

# Comprehensive Annual Financial Report of the School Board for the City of Norfolk

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

Fiscal Year Ended June 30, 2008 • Prepared by the Accounting Department



**Norfolk Public Schools**  
NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

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## INTRODUCTORY SECTION

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## School Board for the City of Norfolk

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Mr. Barry Bishop  
Chair

Mrs. Ursula Rhodes  
Vice-Chair

LTC George W. “Billy” Cook, Jr.  
Member

Mr. James T. Driggers  
Member

Dr. Linda B. McCluney  
Member

Dr. Stephen W. Tonelson  
Member

Dr. Lillian P. Wright  
Member

Dr. Stephen C. Jones  
Superintendent

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## Members of Norfolk City Council

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Mr. Paul D. Fraim  
Mayor

Mr. Anthony L. Burfoot  
Vice Mayor

Mrs. Daun S. Hester  
Council Member

Mr. Paul R. Riddick  
Council Member

Mr. Donald R. Williams  
Council Member

Mr. Barclay C. Winn  
Council Member

Mr. W. Randy Wright  
Council Member

Dr. Theresa W. Whibley  
Council Member

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
School Board  
for the City of Norfolk  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Chas. S. Cox*  
President

*Jeffrey L. Esser*  
Executive Director



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**SCHOOL BOARD FOR THE CITY OF NORFOLK**

**For its Comprehensive Annual Financial Report (CAFR)**  
For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

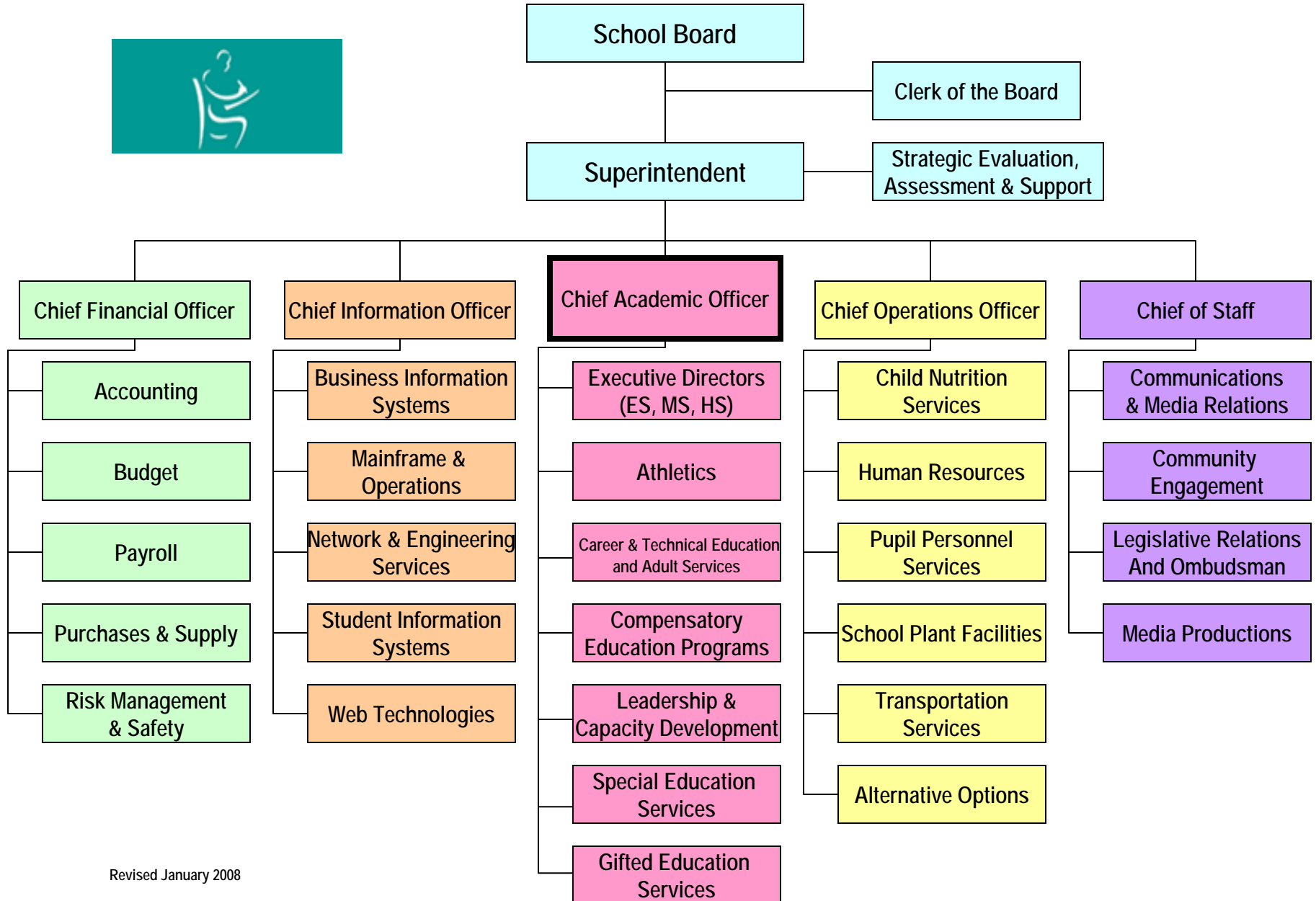
*Gronie E. Brendel*

President

*John D. Messer*

Executive Director

# Norfolk Public Schools' Organizational Chart





# Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

## Mission

To educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities.

## Vision

To provide a nationally recognized, globally competitive education for all Norfolk Public Schools students... and ALL means ALL!

## Values

As a school system, we value:

- Equity & Excellence
- Personal Accountability
- Diversity

## Operating Statement

Norfolk Public Schools will become a nationally recognized, globally competitive school system where:

- All students possess the habits of powerful literacy.
- All gaps close while achievement increases for all students.
- All schools exceed local, state, national and international standards.
- All students access productive options and opportunities upon graduation.

## Operating Principles

Norfolk Public Schools promotes leadership at all levels that encourages stakeholders to:

Expect & Achieve Excellence

- Demonstrate high expectations for ALL
- Model pride & passion for the work

Be a Team Player

- Capitalize on individual strengths
- Communicate & compromise
- Build strong, positive relationships

Be Personally Accountable

- Accept responsibility for success
- Collaborate with stakeholders

Promote Diversity

- Celebrate diversity of people and thought
- Contribute to an environment that supports diversity

Be a Lifelong Teacher & Learner

- Create a community of learners

Improve Continuously

- Use Data
- Expect & anticipate success
- Involve stakeholders

Take Risks, Be Innovative, Have Fun

- Think creatively
- Reward success
- Learn from failure
- Never give up

*Revised 06/09/2008*

[www.npsk12.com](http://www.npsk12.com)



# Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

January 19, 2009

To Members of the School Board for the City of Norfolk:

The Comprehensive Annual Financial Report (CAFR) of the School Board for the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year that ended June 30, 2008 is hereby submitted. 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 provide 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 and is intended to accompany it. The MD&A can be found immediately following the reports of the independent auditors.

The firm of KPMG LLP performed the audit of the School Board for the City of Norfolk (City). They were awarded the contract to provide the annual financial audit through the year ending June 30, 2008, as part of a combined proposal between the School Board for the City of Norfolk, The City of Norfolk, 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 Schools Division's financial reporting entity may be found in the notes to the basic financial statements. During school year 2007-2008, the School Board operated five high schools (grades 9-12), nine middle schools (grades 6-8), thirty-five elementary schools (grades K-5), and fifteen other educational facilities. The School Board served 32,794 students and provided a full range of educational services appropriate to grades K-12, including regular and enriched academic education, early childhood education, special education for handicapped youngsters, vocational/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**

The City of Norfolk, Virginia has more than 234,403 residents (per fiscal year 2000 U.S. Census) and encompasses over 66 square miles. It has beachfront that covers seven miles of Chesapeake Bay and a total of 144 miles of shoreline along lakes, rivers, and the Bay. Much of the land is

located in residential neighborhoods. Norfolk's neighborhoods are its greatest strength. There are more than 120 neighborhoods that draw tourists who seek a glimpse of Norfolk's everyday life and developments that offer a range of architectural styles.

The City's top ten employers have approximately 93,343 employees in their workforce. Major industries include manufacturing, construction, retail, finance, and the military to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine. USA Today called Norfolk one of the top ten booming downtowns, recognizing decades of housing, retail, and financial boom. In addition, the City is home to the Virginia Opera, the Virginia Stage Company, and the Virginia Symphony.

The public school system is comprised of 35 elementary schools, 9 middle schools, 5 high schools, and 15 auxiliary schools. The auxiliary schools provide education for vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$40 thousand per year. City funding for the School Board is based on taxes received from real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.11 per \$100 of assessed value annually. This rate was revised down in 2006 from \$1.35, and \$1.27 in 2007. The personal property tax rate for motor vehicles is \$4 per \$100 of assessed value, using the NADA Blue Book value.

Norfolk Public Schools is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, Norfolk Public Schools does not levy taxes or issue debt. All funds are appropriated to Norfolk Public Schools 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. The Commonwealth of Virginia funds 65% and the City of Norfolk funds 32% percent of the budget for the School Board. The remaining 3% is funded through federal (2%) and local (1%) sources. Long-term financial planning includes a five-year forecast submission that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes. The School Board faces funding reductions in the future from both the State and the City due to current economic conditions.

## **MAJOR INITIATIVES**

Quality schools are a key component in preserving the City's vitality. A quality education will prepare each student to become a life-long learner that exceeds test scores and state standards. The School Board for the City of Norfolk will become a "world class" educational system by 2010. The mission of the School Board is to educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities. In a world class school district:

- All students possess the habits of powerful literacy
- All achievement gaps are closed
- All schools exceed state and national performance standards
- All students access exciting options and opportunities upon graduation

As our global community continues to shrink, the need for world class education expands. That is why Norfolk Public Schools has essentially reinvented itself over the last decade. Today our

accomplishments are being recognized across the country. Our students, teachers, principals, and administrators have earned national honors for innovation, accountability, and inclusion. In every neighborhood in Norfolk, our public schools are being nationally recognized for being globally competitive – a great testament to the wonderful work being achieved every single day. U.S. News & World Report stated *“Today, Norfolk is one of the relatively few bright spots in the often bleak landscape of urban education, boasting impressive, ongoing gains of all sorts.”*

The School Board capitalizes on the urban advantages of location, diversity, and vision to prepare powerfully literate and life-long learners. Families recognize that the school system is nationally recognized for academic programs, highly qualified faculty, and a commitment to ensuring that every child succeeds. Student performance continues to improve as the achievement gap is narrowed among various ethnic groups and significant academic progress continues to rise among elementary schools.

All accomplishments come during a period of significant financial stress for public education. However, the School Board has a continued commitment to finding administrative efficiencies that has allowed 77.7 percent of the 2008 General Fund expenditures to go directly for instructional support. This focus on direct classroom support maintains programs including class size ratios, the Middle School Quality Education Plan, pre-kindergarten programs, Dreamkeepers Academy, and the School of International Studies at Meadowbrook.

The School Board continues to provide support to employees and schools to reach world class status. Phase I of the Pay and Classification Study was implemented for administrative employees and Phase II was continued for hourly employees. The pay study was done to better reflect current market conditions. The School Board contributes to the Virginia Retirement System (VRS) for professional and nonprofessional employees. The School Board has also reviewed the requirements for a newly implemented accounting standard pertaining to Other Post Employment Benefits (OPEB). In preparation, the School Board voted to (1) increase the employees' length of service from five to fifteen years and (2) capped the subsidy in regards to benefits. These two items will result in reduced costs to the School Board in future years.

We pride ourselves on stretching your tax dollars and doing more with less. The School Board continues to examine internal use of resources and reprograms funds to support the most pressing needs of our children. To ensure that we are spending wisely, the School Board requested a state efficiency audit to provide a comprehensive audit of our operations. This review was sponsored by the State Department of Planning and Budget. The report was completed and has provided useful recommendations to the school district for improving our delivery of services while controlling costs. In addition to the efficiency audit, the School Board completed a major facilities study which looked at our system's capital needs.

In summary, the School Board will continue its journey to world-class status. While continuing this process, the School Board's overall financial position remains strong, stable and consistent. In 2007-2008, we reprogrammed nearly \$5 million to address current needs while cutting non-wage and non-utility line items by 5%, decreasing equipment purchases and replacements, and implementing efficiencies wherever possible. It should be noted that the positive financial performance was achieved even as the School Board implemented new educational programs to improve academic achievement and world-class status.

## **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 evaluations occur with the above guidelines when the annual audit process is undertaken, and the 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 its contributions to the School Board. After the School Board makes required adjustments, they adopt an amended 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 a reservation 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.

The School Board for 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 Board will experience a decline in funding in the next few years beginning in fiscal year 2010. As public education is a services-oriented industry, approximately 85% of our operating costs are related to employee compensation and fringe benefits. Therefore, providing a competitive employee compensation package will continue to be very challenging.

### Cash Management

The City Treasurer also serves as Treasurer for the School Board. As such, monies are transferred from the governing bodies to the School Board's cash account on an as-needed basis until year-end when the balances of the total appropriations are transferred.

The School Board funds are identified as public funds and are protected under the Virginia Security for Public Deposits Act. Deposits for public entities are insured by federal deposit insurance (FDIC).

### Risk Management

The Risk Management Program currently involves maintaining several comprehensive insurance policies, monitoring various loss control activities, and a program to effectively manage claims filed against the School Board. The School Board Risk Management Senior Director and his staff monitor all claims.

The School Board insurance coverage includes the following: a workers' compensation insurance policy, a comprehensive general liability policy, a property insurance policy, a boiler and machinery coverage policy, fleet insurance, umbrella liability policy, employee blanket bond, and a School Board errors and omissions policy.

The School Board maintains an ongoing program of risk management, primarily focusing on the support service areas. The loss control program is structured to reduce and control on-the-job injuries and accidents. The program also includes safety awareness training for higher risk categories of employees.

The School Board retains the professional services of Marsh of Norfolk, Virginia. This firm sends representatives to lead and participate in analyzing areas of concern and assist with ideas to reduce and control overall risk. The School Board plans to continue the current program and expand its parameters as needed to meet safety needs.

### Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. In addition, an unqualified opinion of 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) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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 a separately issued City of Norfolk single audit report.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This is the third consecutive year that the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report.



This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 2007.

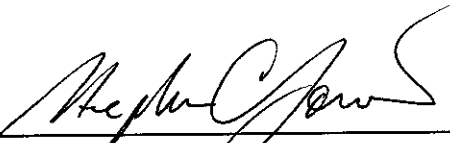

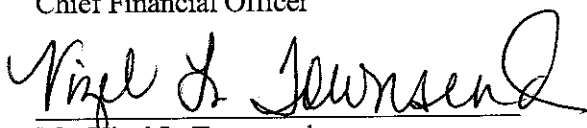
The Certificate of Excellence in Financial Reporting Program was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to the school systems that have met or exceeded the standards of the program.

### ACKNOWLEDGMENTS

We would like to express appreciation to the members of the School Board for 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. The School Board's commitment to strong conservative policies and practices in the oversight of the financial affairs of the school division contributed to the results achieved in this financial report.

In addition, we would like to thank the members of the Business and Finance Division, who devote so many hours each year to the preparation of accurate financial reports. During the year, they render professional and knowledgeable services to and on behalf of the school division, and maintained the financial records on a current and timely basis. The administration and School Board are commended for its continuing support that is vital to the financial health of the school division and demonstrates commitment to financial accountability and stewardship.

Respectfully submitted,

  
Dr. Stephen C. Jones  
Superintendent of Schools  
Mr. John A. Maniscalco, CPA  
Chief Financial Officer  
Ms. Vizel L. Townsend  
Senior Director, Accounting

## FINANCIAL SECTION



**KPMG LLP**  
Suite 2100  
999 Waterside Drive  
Norfolk, VA 23510

## **Independent Auditors' Report**

The Chairman and Members  
School Board for the City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board for the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the School Board for the City of Norfolk, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board for the City of Norfolk, Virginia's management. 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, 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 Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 for the City of Norfolk, Virginia as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2009 on our consideration of the School Board for 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 14, and the required supplementary information on page 36 and pages 39 through 40 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board for the City of Norfolk, Virginia's basic financial statements. The introductory information, budgetary basis schedules, fiduciary assets and liabilities schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary basis schedules and fiduciary assets and liabilities schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

January 19, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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## **INTRODUCTION**

Our discussion and analysis of the School Board for the City of Norfolk (School Board) of Norfolk, Virginia financial performance provides an overview of the school district's financial activities for the fiscal year ended June 30, 2008. The intent of this 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 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 Assets 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, 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 year and contains other supplementary information.

## **OVERALL ANALYSIS**

The School Board for the City of Norfolk serves over 32,700 students with a general fund operating budget of \$316.9 million and a capital budget of \$39.2 million. In general, the financial operations of the School Board have performed well during uncertain financial times with varying 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. At the end of the fiscal year 2008, the School Board maintained a strong cash position.

In summary, the School Board's overall financial position remains strong, stable and consistent. It should be noted that the positive financial performance was achieved even as the School Board implemented new educational programs to improve academic achievement and world-class status.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2008 are as follows:

- On the government-wide financial statements:
  - Total net assets decreased from \$83.4 million in 2007 to \$78.8 million at June 30, 2008, a decrease of approximately \$4.6 million, or 5.5%.
  - Total revenues decreased \$1.5 million from \$376.5 million in fiscal year 2007 to \$375 million in fiscal year 2008, or .4%.
  - Total expenses increased \$10.8 million from \$368.8 million in fiscal year 2007 to \$379.6 million in fiscal year 2008, or 2.9%.
- On the fund financial statements:
  - In the General Fund, the ending fund balance decreased from \$18.3 million in fiscal year 2007 to \$12.9 million in fiscal year 2008, or 29.5%.
  - In the General Fund, unreserved and undesignated fund balance decreased from \$3.8 million in fiscal year 2007 to \$2.3 million at June 30, 2008, or 39.5%.

