

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## School Board of the City of Norfolk



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

Fiscal Year Ended June 30, 2011 • Prepared by the Accounting Department



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

**School Board for the City of Norfolk**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**Fiscal Year Ended June 30, 2011**

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**Prepared by:**

**Division of Business and Finance Accounting Department**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SCHOOL BOARD OF THE CITY OF NORFOLK  
(COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)  
FISCAL YEAR ENDED JUNE 30, 2011  
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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## INTRODUCTORY SECTION

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

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Dr. Kirk T. Houston  
Chair

Mrs. Karen Jones Squires  
Vice Chair

Mr. James T. Driggers  
Member

Dr. Linda Horsey  
Member

Mrs. Suzan M. Kaufman  
Member

Dr. Linda B. McCluney  
Member

Dr. Stephen W. Tonelson  
Member

Dr. Richard Bentley  
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

Mr. Andrew A. Protogyrou  
Council Member

Mr. Paul R. Riddick  
Council Member

Mr. Thomas R. Smigiel  
Council Member

Mr. Barclay C. Winn  
Council Member

Ms. Angelia M. Williams  
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, 2010

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.



*Linda C. Dandson*

President

*Jeffrey R. Emer*

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**

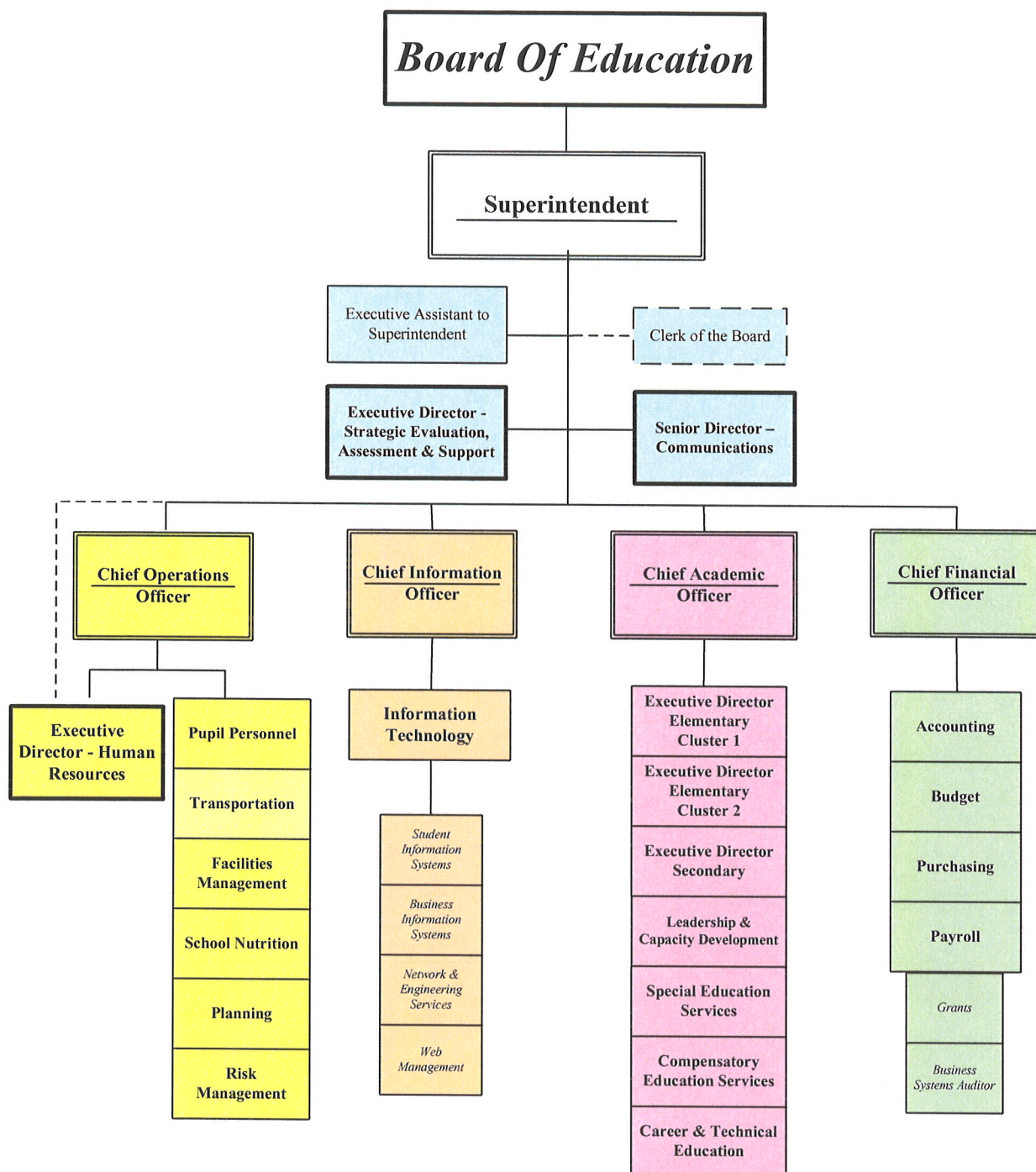
**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2010

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

President

Executive Director



*Larger boxes indicate departments*



# 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*





# Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

December 14, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year that ended June 30, 2011. 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. The MD&A can be found immediately following the report of the independent auditors.

The firm of KPMG LLP performed the audit of the School Board of the City of Norfolk. They were awarded the contract to provide the annual financial audit for the year ending June 30, 2011, as part of a combined contract including the School Board of the City of Norfolk, The City of Norfolk (City), and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Division's financial reporting entity may be found in the notes to the basic financial statements. During school year 2010-2011, the School Board operated five high schools (grades 9-12), eight middle schools (grades 6-8), thirty-five elementary schools (grades K-5), and ten other educational facilities. The School Board served an average of 34,434 students in 2011 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 children, 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 a population of 242,803 residents (from Weldon & Cooper Center for Public Services in 2010) 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 90,948 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, 8 middle schools, 5 high schools, and 10 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 \$50,758 per year. City funding for the School Board is based on real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.11 per \$100 of assessed value annually. The personal property tax rate for motor vehicles is \$4.33 per \$100 of assessed value, using the NADA Blue Book value.

Norfolk Public Schools 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. For the fiscal year 2011 budget year, the Commonwealth of Virginia funds 59% and the City of Norfolk funds 35% percent of the operating budget for the School Board. The remaining 6% is funded through Federal, including stimulus funds (5%) and other (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 potential funding reductions in the future from both the State and the City due to current economic conditions. Like most businesses, including the City, our operating costs continue to rise while revenue declines. Each year as projected enrollment is considered, the School Board evaluates facilities, teaching and administrative staff to identify potential consolidations to maximize efficiencies for the district.

## MAJOR INITIATIVES

Quality schools are a key component in preserving the City's vitality. The over arching goal for the School Board is to become *world class* is by improving the quality of teaching and learning for ALL where ALL means ALL. A quality education will prepare each student to become a life-long learner that exceeds test scores and state standards. The School Board and its employees remain committed to the belief that ALL children can learn. 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. Our world class targets are:

- All students possess the habits of powerful literacy
- All achievement gaps are eliminated while increasing the achievement for ALL
- All schools exceed local, state, national and international standards
- All students are prepared to access productive 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.

