDDLE	56.04%	79.41%	87.61%	77.75%
212	NORVIEW MIDDLE	46.45%	79.71%	92.89%	77.67%
214	RUFFNER MIDDLE	0.00%	0.00%	100.00%	100.00%
249	THE ACADEMY OF INTERNATIONAL STUDIES A	46.84%	86.49%	95.00%	71.34%
High Schools					
304	B. T. WASHINGTON HIGH	14.87%	66.67%	67.01%	51.39%
301	GRANBY HIGH	18.80%	58.17%	64.89%	42.32%
305	LAKE TAYLOR HIGH	22.13%	69.33%	73.28%	52.25%
302	MAURY HIGH	10.10%	51.19%	48.70%	25.84%
303	NORVIEW HIGH	24.24%	57.53%	62.83%	42.00%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD C	0.00%	0.00%	100.00%	100.00%
171	EASTON PRESCHOOL	27.63%	71.43%	58.06%	46.45%
392	MADISON	5.66%	0.00%	22.90%	18.28%
163	NORFOLK RE-ED SCHOOL - SECEP	33.33%	100.00%	94.87%	89.41%
396	NORFOLK TECHNICAL CTR	10.48%	41.46%	46.27%	28.45%
School Board for the City of Norfolk Totals		29.72%	73.77%	80.43%	65.01%
October 2016 Totals		29.72%	73.77%	80.43%	65.01%

Source of data: Norfolk Public Schools - School Nutrition

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Summary of Child Nutrition Program Funds
As of June 30, 2017

Currently, Norfolk serves an average of 35,500 meals and 1,000 after-school snacks each day. Child Nutrition Services provides breakfasts, lunches, and snacks which meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible for free or reduced meals. Norfolk operates the program as a non-profit organization and utilizes commodities provided by USDA as well as those provided by private vendors.

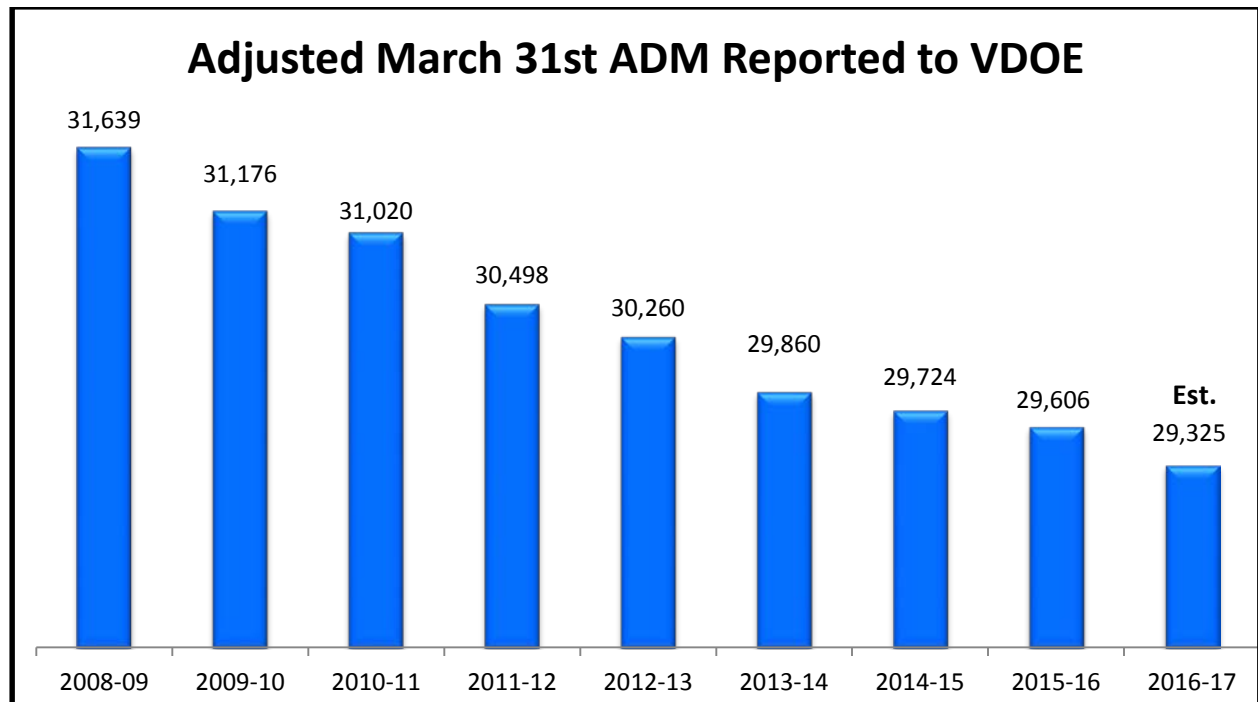
Account Description	2,016	2,017	Budget 2016	Actual 2016	Budget 2017	Actual 2017	Budget 2018	Budget % Increase Over 2016
Revenue								
Sales			1,661,000	1,393,310	1,621,000	1,365,947	1,545,000	-4.69%
Federal and State Food Program Reimbursements			14,873,000	16,422,282	15,615,000	16,283,472	16,350,000	4.71%
Federal Commodities Donated			1,200,000	1,087,767	1,200,000	1,088,495	1,200,000	0.00%
Interest Earnings			16,000	17,161	16,000	23,500	16,000	0.00%
Other			148,000	90,976	113,000	50,236	89,000	-21.24%
Total Revenue			17,898,000	19,011,497	18,565,000	18,811,650	19,200,000	3.42%
Expenditures								
Cost of Goods Sold			9,259,907	9,339,519	9,464,627	9,561,054	9,489,929	0.27%
Employee Compensation	148.50	145.00	7,523,593	7,321,915	7,717,291	7,348,886	7,922,928	2.66%
Maintenance Costs			390,000	294,218	363,902	401,153	375,000	3.05%
Supplies and Materials			90,000	97,535	85,000	103,854	94,000	10.59%
Cafeteria and Other Equipment			330,000	439,069	355,000	470,685	696,000	96.06%
Other Costs			304,500	460,074	579,180	485,714	622,143	7.42%
Total Expenditures	157.50	148.50	17,898,000	17,952,330	18,565,000	18,371,346	19,200,000	3.42%
Excess of Revenues over Expenditures			-	1,059,168	-	440,303	-	
Fund Balance - Beginning of Year			5,960,689	5,960,689	5,998,527	5,998,527	6,319,464	
Fund Balance - End of Year			\$ 5,960,689	\$ 7,019,857	\$ 5,998,527	\$ 6,438,830	\$ 6,319,464	

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Approved Positions by Program
Last Ten Fiscal Years

Positions Approved	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Instructional Services	3,758.95	3,724.95	3,725.95	3,459.63	3,315.05	3,241.05	3,293.60	3,261.10	3,253.85	3,191.85
Central Administration	105.25	103.25	100.25	96	95	97	81	81	82.5	84
Student Attendance and Health Services	62	62	61	48	50	49	59.5	75.5	100.5	101.5
Pupil Transportation	306	306	305	284	281	278	271	271	271	283
Operations and Maintenance	471	479	478	415	409.5	401.5	401	401	400.5	407.5
Community Services (Jobs Bill)	1	1	1	0	0	0	0	0	0	0
Facility Improvements	0	0	0	0	0	0	0	0	0	0
Information Technology	109	109	76	63	61	64	63	63	63	63
Total Approved Positions General Fund Budget	4,813.20	4,785.20	4,747.20	4,365.63	4,211.55	4,130.55	4,169.10	4,152.60	4,171.35	4,130.85

Source of Data: Norfolk Public Schools Budget Department



Note: 2008-09 through 2015-16 Average Daily Membership (ADM) are actuals and 2016-2017 are estimates.