## **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 Assets 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 Assets* presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of whether financial position is improving or deteriorating.
- The *Statement of Activities* presents information on activities that show how direct expenses for an activity versus program revenues received results in a *change to net assets*. All changes in the net assets 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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 Assets 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, Operations and Maintenance, School Plant, and Food 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, and food services. Intergovernmental revenues, interest, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

*Statement of Net Assets  
(Thousands of dollars)*

	Governmental Activities			
	2008	2007	Difference	% Change
Current and Other Assets	\$ 59,939	\$ 69,131	\$ (9,192)	-13.3%
Capital assets, net	71,813	66,064	5,749	8.7%
Total assets	131,752	135,195	(3,443)	-2.5%
Long-term liabilities	11,265	10,927	338	3.1%
Other liabilities	41,658	40,865	793	1.9%
Total liabilities	52,923	51,792	1,131	2.2%
Net Assets:				
Invested in capital assets	71,813	66,064	5,749	8.7%
Restricted	1,837	2,992	(1,155)	-38.6%
Unrestricted	5,179	14,347	(9,168)	-63.9%
Total net assets	\$ 78,829	\$ 83,403	\$ (4,574)	-5.5%

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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- **Total assets** decreased 2.5% due primarily to a decline in cash, cash equivalents, and investments between fiscal years. Cash, cash equivalents, and investments decreased \$14.5 million from \$25.2 million in 2007 to \$10.7 million in 2008.
- **Capital assets, net of depreciation** increased \$5.7 million or 8.7% over the prior fiscal year. This net increase represents \$12.7 million in additions and \$2.5 million in net disposals, net of \$6.6 million in current year depreciation expense. Capital assets, net of depreciation, for fiscal year 2007 totaled \$66.1 million and \$71.8 million in fiscal year 2008. The majority of the increase was due to the construction projects at Coleman Place Elementary School and Blair Middle School.
- **Total liabilities** increased \$1.13 million or 2.2% over the prior fiscal year. Long-term liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, and claims liability for the School Board. Long-term liabilities total \$10.9 million in fiscal year 2007 and \$11.3 million in fiscal year 2008. The 3.1% increase in long-term liabilities is due primarily to a \$383 thousand increase in compensated absences over the prior year.
- **Total net assets** decreased \$4.6 million or 5.5% compared to the prior fiscal year. Net assets totaled \$83.4 million at June 30, 2007 and \$78.8 million at June 30, 2008. The overall decrease is due to a decrease in restricted (Capital Projects and Grants) and unrestricted (General Fund and Child Nutrition Services). Two major construction projects, Coleman Place Elementary School and Blair Middle School, were completed in fiscal year 2008. Restricted net assets decreased 64.9% or \$1.9 million due to a decline in overall fund balance while the cost for compensated absences, workers compensation, and general claims liability increased slightly. Unrestricted net assets decreased 63.9% or \$9.2 million due to recording liabilities for Other Post Employment Benefits, compensated absences, workers compensation, and general claims liability.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Statement of Net Activities*

*(Thousands of dollars)*

	Governmental Activities			
	2008	2007	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 6,250	\$ 5,155	\$ 1,095	21.2%
Operating grants and contributions	224,043	226,323	(2,280)	-1.0%
Capital grants and contributions	8,941	11,695	(2,754)	-23.5%
Total Program Revenues	239,234	243,173	(3,939)	-1.6%
General Revenues:				
Use of money and property	2,376	3,893	(1,517)	-39.0%
Local government	101,095	97,595	3,500	3.6%
Commonwealth of Virginia	32,292	31,830	462	1.5%
Total General Revenues	135,763	133,318	2,445	1.8%
Total Revenues	374,997	376,491	(1,494)	-0.4%
Expenses:				
Instruction	279,282	261,248	18,034	6.9%
Support Services:				
Administration, Attendance and Health	13,312	11,690	1,622	13.9%
Pupil Transportation	10,913	10,588	325	3.1%
Operation and Maintenance	36,258	35,398	860	2.4%
Information Technology	8,950	9,608	(658)	-6.8%
School Facilities	16,099	27,241	(11,142)	-40.9%
Food Services	14,533	12,837	1,696	13.2%
Debt Service Payment to the City of Norfolk	224	232	(8)	-3.4%
Total Expenses	379,571	368,842	10,729	2.9%
Change in Net Assets	\$ (4,574)	\$ 7,649	\$ (12,223)	-159.8%

- **Total revenues** decreased \$1.5 million or .4% due primarily to decreases in Capital Grants and Contributions and Use of Money and Property. Capital Grants and Contributions decreased \$2.8 million or 23.5% while Use of Money and Property decreased \$1.5 million or 39% in 2008.

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- **Total expenses** increased \$10.7 million primarily due to increases in Instruction; Administration, Attendance, and Health; and Food Services, totaling \$18 million, \$1.6 million, and \$1.7 million, respectively. Most of these increases were for increased support to our students through instructional and infrastructure. These increases were offset by decreases in School Facilities and Information Technology of \$11.1 million and \$658 thousand, respectively. Overall expenses increased 2.9% in fiscal year 2008 over balances in fiscal year 2007.

***Capital Assets***

At June 30, 2008, the School Board had an investment of \$71.8 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, building improvements, equipment and vehicles. This amount represents a net increase of \$5.7 million or 8.7% between fiscal year 2007 and 2008.

***Change in Capital Assets  
(Thousands of dollars)***

	Governmental Activities			
	June 30, 2008	June 30, 2007	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Construction in Progress	-	31,388	(31,388)	-100.0%
Total Non-Depreciable Assets	\$ 488	\$ 31,876	\$ (31,388)	
Other Capital Assets:				
Mobile Classrooms	5,194	5,194	-	0.0%
Building Improvements	82,029	41,977	40,052	95.4%
Equipment and Vehicles	31,494	29,458	2,036	6.9%
Total Other Capital Assets	\$ 118,717	\$ 76,629	\$ 42,088	
Total Capital Assets	\$ 119,205	\$ 108,505	\$ 10,700	
Less: Accumulated Depreciation	(47,392)	(42,441)	(4,951)	11.7%
Total Capital Assets, Net	\$ 71,813	\$ 66,064	\$ 5,749	8.7%

The \$71.8 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Assets (Exhibit I) and is the largest single investment by the School Board.

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In May 2008, the City Council appropriated construction funds for fiscal year 2008 to continue future construction projects. During 2008, the School Board completed construction projects for Blair Middle School and Coleman Place Elementary School. The School Board will use State construction funds to complete Crossroads Elementary Schools in future years.

Additional information on the School Board's capital assets is presented in Note 2B of the financial statements.

***Long Term Obligations***

As of June 30, 2008, the School Board had \$11.3 million in long-term obligations versus \$10.9 million for fiscal year 2007. This resulted in a 3.1% increase in long-term obligations, which is comprised of compensated absences, workers' compensation and claims liability. Approximately \$785 thousand 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)***

	Governmental Activities					
	June 30, 2007	Additions	Retirements	June 30, 2008	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$9,215	\$8,990	\$(8,612)	\$9,593	\$378	4.1%
Workers' Compensation	1,612	834	(820)	1,626	14	0.9%
Claims Liability	100	134	(189)	45	(55)	-55.0%
Total Long-Term Obligations	\$10,927	\$9,958	\$(9,621)	\$11,264	\$337	3.1%

Additional information showing the breakdown of the School Board's long-term obligations is presented in Note 2E 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

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governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All School Board funds are reported in the governmental funds.

**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 fund balance sheet and the governmental fund 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 budget for all of its major and nonmajor governmental funds and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Exhibit V for the General Fund to demonstrate compliance with this budget. Other individual fund budgetary comparison schedules are presented in Schedules 1, 2, and 3 of this report.

As of June 30, 2008, the School Board's governmental funds reported combined fund balances of \$20,535,880, a decrease of \$7,730,887, in comparison to the prior fiscal year. Approximately 22% of this total amount (\$4,527,040) constitutes undesignated fund balance, which is available for spending at the School Boards discretion. However, \$2,119,779 or 10.3% has been designated for specific purposes within certain governmental funds though the budget process. The remaining combined fund balances total is reserved to indicate that it is not available for new spending, due to being committed to liquidate outstanding contracts and purchase orders (encumbrances) of the prior fiscal year (\$12,917,513) and to account for inventories (\$971,548).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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, 2008, the fund balance of the General Fund was \$12,928,187. The fund has reserved, unreserved, and designated balances for encumbrances, inventories, and buses that total \$10,602,308.

General Fund Revenues and Other Financing Sources

Revenues for the General fund totaled \$314,469,632 for fiscal year 2008, which was approximately \$3.8 million or 1.2% higher than the revenues received in fiscal year 2007. During 2008, the School Board appropriated \$2.2 million in fund balance to balance the budget. 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)*

	2008 Amount	2008 Percent of Total	2007 Amount	Increase (Decrease) From 2007	Percent Increase (Decrease) 2007
Local government	\$ 101,095	32.1%	\$ 97,595	\$ 3,500	3.6%
Commonwealth of Virginia	202,196	64.3%	200,128	2,068	1.0%
Federal government	5,778	1.8%	7,440	(1,662)	-22.3%
Other revenues	5,401	1.7%	5,536	(135)	-2.4%
Total	<u>\$ 314,470</u>	<u>100.0%</u>	<u>\$ 310,699</u>	<u>\$ 3,771</u>	<u>1.2%</u>

The largest source of revenues was 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.

General Fund Expenditures

General Fund expenditures were \$320,153,883 for fiscal year 2008, which represented an increase of approximately \$14.2 million or 4.6% over fiscal year 2007. The following

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illustration presents the amounts in 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)***

	2008 Amount	2008 Percent of Total	2007 Amount	Increase (Decrease) From 2007	Percent Increase (Decrease) 2007
Instruction	\$ 248,237	78%	\$ 238,601	\$ 9,636	4.0%
Support Services:					
Administration, Attendance and Health	13,207	4.1%	11,729	1,478	12.6%
Pupil Transportation	10,896	3.4%	10,403	493	4.7%
Operation and Maintenance	33,669	10.5%	33,527	142	0.4%
Information Technology	7,908	2.5%	8,186	(278)	-3.4%
School Facilities	5,957	1.9%	3,277	2,680	81.8%
Other	56	0.0%	-	56	0.0%
Payment to City of Norfolk - Debt Service	224	0.1%	232	(8)	-3.4%
Subtotal - Support Services	71,917	22.5%	67,354	4,563	6.8%
Total - Instruction and Support Services	\$ 320,154	100.0%	\$ 305,955	\$ 14,199	4.6%

The increase in Instruction was due to the overall increase in salaries for teacher retention, materials and supplies, and other items needed for instructional support.

***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 consist of Trust Funds and School Activity Funds. Trust Funds consist primarily of fiscal agencies for Governors School for the Arts and Southeastern Cooperative Educational Programs. The School Activity Funds consist primarily of student clubs and restricted donations for the individual schools.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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**Notes to the Basic 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 VI of this report.

**Other Information**

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

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

**BUDGETARY HIGHLIGHTS**

Budgets are prepared on a basis consistent with Virginia statutes for the General Fund, Grant Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations lapse at the fiscal year end. In June 2008, the School Board adopted a balanced budget for fiscal year 2009 that reflected appropriations of \$330.2 million for the General Fund.

In 2008, budgetary transfers were \$971,500 between functional areas. The transfers were made to increase instructional support within the district.

**Factors Influencing Future Budgets**

- Increased employer contributions for employee health insurance
- Funding other post-employment benefits (OPEB) for retirees
- Provide competitive salaries and pay increases for retention of teachers
- Professional growth and development of teachers
- Funding of No Child Left Behind legislation
- Inadequate state and federal funding
- Continue to fund and strengthen the effort for full Standards of Learning accreditation
- Continue to fund various academic programs
- Decrease in the local tax base
- Declining enrollment
- Uncertainty of sales tax revenue
- Uncertainty of federal impact aid revenue
- Future funding for construction projects

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 John A. Maniscalco, CPA, Chief Financial Officer or Vize L. Townsend, Senior Director of Accounting for the School Board for the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, telephone (757) 628-3482 and (757) 628-3883, respectively. Visit our website at: <http://www.nps.k12.va.us> for a complete copy of this report and other financial information.



**Exhibit I**

**School Board for the City of Norfolk**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash, cash equivalents, and investments	\$ 10,710,798
Accounts receivable	942,278
Due from primary government	18,716,372
Due from the Federal government	9,575,710
Due from the Commonwealth of Virginia	19,021,808
Inventories	971,548
Capital assets:	
Land	487,500
Mobil classrooms, leasehold improvements, equipment and vehicles, net of accumulated depreciation and amortization	71,325,800
Total capital assets, net	<u>\$ 71,813,300</u>
Total assets	<u>131,751,814</u>
<b>LIABILITIES</b>	
Vouchers payable	11,166,808
Retainage payable	86,243
Payroll deductions and withholdings	679,254
Accrued payroll	24,853,542
Deferred revenue	274,322
Due to other agencies	2,342,465
Liability for other post employment benefits	2,255,000
Noncurrent liabilities:	
Due within one year	785,477
Due in more than one year	10,479,266
Total liabilities	<u>52,922,377</u>
<b>NET ASSETS</b>	
Invested in capital assets	71,813,300
Restricted for:	
Capital projects	1,746,130
Grants	90,651
Unrestricted	5,179,356
Total net assets	<u><u>\$ 78,829,437</u></u>

**See Notes to the Basic Financial Statements.**

**Exhibit II**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 279,281,788	\$ 3,190,484	\$ 212,930,358	\$ -	\$ (63,160,946)
Administration, Attendance, and Health	13,312,438	-	-	-	(13,312,438)
Pupil Transportation	10,912,914	-	-	-	(10,912,914)
Operation and Maintenance	36,257,779	-	-	-	(36,257,779)
Information Technology	8,949,687	-	-	-	(8,949,687)
School Facilities	16,099,522	-	-	8,940,943	(7,158,579)
Food Services	14,533,093	\$ 3,059,718	\$ 11,111,928	-	(361,447)
Payment to the City of Norfolk for Debt Service	223,760	-	-	-	(223,760)
Total	<u>\$ 379,570,980</u>	<u>\$ 6,250,202</u>	<u>\$ 224,042,286</u>	<u>\$ 8,940,943</u>	<u>(140,337,549)</u>
General revenues:					
Use of money and property					2,325,495
Other					50,525
Intergovernmental :					
Local government - Unrestricted					101,094,910
Commonwealth of Virginia					<u>32,292,331</u>
Total					<u>135,763,261</u>
Change in net assets					(4,574,288)
Net assets--beginning					83,403,725
Net assets--ending					<u>\$ 78,829,437</u>

**See Notes to the Basic Financial Statements.**

Exhibit III

**School Board for the City of Norfolk  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	<b>General Fund</b>	<b>Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Child Nutrition</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 6,506,465	\$ -	\$ -	\$ 4,204,333	\$ 10,710,798
Accounts receivable	936,519	-	-	5,759	942,278
Due from other funds	23,125,360	-	-	-	23,125,360
Due from the primary government	-	-	18,716,372	-	18,716,372
Due from the federal government	246,542	7,832,802	-	1,496,366	9,575,710
Due from the Commonwealth of Virginia	17,171,292	1,804,716	45,800	-	19,021,808
Inventories	245,088	-	-	726,460	971,548
Total assets	<u>\$ 48,231,266</u>	<u>\$ 9,637,518</u>	<u>\$ 18,762,172</u>	<u>\$ 6,432,918</u>	<u>\$ 83,063,874</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ 10,091,473	\$ 443,343	\$ 616,258	\$ 15,734	\$ 11,166,808
Retainage payable	6,243	-	80,000	-	86,243
Payroll deductions and withholdings	679,254	-	-	-	679,254
Accrued payroll	22,183,644	2,276,934	-	392,964	24,853,542
Due to other agencies	2,342,465	-	-	-	2,342,465
Due to other funds	-	6,552,268	16,319,784	253,308	23,125,360
Deferred revenue	-	274,322	-	-	274,322
Total liabilities	<u>35,303,079</u>	<u>9,546,867</u>	<u>17,016,042</u>	<u>662,006</u>	<u>62,527,994</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	8,237,441	1,325,662	2,851,107	503,303	12,917,513
Inventories	245,088	-	-	726,460	971,548
Unreserved, reported in:					
Designated:					
General Fund	2,119,779	-	-	-	2,119,779
Undesignated:					
General Fund	2,325,879	-	-	-	2,325,879
Grants Fund	-	(1,235,011)	-	-	(1,235,011)
Capital Projects Fund	-	-	(1,104,977)	-	(1,104,977)
Child Nutrition Fund	-	-	-	4,541,149	4,541,149
Total fund balances	<u>12,928,187</u>	<u>90,651</u>	<u>1,746,130</u>	<u>5,770,912</u>	<u>20,535,880</u>
Total liabilities and fund balances	<u>\$ 48,231,266</u>	<u>\$ 9,637,518</u>	<u>\$ 18,762,172</u>	<u>\$ 6,432,918</u>	<u>\$ 83,063,874</u>

See Notes to the Basic Financial Statements.

(Continued)

**Exhibit III,  
Continued**

**School Board for the City of Norfolk  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2008**

Fund balances--total governmental funds	\$ 20,535,880
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds .	71,813,300
--	------------

Other Post Employment Benefits, are not due and payable in the current period and therefore not reported in the funds.	(2,255,000)
---	-------------

Long-term obligations, are not due and payable in the current period and therefore are not reported in the funds.	(11,264,743)
Net Assets of Governmental Activities	<u>\$ 78,829,437</u>

**See Notes to the Basic Financial Statements.**

Exhibit IV

**School Board for the City of Norfolk**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Child Nutrition</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Use of money and property	\$ 2,210,244	\$ -	\$ -	\$ 115,251	\$ 2,325,495
Charges for services	3,190,484	-	-	3,059,718	6,250,202
Other	-	46,328	-	4,197	50,525
Intergovernmental :					
Local government	101,094,910	-	8,345,533	-	109,440,443
Commonwealth of Virginia	202,196,359	5,245,116	595,410	233,975	208,270,860
Federal government	5,777,635	32,003,579	-	10,877,953	48,659,167
Total revenues	<u>314,469,632</u>	<u>37,295,023</u>	<u>8,940,943</u>	<u>14,291,094</u>	<u>374,996,692</u>
<b>EXPENDITURES</b>					
Instruction	248,237,479	36,975,767	-	-	285,213,246
Administration, Attendance, and Health	13,206,652	239,896	-	10,709	13,457,257
Pupil Transportation	10,896,170	-	-	-	10,896,170
Operation and Maintenance	33,668,687	100,692	8,499	-	33,777,878
Information Technology	7,908,225	-	909,788	-	8,818,013
School Facilities	5,957,046	820,793	8,400,127	-	15,177,966
Food Services	-	-	-	14,869,866	14,869,866
Other	55,864	237,115	-	444	293,423
Payment to the City of Norfolk for debt service	223,760	-	-	-	223,760
Total expenditures	<u>320,153,883</u>	<u>38,374,263</u>	<u>9,318,414</u>	<u>14,881,019</u>	<u>382,727,579</u>
Excess (deficiency) of revenues over expenditures	<u>(5,684,251)</u>	<u>(1,079,240)</u>	<u>(377,471)</u>	<u>(589,925)</u>	<u>(7,730,887)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	302,601	-	-	-	302,601
Transfers out	-	(302,601)	-	-	(302,601)
Total other fin. sources and uses	<u>302,601</u>	<u>(302,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(5,381,650)</u>	<u>(1,381,841)</u>	<u>(377,471)</u>	<u>(589,925)</u>	<u>(7,730,887)</u>
Fund balances--beginning	<u>18,309,837</u>	<u>1,472,492</u>	<u>2,123,601</u>	<u>6,360,837</u>	<u>28,266,767</u>
Fund balances--ending	<u>\$ 12,928,187</u>	<u>\$ 90,651</u>	<u>\$ 1,746,130</u>	<u>\$ 5,770,912</u>	<u>\$ 20,535,880</u>

See Notes to the Basic Financial Statements.

(Continued)

**Exhibit IV,  
Continued**

**School Board for the City of Norfolk  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For Year Ended June 30, 2008**

Net change in fund balances--total governmental funds \$ (7,730,887)

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Add capital acquisitions	12,770,138	
Subtract depreciation expense & loss on disposal of capital assets	<u>(7,021,140)</u>	5,748,998

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 (such as compensated absences).

(2,592,399)

Change in Net Assets of Governmental Activities

\$ (4,574,288)

**See Notes to the Basic Financial Statements.**

Exhibit V

**School Board for the City of Norfolk**  
**Schedule of Budgetary Comparison - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable/(Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary fund balance, July 1				
Resources (inflows)				
Local sources	\$ 4,179,996	\$ 4,179,996	\$ 5,400,728	\$ 1,220,732
Commonwealth of Virginia	203,697,794	203,697,794	202,196,359	(1,501,435)
Federal government	5,735,000	5,735,000	5,777,635	42,635
Local government	101,094,910	101,094,910	101,094,910	-
Use of fund balance	2,200,000	2,200,000	2,200,000	-
Amounts available for appropriation	316,907,700	316,907,700	316,669,632	(238,068)
Charges to appropriations (outflows)				
Instruction	\$ 246,387,739	\$ 245,201,276	\$ 245,908,965	(707,689)
Administration, Attendance, and Health	13,806,733	14,274,558	13,497,628	776,930
Pupil Transportation	11,689,518	11,844,018	11,084,958	759,060
Operation and Maintenance	33,923,091	33,687,229	34,235,319	(548,090)
Information Technology	8,149,581	8,249,581	8,233,941	15,640
School Facilities	2,904,723	3,604,723	3,344,870	259,853
Other	46,315	46,315	55,864	(9,549)
Total charges to appropriations	316,907,700	316,907,700	316,361,545	546,155
Budgetary fund balance, June 30	\$ -	\$ -	\$ 308,087	\$ 308,087

**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

\$ 316,669,632

Difference - budget to GAAP:

Transfers from other funds and uses of fund balance are inflows of budgetary resources but are not revenues for financial reporting purposes.