The School Board capitalizes on the urban advantages of location, diversity, and vision to prepare powerfully literate and life-long learners. Families acknowledge that the school system is nationally recognized for academic programs, highly qualified faculty, and a commitment to ensuring that every child succeeds. We will continue to boost the achievement gap and close gaps among various ethnic groups and socioeconomic groups.

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 percent of the 2011 General Fund expenditures to go directly for instructional support. This focus on direct classroom support maintains programs including class size; retaining core educational programs to meet Standards of Learning requirements; preserving core instructional programs; preserving specialty programs at secondary and elementary schools; maintaining recruitment and retention initiatives; and supporting assistance for all teachers.

In summary, the School Board will continue its journey to world-class status. Despite the tough economic times, the School Board remains resilient and committed to “weathering the storm”. As we continue to support one another, together we will make significant progress in improving achievement for all our students. The School Board and its employees will continue the work that is necessary for our students to have powerful teaching and learning opportunities.

## FINANCIAL INFORMATION

### Internal Controls

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

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

Internal control 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 of the City of Norfolk is a component unit of the City of Norfolk, Virginia, and the City is the legal holder of debt related to the acquisition of school facilities.

The School Board is anticipating, in the next few years, the continuation of a trend in declining in funding which began in fiscal year 2010. As public education is a services-oriented industry, approximately 81% 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 the Comprehensive Annual Financial Report of the City of Norfolk.

### **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, 2010. This is the sixth 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 2010.

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 of the City of Norfolk for their concern in providing fiscal responsibility and accurate reporting of financial data to the students, parents, staff and general community of the School Board. 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 maintain the financial records on a current and timely basis. The School Board and the entire staff are commended for their continuing support that is vital to the financial health of the school division and demonstrates commitment to financial accountability and stewardship.

Respectfully submitted,



Michael C. Spencer  
Interim Superintendent of Schools



John A. Maniscalco, CPA  
Associate Superintendent, Business & Finance



Mary C. Deneen, CPA, CGFM  
Senior Director, Accounting

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## FINANCIAL SECTION



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## Independent Auditors' Report

The Chairman and Members  
School Board of 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 of the City of Norfolk, Virginia (the School Board), a component unit of City of Norfolk, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the School Board of 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 of 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 of 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 of the City of Norfolk, Virginia, as of June 30, 2011, and the respective changes in financial position and the Statement of Budgetary Comparison – General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the School Board adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the School Board of the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 16, and the required supplementary information on page 40 and page 45 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 of the City of Norfolk, Virginia's basic financial statements. The Other Supplementary Information, Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

December 14, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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**INTRODUCTION**

Our discussion and analysis of the financial performance of the School Board of the City of Norfolk (School Board) of Norfolk, Virginia provides an overview of the school district's financial activities for the fiscal year ended June 30, 2011. The intent of the 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, which provide a greater level of detail and focus on how well the School Board has performed in the short term in the most significant funds, and
- 3) Notes to the basic financial statements.

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

**OVERALL ANALYSIS**

The School Board enrolls approximately 34,434 total students with a general fund operating budget of \$299.7 million, grant budget of \$42.1 million, capital budget of \$42.9 million, and Child Nutrition Services budget of \$15.2 million. In general, the financial operations of the School Board have weathered uncertain financial times with generally positive financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- On the government-wide financial statements:
  - Total net assets decreased from \$29.8 million in 2010 to \$14.8 million at June 30, 2011, a decrease of approximately \$15.0 million, or 50.4%. The decline was applicable primarily to the decision to move all remaining building improvements to the City.
  - Total revenues decreased from \$378.6 million in 2010 to \$355.5 million at June 30, 2011, a decrease of approximately \$23.1 million, or 6.1%. The decline was applicable primarily to decreased federal stimulus funds in fiscal year 2011. The Operating Grants and Contributions decreased \$28.4 million between fiscal years.
  - Total expenses decreased \$48.2 million on the Statement of Activities from \$418.7 million in fiscal year 2010 to \$370.5 million in fiscal year 2011, or 11.5%. The largest decrease was in School facilities as a result of a reduced amount of building improvements, net transferred to the City in fiscal year 2011.
- On the fund financial statements:
  - In the General Fund, the ending fund balance remained relatively constant from fiscal year 2010 to fiscal year 2011 with ending fund balance of \$16.5 million for fiscal year 2011.
  - In the General Fund, new fund balance classifications were adopted in fiscal year 2011 in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Total encumbrances were \$12 million at the end of the fiscal year. Unreserved and undesignated fund balance decreased slightly from \$2.2 million in 2010 to \$2.1 million in 2011 and is now reported as unassigned fund balance.

## **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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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- 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.

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, Facilities Management, Food Services, and Community Services.

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

**Financial Analysis of the School Board as a Whole**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

*Statement of Net Assets*

*(Thousands of dollars)*

	Governmental Activities			
	2011	2010	Difference	% Change
Current Assets	\$ 59,098	\$ 57,156	\$ 1,942	3.4%
Capital assets, net	11,568	23,589	(12,021)	-51.0%
Total assets	70,666	80,745	(10,079)	-12.5%
Liabilities:				
Current	43,147	42,438	709	1.7%
Non-current	12,726	8,481	4,245	50.1%
Total liabilities	55,873	50,919	4,954	9.7%
Net Assets:				
Invested in capital assets	11,568	23,589	(12,021)	-51.0%
Restricted	1,000	612	388	63.4%
Unrestricted	2,225	5,625	(3,400)	-60.4%
Total net assets	\$ 14,793	\$ 29,826	\$ (15,033)	-50.4%

- **Total assets** had an overall decrease of 12.5% due primarily to a decline in capital assets, net, related to the decision to transfer the remaining building improvements, net, to the City. The overall decrease was \$10.1 million between fiscal year 2010 and fiscal year 2011.
- **Invested in capital assets** decreased \$12.0 million or 51.0% over the prior fiscal year. This net decrease represents \$1.7 million in additions, \$11.1 million in net disposals, and \$2.6 million in current year depreciation expense. The majority of the decrease was due primarily to the decision to transfer the remaining building improvements to the City.
- **Total liabilities** increased \$5.0 million or 9.7% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, OPEB, and pollution remediation liability for the School Board. Current liabilities remained relatively constant from fiscal year 2010 to fiscal year 2011 and were \$43.1 million at June 30, 2011. Non-current liabilities totaled \$8.5 million in fiscal year 2010 and \$12.7 million in fiscal year 2011. The increase was primarily due to a decrease in actual employer contributions FY2010 for OPEB from the expected employer contributions originally projected. This, combined with a variance between the annual FY2011 OPEB Cost and the Employer Contributions for FY2011, has resulted in an increase in the Net OPEB Obligation from \$3.9 million in fiscal year 2010 to \$8.1 million in fiscal year 2011.

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- **Total net assets** decreased \$15.0 million or 50.4% compared to the prior fiscal year. Net assets totaled \$29.8 million at June 30, 2010 and \$14.8 million at June 30, 2011. Invested in capital assets, net decreased 51.0% or \$12.0 million primarily because of the decision to transfer remaining building improvements to the City. Restricted net assets increased 63.4% or \$.39 million from fiscal year 2010 to fiscal year 2011 due to an increase in capital projects for school facilities. Unrestricted net assets decreased 60.4% or \$3.4 million due to a decrease in operating grants.