School Year	Mar 31st Adjusted ADM	Variance
2016-17	29,325	-281
2015-16	29,606	-118
2014-15	29,724	-136
2013-14	29,860	-400
2012-13	30,260	-238
2011-12	30,498	-522
2010-11	31,020	-156
2009-10	31,176	-463
2008-09	31,639	-574

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Average Costs Per Student
Last Ten Years

Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (a)			Average Costs per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2008	316,464,796	32,259	1,052	33,311	9,500
2009	324,043,814	31,639	2,173	33,812	9,584
2010	327,186,336	30,839	2,302	33,141	9,873
2011	290,958,964	30,630	2,344	32,974	8,824
2012	286,229,821	30,498	2,380	32,878	8,706
2013	304,420,159	30,260	2,185	32,445	9,383
2014	311,188,133	29,805	2,259	32,064	9,705
2015	318,499,501	29,598	2,259	31,857	9,998
2016	313,925,928	29,606	2,174	31,780	9,878
2017	321,094,220	29,325	2,174	31,499	10,194

Notes:

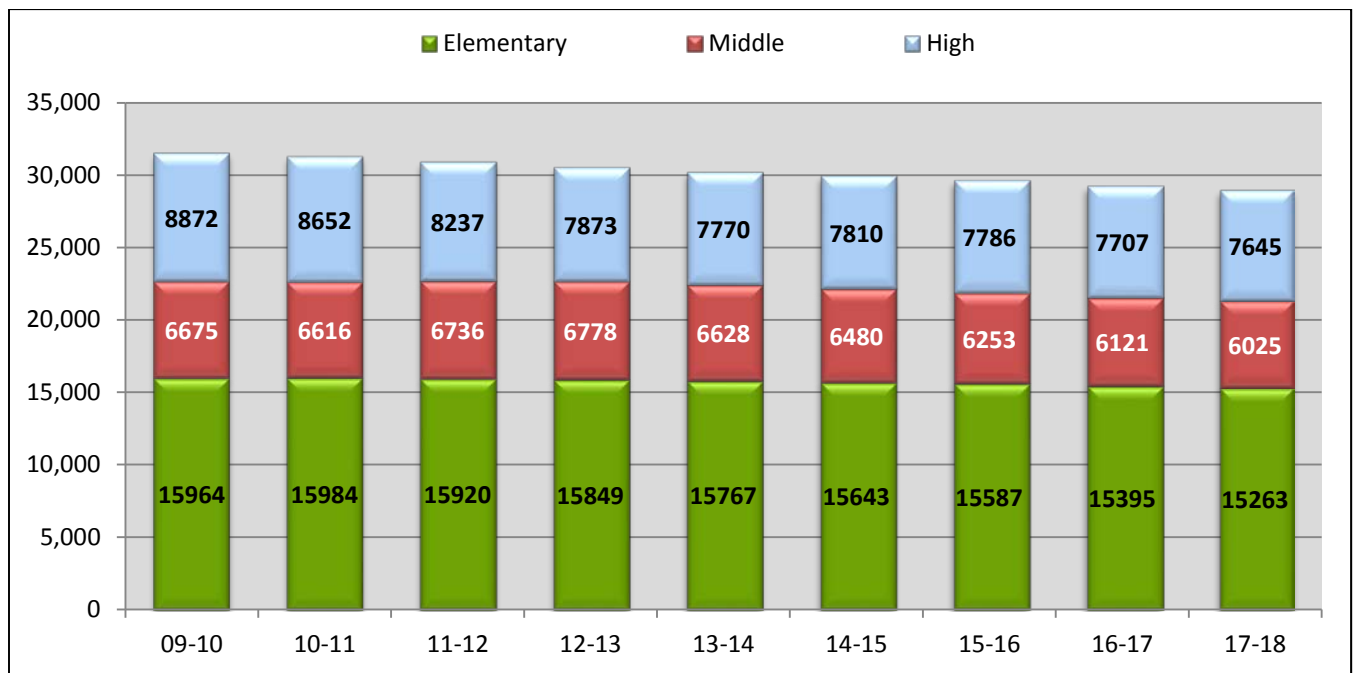
(a) Local budget education expenditures exclude adult education.

(b) Student membership is average daily membership for the year. Pre-kindergarten membership excludes students enrolled in classes funded by Federal Title 1 funds.

Source of Data: Norfolk Public Schools Budget Department



Enrollment Trends and Projections (K-12)



FISCAL YEAR	PROJECTED ENROLLMENT	SEPTEMBER 30 th ENROLLMENT
FY 2009	32,013	32,215
FY 2010	31,511	31,709
FY 2011	31,252	31,443
FY 2012	30,893	31,081
FY 2013	30,500	30,677
FY 2014	30,153	30,338
FY 2015	29,746	30,101
FY 2016	29,315	29,801
FY 2017	28,846	
FY 2018	28,432	

METHODOLOGY

A model for long range student enrollment projections is based upon survival ratios, adjustments for births, and new students projected to come from residential development. Survival ratios for each grade and year were calculated from historical and current enrollment years. In most instances, these ratios are less than one, meaning that some students moved out of the district, transferred to private schools, or were not promoted. To remove some of the year-to-year variation, three year weighted survival ratios were used.



State Incentive to Reduce Class Size

School Name	3-Yr Average Free Lunch Eligibility Rate	Required School-Wide Pupil-Teacher Ratio	Funded Per Pupil Amount	Largest Permitted Individual Class Size in the School	Projected September 30, 2016 Funded Fall Membership
BAY VIEW	46.88%	18:1	\$785	23	445.00
CAMP ALLEN	45.51%	18:1	\$785	23	279.00
CAMPOSTELLA	93.77%	14:1	\$1,797	19	422.00
CHESTERFIELD ACADEMY	78.52%	14:1	\$1,797	19	283.00
COLEMAN PLACE	72.45%	15:1	\$1,493	20	438.00
CROSSROADS	55.07%	17:1	\$990	22	451.00
FAIRLAWN	57.41%	17:1	\$990	22	95.00
GRANBY	60.23%	17:1	\$990	22	370.00
INGLESIDE	69.30%	16:1	\$1,223	21	341.00
JACOX	88.79%	14:1	\$1,797	19	453.00
JAMES MONROE	85.31%	14:1	\$1,797	19	231.00
LARRYMORE	55.06%	17:1	\$990	22	387.00
LINDENWOOD	85.55%	14:1	\$1,797	19	238.00
LITTLE CREEK	69.60%	16:1	\$1,223	21	508.00
MARY CALCOTT	36.16%	19:1	\$606	24	345.00
NORVIEW	79.35%	14:1	\$1,797	19	288.00
OCEAN VIEW	57.22%	17:1	\$990	22	410.00
OCEANAIR	65.48%	16:1	\$1,223	21	353.00
P.B. YOUNG SR.	93.78%	14:1	\$1,797	19	430.00
POPLAR HALLS	57.75%	17:1	\$990	22	308.00
RICHARD BOWLING	72.76%	15:1	\$1,493	20	287.00
SEWELLS POINT	37.55%	19:1	\$606	24	425.00
SHERWOOD FOREST	60.25%	17:1	\$990	22	391.00
ST. HELENA	79.02%	14:1	\$1,797	19	215.00
SUBURBAN PARK	69.80%	16:1	\$1,223	21	322.00
TANNERS CREEK	63.62%	17:1	\$990	22	350.00
TARRALLTON	30.76%	19:1	\$606	24	256.00
TIDEWATER PARK	92.54%	14:1	\$1,797	19	128.00
WILLARD MODEL	58.35%	17:1	\$990	22	354.00
WILLOUGHBY	34.79%	19:1	\$606	24	77.00