(2,200,000)

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 314,469,632

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above

\$ 316,361,545

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes.

3,792,338

Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 320,153,883

See Notes to the Basic Financial Statements.

**School Board for the City of Norfolk  
Statement of Fiduciary Net Assets  
June 30, 2008**

**Exhibit VI**

	<b><u>Agency Fund</u></b>
<b>ASSETS</b>	
Cash, cash equivalents, and investments	\$ 9,147,058
Accounts Receivable	<u>50</u>
 Total assets	 <u><u>\$ 9,147,108</u></u>
 <b>LIABILITIES</b>	
Due to other agencies	\$ 9,052,900
Accounts Payable	<u>94,208</u>
 Total liabilities	 <u><u>\$ 9,147,108</u></u>

**See Notes to the Basic Financial Statements.**



**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)  
YEAR ENDED JUNE 30, 2008**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

The appointed seven-member School Board for the City of Norfolk, Virginia (School Board), vested with legislative powers, appoints the Superintendent. The Superintendent is the executive and administrative head of the public school division.

The accounting policies of the School Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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. The School Board members are appointed and serve staggered terms on the School Board. The 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 of Norfolk, Virginia (City) due to its fiscal dependence on the primary government. 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 and required supplementary information include both the government-wide (presentation of the School Board as a whole) financial statements (i.e. Statement of Net Assets 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 and 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 properly included among program revenues are reported as general

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operational or capital) grants while the capital grants column reflects capital-specific grants.

In the government-wide Statement of Net Assets, 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.

Fund financial statements are provided for governmental and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary fund is presented in the fund financial statements by type (agency). Since the definition of 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 2008.

**GOVERNMENTAL 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 government-wide 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 that finance expenditures for specified purposes. Grants are funded by private, state, and federal agencies. The Grants Fund is considered a major fund for government-wide reporting purposes.

**Capital Projects Fund** - The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund for government-wide 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 government-wide reporting purposes.

**FIDUCIARY FUND**

**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

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)  
YEAR ENDED JUNE 30, 2008**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Funds and fiscal agencies (Governors School for the Arts and Southeastern Cooperative Educational Programs).

**C. Basis of Accounting and Measurement Focus**

The government-wide Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The effects of inter-fund activity have been eliminated from the government-wide financial statements.

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 net current assets.

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). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the most part, revenues are considered available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, if measurable.

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 division”. 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.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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 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, Exhibits V provides a 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. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

**E. Assets, Liabilities and Fund Equity**

**DEPOSITS AND INVESTMENTS**

The School Board does not have interest rate or foreign currency risk on 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, 2008, the carrying amount of cash deposits for the School Board was \$2,594,438 and the bank balance was \$8,106,782.

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, repurchase agreements money market mutual funds and the State Treasurer's Local Government Investment Pool ("LGIP").

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

At June 30, 2008, the School Board has investments of \$3,936,115 in an Aaa rated money market mutual fund and \$4,180,245 invested in an unrated repurchase agreement.

The School Board pools money from several funds to facilitate disbursement and investment and to maximize overnight investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The School Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash and cash equivalents.

**Custodial Credit Risk – Deposits**

All deposits of the School Board are held in designated official depositories and are collateralized in accordance with the Virginia Security for Public Deposits Act (“the Act”), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by the federal depository insurance (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State 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.

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments that are in the possession of outside parties. The School Board invests temporary cash surpluses in unrated repurchase agreements. The repurchase agreements are held by the financial institution’s trust department or agent, but not in the School Board’s name.

**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 Assets, so as to not overstate the assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts.

**INVENTORIES**

Governmental fund inventories consist of expendable materials and supplies that are recorded as expenditures when consumed. The General Fund inventories reported on the combined balance sheet for governmental funds are offset by fund balance reserves that indicate that they do not constitute resources available for appropriation even though they are

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

a component of net current assets. The weighted average cost method is used to record inventories.

The Child Nutrition Fund's inventory includes 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 \$238,970 at year-end. Other inventories are reported at the average cost method.

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent of the School Board's capitalization threshold of \$5,000. 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
Building Improvements	10 years
Equipment	7 years
Vehicles	7 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 estimated fair market 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, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any relating gain or loss is included in the results of operations.

**COMPENSATED ABSENCES**

The School Board accrues compensated absences (annual and sick leave benefits) when vested. The current and non-current portions are recorded in the School Board government-wide financial statements. The School Board has vacation and sick leave that accumulates monthly. Vacation leave is fully vested when earned by School Board employees. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. 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

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

retirement. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

The estimated amount of the accrued compensated leave for the School Board's government activities are reported in the government-wide financial statements. The information is reported in Note 2E.

**NET ASSETS/FUND BALANCES**

Net assets in government-wide financial statements are classified as invested in capital assets, net of related obligations; restricted and unrestricted. Restricted net assets represent 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.

In the governmental fund financials, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as those amounts stand at the close of the fiscal year proceeding the budget year. The governmental fund types classify fund balances as follows:

**RESERVED**

Reserve for encumbrances – Portion of fund balance available for appropriation to pay for commitments related to unperformed contracts and unfulfilled purchase orders.

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

Reserve for projects – Portion of fund balance not available for appropriation because it represents the funds allocated for specific projects.

**UNRESERVED**

Designated for future expenditures – Portion of total fund balance available for appropriation that has been designated by the School Board for the adopted 2008 – 2009 budget ordinance.

Undesignated – Portion of total fund balance available for appropriation that is uncommitted at year-end.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)  
YEAR ENDED JUNE 30, 2008**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**F. Encumbrances**

Encumbrance accounting, in which purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation), is followed in the General, Grants, Capital Projects, and Child Nutrition Funds. Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis. Fund balances have been reserved equal to the outstanding encumbrances at June 30 in the governmental funds.

**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, 2008 is as follows:

	<b>Due From (Receivables)</b>	<b>Due To (Payables)</b>
<b>Major Funds:</b>		
General Fund	\$ 23,125,360	\$ -
Grants Fund	-	6,552,268
Capital Projects	-	16,319,784
<b>Nonmajor Funds:</b>		
Child Nutrition Fund	-	253,308
	<hr/> \$ 23,125,360	<hr/> \$ 23,125,360 <hr/>

Per the City of Norfolk 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.

**B. Capital Assets**

School buildings are the property of the City of Norfolk and are carried on their financial statements for reporting purposes. Under Section 15.2-1800.1 of the Virginia State Code, the City has a "tenancy in common" with the School Board.



**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)  
YEAR ENDED JUNE 30, 2008**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 2. Detail Notes on All Funds (continued)**

**B. Capital Assets (continued)**

*Changes in Capital Assets*

	Capital Assets			Capital Assets
	June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets, not being depreciated				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in Progress	31,388,331	10,196,067	(41,584,398)	-
Total capital assets, not being depreciated	31,875,831	10,196,067	(41,584,398)	487,500
Capital assets, being depreciated				
Mobile classrooms	5,194,094	-	-	5,194,094
Building improvements	41,977,036	41,035,778	(983,440)	82,029,374
Equipment and vehicles	29,457,783	3,122,691	(1,086,049)	31,494,425
Total capital assets, being depreciated	76,628,913	44,158,469	(2,069,489)	118,717,893
Less accumulated depreciation for:				
Mobile classrooms	(1,804,580)	(259,705)	-	(2,064,285)
Building improvements	(21,037,599)	(4,137,408)	863,389	(24,311,618)
Equipment and vehicles	(19,598,263)	(2,230,878)	812,951	(21,016,190)
Total accumulated depreciation	(42,440,442)	(6,627,991)	1,676,340	(47,392,093)
Total capital assets being depreciated, net	34,188,471	37,530,478	(393,149)	71,325,800
Total capital assets, net	\$ 66,064,302	\$ 47,726,545	\$ (41,977,547)	\$ 71,813,300
Depreciation expense by function for the year ended June 30, 2008 follows:				
Instruction	\$ 802,635			
Administration, Attendance, and Health	345,783			
Pupil Transportation	419,753			
Operation and Maintenance	3,698,491			
Information Technology	424,557			
School Facilities	790,904			
Food Services	145,868			
Total	\$ 6,627,991			

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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YEAR ENDED JUNE 30, 2008**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 2. Detail Notes on All Funds (continued)**

**D. Due From Other Governments**

At June 30, 2008, due from other governments consisted of the following:

	<b>General</b>	<b>Grants</b>	<b>Capital Projects</b>	<b>Child Nutrition</b>	<b>Totals</b>
Due from the Commonwealth of Virginia	\$ 17,171,292	\$ 1,804,716	\$ 45,800	\$ -	\$ 19,021,808
Due from the federal government	246,542	7,832,802	-	1,496,366	9,575,710
Total Due from Other Governments	\$ 17,417,834	\$ 9,637,518	\$ 45,800	\$ 1,496,366	\$ 28,597,518

**E. Long-Term Obligations**

The following is a summary of the changes in long-term obligations for the year ended June 30, 2008:

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2008</b>
Long-Term Obligations:				
Compensated absences	\$9,214,759	8,989,960	(8,611,500)	\$9,593,219
Workers' compensation	1,612,585	834,337	(820,523)	1,626,399
Claims liability	100,000	134,283	(189,158)	45,125
Total Long-Term Obligations	\$10,927,344	9,958,580	(9,621,181)	\$11,264,743

The amounts due within one year for compensated absences, workers' compensation and claims liability as of June 30, 2008 are \$585,754, \$160,842, and \$38,881, respectively, and have typically been paid by the general and grants fund.

**Note 3. Contingencies**

**A. Litigation**

The School Board, as of June 30, 2008, is a named defendant in various 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.

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**Note 3. Contingencies (continued)**

**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.

**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 \$6,739,217 to SECEP during the fiscal year ended June 30, 2008. 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 divisions 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. Complete financial statements of 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 \$175,760 to the Governor's School during the fiscal year ended June 30, 2008. 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.

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**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 2008 was \$1,576,123.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance of the General Fund, Child Nutrition Services, and Grant Funds. 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, 2008, workers' compensation and claims liability totaling \$1,671,524 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 in the self-insurance program for the years ended June 30, 2008 and 2007:

	<b>June 30, 2008</b>		<b>June 30, 2007</b>	
	<b>Workers Compensation</b>	<b>Claims Liability</b>	<b>Workers Compensation</b>	<b>Claims Liability</b>
Balance, beginning of year	\$ 1,612,585	\$ 100,000	\$ 1,410,508	\$ 100,000
Claims and other changes	834,337	134,283	681,369	94,911
Employer payments	(820,523)	(189,158)	(479,292)	(94,911)
Balance, end of year	\$ 1,626,399	\$ 45,125	\$ 1,612,585	\$ 100,000

**Note 6. Retirement and Other Post-Employment Benefits**

**Virginia Retirement System**

**A. Plan Description**

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for

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**Note 6. Retirement and Post-Employment Benefits (continued)**

each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement.

The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. 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 provision 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 their website at <http://www.varetire.org/Pdf/2007AnnuRept.pdf> or obtained by writing the System at P. O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's professional and nonprofessional employees' contribution rates for the fiscal year ended June 30, 2008 was 10.3% and 8.62% of annual covered payroll, respectively (not including assumed 5%). The School Board's contributions to the VRS for the years ended June 30, 2008, 2007, and 2006 for professional employees were \$37,858,170, \$32,978,467, and \$24,355,694, respectively, such amounts comprising 100% of the required contributions for three years.

**C. Annual Pension Cost – Agent Multiple-Employer Plan**

For 2008, the School Board's annual pension costs of \$2,454,422 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.73%, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year

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period. The amortization method is open and the remaining amortization period is 20 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$2,454,422	100 %	\$ -
June 30, 2007	\$2,220,834	100 %	\$ -
June 30, 2006	\$1,603,078	100 %	\$ -

**D. Funded Status and Funding Progress**

As of June 30, 2007, the most recent actuarial valuation date, the plan was 92.53% funded. The actuarial accrued liability for benefits was \$66,118,525, and the actuarial value of assets was \$61,180,012 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,938,513. The covered payroll (annual payroll of active employees covered by the plan) was \$15,236,207 and the ratio of the UAAL to the covered payroll was 32.41%.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

Schedule of Funding Progress for Non professional Employees

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2005	\$52,906,114	\$61,150,786	\$8,244,672	86.52%	\$14,211,173	58.02%
June 30, 2006	\$55,282,776	\$60,006,661	\$4,723,885	92.13%	\$14,246,198	33.16%
June 30, 2007	\$61,180,012	\$66,118,525	\$4,938,513	92.53%	\$15,236,207	32.41%

**Superintendent Defined Contribution Retirement Plan**

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School

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Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by the VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2008 that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia Statute. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

The Virginia Retirement System is the administrator of the plan and Great West Retirement Services is the trustee. Contributions for the year ended June 30, 2008 were fixed contributions of \$21,372.

**Other Post Employment Benefits**

In addition to the pension benefits described, the School Board provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Division. At June 30, 2008, 865 retirees met the eligibility requirements and have elected to receive this benefit. The School Board has agreed to pay for each retiree who has elected to continue health care coverage the sum of \$75 per month towards the cost of their health care benefit. The School Board pays the health care benefits over a ten-month period (September to June). Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. An average of 865 retirees received post employment benefits that totaled \$778,335 for the fiscal year.

The Governmental Accounting Standards Board (GASB) has released Statement 43 regarding financial reporting for other post-employment benefit (OPEB) plans other than pension plans and a companion Statement 45 regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. Statement 45, which took effect in the fiscal year ending June 30, 2008, requires the Plan Sponsor to book the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions are less than this expense.

The fundamental principal underlying the analysis, as well as the GASB standard, is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period 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

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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.

**A. 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.

**B. Pay-As-You-Go Funding**

Currently, the School Board pays a set amount towards the monthly premiums of retirees. 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, 2007 is \$59.7 million as shown below:

**Pay-As-You-Go Funding  
(4.70% assumed discount)**

<b>Actuarial Liability</b>	
Actives	\$ 42.8
Retirees	16.9
<b>Total</b>	<b>\$ 59.7</b>
<b>Assets</b>	<b>\$ -</b>
<b>UAL</b>	<b>\$ 59.7</b>

The annual required contribution (ARC) consists of two parts: (1) the *normal cost* which represents the annual cost attributable to service earned in a given year, and (2) the 30-year amortization of the unfunded actuarial liability (UAL). 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).

The ARC was computed for 2008 under the pay-as-you-go funding method and an assumed 4.7% discount rate. The table includes the PAYGo cost and the net increase:



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**GASB ARC - FY 2008  
Pay-As-You-Go Funding  
(4.70% assumed discount)  
(\$ in millions)**

Normal Cost	\$ 2.68
UAL Amortization	2.14
<b>Total</b>	<b>\$ 4.82</b>
PAYGo Cost (contributions made including implicit subsidy)	\$ 2.56
Amount Above PAYGo ( ie Net OPEB liability)	\$ 2.26

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**Schedule of Funding Progress  
(\$ millions)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	\$0	\$59.7	\$59.7	0%	\$235	25.4%

*Schedule of Funding Progress*

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.

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

Fiscal Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2008	\$4.82	53%	\$2.26

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*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.

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, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.7%
Rate of salary increases	4.5% (plus merit scale)
Rate of Medical Inflation	10% (pre-Medicare) or 10% (post-Medicare) grading to 5% over 15 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.

**Note 7. Operating Leases**

The School Board leases certain office facilities and equipment under operating leases. Total costs for such leases were \$1,198,543 for the year ended June 30, 2008. The future minimum lease payments over the life of the lease are as follows:

For Year Ended, June 30:	
2009	228,612
2010	161,965
2011	63,052
	<hr/>
	453,629
	<hr/>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 8. Commitments and Contingencies**

The School Board is committed to spend \$4.1 million in construction costs related to the renovation of Crossroads Elementary School. There are various construction projects with additional commitments of \$4.2 million. These various projects are expected to be completed by June 2009.

## OTHER SUPPLEMENTARY INFORMATION

## Schedule 1

**School Board for the City of Norfolk**  
**Reconciliation to Exhibit IV - Grants Fund - Budgetary Basis**  
**For the Year Ended June 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Favorable/(Unfavorable)</b>
Budgetary fund balance, July 1				
Resources (inflows)				
Commonwealth of Virginia	\$ 6,690,547	\$ 6,690,547	\$ 5,245,116	\$ (1,445,431)
Federal government	32,270,429	32,270,429	32,003,579	(266,850)
Local government	213,461	213,461	46,328	(167,133)
Amounts available for appropriation	<u>39,174,437</u>	<u>39,174,437</u>	<u>37,295,023</u>	<u>(1,879,414)</u>
Charges to appropriations (outflows)				
Instruction	37,827,429	36,705,333	36,923,689	(218,356)
Administration, Attendance, and Health	94,616	332,508	242,485	90,023
Pupil Transportation	101,328	-	-	-
Operation and Maintenance	82,747	166,683	100,692	65,991
Information Technology	974,810	1,695,181	754,321	940,860
School Facilities	-	-	820,793	(820,793)
Other	93,507	274,732	237,115	37,617
Total charges to appropriations	<u>39,174,437</u>	<u>39,174,437</u>	<u>39,079,095</u>	<u>95,342</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,784,072)</u>	<u>\$ (1,784,072)</u>

**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

\$ 37,295,023

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 37,295,023

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above

\$ 39,079,095

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes.

(704,832)

Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 38,374,263

**See Notes to the Basic Financial Statements.**

## Schedule 2

**School Board for the City of Norfolk**  
**Reconciliation to Exhibit IV - Capital Projects Fund - Budgetary Basis**  
**For the Year Ended June 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Favorable/(Unfavorable)</b>
Budgetary fund balance, July 1				
Resources (inflows)				
Local sources - Special Revenue Funds	\$ 2,872,294	\$ 6,130,734	\$ -	\$ (6,130,734)
Commonwealth of Virginia	594,931	594,931	595,410	479
Local government	2,500,000	2,500,000	8,345,533	5,845,533
Amounts available for appropriation	5,967,225	9,225,665	8,940,943	(284,722)
Charges to appropriations (outflows)				
Instruction	-	3,222,386	-	3,222,386
Operation and Maintenance	-	36,054	8,499	27,555
Information Technology	3,467,225	-	-	-
School Facilities	2,500,000	5,967,225	3,964,108	2,003,117
Total charges to appropriations	5,967,225	9,225,665	3,972,607	5,253,058
Budgetary fund balance, June 30	\$ -	\$ -	\$ 4,968,336	\$ 4,968,336

**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 (Exhibit V, VI and VII)

\$ 8,940,943

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 8,940,943

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule

\$ 3,972,607

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes.

5,345,807

Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 9,318,414

## Schedule 3

**School Board for the City of Norfolk**  
**Reconciliation to Exhibit IV - Child Nutrition Services Fund - Budgetary Basis**  
**For the Year Ended June 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
				<b>Favorable/(Unfavorable)</b>
Budgetary fund balance, July 1				
Resources (inflows)				
Local sources	\$ 3,400,014	\$ 3,646,660	\$ 3,179,166	\$ (467,494)
Commonwealth of Virginia	616,710	616,710	233,975	(382,735)
Federal government	10,669,850	10,669,850	10,877,953	208,103
Amounts available for appropriation	14,686,574	14,933,220	14,291,094	(642,126)
Charges to appropriations (outflows)				
Administration, Attendance, and Health	-	-	10,709	(10,709)
Food Services	14,686,574	14,933,220	15,003,114	(69,894)
Other	-	-	444	(444)
Total charges to appropriations	14,686,574	14,933,220	15,014,267	(81,047)
Budgetary fund balance, June 30	\$ -	\$ -	\$ (723,173)	\$ (723,173)

**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 (Exhibit V, VI and VII)

\$ 14,291,094

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 14,291,094

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule

\$ 15,014,267

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes.