*Statement of Net Activities  
(Thousands of dollars)*

	Governmental Activities			
	2011	2010	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 4,847	\$ 5,527	\$ (680)	-12.3%
Operating grants and contributions	209,644	238,021	(28,377)	-11.9%
Capital grants and contributions	6,877	2,877	4,000	139.0%
Total Program Revenues	221,368	246,425	(25,057)	-10.2%
General Revenues:				
Use of money and property	716	799	(83)	-10.4%
Local government	104,511	101,011	3,500	3.5%
Commonwealth of Virginia	28,912	30,267	(1,355)	-4.5%
Other	2	74	(72)	100.0%
Total General Revenues	134,141	132,151	1,990	1.5%
Total Revenues	355,509	378,576	(23,067)	-6.1%
Expenses:				
Instruction	267,477	282,213	(14,736)	-5.2%
Support Services:				
Administration, Attendance and Health	12,412	13,396	(984)	-7.3%
Pupil Transportation	11,028	10,765	263	2.4%
Operation and Maintenance	35,283	33,660	1,623	4.8%
Information Technology	8,274	10,860	(2,586)	-23.8%
School Facilities	20,266	52,851	(32,585)	-61.7%
Food Services	15,564	14,676	888	6.1%
Community Services	238	306	(68)	-22.2%
Total Expenses	370,542	418,727	(48,185)	-11.5%
Change in Net Assets	(15,033)	(40,151)	25,118	-62.6%
Beginning Net Assets	29,825	69,976	(40,151)	-57.4%
Ending Net Assets	\$ 14,792	\$ 29,825	\$ (15,033)	-50.4%

- **Total revenues** decreased \$23.1 million or 6.1% due primarily to decreases operating grants and contributions related to ARRA funding. Capital Grants and Contributions

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increased \$4.0 million or 139.0% while Local Government General Revenues increased \$3.5 million or 3.5%. Operating Grants and Contributions decreased \$28.4 million or 11.9% in 2011.

- **Total expenses** decreased \$48.2 million primarily due to the decision to transfer building improvements, net for all remaining schools to the City. The building improvements had a net book value of \$11.1 million. However, excluding the effect of these capital asset transactions, total expenses decreased \$16.9 million, due largely to budget cuts and the resultant decreases across the school system. The School Board continues to pay debt service expenses for the Transportation Facility. Overall expenses decreased 11.5% in fiscal year 2011 over balances in fiscal year 2010.

**Capital Assets**

At June 30, 2011, the School Board had an investment of \$11.6 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, equipment and vehicles. This amount represents a net decrease of \$12.0 million or 51.0% between fiscal year 2010 and 2011, as discussed above.

*Change in Capital Assets  
(Thousands of dollars)*

	Governmental Activities			
	June 30, 2011	June 30, 2010	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Total Non-Depreciable Assets	\$ 488	\$ 488	\$ -	0.0%
Other Capital Assets:				
Mobile Classrooms	5,447	5,423	24	0.4%
Building Improvements	-	22,935	(22,935)	-100.0%
Equipment and Vehicles	33,000	31,810	1,190	3.7%
Total Other Capital Assets	\$ 38,447	\$ 60,168	\$ (21,721)	-36.1%
Total Capital Assets	\$ 38,935	\$ 60,656	\$ (21,721)	-35.8%
Less: Accumulated Depreciation	(27,367)	(37,067)	9,700	-26.2%
Total Capital Assets, Net	\$ 11,568	\$ 23,589	\$ (12,021)	-51.0%

The \$11.6 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Assets (Exhibit I). In fiscal year 2011, the School Board spent \$2.4 million in construction costs related to various building improvement projects at school facilities. In fiscal

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year 2011, the School Board transferred building improvements, net for all remaining schools to the City.

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, 2011, the School Board had \$20.0 million in long-term obligations versus \$16.1 million for fiscal year 2010. This resulted in a 27.1% increase in long-term obligations, which is comprised of compensated absences, workers' compensation, claims liability, pollution remediation and OPEB liability. Approximately \$7.3 million in long-term obligations is due within one year (see Exhibit I).

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

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

	June 30, 2010	Additions	Retirements	June 30, 2011	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,270	\$ 8,908	\$ (8,951)	\$ 9,227	\$ (43)	-0.5%
Workers' Compensation	2,402	1,046	(894)	2,554	152	6.3%
Claims Liability	32	259	(235)	56	24	75.0%
Pollution Remediation	115	148	(132)	131	16	13.9%
Other Post Employment Benefits	3,947	8,731	(4,613)	8,065	4,118	104.3%
Total Long-Term Obligations	<u>\$ 15,766</u>	<u>\$ 19,092</u>	<u>\$ (14,825)</u>	<u>\$ 20,033</u>	<u>\$ 4,267</u>	27.1%

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

**OVERVIEW OF FUND FINANCIAL STATEMENTS**

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

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**Governmental Fund**

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 the annual budget.

As of June 30, 2011, the School Board's governmental funds reported combined fund balances of \$23.3 million, an increase of \$1.3 million, in comparison to the prior fiscal year. In the General Fund unassigned fund balance was \$2.1 million and represents resources which are not nonspendable in nature nor committed or assigned to a specific program or function. The remaining combined fund balances total is either a nonspendable asset or is restricted, committed or assigned to specific programs, functions or contracts. Included in the assigned amount is approximately \$2.3 million which is encumbered for anticipated unemployment benefit payouts for personnel who were part of the personnel reduction at the end of fiscal year 2010 and fiscal year 2011.



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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, 2011, the fund balance of the General Fund was \$16.5 million. The fund has nonspendable, assigned and unassigned fund balances that total \$16.5 million.

**General Fund Revenues**

Revenues for the General fund totaled \$292.6 million for fiscal year 2011, which was approximately \$26.2 million or 8.2% lower than the revenues received in fiscal year 2010. 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)*

	2011 Amount	2011 Percent of Total	2010 Amount	Increase (Decrease) From 2010	% Increase (Decrease) 2010
Local government	\$ 104,511	35.7%	\$ 101,011	\$ 3,500	3.5%
Commonwealth of Virginia	172,340	58.9%	188,792	(16,452)	-8.7%
Federal government	12,898	4.4%	25,370	(12,472)	-49.2%
Other revenues	2,836	1.0%	3,657	(821)	-22.5%
Total	<u>\$ 292,585</u>	<u>100.0%</u>	<u>\$ 318,830</u>	<u>\$ (26,245)</u>	<u>-8.2%</u>

The largest source of revenues is 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. The decline in Commonwealth of Virginia funding reflects reductions in Basic Aid in fiscal year 2011 and the decline in Federal government is due to stimulus funds that were one-time money in fiscal year 2010.