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Operating Statistics
Last Ten Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenditures	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced-Price Meals
2008	32,886	373,409,165	11,355	5.69%	382,727,579	11,638	2.43%	58.29%
2009	32,215	374,742,998	11,633	2.45%	382,845,264	11,884	2.11%	58.68%
2010	31,709	369,774,070	11,661	0.25%	373,029,687	11,764	-1.01%	61.92%
2011	31,443	347,706,732	11,058	-5.17%	354,254,534	11,267	-4.23%	64.43%
2012	31,081	347,397,094	11,177	1.07%	368,655,704	11,861	5.28%	65.16%
2013	30,677	365,538,171	11,916	6.61%	373,799,050	12,185	2.73%	66.05%
2014	30,338	353,804,702	11,662	-2.13%	357,363,799	11,779	-3.33%	66.96%
2015	30,101	365,105,355	12,129	4.01%	368,751,971	12,250	4.00%	66.96%
2016	29,976	368,986,997	12,309	1.48%	373,302,572	12,453	1.66%	66.83%
2017	31,436	367,480,303	11,690	-5.03%	375,390,766	11,941	-4.11%	70.61%

Notes:

1. Enrollment information obtained from Fall Membership Reports as provided by the Virginia Department of Education (VDOE) excludes Pre-K and post graduate enrollment.
2. Operating expenditures are total expenditures less debt service and capital outlays.
3. Percentage of students receiving free or reduced-price meals information presented for the month of October of the respective fiscal year.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
School Building Information
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Schools</u>										
Elementary (K - 8 & Pre K - 8)										
Buildings	35	35	35	35	33	33	33	33	33	36
Square feet	2,260,302	2,260,302	2,260,302	2,260,302	2,179,947	2,179,947	2,179,947	2,179,947	2,179,947	2,533,106
Capacity	20,550	20,550	20,550	20,550	19,758	19,758	19,758	19,758	19,758	26,915
Enrollment	16,437	16,379	16,199	16,220	16,152	16,143	16,098	16,038	15,650	18,191
Middle										
Buildings	9	9	9	8	8	8	8	7	8	8
Square feet	1,215,629	1,215,629	1,215,629	1,167,600	1,167,600	1,167,600	1,167,600	1,027,600	1,167,600	1,167,600
Capacity	10,074	10,074	10,074	9,487	9,487	9,487	9,487	9,487	9,487	9,487
Enrollment	7,225	6,649	6,552	6,481	6,597	6,577	6,377	6,159	6,345	5,335
High										
Buildings	5	5	5	5	5	5	5	5	5	5
Square feet	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566
Capacity	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Enrollment	9,224	9,187	8,958	8,742	8,332	7,957	7,863	7,904	7,981	7,910

Notes:

1. Square footage does not include mobile units.
2. Enrollment information obtained from Fall Membership Reports as provided by the Virginia Department of Education (VDOE) excludes Pre-K and post graduate enrollment.
3. School building information only presented for facilities in use during the fiscal year.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2017

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Granby High	1939	292,294	25	0	1997-1998	19	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	50	262,824
Maury High	1910	265,000	9.8	0	1988	29	265,000
Norview High	2004	287,272	27	0		13	287,272
B. T. Washington High	1974	265,000	30	0		43	265,000
High School Average Age:						30.80	
Azalea Middle	1961	120,374	21.1	3		56	123,110
Blair Middle	1922	241,597	7.4	0	2007	10	241,597
Academy for Discovery at Lakewood	1991	140,000	14.1	0		26	140,000
Lake Taylor Middle	1965	118,926	20	6		52	124,398
Northside Middle	1956	122,675	14.5	1		61	123,587
Norview Middle	1995	152,000	19	0		22	152,000
Rosemont Middle	1959	126,028	18.5	0		58	126,028
Ruffner Middle	1994	146,000	10.52	0		23	146,000
Middle School Average Age:						38.50	
Bayview Elementary	1922	83,095	9.4	0	1999	18	83,095
Richard Bowling Elementary	2016	101,060	25.8	0		1	101,060
Calcott Elementary	1952	65,100	12	2	1954	65	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	48	69,200
Southside STEM Academy at Campostella	2016	181,056	18.5	0		1	181,056
Chesterfield Academy	1953	58,750	12.3	10	1971	64	67,870
Coleman Place Elementary	2007	96,818	9.2	0		10	96,818
Crossroads Elementary	2012	146,923	12	0		6	146,923
Fairlawn Elementary	1959	58,500	16.4	11	1961	58	68,532
Ghent Elementary	1978	60,800	13	3		39	63,536
Granby Elementary	1948	82,081	9	0	1989	69	82,081
Ingleside Elementary	1954	58,500	16	6		63	63,972
Jacox Elementary	1949	79,200	11.7	4		68	82,848
Larchmont Elementary	1929	47,300	23	0	1977	88	47,300
Larrymore Elementary	1957	77,325	13	0	1964	60	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	64	61,284
Little Creek Elementary	1954	56,795	17	5		63	61,355
Little Creek Primary*	1957	44,500		1		60	45,412
Monroe Elementary	1990	64,000	12.8	0		27	64,000
Norview Elementary	1952	57,640	14.2	14	1953	65	70,408
Oakwood Elementary*	1952	40,000	8.2	2	1961	65	41,824
Ocean View Elementary	1939	56,150	20.5	2		78	57,974
Oceanair Elementary	1956	62,470	17.7	8		61	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	58	47,136
J.J. Roberts Elementary*	1964	40,355	6.6	4		53	44,003
St. Helena Elementary	1966	36,074	13.2	2		51	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	51	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	60	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	62	61,980
Tanners Creek Elementary	1990	83,000	9	0		27	83,000
Tarrallton Elementary	1964	46,300	15.2	3		53	49,036
Taylor Elementary	1998	54,786	2.8	0		19	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		53	44,235
Willard Elementary	1952	80,925	14.9	0	1990	65	80,925
Willoughby Elementary	1967	58,400	12	0		50	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		63	55,325
Elementary School Average Age:						50.17	

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2017

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	64	46,453
Camp Young	1946	27,398	30	0		71	27,398
Easton Preschool	1959	37,500	11.7	0	1961	58	37,500
Madison Career Center	1919	75,501	3	0	1921	98	75,501
Norfolk Technical Center	1968	125,938	29.5	0		49	125,938
Open Campus	1959	13,280	2.2	2		51	15,104
Bellmore	1968	77,028	3.9	1		49	77,940
Transportation	1995	24,689	9.9	1		22	25,601
Other Average Age:						57.75	

Total Mobiles	118
Average Age of all Buildings	44.30
Total Number of Acres	823
Total Number of Square Feet	5,396,576
Total Square feet including mobiles	5,504,192

Total Square footage column include Building plus Mobiles as of November 6, 2017

Age of original structure is different for buildings that have renovations

*School buildings not in use during the fiscal year

Source of data: Norfolk Public Schools Facilities Management

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 1
Net Position by Category
Last Ten Fiscal Years
(Amounts in thousands)