(133,248)

Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 14,881,019

## Schedule 4

**School Board for the City of Norfolk**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**Year Ended June 30, 2008**

	Balance July 1, 2007		Additions		Deductions		Balance June 30, 2008
<hr/>							
<b>ASSETS</b>							
Cash and cash equivalents	\$ 7,476,182	\$	102,031,479	\$	100,360,603	\$	9,147,058
Accounts receivables	679,964		966,916		1,646,830		50
Total Assets	<u>\$ 8,156,146</u>	<u>\$</u>	<u>102,998,395</u>	<u>\$</u>	<u>102,007,433</u>	<u>\$</u>	<u>9,147,108</u>
<hr/>							
<b>LIABILITIES</b>							
Due to other agencies	\$ 8,145,078	\$	19,216,909	\$	18,309,087	\$	9,052,900
Accounts Payable	11,068		83,781,486		83,698,346		94,208
Total Liabilities	<u>\$ 8,156,146</u>	<u>\$</u>	<u>102,998,395</u>	<u>\$</u>	<u>102,007,433</u>	<u>\$</u>	<u>9,147,108</u>



# STATISTICAL SECTION

## (UNAUDITED)

### **Notes to the Statistical Section:**

Ten years of data is presented for the School Board and/or the City of Norfolk. The School Board is a component unit of the City.

#### Financial Trend Data:

- Information on Net Assets
- Information on Changes in Net Assets
- Information on Fund Balances
- Information on Changes in Fund Balances

#### Revenue Capacity Data:

- Information about the revenue base
- Information about principal revenue payers (current and nine years prior)
- Information about property tax levies and collections

#### Debt Capacity Data:

- Ratios of outstanding debt
- Ratios of general bonded debt
- Information about direct and overlapping debt (current year)
- Information about debt limitations
- Information about pledged revenue coverage

#### Demographic and Economic Information:

At a minimum, population, total personal income, per capita income, and unemployment rates must be presented for governmental agencies.

#### Operating Information:

Governments are required to present:

- The number of government employees
- Indicators of the demand or level of service
- Indicators of volume, usage, or nature of capital assets

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 1**  
**Net Assets by Category**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	Fiscal Years						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Invested in capital assets	\$ 37,686	\$ 36,313	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813
Restricted	9,483	7,315	9,931	6,400	19,045	2,993	1,051
Unrestricted	12,389	15,589	12,065	16,849	6,213	14,347	5,965
Total governmental activities net assets	<u>\$ 59,558</u>	<u>\$ 59,217</u>	<u>\$ 54,839</u>	<u>\$ 71,114</u>	<u>\$ 75,755</u>	<u>\$ 83,404</u>	<u>\$ 78,829</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 2**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	Fiscal Years						
	2002	2003	2004	2005	2006	2007	2008
			As Restated	As Restated			
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for services	\$ 4,928	\$ 4,873	\$ 6,780	\$ 6,469	\$ 5,750	\$ 5,155	\$ 6,250
Operating grants and contributions	164,739	176,569	177,124	196,556	194,023	226,323	224,043
Capital grants and contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941
Total Program Revenues	<u>175,204</u>	<u>192,281</u>	<u>195,604</u>	<u>212,439</u>	<u>220,945</u>	<u>243,173</u>	<u>239,234</u>
<b>General Revenues:</b>							
Use of money and property	1,846	1,624	2,290	1,874	2,863	3,840	2,325
Other	-	-	-	103	63	53	51
Commonwealth of Virginia	28,769	25,354	27,399	32,220	32,239	31,830	32,292
Local government	83,883	88,854	90,020	91,865	92,595	97,595	101,095
Total General Revenues	<u>114,498</u>	<u>115,832</u>	<u>119,709</u>	<u>126,062</u>	<u>127,760</u>	<u>133,318</u>	<u>135,763</u>
Total Revenues	<u>289,702</u>	<u>308,113</u>	<u>315,313</u>	<u>338,501</u>	<u>348,705</u>	<u>376,491</u>	<u>374,997</u>
<b>Expenses:</b>							
Instruction	213,991	228,397	235,930	257,416	256,730	261,248	279,282
Support Services:							
Administration, Attendance and Health	10,441	10,425	10,593	10,879	11,846	11,690	13,312
Pupil Transportation	9,655	9,826	12,109	7,076	9,988	10,588	11,137
Operation and Maintenance	27,962	28,505	27,936	29,101	34,112	35,398	36,258
Information Technology	5,113	6,004	6,678	10,239	9,222	9,608	8,950
School Facilities	8,068	19,416	14,071	4,621	5,348	27,473	16,099
Food Services	15,129	5,882	12,373	13,035	13,700	12,837	14,533
Total Expenses	<u>290,359</u>	<u>308,455</u>	<u>319,690</u>	<u>332,367</u>	<u>340,946</u>	<u>368,842</u>	<u>379,571</u>
Change in Net Assets	<u>\$ (657)</u>	<u>\$ (342)</u>	<u>\$ (4,377)</u>	<u>\$ 6,134</u>	<u>\$ 7,759</u>	<u>\$ 7,649</u>	<u>\$ (4,574)</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 3**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 15,133	\$ 10,242	\$ 9,470	\$ 10,334	\$ 14,398	\$ 11,481	\$ 5,617	\$ 8,332	\$ 12,273	\$ 8,483
Unreserved	766	3,305	6,704	9,332	9,099	8,549	19,154	5,233	6,037	4,445
Total General Fund	15,899	13,547	16,174	19,666	23,497	20,030	24,771	13,565	18,310	12,928
Other Governmental Funds:										
Grant Fund										
Reserved	-	7,494	3,843	3,097	-	2,084	314	2,430	1,472	1,326
Unreserved	-	(7,494)	(3,843)	(2,028)	789	(2,033)	-	-	-	(1,235)
Total Grant Fund	-	-	-	1,069	789	51	314	2,430	1,472	91
Capital Projects Fund										
Reserved	-	-	-	-	-	5,198	1,066	11,157	641	2,851
Unreserved	-	-	-	-	-	-	-	-	1,483	(1,105)
Total Capital Projects Fund	-	-	-	-	-	5,198	1,066	11,157	2,124	1,746
Non-Major Fund:										
Child Nutrition Services Fund										
Reserved	-	75	118	5,443	4,447	780	637	969	1,245	1,230
Unreserved	4,956	6,365	3,649	2,971	2,079	4,295	4,743	4,792	5,116	4,541
Total Child Nutrition Services Fund	4,956	6,440	3,767	8,414	6,526	5,075	5,380	5,761	6,361	5,771
Total Other Governmental Funds	4,956	6,440	3,767	9,483	7,315	10,324	6,760	19,348	9,957	7,608
Total Fund Balance, Governmental Funds	\$ 20,855	\$ 19,987	\$ 19,941	\$ 29,149	\$ 30,812	\$ 30,354	\$ 31,531	\$ 32,913	\$ 28,267	\$ 20,536

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES</b>										
Use of money and property	\$ 2,226	\$ 1,541	\$ 1,692	\$ 1,705	\$ 1,517	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325
Charges for services	4,540	4,400	4,527	4,928	4,873	6,780	6,469	5,750	5,155	6,250
Other	239	164	241	223	1,093	1,173	526	324	209	51
Intergovernmental :										
Local government	79,378	79,859	81,713	84,839	98,216	99,950	100,652	103,093	108,681	109,441
Commonwealth of Virginia	140,542	153,803	165,659	157,380	161,705	165,375	185,870	190,200	206,170	208,271
Federal government	31,022	32,806	34,461	40,627	40,709	40,733	43,147	46,475	52,436	48,659
Total revenues	257,947	272,573	288,293	289,702	308,113	315,313	338,501	348,705	376,491	374,997
<b>EXPENDITURES</b>										
Instruction	167,077	180,946	186,989	212,042	226,640	233,019	261,225	256,649	278,272	285,213
Administration, Attendance, and Health	-	-	-	10,359	10,347	10,452	11,057	11,683	11,836	13,457
Pupil Transportation	-	-	-	9,575	9,752	11,940	7,193	10,390	10,416	10,896
Operation and Maintenance	12,746	13,528	12,466	27,743	28,297	27,549	29,595	32,262	33,648	33,778
Information Technology	-	-	-	5,071	5,962	6,600	10,365	8,786	9,435	8,818
School Facilities	-	-	-	7,755	19,105	13,749	4,385	13,726	23,612	15,178
Food Services	-	-	-	15,109	5,811	12,204	13,254	13,587	13,685	14,870
Other	-	-	-	411	269	-	-	-	-	294
Support Activities and facilities	48,084	54,036	57,326	-	-	-	-	-	-	-
Categorical grants	22,037	24,638	31,273	-	-	-	-	-	-	-
Debt service:										
Principal	157	157	157	157	157	157	157	157	157	157
Interest and other charges	145	136	127	119	110	101	93	84	75	67
Total expenditures	250,246	273,441	288,338	288,341	306,450	315,771	337,324	347,324	381,136	382,728
Excess (deficiency) of revenues over expenditures	7,701	(868)	(45)	1,361	1,663	(458)	1,177	1,381	(4,645)	(7,731)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	2,250	-	-	-	4,172	-	10,054	-	303
Transfers out	-	(2,250)	-	-	-	(4,172)	-	(10,054)	-	(303)
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	7,701	(868)	(45)	1,361	1,663	(458)	1,177	1,381	(4,645)	(7,731)
Debt services as a percentage of noncapital Expenditures	0.15%	0.13%	0.12%	0.10%	0.09%	0.08%	0.07%	0.07%	0.06%	0.06%

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 5**  
**Program Revenues by Function**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	2002	2003	2004	Fiscal Years 2005	2006	2007	2008
			As Restated	As Restated			
<b>Function/Program</b>							
Charges for Services							
Instruction	\$ 2,093	\$ 1,936	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190
Food Services	2,835	2,937	3,821	4,029	3,121	3,248	3,060
Subtotal of Charges for Services	4,928	4,873	6,780	6,469	5,750	5,155	6,250
Operating Grants and Contributions							
Instruction	156,983	165,909	166,099	187,038	183,395	215,594	212,931
Information Technology	818	1,161	1,161	-	-	-	-
Food Services	8,938	9,499	9,864	9,518	10,628	10,729	11,112
Subtotal of Operating Grants and Contributions	166,739	176,569	177,124	196,556	194,023	226,323	224,043
Capital Grants and Contributions							
School Facilities	5,537	10,839	11,700	9,414	21,172	11,695	8,941
Subtotal of Capital Grants and Contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941
Total Program Revenues	\$ 177,204	\$ 192,281	\$ 195,604	\$ 212,439	\$ 220,945	\$ 243,173	\$ 239,234

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Schedule 6**  
**Total Revenue by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
1999	2,226	4,540	239	79,379	140,542	31,021	257,947
2000	1,541	4,400	164	79,859	153,803	32,806	272,573
2001	1,692	4,527	241	81,713	165,659	34,462	288,294
2002	1,705	4,928	223	84,839	157,380	40,627	289,702
2003	1,517	4,873	1,093	98,216	161,706	40,709	308,114
2004	1,302	6,780	1,173	99,950	165,375	40,733	315,313
2005	1,838	6,469	526	100,652	185,870	43,147	338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
2008	2,325	6,250	51	109,441	208,271	48,659	374,997
Change 1999-2008	4.4%	37.7%	-78.7%	37.9%	48.2%	56.9%	45.4%

(UNAUDITED)

**School Board for the City of Norfolk**  
**Debt Capacity**  
**Schedule 1**  
**Transportation Facility**  
**Last Ten Fiscal Years**

Fiscal Year	Debt Service		
	Principal	Interest	Total
1999	156,900	144,626	301,526
2000	156,900	135,985	292,885
2001	156,900	127,345	284,245
2002	156,900	118,704	275,604
2003	156,900	110,083	266,983
2004	156,900	101,422	258,322
2005	156,900	92,782	249,682
2006	156,900	84,141	241,041
2007	156,900	75,500	232,400
2008	156,900	66,860	223,760

Notes:

1. The debt is being paid to the City of Norfolk from 1995 -2016.
2. The original cost of the facility was \$3.1 million.



(UNAUDITED)

**School Board for the City of Norfolk**  
**Debt Capacity**  
**Schedule 2**  
**Ratio of Annual Debt Service Expenditures**  
**Last Ten Years**  
**to Total General Expenditures**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1999	156,900	144,626	301,526	250,245,896	0.12%
2000	156,900	135,985	292,885	273,441,360	0.11%
2001	156,900	127,345	284,245	288,338,362	0.10%
2002	156,900	118,704	275,604	288,340,595	0.10%
2003	156,900	110,083	266,983	306,450,353	0.09%
2004	156,900	101,422	258,322	315,771,027	0.08%
2005	156,900	92,782	249,682	337,324,224	0.07%
2006	156,900	84,141	241,041	347,323,628	0.07%
2007	156,900	75,500	232,400	381,136,457	0.06%
2008	156,900	66,860	223,760	382,727,579	0.06%

Notes:

1. Total general expenditures include the expenditures for debt service.
2. Total general expenditures are presented using the modified accrual basis of accounting.

**School Board for the City of Norfolk**  
**Child Nutrition Services**  
**Summary of Meals Served**  
**As of June 30, 2008**

<b>School</b>	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
Elementary Schools	1,266,662	2,494,876	3,761,538
Middle Schools	218,789	855,871	1,074,660
High Schools	143,451	584,873	728,324
Auxiliary Facilities	88,000	124,291	212,291
<b>Totals</b>	<b>1,716,902</b>	<b>4,059,911</b>	<b>5,776,813</b>

**School Board for the City of Norfolk**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the month of October 2007**

Schools		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW	56.22%	8.42%	35.36%	43.78%
123	CALCOTT	56.83%	11.88%	31.29%	43.17%
114	CAMP ALLEN	51.52%	17.40%	31.08%	48.48%
109	CAMPOSTELLA ELEM	8.08%	3.66%	88.26%	91.92%
126	CHESTERFIELD ACADEMY	21.62%	9.46%	68.92%	78.38%
128	COLEMAN PLACE	28.45%	13.08%	58.47%	71.55%
129	CROSSROADS	42.22%	14.19%	43.59%	57.78%
127	DREAMKEEPERS ACADEMY	22.82%	11.41%	65.77%	77.18%
168	FAIRLAWN ELEMENTARY	40.84%	13.55%	45.62%	59.16%
135	GHENT ELEMENTARY	70.38%	9.42%	20.21%	29.62%
134	GRANBY ELEMENTARY	43.24%	12.02%	44.74%	56.76%
136	INGLESIDE ELEMENTARY	38.30%	14.91%	46.79%	61.70%
108	JACOX ELEMENTARY	9.61%	4.50%	85.89%	90.39%
141	LARCHMONT ELEMENTARY	71.85%	4.75%	23.40%	28.15%
142	LARRYMORE ELEMENTARY	51.27%	17.03%	31.70%	48.73%
145	LINDENWOOD ELEMENTARY	10.84%	7.90%	81.26%	89.16%
146	LITTLE CREEK ELEMENTARY	35.01%	15.38%	49.60%	64.99%
147	LITTLE CREEK PRIMARY	35.74%	10.49%	53.77%	64.26%
150	MONROE ELEMENTARY	11.06%	5.41%	83.53%	88.94%
151	NORVIEW ELEMENTARY	22.27%	14.43%	63.30%	77.73%
152	OAKWOOD ELEMENTARY	35.66%	8.46%	55.88%	64.34%
154	OCEAN VIEW ELEMENTARY	41.14%	11.81%	47.05%	58.86%
153	OCEANAIR ELEMENTARY	34.21%	10.65%	55.14%	65.79%
165	P.B. YOUNG ELEMENTARY	5.43%	2.22%	92.35%	94.57%
169	POPLAR HALL ELEMENTARY	42.82%	13.49%	43.70%	57.18%
122	RICHARD BOWLING	24.68%	13.92%	61.39%	75.32%
137	SEWELLS POINT ELEMENTARY	46.10%	27.27%	26.62%	53.90%
156	SHERWOOD FOREST	43.62%	12.16%	44.22%	56.38%
131	ST. HELENA ELEM.	20.48%	12.29%	67.24%	79.52%
159	SUBURBAN PARK ELEMENTARY	35.51%	10.84%	53.64%	64.49%
161	TANNERS CREEK ELEMENTARY	40.52%	12.33%	47.15%	59.48%
118	TARRALLTON ELEMENTARY	60.80%	12.44%	26.76%	39.20%
160	TAYLOR ELEMENTARY	69.82%	5.76%	24.42%	30.18%
119	TIDEWATER PARK ELEMENTARY	5.14%	2.97%	91.89%	94.86%
115	WILLARD MODEL	42.31%	10.38%	47.31%	57.69%
106	WILLOUGHBY ELEMENTARY	46.92%	25.00%	28.08%	53.08%

**School Board for the City of Norfolk**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the month of October 2007**

Schools		Paid	Reduced	Free	Total Free / Reduced
Middle Schools					
206	AZALEA MIDDLE	55.88%	12.38%	31.74%	44.12%
207	BLAIR MIDDLE	42.93%	10.95%	46.12%	57.07%
217	LAFAYETTE-WINONA	23.33%	8.10%	68.57%	76.67%
216	LAKE TAYLOR MIDDLE	29.36%	10.44%	60.20%	70.64%
249	MEADOWBROOK SCHOOL	64.98%	11.45%	23.57%	35.02%
211	NORTHSIDE MIDDLE	46.72%	12.03%	41.25%	53.28%
212	NORVIEW MIDDLE	32.71%	13.42%	53.87%	67.29%
213	ROSEMONT MIDDLE	40.43%	14.14%	45.42%	59.57%
214	RUFFNER MIDDLE	24.91%	9.67%	65.43%	75.09%
High Schools					
301	GRANBY HIGH	58.54%	8.36%	33.11%	41.46%
305	LAKE TAYLOR HIGH	48.41%	9.93%	41.66%	51.59%
302	MAURY HIGH	54.37%	9.20%	36.43%	45.63%
303	NORVIEW HIGH	56.52%	10.83%	32.65%	43.48%
304	WASHINGTON HIGH (+NTRAEP)	39.57%	10.43%	50.00%	60.43%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA	13.16%	11.28%	75.56%	86.84%
171	EASTON PRE-SCHOOL	51.50%	15.57%	32.93%	48.50%
392	MADISON	35.58%	4.81%	59.62%	64.42%
4100	MARINE INSTITUTE	7.14%	7.14%	85.71%	92.86%
396	NORFOLK TECH. CENTER NTC	60.46%	8.59%	30.96%	39.54%
158	STUAR EARLY CHILDH CENTER	25.16%	13.84%	61.01%	74.84%
163	TUCKER NEW START	6.67%	13.33%	80.00%	93.33%
School Board for the City of Norfolk Totals		41.71%	10.90%	47.39%	58.29%
October 2007 Totals		41.71%	10.90%	47.39%	58.29%