**General Fund Expenditures**

General Fund expenditures were \$291.9 million for fiscal year 2011, which represented a decrease of approximately \$21.4 million or 6.8% over fiscal year 2010. The following

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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illustration presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

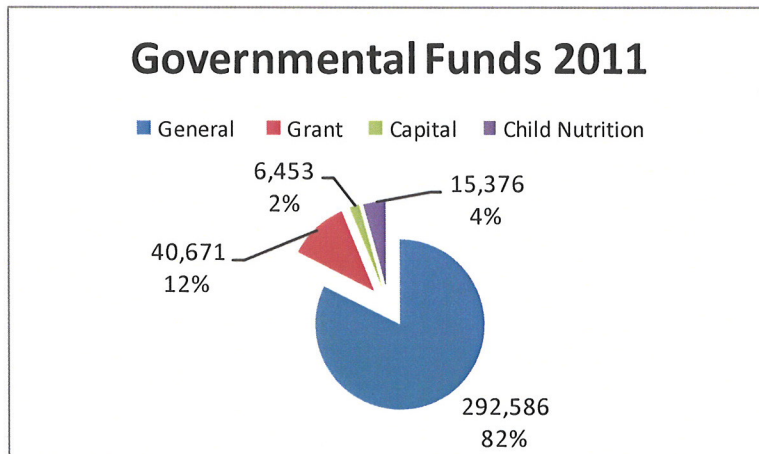
***General Fund Expenditures  
(Thousands of Dollars)***

	2011 Amount	2011 Percent of Total	2010 Amount	Increase/ (Decrease) From 2010	Percent Increase/ Decrease From 2010
Instruction	\$ 224,841	77.0%	\$ 245,494	\$ (20,653)	-8.4%
Support Services:					
Administration, Attendance and Health	11,899	3.1%	12,998	(1,099)	-8.5%
Pupil Transportation	10,709	3.6%	10,503	206	2.0%
Operation and Maintenance	34,955	12.0%	33,493	1,462	4.4%
Information Technology	6,778	2.3%	7,639	(861)	-11.3%
School Facilities	2,550	0.8%	2,990	(440)	-14.7%
Food Services	112	0.1%	-	112	100.0%
Community Services	8	0.1%	88	(80)	-90.9%
Subtotal - Support Services	67,011	23.0%	67,711	(700)	-1.0%
Total - Instruction and Support Services	\$ 291,852	100.0%	\$ 313,205	\$ (21,353)	-6.8%

The increase in Pupil Transportation was related to rising gas prices and the increase in Operation and Maintenance was related to Contract Services and rising fuel costs. The decreases in Instruction; Administration, Attendance and Health; Information Technology; School Facilities, and Community Services were related to budget cuts and resultant freezes on tuition reimbursement, and salary increases.

**Grant Funds**

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. Grants provide 11.4% of the overall funding for the School Board. The funds are received from Federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.



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

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During fiscal year 2011, the School Board received \$40.7 million in grant funding. The Federal Government provided 86.5% or \$35.2 million in revenue for the year. The Commonwealth of Virginia provided 12.5% or \$5.1 million while private donors provided less than 1.0% or \$0.4 million of the resources received. The School Board expended \$40.8 million that was used 100% for instruction and instructional support.

**Capital Projects Fund**

The School Board's Capital Projects Fund is funded by the City. The Capital Projects Fund is considered multi-year funding for spending purposes. It makes up 2.0% (see chart above) of the overall governmental funds received and expended during the fiscal year. The capital funds are used for the infrastructure of the schools and auxiliaries. Capital Project Funds expended \$6.3 million and were used by the School Board to implement various building improvement projects at school facilities. The City provided 100% of the revenue received for these projects in fiscal year 2011.

In May 2011, the City Council appropriated construction funds for fiscal year 2012 to continue future construction projects. The City budgeted \$9.8 million in construction funds for the Crossroads Elementary School project and building improvement projects have been allocated \$3.0 million for a total of \$12.8 million of construction funds.

**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 agency funds and School Activity Funds. The agency funds consist primarily of fiscal agencies for the Governor's School for the Arts and the 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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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 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). Both the VRS and OPEB are presented as part of the basic financial statements rather than required supplementary information.

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 the Commonwealth of Virginia statutes for the General Fund, Grant Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2011, the School Board adopted a balanced budget for fiscal year 2012 that reflected appropriations of \$290.5 million for the General Fund, or a decrease of \$5.1 million from the fiscal year 2011 General Fund budget.

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final amount for fiscal year 2012.

### **Revenue assumptions included:**

- Reduction in State revenues as proposed by the 2010 General Assembly Budget; \$4.6 million
- Reduction in 2009 ARRA Federal funding of \$4 million
- Reduction in Local sources funding of \$1.4 million
- Increase in revenue for 2010 Federal Jobs Bill funds of \$4.2 million
- Increase in Other Federal funds of \$750,000

### **Expenditure assumptions included:**

- All existing programs and departments have been evaluated for efficiency, cost, and direct support of mission.
- Standards of Quality (SOQ) funded positions were more closely aligned with state funding resulting in a decrease of 160 positions, including:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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- Reduction of 10 teaching positions based on decreasing student enrollment – secondary level.
- Consolidating schools by closing Dreamkeepers Academy and Oakwood Elementary School.
- Media assistants reduced, vacant teacher assistant positions reduced, and Career and Technical Education positions reduced, 2 senior coordinators and 3 specialists reduced.
- No pay increases for any employee groups.
- Virginia Retirement System (VRS) rate changes:
  - Professional from 9.53% to 12.1%; 2.57% increase
  - Non-professional 13.3%; no change.
- Other rate changes are:
  - Group Life Insurance .28%; no change.
  - Retiree Healthcare credit no change.
- Unemployment increased by 0.8%.
- Health insurance is estimated to increase by 7% and not be passed onto the employees.
- Tuition reimbursement benefit reinstated partially – only 3 credit hours annually.
- Teacher Shopping card reduced by one-half to \$100 per teacher.

## **VIRGINIA RETIREMENT SYSTEM (VRS) FUNDING**

During fiscal year 2010, the Commonwealth of Virginia initiated certain responsive actions to the economic downturn that will continue to affect Norfolk Public Schools. Through changes in certain actuarial assumptions for VRS-sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The impact of these deferrals reduced pension related costs of Norfolk Public Schools in fiscal year 2010 and will also decrease pension related costs in fiscal year 2011. The legislation requires that this deferral of costs begin to be replenished starting in fiscal year 2012 and will continue until fully replenished in fiscal year 2021. Ultimately, it is likely that there will be significant increases in the local employer costs to be funded in order to meet the VRS's ability to meet its future payment obligations.

## **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 Mary C. Deneen, CPA, CGFM, Senior Director, Accounting for the

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School Board of the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, at (757) 628-3482 and (757) 628-3883, respectively. Please visit our website at: <http://www.nps.k12.va.us> for a complete copy of the Comprehensive Annual Financial Report (CAFR) and other financial information.