	2008	2009	2010	2011	2012 restated	2013 restated	2014	2015 restated	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380	\$ 386,641	\$ 365,913
Restricted	6,890	64,397	120,974	6,744	11,081	11,111	22,062	10,485	12,412	12,042
Unrestricted	90,917	63,013	76,365	5,347	25,832	22,593	(149,763)	(217,542)	(153,467)	(124,543)
Subtotal governmental activities net position	422,980	379,538	353,293	336,667	332,119	353,254	210,236	221,323	245,586	253,412
Business-type activities:										
Net investment in capital assets	241,203	237,307	229,693	267,107	270,913	275,195	259,371	266,206	301,340	342,470
Restricted	2,506	39,306	40,056	12,928	12,928	13,244	32,495	29,610	31,766	35,237
Unrestricted	72,387	43,921	63,316	62,458	72,063	78,631	77,120	100,988	85,668	59,766
Subtotal business-type activities net position	316,096	320,534	333,065	342,493	355,904	367,070	368,986	396,804	418,774	437,473
Primary government:										
Net investment in capital assets	566,376	489,435	385,647	591,683	566,119	594,745	597,308	694,586	687,981	708,383
Restricted	9,396	103,703	161,030	19,672	24,009	24,355	54,557	40,095	44,178	47,279
Unrestricted	163,304	106,934	139,681	67,805	97,895	101,224	(72,643)	(116,554)	(67,799)	(64,777)
Total primary government net position	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 720,324	\$ 579,222	\$ 618,127	\$ 664,360	\$ 690,885

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenue										
Governmental activities:										
Charges for services										
General government	\$ 2,169	\$ 1,800	\$ 13,166	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642	\$ 4,822
Judicial administration	931	935	3,501	3,629	3,690	3,717	3,142	2,938	2,729	2,688
Public safety	2,307	2,797	5,627	7,942	8,424	10,164	7,613	7,563	8,307	9,364
Public works	27,156	26,999	35,451	36,890	50,597	39,320	37,769	41,821	42,341	40,322
Health and public assistance	166	134	83	82	50	5,349	5,597	5,577	6,310	6,390
Culture and recreation	6,710	6,232	9,224	10,101	9,751	10,297	9,885	8,948	10,054	9,835
Community development	760	1,539	2,259	1,479	1,807	2,368	1,960	2,557	2,370	2,511
Capital grant contributions	-	18,933	7,176	-	765	15,000	15,933	1,000	5,672	5,941
Operating grants and contributions	112,960	112,419	127,665	116,648	119,353	131,719	120,713	125,802	132,811	135,194
Total governmental activities program revenue	153,159	169,785	204,141	195,401	203,878	226,413	205,561	203,356	215,036	216,067
Business-type activities:										
Charges for services										
Water utility	74,240	74,454	78,983	80,573	78,148	76,584	79,097	82,996	80,749	84,529
Wastewater utility	24,917	23,125	23,815	24,362	24,798	25,469	27,119	28,144	27,823	29,065
Parking facilities	20,425	20,048	18,785	19,682	19,452	19,162	20,413	19,520	19,612	20,577
Capital grants and contributions	219	504	366	130	187	-	2,761	3,006	338	188
Total business-type activities program revenues	119,801	118,131	121,949	124,747	122,585	121,215	129,390	133,666	128,522	134,359
Total primary government program revenues	272,960	287,919	326,090	320,148	326,463	347,628	335,951	337,024	343,558	350,426
Expenses										
Governmental activities:										
General government	113,142	111,829	112,874	103,550	109,188	119,764	122,655	126,959	130,550	155,159
Judicial administration	48,593	52,209	52,020	49,980	51,102	51,654	55,062	49,056	51,926	55,547
Public safety	126,509	120,703	130,263	129,721	129,138	125,270	125,122	120,710	118,828	133,373
Public works	118,888	134,274	132,176	101,137	91,542	71,324	66,909	81,171	79,200	80,825
Health and public assistance	95,234	83,495	91,923	82,368	75,428	90,993	90,919	88,776	85,730	89,103
Culture and recreation	56,890	63,438	73,342	84,352	63,499	58,039	58,499	58,443	60,064	62,996
Community development	15,345	10,867	15,429	18,638	17,223	16,158	12,622	13,040	16,734	15,402
Education	101,095	104,511	101,011	104,512	104,512	109,287	109,467	117,722	114,769	114,972
Interest on long-term debt	21,457	23,788	26,014	27,931	26,822	28,249	25,187	22,080	22,960	19,326
Total government activities expenses	697,253	714,914	735,052	682,168	668,454	668,738	664,443	675,937	681,751	726,708
Business-type activities:										
Water utility	64,877	66,990	64,316	67,852	64,473	61,358	61,609	59,448	59,415	65,319
Wastewater utility	18,614	21,227	18,983	19,707	18,806	19,983	20,128	19,142	19,226	22,072
Parking facilities	21,539	19,036	20,008	22,050	20,469	20,961	23,677	20,045	20,651	21,078
Total business-type activities expenses	105,030	107,253	103,307	109,609	103,748	102,302	105,414	98,635	99,292	108,469
Total primary government expenses	802,283	822,167	838,359	791,797	772,202	771,040	769,857	774,572	781,043	835,177
Net (Expense) Revenue										
Governmental activities	(544,094)	(545,126)	(530,911)	(486,787)	(484,576)	(442,325)	(457,882)	(472,579)	(466,715)	(510,641)
Business-type activities	14,771	10,878	18,642	15,138	18,837	18,913	23,976	35,031	29,230	25,890
Total primary government net expense	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,739)	\$ (423,412)	\$ (433,906)	\$ (437,548)	\$ (437,485)	\$ (484,751)

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 2-1
Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395	\$ 271,461
Consumption utility	46,582	44,142	44,053	48,360	43,588	43,211	43,055	42,961	41,849	41,452
Sales and use	31,791	29,484	28,249	28,411	27,599	29,707	29,436	29,981	30,330	31,185
Restaurant food	28,758	28,079	27,292	24,094	30,300	30,818	31,127	32,634	34,224	34,934
Business licenses	26,343	27,692	26,009	25,849	28,667	29,301	29,889	28,640	28,935	30,557
Cigarette	7,577	7,333	7,176	7,161	8,097	7,926	7,409	7,821	7,784	7,860
Motor vehicle licenses	3,498	4,005	4,308	4,313	4,318	4,210	3,966	3,953	4,488	4,642
Other	18,025	17,192	16,528	15,698	18,665	18,124	16,618	18,280	18,424	18,909
Interest and investment earnings	5,307	2,789	892	1,065	916	563	783	164	291	249
Grants and contributions not restricted to specific programs	69,352	60,513	32,892	32,642	32,726	33,539	33,788	33,793	34,663	36,440
Miscellaneous	11,881	9,600	5,637	5,901	4,653	11,501	14,563	11,916	16,404	30,778
Gain on disposal of assets	62	-	-	-	-	1,734	-	-	-	-
Capital contributions Norfolk Public Schools	-	-	40,387	11,085	-	-	-	-	-	-
Transfers between governmental and business-type activities	10,212	10,215	13,054	10,052	10,087	10,114	10,052	10,033	10,000	10,000
Total governmental activities	499,876	501,684	502,816	470,161	455,055	467,093	475,043	483,666	490,987	518,467
Business-type activities:										
Interest and investment earnings	3,046	925	618	511	314	234	496	112	295	432
Grants and contributions not restricted to specific programs	-	-	148	557	371	1,626	219	214	149	150
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,088	2,850	3,432	3,431	3,951	4,042	3,162	2,506	2,295	2,228
Gain (Loss) on disposal of assets	-	-	2,744	(157)	26	9	(88)	(2)	-	-
Transfers between governmental and business-type activities	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)	(10,000)
Total business-type activities	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)	(6,263)	(7,203)	(7,261)	(7,190)
Total primary governmental activities	495,798	495,244	496,704	464,451	449,630	462,890	468,780	476,463	483,726	511,277
Change in Net Position										
Governmental activities	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,087	24,272	7,826
Business-type activities	10,693	4,438	12,530	9,428	13,412	15,814	17,713	27,828	21,969	18,700
Total Primary Government changes in net position	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 41,299	\$ 34,874	\$ 38,915	\$ 46,241	\$ 26,526