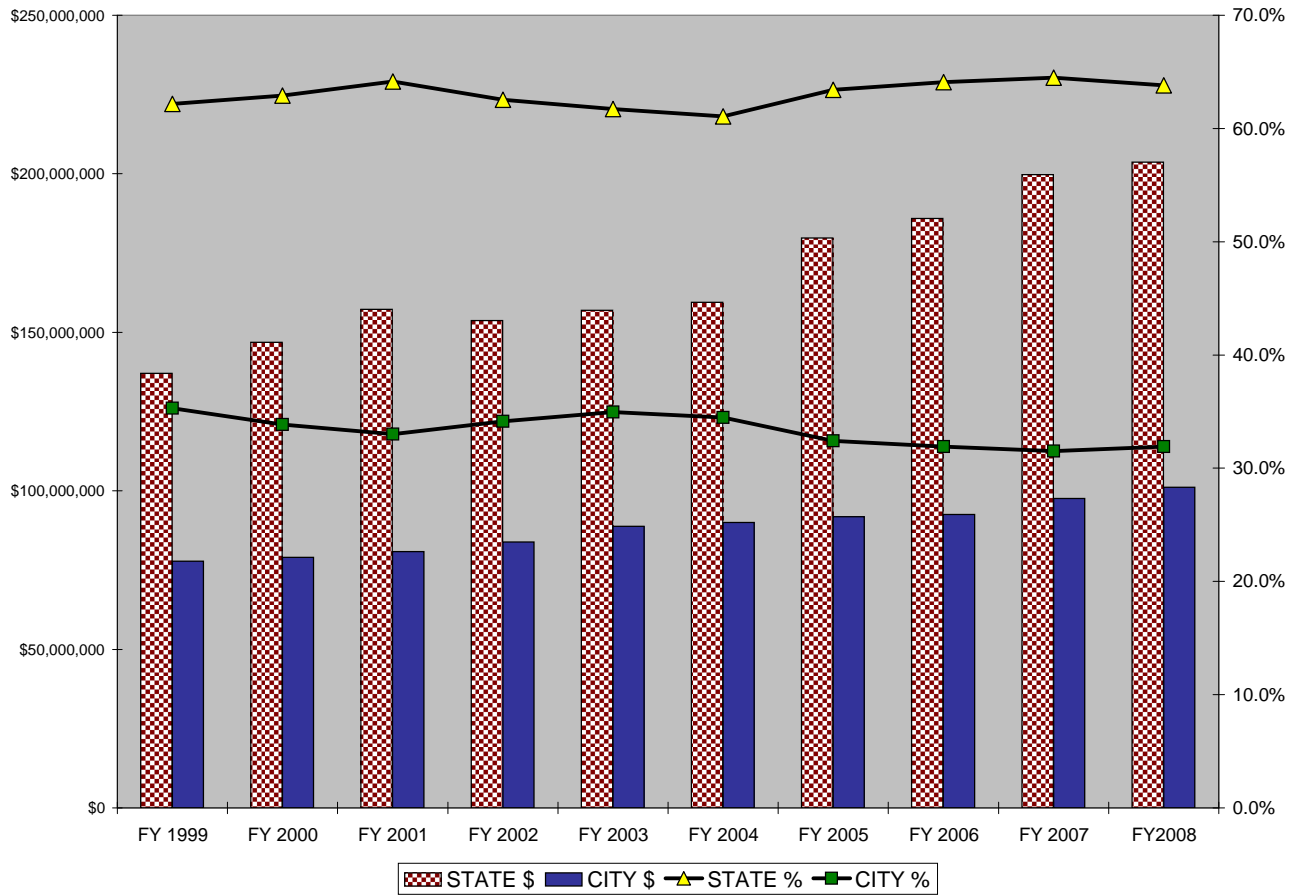
*Source of data: Norfolk Public Schools Child Nutrition Services*

## Summary of Child Nutrition Services Funds

Currently, Norfolk serves an average of 35,000 meals and 750 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	Positions		Actual	Actual	Budget	Actual	Budget	% Increase
	2008	2009	2006	2007	2008	2008	2009	Over 2008
<b>Revenue</b>								
Sales			\$3,121,168	\$3,248,419	\$3,214,570	\$2,994,950	\$3,645,310	13.40%
Federal and state food program reimbursements			9,747,430	9,767,554	10,039,850	9,933,678	10,275,900	2.35%
Federal commodities donated			880,278	961,035	1,000,000	1,178,250	900,000	-10.00%
Interest earnings			156,079	209,540	160,760	115,251	83,820	-47.86%
Other			63,238	(77,842)	70,000	68,966	585,660	736.66%
<b>Total revenue</b>			<b>\$13,968,193</b>	<b>\$14,108,706</b>	<b>\$14,485,180</b>	<b>\$14,291,094</b>	<b>\$15,490,690</b>	<b>6.94%</b>
<b>Expenditures</b>								
Cost of goods sold			\$6,032,141	\$5,872,726	\$6,394,070	\$6,519,867	\$6,647,570	3.96%
Employee compensation	214.50	208.50	6,570,956	6,720,737	7,328,480	7,167,065	7,714,530	5.27%
Maintenance costs			166,050	206,451	174,360	206,623	236,810	35.82%
Supplies and materials			190,336	252,377	199,850	325,075	275,000	37.60%
Cafeteria and other equipment			68,518	213,505	250,000	337,174	270,000	8.00%
Other costs			558,527	243,390	586,460	325,214	346,780	-40.87%
<b>Total expenditures</b>	<b>214.50</b>	<b>208.50</b>	<b>\$13,586,527</b>	<b>\$13,509,186</b>	<b>\$14,933,220</b>	<b>\$14,881,019</b>	<b>\$15,490,690</b>	<b>3.73%</b>
Excess of revenues over expenditures			\$381,667	\$599,520	(\$448,040)	(\$589,925)	\$0	
Fund balance - beginning of year			5,379,650	5,761,317	6,360,837	6,360,837	5,770,912	
<b>Fund balance - end of year</b>			<b>\$5,761,317</b>	<b>\$6,360,837</b>	<b>\$5,912,797</b>	<b>\$5,770,912</b>	<b>\$5,770,912</b>	<b>-2.40%</b>

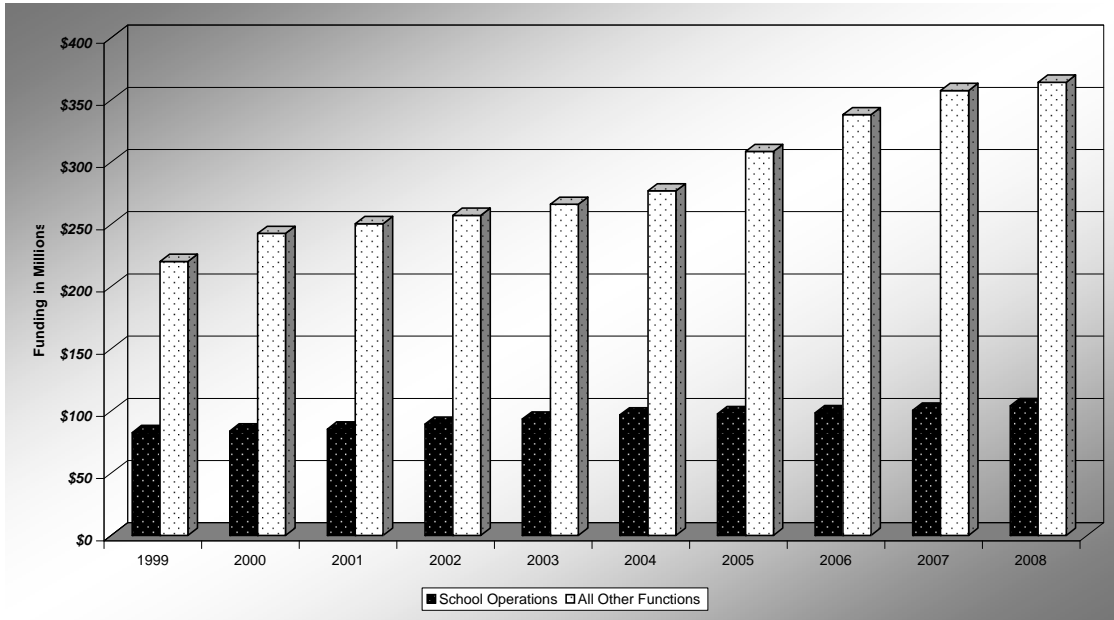
## State and City Revenues 1999-2008



YEAR	STATE REVENUE		CITY REVENUE	
	Total	Percent	Total	Percent
1999	\$137,062,000	62.2%	\$77,819,433	35.3%
2000	\$146,850,000	62.9%	\$79,032,544	33.9%
2001	\$157,265,800	64.2%	\$80,882,544	33.0%
2002	\$153,677,868	62.5%	\$83,882,544	34.1%
2003	\$156,935,500	61.7%	\$88,853,663	34.9%
2004	\$159,502,850	61.1%	\$90,020,000	34.5%
2005	\$179,716,070	63.4%	\$91,864,910	32.4%
2006	\$185,931,322	64.1%	\$92,594,910	31.9%
2007	\$199,700,700	64.5%	\$97,594,910	31.5%
2008	\$202,196,359	63.8%	\$101,094,910	31.9%

*This chart indicates state and city funding (the two major sources of school funds) over the last decade. The information is in actual dollars (unadjusted for inflation) based on the overall funding, including federal and other local revenues (fees, interest, etc.). Since federal and local revenues are not shown on this chart, the percentages do not total 100%. Source of data: Norfolk Public Schools Budget Department.*

**Comparison of Revenue Under Local Control Dedicated  
to School Operations and to Other Functions  
1999-2008**



Year	Revenue Under Local Control		Local Revenue Dedicated to School Operations (a)		Dedicated to All Other Functions	
	Total	Growth	Total	Growth	Total	Growth
FY 1999	\$302.67	2.3%	\$82.54	1.4%	\$220.13	2.7%
FY 2000	\$326.52	7.9%	\$83.83	1.6%	\$242.69	10.3%
FY 2001	\$335.90	2.9%	\$85.39	1.9%	\$250.51	3.2%
FY 2002	\$346.70	3.2%	\$89.42	4.7%	\$257.28	2.7%
FY 2003	\$359.65	3.7%	\$93.54	4.6%	\$266.11	3.4%
FY 2004	\$373.80	3.9%	\$96.86	3.5%	\$276.94	4.1%
FY2005	\$406.30	8.7%	\$97.81	1.0%	\$308.49	11.4%
FY2006	\$436.70	7.5%	\$98.57	0.8%	\$338.13	9.6%
FY 2007	\$458.10	4.9%	\$100.60	2.1%	\$357.50	5.7%
FY 2008	\$468.40	2.2%	\$104.20	3.6%	\$364.20	1.9%

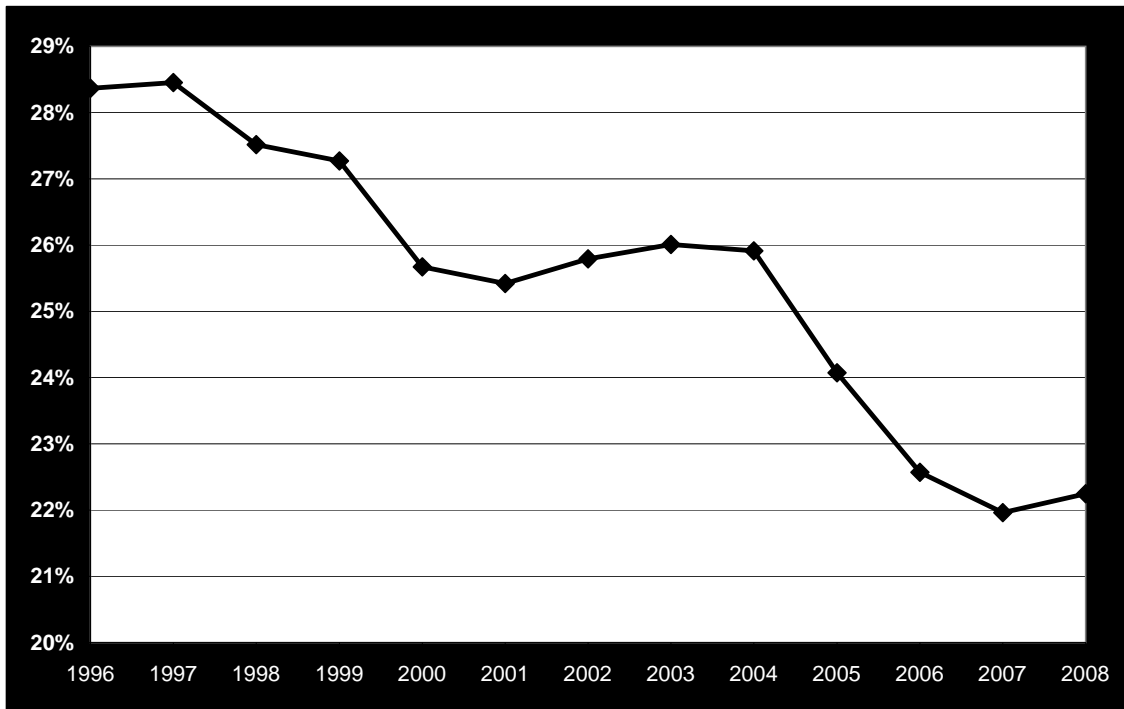
*Amounts shown are in millions of dollars*

<b>Average growth 1999-08:</b>	<b>5.5%</b>	<b>2.6%</b>	<b>6.5%</b>
<b>Total growth 1999-08</b>	<b>54.8%</b>	<b>26.2%</b>	<b>65.5%</b>

(a) Includes an estimate of cost of crossing guards, school nurses, grounds maintenance and local revenues collected directly by school board (fees, etc.).

(b) Source of data: Norfolk Public Schools Budget Department.

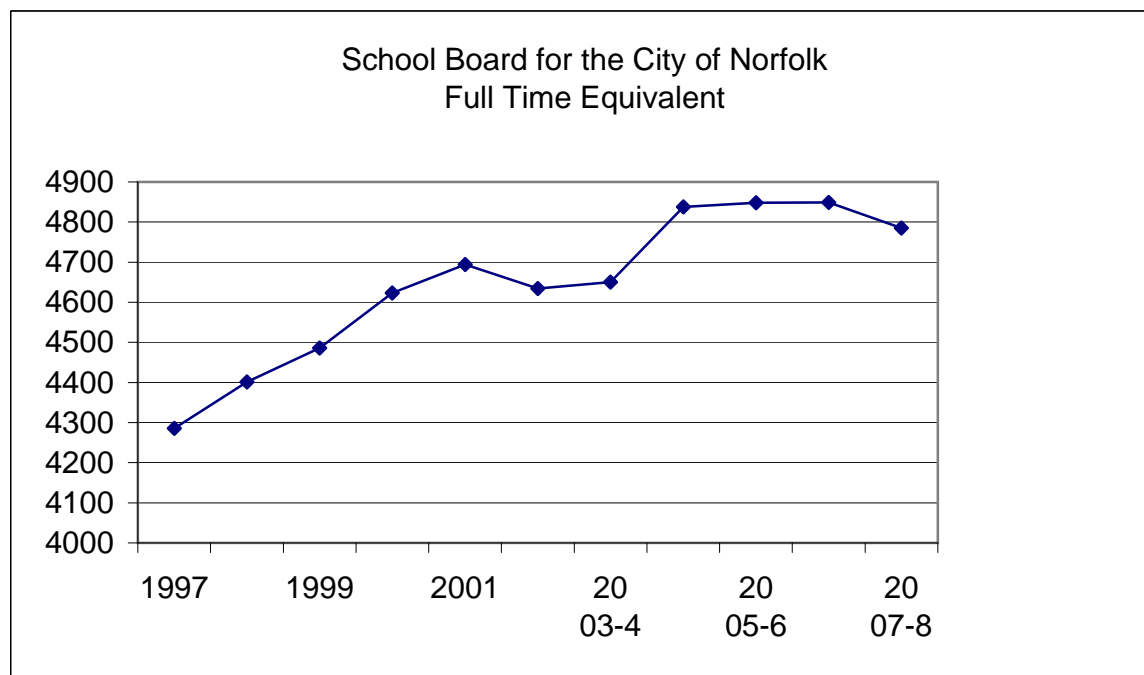
**Percentage of Revenue Under Local Control  
Dedicated to School Operations  
1996-2008**



Year	Local Revenue	Dedicated to School Operations	% to School Operations
FY 1996	\$279.37	\$79.25	28.4%
FY 1997	\$284.19	\$80.87	28.5%
FY 1998	\$295.74	\$81.38	27.5%
FY 1999	\$302.67	\$82.54	27.3%
FY 2000	\$326.52	\$83.83	25.7%
FY 2001	\$335.90	\$85.39	25.4%
FY 2002	\$346.70	\$89.42	25.8%
FY 2003	\$359.65	\$93.54	26.0%
FY 2004	\$373.80	\$96.86	25.9%
FY 2005	\$406.30	\$97.81	24.1%
FY 2006	\$436.70	\$98.57	22.6%
FY 2007	\$458.10	\$100.60	22.0%
FY 2008	\$468.40	\$104.20	22.2%

*Source of data: Norfolk Public Schools Budget Department.*



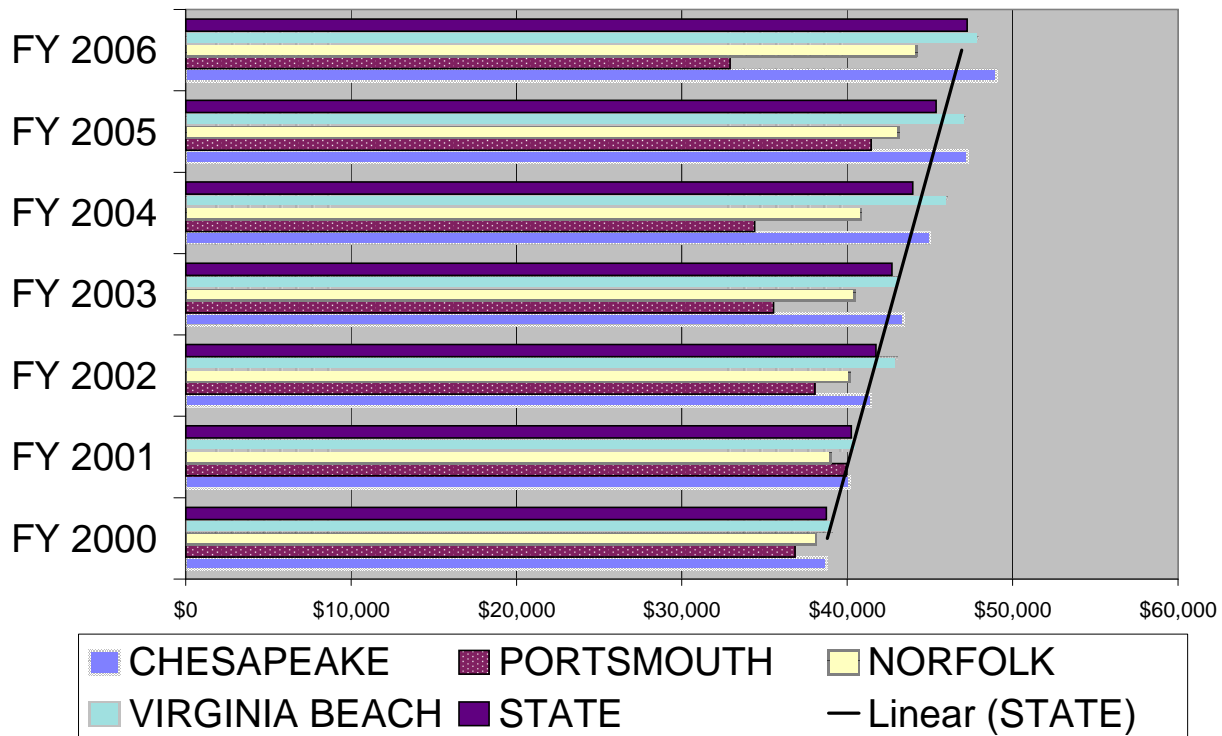


Year	FTE
1997	4286
1998	4401
1999	4486
2000	4623
2001	4694
2002-3	4634
2003-4	4650
2004-5	4838
2005-6	4848
2006-7	4849
2007-8	4785

*Source of data: Norfolk Public Schools Strategic Evaluation Assessment and Support.*