**Exhibit I**

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash, cash equivalents, and investments (Note 1)	\$ 26,354,167
Accounts receivable	165,714
Due from primary government	1,751,300
Due from the Federal government	13,815,604
Due from the Commonwealth of Virginia	16,288,680
Inventories	722,744
Total current assets	<u>59,098,209</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment and vehicles, net of accumulated depreciation and amortization	<u>11,080,310</u>
Total capital assets, net	<u>11,567,810</u>
Total assets	<u>70,666,019</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Vouchers payable	9,034,358
Payroll deductions and withholdings	1,022,044
Accrued payroll	23,094,604
Unearned revenue	169,409
Due to other agencies	1,378,069
Other payables	1,141,490
Long-term liabilities - current portion	7,307,542
Total current liabilities	<u>43,147,516</u>
Non-current liabilities	<u>12,725,899</u>
Total liabilities	<u>55,873,415</u>
<b>NET ASSETS</b>	
Invested in capital assets	11,567,810
Restricted for:	
Capital Projects	1,105,132
Grants	(105,523)
Unrestricted	<u>2,225,185</u>
Total net assets	<u>\$ 14,792,604</u>

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

Exhibit II

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Activities**  
**For the Year Ended, June 30, 2011**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 267,477,276	\$ 2,245,732	\$ 196,997,388	\$ -	\$ (68,234,156)
Administration, Attendance, and Health	12,412,261	-	-	-	(12,412,261)
Pupil Transportation	11,028,062	-	-	-	(11,028,062)
Operation and Maintenance	35,283,073	-	-	-	(35,283,073)
Information Technology	8,273,981	-	-	-	(8,273,981)
School Facilities	20,265,542	-	-	6,877,496	(13,388,046)
Food Services	15,564,577	2,601,592	12,646,466	-	(316,519)
Community Services	238,145	-	-	-	(238,145)
<b>Total</b>	<b>\$ 370,542,917</b>	<b>\$ 4,847,324</b>	<b>\$ 209,643,854</b>	<b>\$ 6,877,496</b>	<b>(149,174,243)</b>
<b>General revenues:</b>					
Use of money and property					716,337
Other					2,082
<b>Intergovernmental:</b>					
Local government					104,511,131
Commonwealth of Virginia					28,911,984
<b>Total</b>					<b>134,141,534</b>
<b>Change in net assets</b>					<b>(15,032,709)</b>
<b>Net assets-beginning</b>					<b>29,825,313</b>
<b>Net assets-ending</b>					<b>\$ 14,792,604</b>



Exhibit III

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 21,542,295	\$ -	\$ -	\$ 4,811,872	\$ 26,354,167
Accounts receivable	108,151	2,587	-	54,976	165,714
Due from other funds	10,478,426	-	669,051	344,015	11,491,492
Due from the primary government	-	-	1,751,300	-	1,751,300
Due from the Federal government	355,048	12,794,315	-	666,241	13,815,604
Due from the Commonwealth of Virginia	14,067,130	2,221,550	-	-	16,288,680
Inventories	293,201	-	-	429,543	722,744
Total assets	<u>\$ 46,844,251</u>	<u>\$ 15,018,452</u>	<u>\$ 2,420,351</u>	<u>\$ 6,306,647</u>	<u>\$ 70,589,701</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ 6,557,760	\$ 982,747	\$ 1,315,219	\$ 178,632	\$ 9,034,358
Payroll deductions and withholdings	1,022,044	-	-	-	1,022,044
Accrued payroll	20,246,850	2,480,327	-	367,427	23,094,604
Due to other agencies	1,378,069	-	-	-	1,378,069
Due to other funds	-	11,491,492	-	-	11,491,492
Unearned revenue	-	169,409	-	-	169,409
Other payables	1,141,490	-	-	-	1,141,490
Total liabilities	<u>30,346,213</u>	<u>15,123,975</u>	<u>1,315,219</u>	<u>546,059</u>	<u>47,331,466</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	293,201	-	-	429,543	722,744
Restricted for:					
Food Services	-	-	-	5,331,045	5,331,045
Committed to:					
School Facilities - Crossroads Construction	-	-	71,843	-	71,843
Assigned to:					
Instruction	6,758,973	-	-	-	6,758,973
Administration, Attendance and Health	796,725	-	-	-	796,725
Pupil Transportation	600,286	-	-	-	600,286
Operation and Maintenance	2,763,019	-	-	-	2,763,019
Information Technology	791,283	-	-	-	791,283
School Facilities	270,885	-	1,033,289	-	1,304,174
General Fund - Bus Replacements	2,121,630	-	-	-	2,121,630
Unassigned:	2,102,036	(105,523)	-	-	1,996,513
Total fund balances	<u>16,498,038</u>	<u>(105,523)</u>	<u>1,105,132</u>	<u>5,760,588</u>	<u>23,258,235</u>
Total liabilities and fund balances	<u>\$ 46,844,251</u>	<u>\$ 15,018,452</u>	<u>\$ 2,420,351</u>	<u>\$ 6,306,647</u>	<u>\$ 70,589,701</u>

See Notes to the Basic Financial Statements.

(Con't.)

**Exhibit III (Con't.)**

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2011**

Fund balances--total governmental funds	\$ 23,258,235
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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.	11,567,810
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Long-term obligations, are not due and payable in the current  
period and therefore are not reported in the funds:

Compensated Absences	(9,227,877)
Workers Compensation	(2,553,901)
Claims Liability	(56,218)
Other Post Employment Benefits	(8,065,445)
Pollution Remediation	(130,000)

Net Assets of Governmental Activities	<u>\$ 14,792,604</u>
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**See Notes to the Basic Financial Statements.**

Exhibit IV

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2011**

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
<b>REVENUES</b>					
Use of money and property	\$ 590,498	\$ -	\$ -	\$ 125,839	\$ 716,337
Charges for services	2,245,732	-	-	2,601,592	4,847,324
Other	-	394,385	-	2,082	396,467
Intergovernmental:					
Local government	104,511,131	-	6,877,496	-	111,388,627
Commonwealth of Virginia	172,340,037	5,089,529	-	255,144	177,684,710
Federal government	12,898,211	35,187,210	-	12,391,322	60,476,743
Total revenues	<u>292,585,609</u>	<u>40,671,124</u>	<u>6,877,496</u>	<u>15,375,979</u>	<u>355,510,208</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	224,840,892	38,661,275	-	-	263,502,167
Administration, Attendance, and Health	11,898,969	90,826	-	-	11,989,795
Pupil Transportation	10,708,625	-	-	-	10,708,625
Operation and Maintenance	34,954,571	270,440	-	-	35,225,011
Information Technology	6,777,938	1,383,491	-	-	8,161,429
School Facilities	2,351,524	4,784	-	-	2,356,308
Food Services	112,494	169,310	-	15,243,448	15,525,252
Community Services	7,751	230,394	-	-	238,145
Intergovernmental for Debt Service:					
School Facilities	197,837	-	-	-	197,837
Capital Outlay:					
School Facilities	-	-	6,349,965	-	6,349,965
Total expenditures	<u>291,850,601</u>	<u>40,810,520</u>	<u>6,349,965</u>	<u>15,243,448</u>	<u>354,254,534</u>
Excess (deficiency) of revenues over expenditures	<u>735,008</u>	<u>(139,396)</u>	<u>527,531</u>	<u>132,531</u>	<u>1,255,674</u>
Net change in fund balance	735,008	(139,396)	527,531	132,531	1,255,674
Fund balances--beginning	<u>15,763,030</u>	<u>33,873</u>	<u>577,601</u>	<u>5,628,057</u>	<u>22,002,561</u>
Fund balances--ending	<u>\$ 16,498,038</u>	<u>\$ (105,523)</u>	<u>\$ 1,105,132</u>	<u>\$ 5,760,588</u>	<u>\$ 23,258,235</u>

See Notes to the Basic Financial Statements.