(UNAUDITED)

Financial Trends Information
Schedule 3
City of Norfolk, Virginia
Financial Trends Information
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ -
Restricted	-	-	-	395	330	300	265	2,100	3,015	165
Committed	-	-	-	1,899	3,000	3,000	3,000	4,000	5,000	8,698
Assigned	-	-	-	38,014	34,839	33,919	23,901	25,904	26,557	36,605
Unassigned	-	-	-	55,968	54,338	54,055	58,100	65,580	73,077	70,652
Reserved ⁽¹⁾	11,669	7,842	8,296	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	56,302	50,784	53,840	-	-	-	-	-	-	-
Total General Fund	67,971	58,626	62,136	96,281	92,507	91,274	85,266	97,584	107,768	116,120
Capital Projects Fund:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	41,063	95,053	-	10,933	-	-	-
Committed	-	-	-	11,978	14,376	13,637	14,480	14,704	6,170	-
Assigned	-	-	-	26,307	15,345	7,339	4,052	-	-	-
Unassigned	-	-	-	-	-	-	-	(84,624)	(216,480)	(190,871)
Reserved ⁽¹⁾	57,186	50,987	60,696	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	64,504	25,939	66,260	-	-	-	-	-	-	-
Total Capital Projects Fund	121,690	76,926	146,956	79,348	124,774	20,976	29,465	(69,920)	(210,310)	(190,871)
All Other Governmental Funds:										
Nonspendable	-	-	-	22	23	24	-	-	-	-
Restricted	-	-	-	2,621	9,474	10,811	10,864	8,385	9,397	6,223
Committed	-	-	-	11,259	3,246	2,454	5,050	2,764	3,138	5,872
Assigned	-	-	-	9,877	13,569	20,708	22,144	17,843	26,554	20,345
Unassigned	-	-	-	-	-	-	(1,556)	(2,913)	(2,689)	(932)
Reserved ⁽¹⁾	30,716	27,049	34,634	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	13,987	12,635	14,008	-	-	-	-	-	-	-
Total other governmental funds	44,703	39,584	48,642	23,779	26,312	33,997	36,502	28,079	36,400	31,508
Total fund balance, governmental funds	\$ 234,364	\$ 175,136	\$ 257,734	\$ 199,408	\$ 243,593	\$ 146,247	\$ 151,233	\$ 53,743	\$ (66,122)	\$ (43,243)

(1) The City implemented GASB Statement No. 54 during fiscal year 2011. Prior year amounts have not been restated for the implementation of GASB 54.

(2) The decrease in the Capital Projects fund balance is primarily attributable to timing of the City's external borrowing (see page 34).

(UNAUDITED)

City of Norfolk, Virginia
Financial Trends Information
Schedule 4
Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue:										
General property taxes	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943	\$ 269,816
Other local taxes	162,573	157,927	153,615	153,886	161,234	163,297	161,499	164,270	166,034	169,539
Licenses and permits	4,055	4,012	3,526	3,691	3,574	4,098	3,089	3,013	3,038	3,576
Fines and forfeitures	1,317	1,260	1,164	1,298	1,108	1,102	1,242	1,264	1,111	921
Use of money and property	10,560	8,332	6,746	7,169	6,695	6,539	6,329	9,668	7,354	7,786
Charges for services	40,159	40,345	50,540	47,955	47,859	56,077	60,040	59,983	62,709	62,315
Miscellaneous	17,923	12,911	18,080	14,850	11,843	26,178	29,133	10,142	11,325	12,080
Recovered costs ⁽¹⁾	8,622	8,952	9,503	10,723	10,312	11,396	-	-	-	-
Intergovernmental	156,862	149,774	152,619	149,489	161,572	161,148	153,782	158,840	166,686	176,784
Total revenues	643,361	635,516	652,848	647,065	656,914	676,194	672,093	669,613	684,200	702,817
Expenditures:										
Current										
General government	110,974	102,426	97,061	80,855	100,504	112,804	109,292	110,904	118,468	127,367
Judicial administration	47,331	50,347	48,726	47,535	48,233	50,920	51,673	51,360	50,513	50,767
Public safety	118,208	118,073	115,488	115,975	116,296	117,427	113,394	112,055	116,436	121,494
Public works	60,370	56,146	59,574	70,124	62,330	54,427	55,267	61,369	58,716	63,231
Health and public assistance	95,159	91,648	89,682	79,757	74,331	88,413	88,671	85,631	85,815	87,330
Culture and recreation	51,071	52,248	51,708	45,862	44,529	47,153	46,705	48,765	44,531	44,825
Community development	10,745	9,899	10,851	16,565	15,142	15,128	12,482	12,303	13,677	14,994
Education	101,095	104,511	101,011	104,511	104,512	109,287	111,854	117,722	114,769	114,972
Debt service:										
Principal retirement	40,260	48,092	46,052	50,865	57,683	50,559	48,135	49,255	48,175	50,663
Interest and other charges	20,468	23,666	23,782	29,675	27,360	27,668	28,682	26,896	26,955	27,150
Debt issuance costs	-	-	-	-	-	-	1,127	680	318	-
Capital outlay	114,007	104,892	99,210	76,534	98,892	116,580	100,709	103,113	140,093	98,492
Total expenditures	767,688	761,948	743,145	718,258	749,812	790,366	767,991	780,053	816,466	801,285
(Deficiency) of revenues (under) expenditures	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)	(114,172)	(95,898)	(110,440)	(132,266)	(98,468)
Other financing sources (uses):										
Proceeds of refunding bonds	-	16,000	-	84,136	74,859	-	73,428	74,094	-	49,378
Proceeds from capital leases	-	-	-	-	-	-	-	-	2,400	-
Proceeds from line of credit	-	-	-	-	-	-	-	1,000	-	-
Cost of issuance	-	-	-	-	-	-	1,127	811	-	(1,108)
Proceeds of debt (general obligation bonds and notes)	145,663	55,280	156,208	2,821	109,835	-	77,930	-	-	90,094
Payment to refunded bonds escrow agent	-	(16,000)	-	(84,136)	(74,859)	-	(79,964)	(81,267)	-	(55,684)
Premium on bonds issued	5,785	1,707	3,633	505	15,311	-	17,081	7,530	-	22,586
Miscellaneous	62	-	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	-	-	-	2,700	1,966	-	-	-	6,080
Operating transfers in	109,901	105,641	104,007	104,873	107,136	112,121	107,633	102,604	107,953	106,474
Operating transfers (out)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)	(96,474)
Total other financing sources (uses)	161,758	67,203	172,895	12,867	137,083	12,081	102,011	12,201	12,400	121,348
Net change in fund balances	\$ 37,431	\$ (59,229)	\$ 82,598	\$ (58,326)	\$ 44,185	\$ (102,091)	\$ 6,113	\$ (98,239)	\$ (119,866)	\$ 22,880
Debt service as a percentage of noncapital expenditures	9.13%	10.40%	9.69%	12.19%	12.27%	11.57%	11.22%	11.27%	10.27%	11.16%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739	\$ 7,798	\$ 6,725
Judicial administration	28,707	23,173	26,461	27,069	27,880	29,479	28,537	23,113	25,811	27,242
Public safety	5,244	11,036	7,459	12,335	14,217	15,980	11,116	14,226	11,662	12,606
Public works	47,407	48,156	55,542	61,552	77,436	68,326	63,124	76,359	69,609	77,639
Health and public assistance	40,567	41,695	62,585	52,280	51,654	62,657	62,224	57,059	72,181	70,931
Culture and recreation	10,359	9,148	23,976	10,330	11,573	26,284	25,837	9,947	17,301	10,020
Community development	3,168	20,538	7,532	10,040	8,538	10,266	7,626	7,498	8,255	8,360
Interest on Long-term debt	-	-	849	-	2,115	2,587	3,021	2,417	2,419	2,544
Total governmental activities	<u>153,159</u>	<u>169,788</u>	<u>204,140</u>	<u>195,401</u>	<u>203,879</u>	<u>226,412</u>	<u>206,562</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>
Business-type activities:										
Water utility	74,416	74,958	79,349	80,703	78,335	76,585	81,757	85,925	81,087	84,718
Wastewater utility	24,960	23,125	23,815	24,362	24,798	25,469	27,219	28,144	27,823	29,065
Parking facilities	<u>20,425</u>	<u>20,048</u>	<u>18,785</u>	<u>19,682</u>	<u>19,452</u>	<u>19,162</u>	<u>20,414</u>	<u>19,596</u>	<u>19,612</u>	<u>20,576</u>
Total business-type activities	<u>119,801</u>	<u>118,131</u>	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,216</u>	<u>129,390</u>	<u>133,665</u>	<u>128,522</u>	<u>134,359</u>
Total primary government	<u>\$ 272,960</u>	<u>\$ 287,919</u>	<u>\$ 326,089</u>	<u>\$ 320,148</u>	<u>\$ 326,464</u>	<u>\$ 347,628</u>	<u>\$ 335,952</u>	<u>\$ 337,023</u>	<u>\$ 343,558</u>	<u>\$ 350,426</u>