## Average Annual Salary - All Teaching Positions

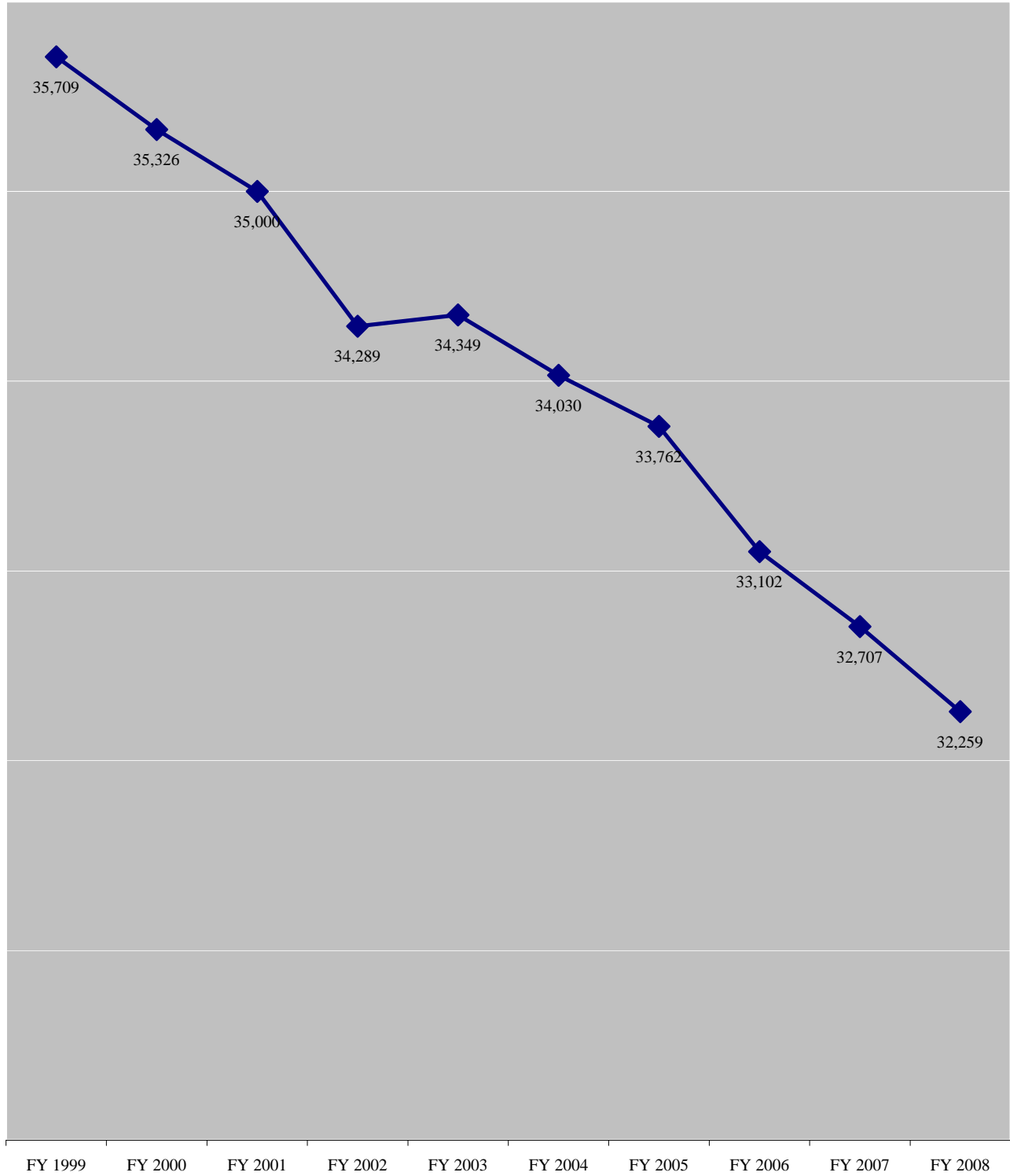
### Average Annual Salary -All Teaching Positions



Source of data: Superintendent's Annual Report for Virginia

### Average Daily Membership

(Source of data: Norfolk Public Schools Department of Strategic Evaluation Assessment and Support)



## Average Costs Per Student

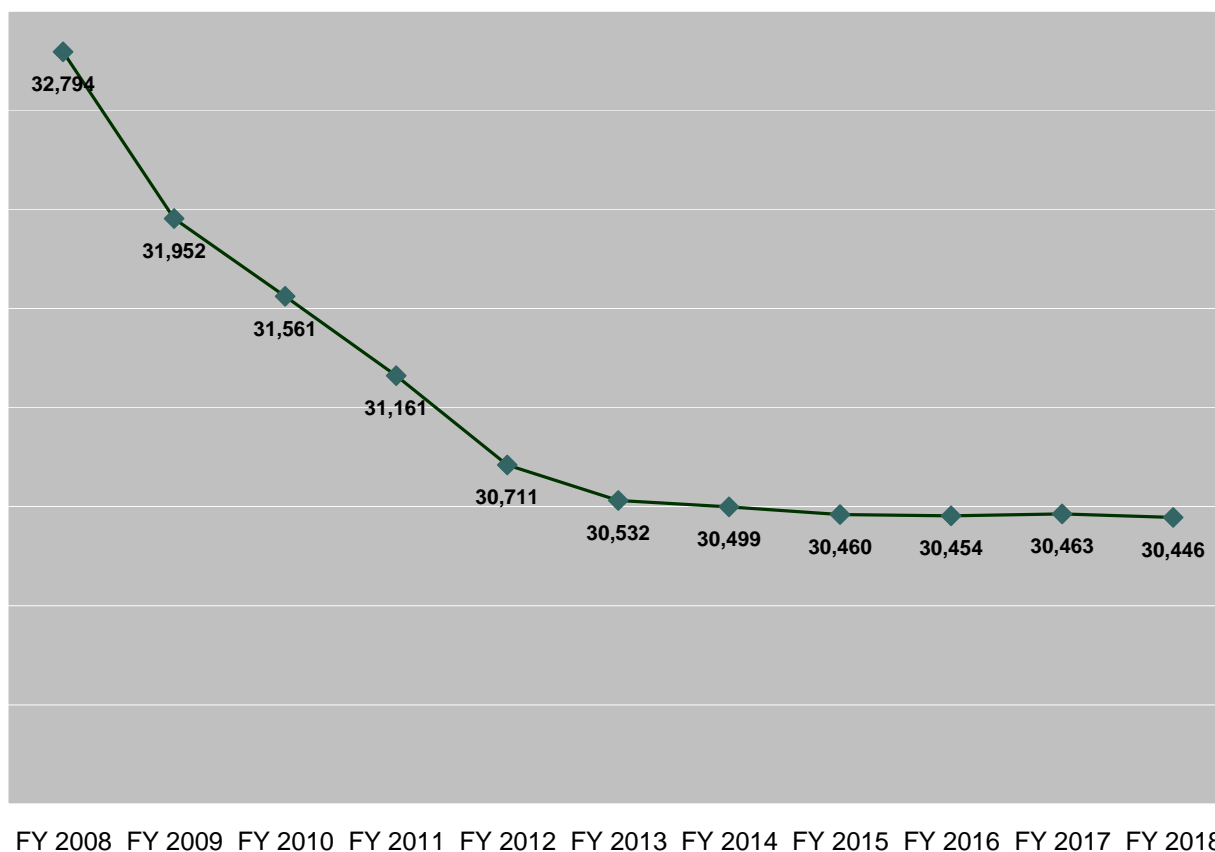
Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (b)			Average Cost per Student exclusive of Adult Education
		K-12	Pre-K	Total	
1999	\$219,992,565	35,709	1,120	36,829	\$5,973
2000	\$231,538,811	35,326	1,152	36,478	\$6,347
2001	\$239,301,631	35,000	1,152	36,152	\$6,619
2002	\$245,188,608	34,268	1,152	35,420	\$6,922
2003	\$251,565,368	34,349	1,152	35,501	\$7,086
2004	\$260,460,046	34,030	1,152	35,182	\$7,403
2005	\$282,762,068	33,762	1,152	34,914	\$8,099
2006	\$291,657,947	33,262	1,052	34,314	\$8,500
2007	\$309,045,784	32,962	1,052	34,014	\$9,086
2008	\$320,153,883	32,464	1,052	33,516	\$9,552
2009	\$330,367,304 (a)	31,480	1,748	33,228	\$9,942

(a) Projected expenditures

(b) Student membership is average daily membership for the year. FY 2008/2009 membership is estimated. Pre-kindergarten membership excludes students enrolled in classes funded by Federal Title I funds.

*Source of data: Norfolk Public Schools Department of Strategic Evaluation Assessment and Support.*

## Enrollment Projections (K-12)



Fiscal Year	Projected Enrollment
FY 2008	32,794
FY 2009	31,952
FY 2010	31,561
FY 2011	31,161
FY 2012	30,711
FY 2013	30,532
FY 2014	30,499
FY 2015	30,460
FY 2016	30,454
FY 2017	30,463
FY 2018	30,446

### METHODOLOGY

A model for long-range student enrollment projections is based upon survival ratios, adjustments for births, and new student to come from residential development.

Survival ratios for each grade and year were calculated from historical and current enroll year. In most instances, these ratios are less than one - meaning that some students either move out of the district, transfer to a private school, or are not promoted. To remove some of the year-to-year variation, three year weighted survival ratios was used.

*Source: Norfolk Public Schools Department of Strategic Evaluation Assessment and Support*

# STATE INCENTIVES FOR PRIMARY CLASS SIZE REDUCTIONS

Elementary School	2007-08 Free Lunch Eligibility Percentage	State Target for Pupil-Teacher Ratio	Expected Pupil-Teacher Ratio Budgeted	Maximum Class Size	Average Class Size Expected
Bay View	40%	19:1	19:1	24	22
Bowling Park	76%	15:1	15:1	20	14*
Caicott	38%	19:1	19:1	24	22
Camp Allen	56%	19:1	19:1	24	23
Campostella	91%	14:1	14:1	19	17*
Chesterfield	81%	16:1	16:1	21	16*
Coleman Place	75%	17:1	17:1	22	20
Crossroads	62%	18:1	18:1	23	21
Fairlawn	58%	19:1	19:1	24	21
Ghent	30%	20:1	20:1	25	23
Granby	58%	18:1	18:1	23	20
Ingleside	65%	18:1	18:1	23	22
Jacox	93%	14:1	14:1	19	16*
Larchmont	30%	19:1	19:1	24	21
Larrymore	50%	19:1	19:1	24	22
Lindenwood	91%	14:1	14:1	19	16*
Little Creek	62%	17:1	17:1	21	21
Monroe	91%	14:1	14:1	21	16*
Norview	74%	17:1	17:1	21	20
Oakwood	79%	17:1	17:1	21	15
Ocean View	57%	18:1	18:1	23	21
Oceanair	66%	18:1	18:1	22	21
Poplar Halls	58%	19:1	19:1	24	19
Roberts Park	77%	14:1	14:1	19	16*
Sewells Point	58%	20:1	20:1	24	22
Sherwood Forest	55%	19:1	19:1	24	22
St Helena	77%	16:1	16:1	23	15*
Suburban Park	65%	18:1	18:1	23	21
Tanners Creek	63%	18:1	18:1	23	21
Tarrallton	43%	20:1	20:1	24	20
Taylor	28%	20:1	20:1	24	20
Tidewater Park	93%	14:1	14:1	19	14*
Willard	52%	19:1	19:1	24	21
Willoughby	61%	19:1	19:1	24	18
Young Park	96%	14:1	14:1	19	15*

\* Includes four federal class reduction teachers for grades K-3.

Source of data: Norfolk Public Schools Department of Strategic Evaluation Assessment and Support.

**School Board for the City of Norfolk**  
**Facility Information for Schools**  
**As of 2002**

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age
Granby High	1939	292,294	25.0	0	1997-1998	4 (63)
Lake Taylor High	1967	261,000	44.7	1	1974	35
Maurry High	1910	265,000	9.8	0	1988	14
Norview High	1954	141,260	27.0	11		48
B.T. Washington High	1974	265,000	30.0	0		28
<b>Average Age</b>						<b>25.8</b>
Azalea Middle	1961	120,374	21.1	3		41
Blair Middle	1922	142,400	7.4	13	2008	80
Lafayette-Winona Middle	1991	140,000	14.1	8		11
Lake Taylor Middle	1965	83,240	20.0	6		37
Northside Middle	1956	122,675	14.5	10		46
Norview Middle	1995	152,000		0		7
Rosemont Middle	1959	126,028	18.5	0		43
Ruffner Middle	1994	146,000	10.52	0		8
<b>Average Age</b>						<b>34.125</b>
Bay View Elementary	1922	83,095	9.4	0	1999	3
Bowling Park Elementary	1953	54,325	12.3	5	1954	49
Calcott Elementary	1952	65,100	12.0	2	1954	50
Camp Allen Elementary	1970	69,200	14.0	0	1984	32
Campostella Elementary	1963	95,970	21.2	0		39
Chesterfield Academy	1953	58,750	12.3	12	1971	49
Coleman Place Elementary	1924	50,060	9.0	10	1953, 1965, 2008	78
Crossroads Elementary	1946	49,150	12.0	2	1956, 1965	56
Fairlawn Elementary	1959	42,600	16.4	9	1961	43
Ghent Elementary	1978	60,800	13.0	0		24
Granby Elementary	1948	82,081	9.0	0	1989	54

( ) Age of the Original Structure

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	Age
Ingleside Elementary	1954	58,500	16.0	3		48
Jacox Elementary	1949	79,200	11.7	4		53
Larchmont Elementary	1929	47,300	23.0	0	1977	73
Larrymore Elementary	1957	63,900	13.0	0	1964	45
Lindenwood Elementary	1953	54,900	9.5	3	1965	49
Little Creek Elementary	1954	56,795	17.0	8		48

**School Board for the City of Norfolk**  
**Facility Information for Schools**  
**As of 2002**

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	
Little Creek Primary	1957	44,500		1		45
Monroe Elementary	1990	64,000	12.8	0		12
Norview Elementary	1952	57,640	14.2	14	1953	50
Oakwood Elementary	1952	40,000	14.5	1	1961	50
Ocean View Elementary	1939	56,150	20.5	2		63
Oceanair Elementary	1956	56,500	17.7	8		46
Poplar Halls Elementary	1959	44,400	17.8	3	1961	43
Robers Park Elementary	1964	40,355	5.5	2		38
St. Helena Elementary	1966	36,074	13.2	1		36
Sewells Point Elementary	1966	60,260	8.9	6	1984	36
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	45
Suburban Park Elementary	1955	61,980	15.0	0	1988	47
Tanners Creek Elementary	1990	83,000	9.0	0		12
Tarrallton Elementary	1964	46,300	15.2	1		38
Taylor Elementary	1998	54,786	2.8	0	1998	4
Tidewater Park Elementary	1964	39,675	8.3	6		38
Willard Elementary	1952	80,925	12.0	0	1990	50
Willoughby Elementary	1967	58,400	12.0	0		35
Young Park Elementary	1954	55,325	8.0	0		48
<b>Average Age</b>						<b>42.47</b>
Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	Age
Tucker	1942	3,000	5.0	0		60
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	49
Camp Young	1946	27,398	30.0	0		56
Coronado	1959	13,280	2.2	1		43
Easton Preschool	1959	37,500	11.7	0	1961	43
Madison Career Center	1919	75,501	3.0	1	1921	83
Meadowbrook	1925	48,029	2.0	0	1937, 1954	77
Norfolk Skills Center	1950	26,135	3.1	0		52
Norfolk Technical Center	1968	135,390	29.5	0	1971	34
Ballentine	1916	38,700	9.8	0	1965	86
Stuart Gifted & ECC	1920	62,600	4.8	0	1923, 1966, 1969	82
Bellmore	1968	77,028	3.9	1		34
<b>Average Age</b>						<b>58.25</b>
Average Age of All Buildings		39.75				
Total Number of Acres		803.2				
Total Number of Square Feet		4,993,621				
Total Number of Mobile Units		165				

Source of data: Norfolk Public Schools School Plant Department



(UNAUDITED)

**School Board of the City of Norfolk**  
**City of Norfolk**  
**Financial Trends Information**  
**Schedule 1**  
**Net Assets by Category**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Invested in capital assets, net of related debt	\$ 537,356	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173
Restricted	72,938	35,753	55,786	6,788	6,605	6,731	6,890
Unrestricted	<u>34,968</u>	<u>72,904</u>	<u>86,959</u>	<u>91,869</u>	<u>96,705</u>	<u>127,479</u>	<u>90,917</u>
Subtotal governmental activities net assets	<u>645,262</u>	<u>579,108</u>	<u>554,738</u>	<u>502,234</u>	<u>494,702</u>	<u>467,198</u>	<u>422,980</u>
Business-Type activities:							
Invested in capital assets, net of related debt	128,521	195,799	223,018	237,044	259,198	268,503	241,203
Restricted	46,861	37,216	36,041	-	-	2,526	2,506
Unrestricted	<u>85,619</u>	<u>39,277</u>	<u>20,293</u>	<u>48,563</u>	<u>43,383</u>	<u>34,373</u>	<u>72,387</u>
Subtotal business-type activities net assets	<u>261,001</u>	<u>272,292</u>	<u>279,352</u>	<u>285,607</u>	<u>302,581</u>	<u>305,402</u>	<u>316,096</u>
Primary Government:							
Invested in capital assets, net of related debt	665,877	666,250	635,011	640,621	650,590	601,491	566,376
Restricted	119,799	72,969	91,827	6,788	6,605	9,257	9,396
Unrestricted	<u>120,587</u>	<u>112,181</u>	<u>107,252</u>	<u>140,432</u>	<u>140,088</u>	<u>161,852</u>	<u>163,304</u>
Total primary government net assets	<u>906,263</u>	<u>851,400</u>	<u>834,090</u>	<u>787,841</u>	<u>797,283</u>	<u>772,600</u>	<u>\$ 739,076</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

## (UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Financial Trends Information**  
**Schedule 2**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services							
General Government	\$ 108	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169
Judicial Administration	10	191	402	498	200	778	931
Public Safety	2,410	6,282	6,727	11,608	13,041	2,708	2,307
Public Works	13,896	16,394	16,829	9,081	10,121	24,181	27,156
Health and Public Assistance	119	159	154	130	134	101	166
Culture and Recreation	1,763	5,907	6,668	7,034	6,198	6,126	6,710
Community Development	6	7	11	5	1,063	907	760
Operating Grants and Contributions	93,270	123,596	105,466	116,399	116,827	115,779	112,960
Total governmental activities program revenue	111,582	152,985	136,808	145,530	148,814	153,030	153,159
Business-type activities:							
Charges for Services							
Water	59,318	63,785	60,964	61,002	74,218	69,816	74,240
Wastewater	13,389	14,615	18,633	21,329	22,375	22,314	24,917
Parking Facilities	18,355	18,574	21,354	21,059	20,911	21,599	20,425
Capital Grants and Contributions	355	254	205	-	78	731	219
Total business-type activities program revenues	91,417	97,228	101,156	103,390	117,582	114,460	119,801
Total primary government program revenues	202,999	250,213	237,964	248,920	266,396	267,490	272,960
<b>Expenses</b>							
Governmental activities:							
General Government	48,062	83,311	86,081	74,344	94,763	113,279	113,142
Judicial Administration	8,987	10,856	36,635	40,319	42,494	46,944	48,593
Public Safety	122,252	117,488	99,975	107,531	106,705	111,803	126,609
Public Works	96,894	103,319	124,833	144,438	109,907	119,176	118,888
Health and Public Assistance	62,062	70,665	77,668	84,173	91,443	93,775	95,234
Culture and Recreation	46,945	44,758	42,495	46,267	44,933	52,965	56,890
Community Development	17,218	19,806	10,471	16,974	14,930	14,772	15,345
Education	83,883	88,854	90,020	91,865	92,595	97,595	101,095
Interest on Long-term Debt	18,536	18,088	17,461	18,516	19,565	19,618	21,457
Intergovernmental	7,932	8,061	6,140	-	-	-	-
Total government activities expenses:	512,771	565,206	591,779	624,427	617,335	669,927	697,253
Business-type activities:							
Water	53,712	54,382	60,069	60,207	62,009	60,511	64,877
Wastewater	11,379	10,963	11,754	11,957	15,448	17,377	18,614
Parking Facilities	14,298	15,834	16,869	18,640	18,356	18,861	21,539
Total business-type activities expenses	79,389	81,179	88,692	90,804	95,813	96,749	105,030
Total primary government expenses	592,160	646,385	680,471	715,231	713,148	766,676	802,283
<b>Net (Expense) Revenue</b>							
Governmental activities	(401,189)	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)
Business-type activities	12,028	16,049	12,464	12,586	21,769	17,711	14,771
Total Primary Government Net Expense	(389,161)	(396,172)	(442,507)	(466,311)	(446,752)	(499,186)	\$ (529,323)

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

## (UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Financial Trends Information**  
**Schedule 2-1**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
(Amounts in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Tax							
Real Estate	\$ 158,871	\$ 168,731	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488
Sales and Use	-	-	-	29,497	30,652	32,402	46,582
Consumption Utility	-	-	-	43,387	43,337	42,586	31,791
Business Licenses	-	-	-	22,015	24,412	25,268	28,758
Motor Vehicle Licenses	-	-	-	2,605	3,576	3,529	26,343
Cigarette	-	-	-	6,948	6,819	6,957	7,577
Restaurant Food	-	-	-	26,669	27,277	28,578	3,498
Franchise, Admission, Recordation and Other Miscellaneous Local	-	-	-	19,356	21,544	19,800	18,025
Other *	127,262	132,847	140,675	-	-	-	-
Interest and Investment earnings	5,566	3,018	2,377	4,916	7,306	6,536	5,307
Grants and contributions not restricted to specific programs	60,367	60,472	77,601	68,219	68,133	66,524	69,352
Miscellaneous	12,003	7,986	18,504	8,496	15,851	4,845	11,881
Gain (Loss) on disposal of assets	625	4,025	-	-	3,249	65	62
Transfers between governmental and business-type activities	8,000	8,500	10,000	10,000	11,868	10,988	10,212
Total governmental activities:	372,694	385,579	430,603	435,264	481,811	489,393	499,876
Business-Type activities:							
Interest and Investment earnings	941	816	609	864	3,161	2,739	3,046
Grants and contributions not restricted to specific programs	-	-	-	-	-	333	-
Unrealized Gain (Loss) on Investments	-	25	(640)	-	-	-	-
Miscellaneous	3,660	2,780	4,624	3,657	3,911	3,554	3,088
Gain (Loss) on disposal of assets	415	121	-	(852)	-	(6)	-
Transfers between governmental and business-type activities	(8,000)	(8,500)	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)
Total business-type activities	(2,984)	(4,758)	(5,407)	(6,331)	(4,796)	(4,368)	(4,078)
Total Primary Governmental Activities	369,710	380,821	425,196	428,933	477,015	485,025	495,798
<b>Change in Net Assets</b>							
Governmental activities	(28,495)	(26,642)	(24,368)	(43,633)	13,290	(27,504)	-
Business-type activities	9,044	11,291	7,057	6,255	16,973	13,343	-
Total Primary Government Net Assets	(19,451)	(15,351)	(17,311)	(37,378)	30,263	(14,161)	\$ -

## Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.
2. \*All taxes listed except real estate taxes were reported as "other" on the CAFR prior to fiscal year 2005.