(Con't.)

**Exhibit IV (Con't.)**

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2011**

Net change in fund balances--total governmental funds \$ 1,255,674  
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 (Note 2):

Capital acquisitions	1,671,883	
Depreciation expense & loss on disposal of capital assets	<u>(13,693,143)</u>	(12,021,260)

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as  
expenditures in governmental funds:

Compensated Absences	42,104	
Workers Compensation	(151,740)	
Claims Liability	(23,982)	
Other Post Employment Benefits	(4,118,505)	
Pollution Remediation	(15,000)	
Change in Net Assets of Governmental Activities	<u>\$ (15,032,709)</u>	

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

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Budgetary Comparison - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 5,651,543	\$ 5,651,542	\$ 2,836,229	\$ (2,815,313)
Commonwealth of Virginia	175,945,711	175,945,712	172,340,037	(3,605,675)
Federal government	9,549,305	13,549,305	12,898,212	(651,093)
Local government	104,511,131	104,511,131	104,511,131	-
Amounts available for appropriation	295,657,690	299,657,690	292,585,609	(7,072,081)
Charges to appropriations (outflows)				
Instruction	\$ 226,565,896	\$ 230,130,803	\$ 225,020,050	\$ (5,110,753)
Administration, Attendance, and Health	13,380,196	13,409,655	12,391,038	(1,018,617)
Pupil Transportation	11,482,745	11,472,745	10,837,683	(635,062)
Operation and Maintenance	35,576,970	35,775,420	35,394,138	(381,282)
Information Technology	7,031,082	7,063,411	7,321,294	257,883
School Facilities	1,620,801	1,685,411	1,612,951	(72,460)
Other	-	120,245	120,245	-
Total charges to appropriations	295,657,690	299,657,690	292,697,399	(6,960,291)
Budgetary fund balance, June 30, 2011	\$ -	\$ -	\$ (111,790)	\$ (111,790)

**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	\$ 292,585,609
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 292,585,609</u>

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 292,697,399
Difference - budget to GAAP:	
Encumbrance change between fiscal years	<u>(846,798)</u>
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 291,850,601</u>

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

**Exhibit VI**

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Statement of Fiduciary Assets and Liabilities  
For the Year Ended June 30, 2011**

		<u><b>Agency Funds</b></u>
<b>ASSETS</b>		
Cash, cash equivalents, investments, and receivables held for:		
Southeastern Cooperative Education Program	\$ 12,311,553	
Governor's School for the Arts	433,855	
School Activity Funds	<u>2,252,703</u>	<u>\$ 14,998,111</u>
Total assets		<u><u>\$ 14,998,111</u></u>
<b>LIABILITIES</b>		
Amounts held for others		<u>\$ 14,998,111</u>
Total liabilities		<u><u>\$ 14,998,111</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

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

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

**A. Reporting Entity**

The School Board is responsible for elementary and secondary education within the City of Norfolk, Virginia (City). The School Board is governed by an appointed seven-member board that serves staggered terms and is vested with policy making and budgetary authority. The School Board works in conjunction with the Superintendent, who is the executive and administrative head of the School Board. City Council approves the School Board's operating budget, levies taxes to finance operations, and approves the borrowing of money and the issuance of bonds, when necessary. The School Board receives local, state, and federal government funding and must adhere to the legal requirements of each funding entity.

The School Board is considered a component unit of the City due to its fiscal dependence on the 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 attributable to program revenues are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include

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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. School Board funds that involve internal activity are eliminated for financial presentation purposes.

Fund financial statements are provided for governmental and fiduciary funds. Please note that the School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2011.

## **GOVERNMENTAL FUNDS**

Governmental Funds are those through which most functions of the School System are financed. The School Board considers all its governmental funds to be major and reports the following funds:

**General Fund** – The General Fund is the general operating fund of the School Board and is used to account for all financial resources except for those accounted for in another fund. Revenues are derived primarily from Federal (including impact aid and grants), state (including basic aid, grants, and sales tax), and local governments. The General Fund is always considered a major fund for 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 and finance expenditures for specified purposes. Grants are funded by federal, state, and private, agencies. The Grants Fund is considered a major fund for government-wide reporting purposes.

**Capital Projects Fund** - The Capital Projects Fund accounts for all of the financial resources used for the acquisition or construction of major capital facilities. The 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.



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**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 Funds and fiscal agencies (Governor’s School for the Arts and Southeastern Cooperative Educational Programs).

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

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

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

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

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

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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, Exhibit V provides reconciliation between the budgetary basis and fund financial accounting (modified accrual) basis. Unencumbered appropriations on the annual budget lapse at the end of each fiscal year for funds with annual budgets. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

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

**DEPOSITS AND INVESTMENTS**

**Deposits** - All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by the federal depository issuance. At June 30, 2011, the carrying amount of cash deposits for the School Board, including agency funds of \$6,211,865, was \$31,479,049.

**Investments** - Virginia State statutes authorize the School Board to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Developments ("World Bank") and Asian Development Bank; the African Development Bank; "prime quality" commercial paper and certain corporate notes; bankers acceptances; money market mutual funds, and the State Treasurer's Local Government Investment Pool ("LGIP").

At June 30, 2011, the School Board has investments of \$5,479,519 in an Aaa rated money market mutual fund. 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.

**Custodial Credit Risk**

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 Corporation (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

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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.

The investments for the School Board are held in a money market mutual fund; therefore, there is no custodial credit risk associated with the money market fund.

**Interest Rate and Foreign Currency Risk** - The School Board does not have interest rate or foreign currency risk.

## **RECEIVABLES AND PAYABLES**

All inter-fund receivables and payables are displayed in the fund statements as "Due to/Due From Other Funds." These amounts offset each other and are eliminated from the Government-Wide Statement of Net Assets, so as to not overstate the assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts. Accounts that are more than a year old with no formal agreement for repayment are deemed "uncollectible" and written off. There were no uncollectible accounts for fiscal year 2011.

## **INVENTORIES**

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

The Child Nutrition Fund's inventories also include United States Department of Agriculture ("USDA") commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$350,385 at year-end.

## **CAPITAL ASSETS**

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent of the School Board's capitalization threshold of \$5,000 and arrangements with the City. Depreciation is recorded on capital

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assets on a government-wide basis using the straight-line method using the following estimated useful lives:

Mobile Classrooms	20 years
Equipment	3 to 20 years
Vehicles	10 to 12 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, building improvements, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any related gain or loss is included in the results of operations.

School buildings are the property of the City and are carried on their financial statements for reporting purposes to include all building improvements. Consistent with Section 15.2-1800.1 of the *Code of Virginia*, the City has a “tenancy in common” with the School Board.

#### **COMPENSATED ABSENCES**

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

The amount of compensated absences liability for the School Board is reported within the government-wide financial statements. See Note 2C for further details.

#### **NET ASSETS/FUND BALANCES**

The School Board’s net assets may be classified as 1) invested in capital assets, net of related obligations; 2) restricted or 3) 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. The School Board

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generally first uses restricted resources for expenses incurred for which both restricted and unrestricted net assets are available.