(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 ⁽¹⁾	Inter-Governmental	Totals
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
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	NA	176,784	702,817
Change 2008-2017	11.8%	4.3%	-11.8%	-30.1%	-26.9%	55.2%	-32.6%	NA	12.7%	9.2%

City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds ⁽²⁾
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
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	4,488	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
Change 2008-2017	-11.0%	-1.9%	21.5%	16.0%	3.7%	32.7%	4.9%	4.3%

Notes:

- Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement
- Presents additional details on Other Local Taxes presented in schedule 6 above.

NA - Not Available

(UNAUDITED)

City of Norfolk, Virginia
Revenue Capacity Information
Schedule 1
Assessed Valuations and Estimated Actual Values of Taxable Property
Last Ten Years
(in thousands)

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
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	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.18	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.25	4.25	4.25	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.11	1.11	1.11	1.15	1.11	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.25	1.23	1.19	1.19	1.21	1.22	1.22	1.22	1.24	1.23

Assessed value of real property as

a percent of fair market value:

As determined by the City Assessor

100%	100%	100%	96%	100%	100%	98%	100%	100%	100%
------	------	------	-----	------	------	-----	------	------	------

As determined by the Commonwealth's
Department of Taxation

76%	93%	96%	N/A	100%	100%	99%	100%	99%	97%
-----	-----	-----	-----	------	------	-----	------	-----	-----

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2008 through 2017.
3. The most recent Virginia Assessment/Sales ratio study is for 2017.
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	2008				2017			
	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	\$ 173,032,800	2	0.94%		\$ 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%					
Northern 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 39th 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				\$ 19,433,889,000			

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 ⁽¹⁾	Current Collections	Percentage of Current Collections to Tax Levy ⁽²⁾	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy ⁽²⁾
2008	\$ 258,016	\$ 243,307	\$ 220,253	90.52%	\$ 23,029	\$ 243,282	99.99%
2009	261,535	251,913	233,725	92.78%	18,139	251,864	99.98%
2010	258,544	257,752	239,192	92.80%	18,514	257,706	99.98%
2011	254,756	253,443	235,518	92.93%	17,882	253,400	99.98%
2012	247,528	247,526	233,396	94.29%	12,535	245,931	99.36%
2013	244,309	243,910	229,872	94.24%	12,306	242,178	99.29%
2014	254,008	254,852	240,481	94.36%	12,320	252,801	99.20%
2015	256,040	259,709	245,803	94.65%	11,479	257,282	99.07%
2016	264,043	266,198	251,933	94.64%	10,023	261,956	98.41%
2017	268,718	268,718	255,712	95.16%	-	255,712	95.16%

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, 2017, were \$281,583,000 of which \$25,871,000 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
Governmental Activities							
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	3,186	N/A	0.28
2017	664,941	189,803	-	854,744	N/A	N/A	0.26
Business-Type Activities							
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	2,791	N/A	0.58
2017	258,922	10,089	424,459	693,470	N/A	N/A	0.57
Total Primary Governmental Activities							
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	5,976	N/A	0.49
2017	923,863	199,892	424,459	1,548,214	N/A	N/A	0.47

N/A - not available

1. Population is detailed in Schedule 2 Debt Capacity Information.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 2
Ratios of General Bonded Debt
Total Assessed Value and Bonded Debt Per Capita
Last Ten Years

Fiscal Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
2008	\$ 716,075	\$ 125,363	\$ 590,712	\$ 20,578,641	242,983	2.87%	\$ 2,947
2009	747,645	159,902	587,743	21,308,309	243,957	2.76%	3,065
2010	901,449	201,701	699,748	21,777,754	242,803	3.21%	2,882
2011	841,537	189,782	651,755	21,383,674	243,985	3.05%	2,671
2012	911,136	193,729	717,407	20,529,023	245,803	3.49%	2,919
2013	849,028	184,119	664,909	20,093,307	246,392	3.31%	2,699
2014	978,654	259,717	718,937	19,788,842	246,394	3.63%	2,918
2015	914,299	247,490	665,809	20,892,353	247,189	3.19%	2,694
2016	1,039,960	252,795	787,165	21,366,996	247,087	3.68%	3,186
2017	1,123,755	269,011	854,744	21,918,700	N/A	3.90%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2008 through 2009 and 2011 through 2016 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, 2017

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:			
City of Norfolk	\$ 1,123,755	100%	\$ 1,123,755

Notes:

1. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 4
Legal Debt Margin
June 30, 2017

	<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>	<u>2017</u>
Total assessed value of taxed real property	\$ 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	\$ 19,433,889,018
Debt Limit -10% of total assessed valuation	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	\$ 1,943,388,902
Net debt applicable to debt limitation	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379	988,381,839	1,065,983,734
Legal Debt Margin	<u>\$ 1,142,734,873</u>	<u>\$ 1,201,405,739</u>	<u>\$ 1,104,470,669</u>	<u>\$ 1,102,442,422</u>	<u>\$ 990,612,622</u>	<u>\$ 1,013,926,798</u>	<u>\$ 929,440,869</u>	<u>\$ 959,120,794</u>	<u>\$ 922,291,955</u>	<u>\$ 877,405,167</u>
Net Debt percentage of debt limitation	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%	49.55%	48.80%	51.73%	54.85%