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
Financial Trends Information  
Schedule 3  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Amounts in Thousands)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 13,625	\$ 12,309	\$ 12,142	\$ 14,913	\$ 8,317	\$ 8,152	\$ 14,172	\$ 16,057	\$ 17,223	\$ 11,669
Unreserved	<u>30,548</u>	<u>39,836</u>	<u>60,569</u>	<u>53,053</u>	<u>49,789</u>	<u>53,948</u>	<u>54,007</u>	<u>66,619</u>	<u>71,056</u>	<u>56,302</u>
Total General Fund	<u>44,173</u>	<u>52,145</u>	<u>72,711</u>	<u>67,966</u>	<u>58,106</u>	<u>62,100</u>	<u>68,179</u>	<u>82,676</u>	<u>88,279</u>	<u>67,971</u>
Capital Projects Fund										
Reserved	12,672	22,685	23,294	40,849	51,259	80,034	82,373	20,885	48,894	57,528
Unreserved	<u>2,748</u>	<u>2,616</u>	<u>11,755</u>	<u>1,009</u>	<u>7,200</u>	<u>14,132</u>	<u>3,394</u>	<u>-</u>	<u>15,424</u>	<u>64,162</u>
Total Capital Projects Fund	<u>15,420</u>	<u>25,301</u>	<u>35,049</u>	<u>41,858</u>	<u>58,459</u>	<u>94,166</u>	<u>85,767</u>	<u>20,885</u>	<u>64,318</u>	<u>121,690</u>
All Other Governmental Funds										
Reserved	14,412	17,877	19,577	17,177	8,089	10,509	27,161	19,075	20,123	30,717
Unreserved	<u>(12,824)</u>	<u>(16,669)</u>	<u>(17,230)</u>	<u>1,254</u>	<u>14,833</u>	<u>14,058</u>	<u>3,992</u>	<u>17,131</u>	<u>24,211</u>	<u>13,986</u>
Total Other Governmental Funds	<u>1,588</u>	<u>1,208</u>	<u>2,347</u>	<u>18,431</u>	<u>22,922</u>	<u>24,567</u>	<u>31,153</u>	<u>36,206</u>	<u>44,334</u>	<u>44,703</u>
Total Fund Balance, Governmental Funds	<u>\$ 61,181</u>	<u>\$ 78,654</u>	<u>\$ 110,107</u>	<u>\$ 128,255</u>	<u>\$ 139,487</u>	<u>\$ 180,833</u>	<u>\$ 185,099</u>	<u>\$ 139,767</u>	<u>\$ 196,931</u>	<u>\$ 234,364</u>

(UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Financial Trends Information**  
**Schedule 4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
General Property Taxes	\$ 147,831	\$ 152,062	\$ 153,366	\$ 159,512	\$ 168,893	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290
Other Local Taxes	111,212	119,107	126,537	127,262	132,847	140,675	150,477	157,616	159,119	162,573
Licenses and Permits	2,505	2,943	2,601	2,700	2,973	3,204	3,542	4,088	4,071	4,055
Fines and Forfeitures	1,920	1,661	1,684	1,541	1,569	1,627	1,763	1,461	1,605	1,317
Use of Money and Property	8,785	10,275	11,361	11,247	8,791	8,333	10,232	10,498	11,105	10,562
Charges for Services	19,658	18,836	18,745	18,312	29,390	31,342	29,129	32,772	37,071	40,159
Miscellaneous	18,621	13,990	13,681	12,337	24,785	17,339	18,951	33,494	11,691	17,923
Recovered Costs	11,139	12,338	14,135	10,008	9,556	12,297	14,188	12,667	8,408	8,622
Intergovernmental	107,896	133,526	122,677	133,332	131,071	160,118	147,045	149,757	156,637	156,862
								-		
<b>Total Revenue</b>	<b>429,567</b>	<b>464,738</b>	<b>464,787</b>	<b>476,251</b>	<b>509,875</b>	<b>553,296</b>	<b>568,620</b>	<b>614,141</b>	<b>625,106</b>	<b>643,363</b>
<b>Expenditures</b>										
<b>Current</b>										
General Government	42,499	50,770	50,671	44,126	64,639	76,127	67,434	92,062	102,031	110,974
Judicial Administration	8,046	8,969	7,987	8,790	9,280	35,603	38,110	41,795	45,173	47,331
Public Safety	94,113	96,542	101,523	115,912	123,202	94,979	102,278	105,634	108,565	116,208
Public Works	34,153	36,792	36,817	56,124	57,162	80,613	64,497	46,959	49,161	60,370
Health and Public Assistance	64,993	72,609	56,967	61,601	68,140	76,221	83,451	91,535	93,397	95,159
Culture and Recreation	46,186	45,088	46,032	40,849	40,149	40,081	40,290	42,995	46,397	51,071
Education	82,039	79,033	80,883	83,883	88,854	90,020	91,865	92,595	97,595	101,095
Community Development	19,627	22,970	22,549	16,945	17,673	8,048	12,716	13,552	11,158	10,745
<b>Debt Services:</b>										
Principal Retirement	27,280	29,493	32,065	31,177	32,450	32,731	47,407	37,660	35,872	40,260
Interest and Other Charges	18,405	18,906	19,056	17,460	15,998	16,820	18,061	18,802	18,917	20,468
Intergovernmental	6,923	5,950	7,807	7,932	8,061	6,140	-	-	-	-
Capital Outlay	35,263	17,912	27,488	30,516	37,770	45,026	85,144	91,632	94,595	114,007
<b>Total Expenditures</b>	<b>479,527</b>	<b>485,034</b>	<b>489,845</b>	<b>515,315</b>	<b>563,378</b>	<b>602,409</b>	<b>651,253</b>	<b>675,221</b>	<b>702,861</b>	<b>767,688</b>
<b>Excess (Deficiency of Revenues over(under) Expenditures</b>	<b>(49,960)</b>	<b>(20,296)</b>	<b>(25,058)</b>	<b>(39,064)</b>	<b>(53,503)</b>	<b>(49,113)</b>	<b>(82,633)</b>	<b>(61,080)</b>	<b>(77,755)</b>	<b>(124,327)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds of Refunding Bonds	-	-	-	-	31,123	83,219	30,389	-	15,480	-
Proceeds of Capital Leases	2,938	4,975	6,667	2,184	7,503	4,430	4,702	4,828	-	-
Proceeds of Debt (General Obligation Bonds and Notes)	2,573	22,544	25,470	56,179	47,695	69,685	70,840	-	121,705	145,663
Payment to Refunded Bonds Escrow Agent	-	-	-	(30,452)	(31,123)	(83,219)	(30,389)	-	(15,480)	-
Premium on Bonds Issued	-	-	-	-	-	389	2,259	-	2,070	5,785
Miscellaneous	193	-	-	-	(2,989)	(7)	-	(122)	66	62
Proceeds from sale or disposal of fixed assets	564	1,207	12,968	-	4,025	1,062	-	-	-	-
Operating Transfers In	70,208	69,276	76,514	72,913	78,637	75,587	82,354	97,185	89,254	109,901
Operating Transfers (Out)	(60,759)	(59,826)	(64,718)	(64,913)	(70,137)	(65,587)	(72,354)	(86,142)	(78,176)	(99,653)
<b>Total Other Financing Sources (Uses)</b>	<b>15,717</b>	<b>38,176</b>	<b>56,901</b>	<b>35,911</b>	<b>64,734</b>	<b>85,559</b>	<b>87,801</b>	<b>15,749</b>	<b>134,919</b>	<b>161,758</b>
<b>Net change in fund balances</b>	<b>\$ (34,243)</b>	<b>\$ 17,880</b>	<b>\$ 31,843</b>	<b>\$ (3,153)</b>	<b>\$ 11,231</b>	<b>\$ 36,446</b>	<b>\$ 5,168</b>	<b>\$ (45,331)</b>	<b>\$ 57,164</b>	<b>\$ 37,431</b>
<b>Debt services as a percentage of noncapital Expenditures</b>	<b>10.28%</b>	<b>10.36%</b>	<b>11.06%</b>	<b>10.03%</b>	<b>9.22%</b>	<b>8.89%</b>	<b>11.56%</b>	<b>9.67%</b>	<b>9.01%</b>	<b>9.29%</b>

(UNAUDITED)

School Board for the City of Norfolk  
City of Norfolk  
Financial Trends Information  
Schedule 5  
Program Revenues by Function (Optional Schedule)  
Last Seven Fiscal Years  
(Amounts in thousands)

Function/Program	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
General Government	\$ 11,272	\$ 43,823	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707
Judicial Administration	4,466	4,482	17,960	19,423	19,605	27,904	28,707
Public Safety	22,128	23,941	12,832	19,822	20,674	8,137	5,244
Public Works	31,670	34,082	40,783	28,440	30,438	44,769	47,407
Health and Public Assistance	34,127	34,453	36,733	39,064	39,930	42,261	40,567
Culture and Recreation	6,097	10,225	10,221	9,956	9,603	9,655	10,359
Community Development	1,822	1,979	2,334	3,281	3,762	3,690	3,168
Education	-	-	-	-	-	-	-
Interest on Long-term Debt	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Subtotal governmental activities program revenue	<u>111,582</u>	<u>152,985</u>	<u>136,808</u>	<u>145,530</u>	<u>148,814</u>	<u>153,030</u>	<u>153,159</u>
Business-type activities:							
Water	59,389	64,039	61,126	61,002	74,277	70,411	74,416
Wastewater	13,673	14,615	18,676	21,329	22,394	22,450	24,960
Parking Facilities	<u>18,355</u>	<u>18,574</u>	<u>21,354</u>	<u>21,059</u>	<u>20,911</u>	<u>21,599</u>	<u>20,425</u>
Subtotal business-type activities program revenues	<u>91,417</u>	<u>97,228</u>	<u>101,156</u>	<u>103,390</u>	<u>117,582</u>	<u>114,460</u>	<u>119,801</u>
Total primary government program revenues	<u>\$ 202,999</u>	<u>\$ 250,213</u>	<u>\$ 237,964</u>	<u>\$ 248,920</u>	<u>\$ 266,396</u>	<u>\$ 267,490</u>	<u>\$ 272,960</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**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	Misc	Recovered Costs	Inter-Governmental Revenues	Total
1999	147,831	111,212	2,505	1,920	8,785	19,658	18,621	11,139	107,896	429,567
2000	152,062	119,107	2,943	1,661	10,275	18,836	13,990	12,338	133,526	464,738
2001	153,366	126,537	2,601	1,684	11,361	18,745	13,681	14,135	122,677	464,787
2002	159,512	127,262	2,700	1,541	11,247	18,312	12,337	10,008	133,332	476,251
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,692	8,408	156,636	625,106
2008	241,290	162,573	4,055	1,317	10,562	40,159	17,923	8,622	156,862	643,363
Change 1999-2008	63.2%	46.2%	61.9%	-31.4%	20.2%	104.3%	-3.7%	-22.6%	45.4%	49.8%

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

	Sales and Use	Consumer's	Business	Motor		Restaurant		
Fiscal Year	Taxes	Utility Taxes	License Taxes	Vehicle Licenses	Cigarette Taxes	Food Taxes	Other	Total
1999	22,602	33,189	15,932	3,308	4,918	15,677	15,586	111,212
2000	24,321	34,224	18,095	3,391	3,940	17,066	18,070	119,107
2001	25,496	38,988	18,352	3,479	4,122	18,759	17,341	126,537
2002	25,267	37,922	18,644	3,554	4,280	19,288	18,307	127,262
2003	25,854	37,930	18,472	3,462	4,220	21,680	21,229	132,847
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
Change 1999-2008	40.7%	40.4%	65.3%	5.7%	54.1%	83.4%	15.6%	46.2%

Note:

1. This table presents additional details on other local taxes presented in the Table above.

(UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Revenue Capacity**  
**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
1999	7,934,397	900,076	219,963	9,054,436	15,145,054
2000	8,098,113	1,023,626	203,300	9,325,039	15,668,692
2001	8,458,281	1,040,929	228,874	9,728,084	16,119,540
2002	8,882,064	1,102,983	219,845	10,204,892	16,794,801
2003	9,356,760	1,085,027	300,481	10,742,268	17,864,127
2004	10,029,639	1,170,117	283,544	11,483,300	19,406,095
2005	10,960,812	1,167,673	310,519	12,439,004	21,576,347
2006	12,691,527	1,324,320	316,471	14,332,318	25,196,622
2007	15,607,512	1,375,798	322,971	17,306,281	29,424,339
2008	18,401,851	2,503,662	322,195	21,227,708	20,945,106

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 the City's Commissioner of Revenue and the City  
Property value information does not include property of public service corporations or vacant land.

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Revenue Capacity**  
**Schedule 2**  
**Direct Property Rates**  
**Last Ten Years**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Property tax rate per										
\$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11
Business Improvement Dis	0.24	0.20	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25
Mobile homes	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.35	1.27	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	1.50	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	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	2.00	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50
Disabled Veterans	N/A	N/A	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	93%	90%	90%	88%	88%	86%	65%	76%	76%	N/A

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 1998 through 2007.
3. The most recent Virginia Assessment/Sales ratio study is for 2004.

N/A - Not available



## (UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Revenue Capacity**  
**Schedule 3**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	1999			2008		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Virginia Power Co.	\$ 165,733,572	2	2.09%	\$ 178,290,528	1	0.97%
MacArthur Shopping Center LLC (Taubman Co.)	124,585,630	3	1.57%	173,032,800	2	0.94%
Verizon Virginia, Inc.				131,127,740	3	0.71%
Norfolk Southern Corporation	70,812,803	4	0.89%	94,561,445	4	0.51%
Bank of America				87,462,500	5	0.48%
Ford Motor Company	45,611,640	7	0.57%	81,588,900	6	0.44%
Cox Virginia Telecom				65,187,525	7	0.35%
Military Circle Ltd. Partnership	64,944,900	5	0.82%	58,001,800	8	0.32%
Dominion Tower Ltd. Partnership	41,928,760	8	0.53%	57,438,600	9	0.31%
Trader Publishing Company				57,040,100	10	0.31%
Bell Atlantic Virginia, Inc.	193,580,871	1	2.44%			
Nationsbank	62,997,420	6	0.79%			
Norfolk Southern Tower, LLC	30,977,980	9	0.39%			
World Trade Center	29,368,430	10	0.37%			
Total	<u>830,542,006</u>		<u>10.47%</u>	<u>983,731,938</u>		<u>5.35%</u>
Total Assessed Value	\$ 7,934,397,295			\$ 18,401,851,069		

## Note:

1. Information obtained from the City's Real Estate Assessor's Office.

**(UNAUDITED)**

**School Board for the City of Norfolk  
City of Norfolk  
Revenue Capacity  
Schedule 4  
Property Tax Levy and Collections  
Last Ten Years  
(in thousands)**

<b>Year</b>	<b>Total Tax Levy</b>	<b>Current Collections</b>	<b>Percentage of Current Collections to Tax Levy</b>	<b>Delinquent Collections</b>	<b>Total Collections</b>	<b>Percentage of Total Collections to Tax Levy</b>
1999	150,747	136,668	90.66%	11,068	147,736	98.00%
2000	158,268	145,772	92.10%	14,865	160,637	101.50%
2001	164,289	151,921	92.47%	13,501	165,422	100.69%
2002	171,755	158,914	92.52%	12,883	171,797	100.02%
2003	179,220	164,482	91.78%	18,724	183,206	102.22%
2004	191,397	178,200	93.10%	15,821	194,021	101.37%
2005	209,202	191,254	91.42%	8,549	199,803	95.51%
2006	227,796	203,804	89.47%	8,526	212,330	93.21%
2007	254,703	239,288	93.95%	10,097	249,385	97.91%
2008	258,016	238,728	92.52%	14,905	253,633	98.30%

Notes:

1. Delinquent tax collections are reported in the year collected.

(UNAUDITED)

School Board for the City of Norfolk  
City of Norfolk  
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	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
Governmental Activities							
1999	367,137	3,234	-	370,371	1,579	5.98%	N/A
2000	360,345	3,157	-	363,502	1,551	6.48%	N/A
2001	353,917	2,755	-	356,672	1,524	6.98%	N/A
2002	348,296	2,297	-	350,593	1,501	7.30%	1.84
2003	361,656	1,726	-	363,382	1,554	7.45%	1.59
2004	398,606	1,110	-	399,716	1,699	7.18%	1.39
2005	421,008	250	-	421,258	1,792	7.25%	1.19
2006	382,773	239	-	383,012	1,604	8.21%	1.29
2007	469,498	227	-	469,725	1,992	N/A	0.99
2008	571,138	2,000	-	573,138	N/A	N/A	0.74
Business Type Activities							
1999	141,668	-	330,030	471,698	2,012	4.69%	N/A
2000	128,007	-	347,620	475,627	2,029	4.95%	N/A
2001	114,528	-	357,240	471,768	2,016	5.27%	N/A
2002	112,050	-	360,635	472,685	2,023	5.42%	0.55
2003	99,220	-	370,855	470,075	2,010	5.76%	0.58
2004	87,636	-	365,464	453,100	1,926	6.33%	0.62
2005	91,520	-	382,689	474,209	2,017	6.44%	0.60
2006	93,099	-	374,159	467,258	1,956	6.73%	0.65
2007	107,311	-	364,834	472,145	2,003	N/A	0.65
2008	124,092	-	420,819	544,911	N/A	N/A	0.58
Total Primary Governmental Activities							
1999	508,805	3,234	330,030	842,069	3,591	10.67%	N/A
2000	488,353	3,157	347,620	839,129	3,580	11.43%	N/A
2001	468,445	2,755	357,240	828,440	3,540	12.25%	N/A
2002	460,346	2,297	360,635	823,278	3,524	12.72%	1.10
2003	460,876	1,726	370,855	833,457	3,563	13.22%	1.02
2004	486,242	1,110	365,464	852,816	3,626	13.51%	0.98
2005	512,528	250	382,689	895,467	3,809	13.68%	0.88
2006	475,872	239	374,159	850,270	3,560	14.94%	0.94
2007	576,809	227	364,834	941,870	3,995	N/A	0.82
2008	695,230	2,000	420,819	1,118,049	N/A	N/A	0.66

Notes:

\* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000. Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenue pledge to support the service. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

N/A - not available

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

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk**

**Debt Capacity Information  
Schedule 2**

**Ratio of Net General Bonded Debt  
Total Assessed Value and Net Bonded Debt Per Capital  
Last Ten Years**

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
1999	508,805	141,668	367,137	9,054,436	234,500	4.05%	1,566
2000	488,353	128,007	360,346	9,325,039	234,403	3.86%	1,537
2001	468,445	114,528	353,917	9,728,084	234,000	3.64%	1,512
2002	460,346	112,050	348,296	10,204,892	233,600	3.41%	1,491
2003	460,876	99,220	361,656	10,742,268	233,900	3.37%	1,546
2004	486,242	87,636	398,606	11,483,300	235,200	3.47%	1,695
2005	512,528	91,520	421,008	12,439,004	235,071	3.38%	1,791
2006	475,872	93,099	382,773	14,332,318	238,832	2.67%	1,603
2007	576,809	107,311	469,498	15,496,208	235,747	3.03%	1,992
2008	695,230	124,092	571,138	21,227,708	N/A	2.69%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2008.