The School Board adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of GASB 54 has changed the classifications of fund balance as presented in the School Board's fund financial statements for fiscal year 2011. GASB Statement No. 54 has also changed fund definitions, which did not impact the School Board for fiscal year 2011.

In the governmental funds' financial statements, unassigned fund balance represents the portion of spendable fund balance which has not been assigned or committed at year end. 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 preceeding the budget year. The governmental fund types classify fund balances as follows:

**Nonspendable**

Nonspendable 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.

**Restricted**

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

**Committed**

School Facilities – Portion of fund balance not available for appropriation because it represents the funds legally restricted by city ordinance for specific projects.

**Assigned**

Portion of fund balance that is intended to be used for specific purposes, occurring by School Board authority, under the direction of the Assistant Superintendent for Business and Finance. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the

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expenditure of monies are recorded (reduces the available appropriation) 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.

**Unassigned**

Portion of spendable fund balance which is available for expenditure and which has not been assigned or committed at year-end.

**F. Encumbrances**

Fund balances have been restricted for the Child Nutrition Fund for those net resources which will be paid for with federal and state grant funds that are restricted for purpose, by the grantor. At June 30, 2011, the Child Nutrition Fund had purchase order commitments approximating \$5,331,045. Fund balances have been committed in the Capital Projects Fund for the construction of Crossroads, which has a remaining contractual commitment approximating \$12,684,000 at June 30, 2011 and which will be funded by City appropriations as construction expenditures are incurred. In addition, funds have been assigned in the Capital Projects Fund for various capital improvement projects and will be reimbursed by the City as expenditures are incurred. Fund balances in the Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2011. Encumbrances for Grants Funds were approximately \$6,003,410 as of June 30, 2011. Fund balances in the General Fund have been assigned consistent with School Board management's intention to use net resources at June 30, 2011.

**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, 2011 is as follows:

	<b>Due From</b>		<b>Due to</b>
	<b>(Receivables)</b>		<b>(Payables)</b>
<b>Major Funds:</b>			
General Fund	\$ 10,478,426	\$	-
Grants Fund	-		11,491,492
Capital Projects	669,051		-
<b>Non-Major Funds:</b>			
Child Nutrition Fund	344,015		-
	<u>\$ 11,491,492</u>	\$	<u>11,491,492</u>

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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**

**Changes in Capital Assets**

	Capital Assets June 30, 2010	Additions	Deletions	Capital Assets June 30, 2011
Capital assets, not being depreciated - Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Total capital assets, not being depreciated	487,500	-	-	487,500
Capital assets, being depreciated:				
Mobile Classrooms	5,423,262	23,479	-	5,446,741
Building improvements	22,935,202	-	(22,935,202)	-
Equipment and vehicles	31,810,122	1,648,404	(457,725)	33,000,801
Total capital assets, being depreciated	60,168,586	1,671,883	(23,392,927)	38,447,542
Less accumulated depreciation for:				
Mobile Classrooms	(2,593,733)	(271,775)	-	(2,865,508)
Building improvements	(11,850,238)	-	11,850,238	-
Equipment and vehicles	(22,623,044)	(2,278,339)	399,659	(24,501,724)
Total accumulated depreciation	(37,067,015)	(2,550,114)	12,249,897	(27,367,232)
Total capital assets being depreciated, net	23,101,571	(878,231)	(11,143,030)	11,080,310
Total capital assets, net	\$ 23,589,071	\$ (878,231)	\$ (11,143,030)	\$ 11,567,810

**Depreciation expense by function for the year ended June 30, 2011 follows:**

Instruction	\$ 1,022,251
Administration, Attendance, and Health	474,934
Pupil Transportation	366,263
Operation and Maintenance	160,895
Information Technology	148,843
School Facilities	271,774
Food Services	105,154
Total	<u>\$ 2,550,114</u>

Effective July 1, 2009, the Norfolk Public Schools transferred building improvements for Coleman Place Elementary School and Blair Middle School to the City. Effective July 1, 2010, the Norfolk Public Schools transferred all remaining building improvements to the City. The net book value of the building improvements at June 30, 2010 was \$11,084,964. In addition, Norfolk Public Schools will no longer report Construction in Progress (CIP) for major building improvement projects.



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Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of School System was reported in the School System’s discrete column along with the related capital assets. Under the revised law, local governments have a “tenancy in common” with the School System whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to the outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

**C. Long-Term Obligations**

The following is a summary of the changes in long-term obligations for the year ended June 30, 2011:

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2011</b>	<b>Current Portion</b>
Long-Term Obligations:					
Compensated absences	\$ 9,269,981	\$ 8,908,450	\$ (8,950,554)	\$ 9,227,877	\$ 6,920,907
Workers’ compensation	2,402,161	1,046,217	(894,477)	2,553,901	208,850
Claims liability	32,236	259,233	(235,251)	56,218	47,785
Pollution remediation	115,000	147,444	(132,444)	130,000	130,000
Other post employment benefits	3,946,940	8,731,143	(4,612,638)	8,065,445	-
Total Long-Term Obligations	<u>\$ 15,766,318</u>	<u>\$19,092,487</u>	<u>\$ (14,825,364)</u>	<u>\$ 20,033,441</u>	<u>\$ 7,307,542</u>

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**Note 3. Contingencies**

**A. Litigation**

The School Board, as of June 30, 2011, 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.

**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 \$6,632,648 to SECEP during the fiscal year ended June 30, 2011. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

**B. The Governor's School for the Arts**

The Governor's School for the Arts (Governor's School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor's School for three hours every afternoon of the week. The purpose of the School is

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to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor's School can be obtained from the Governor's School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$173,423 to the Governor's School during the fiscal year ended June 30, 2011. The School Board is the fiscal agent for Governor's School and the assets it holds for the Governor's School are included in Agency Funds.

**Note 5. Self-Insurance Program**

The School Board is self-insured for a portion of its risks. This self-insurance is for workers' compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2011 was \$1,848,410. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund, Grant Fund, and Child Nutrition Services Fund. 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, 2011, workers' compensation and claims liability totaling \$2,610,119 are reported as long-term liabilities. These liabilities are the School Board's best estimate based on currently available information.

The following is a summary of the changes (current and long-term) in the self-insurance program for the years ended June 30, 2011 and 2010:

	<b>June 30, 2011</b>		<b>June 30, 2010</b>	
	Workers' Compensation	Claims' Liability	Workers' Compensation	Claims' Liability
Balance, beginning of year	\$ 2,402,161	\$ 32,236	\$ 1,957,690	\$ 31,542
Claims and other changes	1,046,217	259,233	1,396,887	144,548
Employer payments	(894,477)	(235,251)	(952,416)	(143,854)
Balance, end of year	\$ 2,553,901	\$ 56,218	\$ 2,402,161	\$ 32,236

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

**A. Virginia Retirement System**

**PLAN DESCRIPTION**

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board. 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 payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for 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/Publications/2010-annual-report.pdf> or obtained by writing the System at P. O. Box 2500, Richmond, VA 23218-2500.

**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 for its employees. 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 non-professional contribution rates for the fiscal year ended June 30, 2011, were 3.93% and 7.62% of the annual covered payroll (not including assumed 5%). The School Board's contributions to the VRS for the years ended June 30, 2011, 2010 and 2009 for professional employees were \$18,557,452, \$24,885,620, \$30,638,660, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years.