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 5
Revenue Bonds Debt Service Coverage
Water Utility Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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	36,882,803	48,607,990	7,805,000	13,905,866	21,710,866	2.24
2016	83,103,038	32,731,817	50,371,221	8,750,000	16,612,870	25,362,870	1.99
2017	86,970,065	37,735,743	49,234,322	10,090,000	15,988,725	26,078,725	1.89

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	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 24,856,689	\$ 11,375,370	\$ 13,481,319	\$ 850,000	\$ -	\$ 850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,581,959	17,659,762	2,490,000	-	2,490,000	7.09
2016	28,028,027	10,347,338	17,680,689	3,019,967	-	3,019,967	5.85
2017	29,246,659	12,826,121	16,420,538	3,488,443	-	3,488,443	4.71

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity
Schedule 7
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2008	\$ 40,259,954	\$ 5,011,098	\$ 18,661,266	\$ 235,154	\$ 64,167,472	\$ 574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780	13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698	13.17%
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007	13.10%
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745	12.82%
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904	12.25%
2017	50,663,318	-	27,149,634	-	77,812,952	618,253,753	12.59%

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>
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	8.3%
2012	245,803	8,928,833	36,308	112,848	7.6%
2013	246,392	8,842,338	36,066	112,742	7.0%
2014	246,394	9,122,284	37,052	112,175	6.4%
2015	247,189	9,529,615	38,676	111,318	5.6%
2016	247,087	9,433,045	35,940	110,644	5.2%

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 2017.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2017.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2017.
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

Employer	Rank	
	2008	2017
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City Public Schools	2	3
City of Norfolk	4	4
Old Dominion University	5	5
Children's Hospital of the King's Daughters	6	6
Eastern Virginia Medical School		
Medical College of Hampton Roads	9	7
U.S. Navy Exchange		
United States Postal Service	8	
The Wellpoint Companies		8
Bank of America	10	
Norfolk State University	7	9
Portfolio Recovery Associates		10
Total Employment	93,343	141,586

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2017 is the quarter ended December 2016, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics, 4th quarter 2016.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 3
New Construction and Property Values

<u>Year</u>	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
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	729	59,018	36	233,824
2016	383	831	68,693	20	91,171
2017	519	1,332	122,267	34	90,716

Notes:

- 1) The source of residential and nonresidential construction is the City's Department of Planning.
- 2) Non-residential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

(UNAUDITED)

City of Norfolk, Virginia
Demographic and Economic Information
Schedule 4
Annual Employment Average by Industry
(in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Goods-Producing Industries:										
Construction	6.2	5.9	5.0	4.7	4.4	4.1	3.8	3.8	4.2	4.1
Manufacturing	7.9	7.1	7.1	6.8	6.5	6.8	6.7	6.1	6.3	6.0
Service-Providing Industries:										
Wholesale trade	5.1	4.7	4.3	4.1	3.9	3.7	3.5	3.5	3.5	3.5
Retail trade	14.7	14.1	12.9	12.8	12.9	12.6	12.8	12.7	12.7	12.7
Transportation and warehousing	9.4	9.6	8.8	8.8	8.8	9.0	8.8	8.8	8.8	8.6
Information	3.7	3.5	3.0	2.7	2.5	2.9	2.9	2.8	2.9	3.0
Finance and insurance	6.6	6.6	6.1	5.4	5.5	5.3	5.3	5.6	5.2	5.3
Real estate and rental and leasing	2.8	2.8	2.7	2.6	2.6	2.5	2.7	2.6	2.6	2.5
Professional and technical services	10.7	11.4	11.7	11.6	11.5	11.0	11.4	11.0	10.5	10.4
Management of companies and enterprises	2.5	2.6	2.3	2.1	2.0	2.0	1.9	1.8	1.7	1.6
Administrative, support and waste services	7.4	7.6	6.6	6.6	7.4	6.8	7.6	7.7	7.7	7.3
Educational services	15.6	15.8	16.1	16.1	15.9	16.0	16.1	15.9	15.6	15.4
Health care and social assistance	20.6	21.2	20.7	21.0	21.9	22.4	22.4	21.8	22.0	22.8
Arts, entertainment and recreation	2.4	2.5	2.3	2.2	2.3	2.3	2.3	2.3	2.2	2.3
Accommodation and food services	10.7	10.5	10.3	10.3	10.9	10.9	10.6	10.5	10.9	11.2
Public administration	12.1	13.5	14.1	13.9	14.2	14.4	12.7	12.4	18.0	18.4
Other services	4.0	3.9	3.8	3.8	4.0	4.1	4.2	4.3	4.1	4.2
Total (adjusted for rounding)	143.1	144.0	138.7	136.3	138.0	137.8	136.4	134.4	139.7	140.2

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 2007 - 2016 as calendar year. Calendar year data not available for 2017.

(UNAUDITED)

City of Norfolk, Virginia
Operating Information
Schedule 1
Full-Time Equivalent (FTE) Positions by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	264	481	438	492	501	461	425	473	450	453
Judicial administration	18	16	14	12	10	13	12	10	10	10
Public safety										
Police	887	861	878	891	879	828	837	823	838	874
Fire	508	517	517	510	517	507	504	489	489	504
Other	-	84	83	90	90	77	76	76	74	70
Public works	346	414	440	431	427	395	388	369	383	387
Health and public assistance	598	487	485	532	534	709	697	697	715	710
Culture and recreational	569	558	509	512	501	459	456	429	442	446
Community development	95	75	113	137	142	94	96	103	128	132
Business-type activities:										
Water utility	290	268	269	289	289	266	273	265	262	259
Wastewater utility	103	99	95	103	104	99	99	95	94	92
Parking facilities	88	89	87	85	85	85	76	63	58	5
Total full-time equivalent positions	3,766	3,949	3,928	4,084	4,079	3,993	3,937	3,892	3,941	3,942

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Service calls	258,254	242,139	245,336	241,282	251,099	245,620	259,938	240,459	241,530	235,763
Arrests	24,050	26,583	28,069	27,930	29,080	27,073	25,850	21,404	19,364	17,938
Reports filed	31,220	32,477	31,487	30,507	28,649	28,035	26,060	26,039	27,322	27,287
Fire:										
Incidences (fires, EMS)	41,212	39,714	40,234	40,641	45,350	44,370	43,713	44,699	46,670	47,232
Highways and Streets:										
Streets resurfacing (miles)	80	66	69	67	139	53	76	25.6	41	78
Sanitation:										
Total solid waste collected and disposed (tons)	93,799	92,333	100,480	84,162	89,106	83,297	79,382	80,128	84,162	87,851
Water Utilities:										
Water delivered to water mains (gallons in thousands)	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690	21,532,680	21,147,530	21,530,000	21,349,210	21,920,310
Total water consumption (gallons in thousands)	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972	20,109,000	20,241,312	20,054,780	19,282,870	19,648,726
Percent of unmetered water	6.95%	7.31%	6.11%	7.25%	7.62%	6.62%	4.29%	6.85%	9.68%	10.36%
Average daily delivery (gallons in thousands)	66,200	62,900	62,100	62,494	60,217	58,994	57,938	59,000	58,320	60,060
Maximum daily pumpage (gallons in thousands)	82,000	79,000	76,400	80,200	76,310	74,640	74,890	88,970	67,610	72,220
Minimum daily pumpage (gallons in thousands)	52,200	52,000	52,200	52,350	50,070	49,890	48,030	51,110	51,010	48,120