N/A - not available

**School Board for the City of Norfolk  
City of Norfolk**

**Debt Capacity Information  
Schedule 3**

**Computation of Direct Bonded Debt  
June 30, 2008**

Jurisdiction	Net Bonded Debt Outstanding	% Applicable to Government	\$ Applicable to Government
Direct: City of Norfolk	\$ 571,138	100%	\$ 571,138

Notes:

1. Enterprise Funds are excluded
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

(UNAUDITED)

School Board for the City of Norfolk

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total assessed value of real property \$	7,934,397,295 \$	8,098,113,173 \$	8,458,280,938 \$	8,882,063,788 \$	9,356,759,552 \$	10,029,638,801 \$	10,960,812,421 \$	12,691,527,668 \$	15,496,207,804 \$	18,401,851,069
Overall Debt Limitation - 10% of Assessed Valuation	793,439,730	809,811,317	845,828,094	888,206,379	935,675,955	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107
Net Debt Applicable to Debt	512,105,001	491,197,246	471,745,246	463,645,861	464,176,270	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234
Legal Debt Margin Within 10% Limitation	281,334,729	318,614,071	374,082,848	424,560,518	471,499,685	513,422,202	581,176,179	790,685,305	970,396,589	1,142,734,873
Net Debt Percentage of 10%	64.54%	60.66%	55.77%	52.20%	49.61%	48.81%	46.98%	37.70%	37.38%	37.90%

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
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	
1999	73,326,682	26,067,025	47,259,657	3,113,577	11,325,353	14,438,930	3.27
2000	64,456,322	28,198,244	36,258,078	4,475,000	13,616,718	18,091,718	2.00
2001	64,459,300	29,732,203	34,727,097	4,680,000	13,411,636	18,091,636	1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180	1.83
2003	67,760,029	30,867,286	36,892,743	5,700,000	14,600,283	20,300,283	1.82
2004	64,366,942	36,623,654	27,743,288	5,955,000	14,336,043	20,291,043	1.37
2005	69,183,154	37,584,692	31,598,462	6,250,000	14,041,059	20,291,059	1.56
2006	78,788,158	37,086,776	41,701,382	6,580,000	14,827,960	21,407,960	1.95
2007	76,013,563	35,050,694	40,962,869	7,310,000	14,379,821	21,689,821	1.89
2008	78,730,024	39,559,202	39,170,822	7,665,000	14,022,200	21,687,200	1.81

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

**School Board for the City of Norfolk  
City of Norfolk  
Debt Capacity Information  
Schedule 6  
Revenue Bonds Debt Service Coverage  
Parking Facilities 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
				Total		
1999	12,632,071	4,190,415	8,441,656	2,888,783		2.92
2000	15,820,975	5,495,665	10,325,310	4,621,053		2.23
2001	17,246,291	5,706,458	11,539,833	4,964,744		2.32
2002	18,427,725	7,309,883	11,117,842	5,683,455		1.96
2003	18,879,428	7,481,301	11,398,127	5,404,816		2.11
2004	21,614,695	8,503,800	13,110,895	5,683,944		2.31
2005	21,329,936	9,984,289	11,345,647	5,843,555		1.94
2006	21,823,360	9,493,391	12,329,969	6,657,244		1.85
2007	22,348,513	9,297,670	13,050,843	6,467,869		2.02
2008	21,338,661	10,554,971	10,783,690	6,527,680		1.65

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
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
1999	27,280,120	3,603,355	18,403,652	457,573	49,744,700	519,198,080	9.58%
2000	29,492,664	3,772,213	18,905,175	457,573	52,627,625	558,439,186	9.42%
2001	32,064,594	4,138,633	19,055,944	667,364	55,926,535	578,776,772	9.66%
2002	31,177,249	4,221,984	17,459,383	625,397	53,484,013	431,283,578	12.40%
2003	32,449,555	4,270,903	15,993,552	544,262	53,258,272	451,633,988	11.79%
2004	32,735,609	4,988,796	16,781,410	494,610	55,000,425	490,944,275	11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%

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)

**School Board for the City of Norfolk  
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</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
1999	234,500	5,167,514	22,131	83,419	5.0
2000	234,403	5,510,786	23,547	92,428	3.3
2001	234,000	5,804,141	24,885	94,606	4.3
2002	233,600	6,090,818	25,597	98,883	5.5
2003	233,900	6,419,772	27,088	98,939	5.7
2004	235,200	6,786,186	28,684	99,029	5.5
2005	235,071	7,044,989	30,528	100,614	5.4
2006	238,832	7,513,420	31,459	97,533	4.1
2007	229,112	N/A	N/A	97,380	4.1
2008	N/A	N/A	N/A	N/A	N/A

Note:

1. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2008.
2. Unemployment rate from the Bureau of Labor Statistic:
3. Personal Income, Per Capita Personal Income and Civilian Labor Force Estimates from U.S. Census Bureau via the Virginia Employment Commission.
4. All data on an average annual calander year.

N/A - Not available



(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
Demographic and Economic Information  
Schedule 2  
Ten Largest Employers  
In Norfolk Primary Metropolitan Statistical Area  
Current Year and Nine Years Ago**

Employer	Rank	
	2008	1999
U.S. Department of Defense	1	1
Norfolk City School Board	2	3
Sentara Healthcare	3	2
City of Norfolk	4	4
Old Dominion University, Norfolk	5	5
Children's Hospital of the King's Daug	6	9
Norfolk State University	7	
United States Postal Service	8	8
Medical College of Hampton Roads	9	
Bank of America	10	
Ford Motor Company		7
Nationsbank		6
Norshipco		10
Total Employment	93,343	80,154

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2008 is as the 1st quarter ended March 31, 2008 as the June 30, 2008 data was not available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2008 total employment data was not available therefore 2007 data was used.
4. Each of the top 10 employer has 1000+ employees. The actual number of employees data for each employer was not available.

(UNAUDITED)

School Board for the City of Norfolk  
City of Norfolk  
Demographic and Economic Information  
Schedule 3  
New Construction and Property Values

Year	Residential Construction			Non-Residential Construction		Commercial Personal Property	Commercial Real Property	Individual Personal Property	Residential Personal Property	Nontaxable Property
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)	Estimated Value (in thousands)	Estimated Value (in thousands)	Estimated Value (in thousands)	Estimated Value (in thousands)	Estimated Value (in thousands)
1999	175	242	22,032	46	52,932	583,808	2,024,750	533,220	5,459,381	6,543,895
2000	187	307	32,609	45	138,473	625,137	2,159,299	599,471	5,477,479	6,807,306
2001	186	400	35,069	35	62,046	643,383	2,259,787	624,162	5,730,471	6,861,737
2002	290	462	44,498	53	51,451	678,095	2,337,440	642,454	6,121,946	7,014,866
2003	277	324	39,979	41	32,262	721,087	2,447,330	661,972	6,648,174	7,385,564
2004	506	601	75,801	71	14,658	727,413	2,620,673	722,212	7,428,994	7,924,803
2005	560	1,191	204,391	80	80,316	785,970	2,784,658	790,489	8,916,075	8,299,155
2006	531	1,058	133,053	60	165,989	805,696	3,050,029	833,858	11,532,778	8,974,261
2007	389	491	688,476	55	81,396	840,696	3,016,693	856,817	13,727,791	9,378,209
2008	277	815	101,212	35	102,714	1,016,218	3,391,457	760,331	13,215,299	10,044,197

Notes:

1. The source of nonresidential and residential construction is the City's Planning Department. Nonresidential construction includes commercial buildings. Public buildings, schools, public utility buildings and miscellaneous structures.
2. Property values are based on data supplied by the the City's Commissioner of Revenue and the City Assessor. Real property is assessed at fair market value.
3. Property value information does not include property of public service corporations. Real property assessments shown do not include assessments for vacant land.

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
Demographic and Economic Information  
Schedule 4  
Annual Employment Average by Industry  
(in thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Goods-Producing Industries</b>										
Agriculture, Forestry, Fishing & Hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.0	6.0	6.1	6.3	6.2	5.7	6.1	6.1	6.1	6.2
Manufacturing	10.1	10.0	10.0	9.8	9.8	9.8	9.8	9.6	8.7	7.9
<b>Service-Providing Industries</b>										
Wholesale Trade	6.4	6.5	6.0	5.8	5.3	5.2	5.0	5.0	5.0	5.1
Retail Trade	12.9	14.4	14.8	14.7	14.3	14.0	14.2	14.0	14.3	14.6
Transportation and Warehousing	11.2	11.5	12.0	11.6	11.0	10.1	9.7	9.9	9.3	9.4
Utilities	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Information	4.8	4.3	4.0	4.1	4.2	4.0	4.2	4.0	3.5	3.7
Finance and Insurance	7.2	7.5	7.5	7.4	6.9	6.9	7.1	6.7	6.0	6.6
Real Estate and Rental and Leasing	2.9	2.9	2.9	2.8	2.7	2.8	2.7	2.8	2.9	2.9
Professional and Technical Services	7.4	7.2	7.1	7.3	8.2	8.1	10.2	10.1	10.2	10.7
Management of Companies and Enterpris	3.8	4.3	4.0	4.1	4.0	3.8	3.6	3.7	2.7	2.4
Administrative, Support, and Waste Servi	9.0	7.4	7.1	7.6	7.7	7.8	7.5	7.5	7.4	7.4
Educational Services	13.5	13.2	13.7	14.1	14.4	14.5	14.7	15.2	15.5	15.6
Health Care and Social Assistance	18.1	17.3	17.1	17.8	18.3	18.9	19.2	19.6	20.1	20.6
Arts, Entertainment and Recreation	2.0	1.9	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.4
Accommodation and Food Services	9.7	9.7	10.1	10.3	10.4	10.7	11.1	10.9	11.1	10.6
Public Administration	15.9	15.5	15.4	15.5	15.7	15.1	12.3	12.1	12.2	12.1
Other Services	4.5	4.6	4.7	4.5	4.1	4.1	4.2	4.3	4.1	4.0
<b>Total</b>	<b>146.2</b>	<b>144.8</b>	<b>145.4</b>	<b>146.6</b>	<b>146.2</b>	<b>144.4</b>	<b>144.6</b>	<b>144.6</b>	<b>142.4</b>	<b>143.0</b>

Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calander year.
3. Astricks indicate non-disclosable data.
4. This schedule includes data for the ten year period 1998 - 2007 as calendar year 2008 data was not avaiable.

(UNAUDITED)

**School Board for the City of Norfolk  
City of Norfolk  
Operating Information  
Schedule 1  
Full Time Equivalent (FTE) Positions by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:										
General Government	467	480	488	494	438	396	457	450	477	264
Judicial Administration	39	30	30	28	27	25	20	16	17	18
Public Safety										
Police	768	794	837	858	857	875	858	839	1,031	887
Fire	490	483	478	485	490	491	507	499	508	508
Other	79	79	81	86	85	84	84	84	-	-
Public Works	307	393	367	380	393	389	389	392	379	346
Health and Public Assistance	582	591	581	579	557	604	513	562	469	598
Culture and Recreational	595	313	412	428	479	484	483	406	478	569
Community Development	82	100	67	64	64	72	74	70	59	95
Business-type Activities:										
Water	247	233	224	235	245	251	279	264	261	290
Wastewater	76	71	70	74	79	84	91	95	96	103
Parking Facility	47	50	57	65	68	72	77	78	90	88
Total Full Time Equivalent Positions	3,779	3,617	3,692	3,776	3,782	3,827	3,832	3,755	3,865	3,766

Notes:

1. Fiscal years 1999 through 2007's average FTE data obtained from City of Norfolk's Human Resources Information System.
2. Fiscal year 2008's average FTE data obtained from City of Norfolk's FY2009 Approved Budget Book

(UNAUDITED)

School Board for the City of Norfolk  
City of Norfolk  
Operating Information  
Schedule 2  
Operating Indicators by Function/Program  
Last Seven Fiscal Years

Function/Program	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Police							
Service Calls	288,004	274,245	206,644	206,378	191,037	237,451	258,254
Arrests	27,199	24,909	25,923	22,799	22,235	22,222	24,050
Reports Filed	34,587	35,116	34,087	34,167	29,600	31,986	31,220
Fire							
Incidences (Fires, EMS)	39,621	41,484	38,509	39,605	40,337	31,266	41,212
Highways and Streets							
Streets resurfacing (miles)	120	115	131	83	77	70	80
Sanitation							
Total solid waste collected and disposed (tons)	97,749	101,604	105,079	104,247	99,131	97,143	93,799
Water Utilities							
Water Delivered to Water Mains (Gallons in thousands)	24,960,000	24,818,000	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000
Total Water Consumption (Gallons in thousands)	22,323,287	23,128,234	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000
Percent of Unmetered Water	8.33%	8.81%	6.51%	7.95%	7.13%	7.30%	6.95%
Average Daily Delivery (Gallons in thousands)	68,230	68,000	67,820	67,740	68,090	66,650	66,200
Maximum Daily pumpage (Gallons in thousands)	84,730	81,820	77,960	81,470	83,640	83,600	82,000
Minimum Daily Pumpage (Gallons in thousands)	56,800	58,190	59,340	58,410	57,200	56,200	52,200

(UNAUDITED)

**School Board for the City of Norfolk**  
**City of Norfolk**  
**Operating Information**  
**Schedule 3**  
**Capital Assets and Infrastructure Statistics by Function/Program**  
**Last Seven Fiscal Years**

<u>Function/Program</u>	2002	2003	2004	Fiscal Year 2005	2006	2007	2008
Public Safety							
Police							
Stations	2	2	2	2	3	3	3
Fire							
Fire Stations	15	15	15	15	14	14	14
Paramedic Units	10	10	10	11	11	11	11
Transportation and Engineering							
Streets (lane miles)	2,011	2,006	2,013	2,015	2,183	2,193	2,210
Sidewalks (miles)	968	968	968	968	968	968	968
Bridges	50	50	50	50	50	49	49
Public Recreation							
Parks							
Acreage	587	588	589	590	591	587	586
Regional Parks	1	1	1	1	1	1	1
Neighborhood parks	121	121	121	121	121	85	85
Preserves and Nature Areas	1	1	1	1	1	1	1
Nature Education Centers	3	3	3	3	3	1	1
Playgrounds	45	45	45	45	45	79	123
Hiking Trails (miles)	7	8	9	10	11	1	2
Recreation							
Acreage	243	243	243	243	231	860	868
Recreational and Senior Centers	24	23	26	22	22	18	19
Play Areas	129	126	126	124	124	129	129
Swimming Pools	4	4	4	6	6	6	8
Tennis Courts	143	143	146	152	152	101	134
Baseball/Softball Diamonds	36	36	36	36	36	63	99
Football/Soccer Fields	18	18	18	18	18	47	65
Field Hockey	4	4	4	4	4	5	5
Basketball Courts	42	42	42	42	42	229	179
Municipal Beaches	3	3	3	3	3	3	3
Public Services							
Traffic Engineering							
Traffic Signals	289	291	294	299	299	283	287
Traffic Signs	9,376	9,825	10,021	6,044	7,936	7,363	6,752
Street Lights	31,594	31,502	31,694	31,721	29,888	30,200	30,583
Water Utilities							
Water Fund Capital Assets (in thousands)	\$ 429,567	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655	\$ 436,488
Wastewater Fund Capital Assets (in thousands)	96,175	103,208	110,360	120,685	134,152	147,020	163,068
Total Water Utilities Assets (in thousands)	\$ 525,742	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556
Water Customer Accounts	63,633	63,885	63,343	64,905	65,548	65,000	65,549
Miles of Water Main in the System	815	817	817	817	825	827	829
Municipal Golf							
Golf Courses	1	1	1	1	2	3	3
Convention Center							
Meeting Rooms	4	4	4	7	7	8	8
Exhibit Space (Square Feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/Ballroom Space (Square Feet)	5,230	5,230	5,230	9,700	9,700	9,700	9,700
Parking Facilities							
Parking Lots/Garages	30	30	28	28	28	21	23
Parking Meters	301	482	579	600	660	718	669
Stormwater Management							
Miles of Storm Sewers	351	351	351	351	351	357	357
Education							
High Schools	5	5	5	5	5	5	5
Middle Schools	8	8	8	9	9	9	9
Elementary Schools	35	35	35	35	35	35	35
Other Educational Facilities	13	13	13	11	11	11	11

## COMPLIANCE SECTION



KPMG LLP  
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Norfolk, VA 23510

**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 Chairman and Members  
School Board for the City of Norfolk, Virginia:

We have audited the financial statements of the School Board for the City of Norfolk, Virginia as of and for the year ended June 30, 2008, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School Board for the City of Norfolk, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.





### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board for the City of Norfolk, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School Board for the City of Norfolk, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School Board for the City of Norfolk, Virginia's response, and accordingly, we express no opinion on it.

\* \* \* \* \*

This report is intended solely for the information and use of management, the School Board for the City of Norfolk and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 19, 2009

# **SCHOOL BOARD FOR THE CITY OF NORFOLK, VIRGINIA**

## **Schedule of Findings and Responses**

Year ended June 30, 2008

### **Significant Deficiencies**

#### ***Accounting for Nonexchange Transactions in the Grants Fund***

According to GASB 33, nonexchange transactions are those where a government or entity at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose. Revenue should not be recognized for non exchange transactions until all the eligibility requirements are met. For the majority of the School Board's grants, the eligibility requirement is that resources are only offered on a reimbursement basis, and therefore, revenue should not be recognized until the School Board has incurred allowable costs under the applicable program. The School Board has over 50 individual grants accounted for in the Grants Fund. In the course of the audit, we noted several instances where revenues and expenditures for a reimbursable grant did not equal. We also noted the existence of a fund balance over the past several years, which is an indication of potential issues with matching in prior years. Finance staff researched the causes of the differences in revenue and expenditures and the nature of the fund balance. Several errors were noted and corrected.

#### ***Supervision and Review over Capital Asset Accounting***

In the course of performing our audit procedures over capital asset transactions, we noted that certain assets currently in service were accounted for as a disposal resulting in the recording of approximately an \$8,000,000 loss. These assets were actually related to renovation costs associated with Blair Middle School. An adjustment was booked to reverse the transaction.

### **Management's Response to Significant Deficiencies**

#### ***Accounting for Nonexchange Transactions in the Grants Fund***

Management has developed a training program for staff to review grants comprehensively on a monthly basis. Revenues and expenditures will be reviewed to ensure that the matching criteria are timely and accurate for the duration of the grant period. All grants will be reviewed monthly at the supervisory level to ensure that needed corrections are processed in a timely manner.

#### ***Supervision and Review over Capital Asset Accounting***

Management has developed a process to review fixed asset disposals prior to processing in the financial system. Administrative written approval will be required by the supervisor prior to processing by staff.