(UNAUDITED)

City of Norfolk, Virginia
Operating Information
Schedule 3
Capital Assets and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Fire										
Fire stations	14	14	14	14	14	14	14	14	14	14
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	9	9	8	8	8	8	8	7	8	8
Elementary (K - 8 & Pre K - 8)	35	35	35	35	34	33	33	33	33	33
Other educational facilities	11	9	5	5	6	6	6	7	10	10
Libraries	11	11	11	11	11	11	11	11		11
Public Recreation:										
Parks:										
Acreage	586	587	587	587	587	587	587	587	630	630
Regional parks	1	2	2	2	2	2	2	2	2	2
Neighborhood parks	85	71	71	71	71	71	71	71	72	72
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1
Playgrounds	123	100	101	101	101	102	105	106	106	106
Hiking trails (miles)	2	2	2	2	2	2	2	2	5	5
Recreation:										
Acreage	868	954	957	957	957	957	957	957	981	981
Recreational and senior centers	19	25	30	30	30	30	30	30	30	30
Swimming pools	8	6	6	6	6	6	6	6	6	6
Tennis courts	134	148	148	148	142	142	142	142	142	142
Baseball/softball diamonds	99	86	86	86	86	86	86	86	86	86
Football/soccer fields	65	49	49	49	49	49	49	49	49	49
Field hockey	5	3	3	3	3	3	3	3	3	3
Basketball courts	179	204	203	203	201	201	201	201	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	3	3	3	2	2	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,210	2,193	2,168	2,168	2,189	2,174	2,175	2,166	2,195	2,213
Sidewalks (miles)	968	968	968	968	968	968	887	887	902	902
Bridges	49	49	50	50	50	50	50	52	52	53
Signalized intersections	287	284	301	304	305	304	311	312	312	313
Street lights	30,583	30,653	30,717	31,277	31,132	31,138	31,138	31,269	31,289	32,081
Utilities:										
Water fund capital assets (in thousands)	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 532,089	\$ 559,115
Wastewater fund capital assets (in thousands)	163,068	177,928	183,974	198,842	214,308	229,891	238,931	249,210	260,186	265,241
Total utilities assets (in thousands)	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,842	\$ 684,774	\$ 710,094	\$ 726,479	\$ 752,869	\$ 792,277	\$ 792,277
Water customer accounts	65,549	64,433	66,140	64,289	64,440	64,654	64,856	65,687	65,426	65,673
Miles of water main in the system	829	832	835	838	824	826	828	828	821	822
Convention Center:										
Meeting rooms	8	8	8	8	8	8	8	8	8	58
Meeting/ballroom space/exhibit (square feet)	68,130	68,130	68,130	68,130	68,130	68,130	68,130	68,130	68,130	118,879
Parking Facilities:										
Parking lots/garages	23	23	26	25	24	24	24	24	25	27
Parking meters	669	614	584	584	756	738	752	676	643	643
Storm Water Management:										
Miles of storm sewers	357	357	357	357	357	368	386	386	404	385

(UNAUDITED)
City of Norfolk, Virginia
Operating Information
Schedule 4
Water System Statistics
As of June 30, 2017

Average Metered Consumption (million gallons per day)

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2011	17.4	33.7	4.3	2.2	57.6
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9
2017	15.7	31.5	4.6	2.1	53.8

Retail Customers' Average Annual Costs - Norfolk Retail

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 34,472,000	6,362,000	\$ 5.42
2012	33,537,000	6,241,000	5.37
2013	33,813,000	6,134,000	5.51
2014	34,920,000	6,092,000	5.73
2015	35,846,000	6,136,000	5.84
2016	35,287,824	5,769,377	6.12
2017	36,212,701	5,716,954	6.33

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
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
2017	24,721,565	11,479,371	2.15

**Wholesale Customers' Average Annual Costs -
U.S. Navy, including Norfolk and Virginia Beach Facilities**

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 8,837,000	1,562,000	\$ 5.66
2012	8,534,000	1,460,000	5.85
2013	8,768,000	1,444,000	6.07
2014	9,927,000	1,571,000	6.32
2015	12,017,000	1,838,000	6.54
2016	10,355,614	1,530,378	6.77
2017	11,709,968	1,671,696	7.00

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 4,299,000	803,000	\$ 5.35
2012	4,691,000	840,000	5.58
2013	5,099,000	897,500	5.68
2014	4,912,000	835,300	5.88
2015	5,009,000	823,800	6.08
2016	4,717,964	719,635	6.56
2017	5,100,111	780,704	6.53

⁽¹⁾ "Mgal" means 1,000 gallons

Additional Information:

1) Water Utility Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 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, 2017

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	134	pump stations
Miles of gravity wastewater mains	685	miles
Miles of wastewater force mains	55	miles

Organization and Management

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities, and Robert Carteris is the Assistant Director of Utilities. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

Rates

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year	Retail Rate
2017	\$3.97 per 100 cubic feet
2018	\$4.13 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

Largest Users

Rank	Entity	Usage (CCF)
1	Norfolk Redevelopment and Housing Authority	414,029
4	Old Dominion University	145,440
2	Sentara Norfolk General	133,148
3	BAE Systems	115,314
5	Norfolk State University	84,293

Operating Income

	Fiscal Year 2016	Fiscal Year 2017
Total Operating Revenues	\$ 28,014,182	\$ 29,240,091
Total Operating Expenses	17,200,413	19,452,987
Total Operating Income	<u>\$ 10,813,769</u>	<u>\$ 9,787,104</u>

(UNAUDITED)
City of Norfolk, Virginia
Operating Information
Schedule 6
Parking System Statistics
As of June 30, 2017

Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	3.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	4.50	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	6.00		
4 to 5 Hours	7.50		
5 to 6 Hours	9.00		
6 to 7 Hours	10.50		
7 to 8 Hours	12.00		
Maximum Daily Rate (up to 24 Hours)	13.00		
Lost Ticket/Per Day	13.00		

Short-term Parking Rates at the MacArthur Center Garages

Monday - Friday	Saturday & Sunday
\$1.00 for first hour - third hour	\$1.00 for entry prior to 6 PM
\$2.00 for each additional hour until 6 PM	\$2.00 for entry after 6 PM
\$2.00 for entry after 6 PM	
Maximum of \$10.00 per 24-hour period	Maximum of \$10.00 per 24-hour period

Special Event Rates

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garages special event fee is \$2.00 per vehicle.

Metered Parking Rates

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four-hour limit
ODU Village	161 meters located on 41 st , 43 rd , 45 th , 46 th , 47 th Street and Monarch Way	\$0.50 per 30 minutes

Monthly Parking Rates at all City-Owned Facilities

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

Parking Fines

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

Parking Fines

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2011	62,731	\$ 2,062,060	82%
2012	58,928	2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%
2017	39,542	1,956,999	82%

Additional Information

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2016 - June 30, 2017

July 1, 2017 - June 30, 2018

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

COMPLIANCE SECTION



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Members
School Board of the City of Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia (the School Board), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended June 30, 2017, we considered the School Board'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 School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board'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* or the Specifications.



The Members
School Board of the City of Norfolk, Virginia
December 21, 2017
Page 2 of 2

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 School Board'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 School Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Norfolk, Virginia
December 21, 2017