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Further information regarding funding for the agent-multiple employer plan is disclosed below.

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

For the fiscal year ended June 30, 2011, the School Board's annual pension cost of \$1,932,102 for nonprofessional employees was equal to the School Board's required and actual contributions.

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

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2011	\$1,932,102	100 %	\$ -
June 30, 2010	\$1,937,143	100 %	\$ -
June 30, 2009	\$2,025,771	100 %	\$ -

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.0% investment rate of return (net of administration expenses), (b) projected salary increases of 3.75% to 5.6%, 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 uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2009 actuarial valuation was 20 years.

**Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the agent multiple employer plan was 79.18% funded. The actuarial accrued liability for benefits was \$80,984,997, and the actuarial value of assets was \$64,120,661, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,864,336. The covered payroll (annual payroll of active employees covered by the plan) was \$16,243,835 and the ratio of the UAAL to the covered payroll was 103.82%. The schedule of funding progress, presented as required supplemental information (RSI), presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. The projection of benefits for financial reporting purposes *does not* explicitly incorporate the potential effects of legal or contractual funding limitations.

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**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, 2008**	\$66,558,849	\$72,573,728	\$6,014,880	91.71%	\$17,520,165	34.33%
June 30, 2009**	\$65,474,071	\$74,800,079	\$9,326,008	87.53%	\$16,948,926	55.02%
June 30, 2010	\$64,120,661	\$80,984,997	\$16,864,336	79.18%	\$16,243,835	103.82%

**B. Other Post Employment Benefits**

**PLAN DESCRIPTION**

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who have not obtained the age of 50 at July 1, 2013 will need 15 years of service to qualify for the benefit. All employees hired on or after July 1, 2008 will need 15 years of service to qualify regardless of when they attained the age of 50. At June 30, 2011, 845 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. Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. The School Board has the authority to amend the plan's provisions. The plan is considered a single-employer plan. The plan does not issue a stand-alone financial statement.

In accordance with GAAP, the Plan Sponsor to record 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 principle is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit contributions. The *normal cost* is an annual amount which would be sufficient to fund the plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. Under the method used, the normal cost is determined as a percentage of pay.

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This means the underlying dollar amount is expected to increase each year as salary increases. The *actuarial liability* represents the portion of the value of the projected benefit at retirement that is allocated to service earned prior to the valuation date; that is, it represents the accumulation of past normal costs from date of hire until the valuation date. The *unfunded actuarial liability* represents the excess of the actuarial liability over plan assets. The *pay-as-you-go cost* represents the expected annual cost of health coverage less retiree contributions for current and future retirees based on the valuation assumptions. This figure can be significantly higher than the premiums because the premiums primarily reflect the cost of active, not retiree, coverage. In addition, the actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts reflect a long-term perspective and are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

### **METHODOLOGY**

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

### **PAY-AS-YOU-GO FUNDING**

Currently, the School Board pays a set amount towards the monthly premiums of 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, 2010 is \$82.8 million as shown below:

**Pay-As-You-Go Funding**  
**(4.0% assumed discount)**  
**(\$ in millions)**

<b>Actuarial Liability</b>	
Actives	\$ 59.2
Retirees	23.6
<b>Total</b>	<b>\$ 82.8</b>
<b>Assets</b>	<b>\$ -</b>
<b>UAL</b>	<b>\$ 82.8</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

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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 2011 under the pay-as-you-go funding method and an assumed 4.0% discount rate. The table includes the PAYGo cost and the net difference:

**GASB ARC - FY 2011**  
**Pay-As-You-Go Funding**  
**(4.00% assumed discount)**  
**(\$ in millions)**

Normal Cost	\$ 2.79
UAL Amortization	2.96
Interest	0.23
<b>Total ARC</b>	<b>\$ 5.98</b>
PAYGo Cost (Contributions made - including implicit subsidy)	<b>\$ 4.61</b>
ARC in excess of PAYGo Cost	<b>\$ 1.37</b>

Schedule of Employer Contribution

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

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

Fiscal Year Ended June	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation at end of year
2009	\$4.02	61%	\$3.82
2010	\$5.81	98%	\$3.95
2011	\$6.00	77%	\$8.07

Development of Net OPEB Obligation

The development of net OPEB obligation shows the accumulation of actual contributions less expense (ARC). The calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The net OPEB obligation will



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increase as actual contributions are less than the calculated ARC payments. If contributions exceed ARC payments, the net OPEB obligation will decrease. The net OPEB obligation is shown on the Schools financial statements.

**Development of Net OPEB Obligation**

<b>Expected Net OPEB Obligation as of June 30, 2010</b>	\$ 3,946,940
Expected Employer Contributions FY2010	(5,683,208)
Actual Employer Contributions FY 2010	<u>(2,953,549)</u>
Increase in Net OPEB Obligation	2,729,659
 Net OPEB Obligation as of June 30, 2010	 \$ 6,676,599
Actuarial Required Contribution (ARC) for FY 2011	\$ 5,982,413
Interest on Net OPEB Obligation (NOO)	267,064
Adjustment to ARC	<u>(247,992)</u>
Annual OPEB Cost (AOC)	\$ 6,001,485
 Employer Contributions FY 2011 - including implicit rate subsidy	 <u>\$ (4,612,638)</u>
<b>Net OPEB Obligation as of June 30, 2011</b>	<b><u>\$ 8,065,446</u></b>

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, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.00%
Rate of salary increases	3.50%
Rate of Medical Inflation	9.7% (pre-Medicare) grading to 4.5% 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.

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**Funded Status and Funding Progress**

As of July 1, 2010 the most recent actuarial valuation date, the OPEB plan was 0% funded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$82.8 million. The covered payroll was \$199 million and the ratio of the UAAL to the covered payroll was 41.7%.

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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**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 Funding Progress**  
**(\$ in millions)**

Actuarial Valuation Date	Actual 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, 2008	\$0	\$51.5	\$51.5	0%	\$194	26.5%
July 1, 2009	\$0	\$80.3	\$80.3	0%	\$199	40.3%
July 1, 2010	\$0	\$82.8	\$82.8	0%	\$199	41.7%

## OTHER SUPPLEMENTARY INFORMATION

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**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<hr/>				
<b>ASSETS</b>				
Cash, cash equivalents, investments and receivables	\$ 13,930,417	\$ 52,337,611	\$ 51,269,917	\$ 14,998,111
Total assets	<u>\$ 13,930,417</u>	<u>\$ 52,337,611</u>	<u>\$ 51,269,917</u>	<u>\$ 14,998,111</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 13,930,417	\$ 52,830,205	\$ 51,762,511	\$ 14,998,111
Total liabilities	<u>\$ 13,930,417</u>	<u>\$ 52,830,205</u>	<u>\$ 51,762,511</u>	<u>\$ 14,998,111</u>

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# STATISTICAL SECTION (UNAUDITED)

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

## **Contents**

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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



(UNAUDITED)

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

**Schedule 1**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Government-wide:										
Invested in capital assets	\$ 37,686	\$ 36,313	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568
Restricted	9,483	7,315	9,931	6,400	19,045	9,006	1,837	1,002	611	575
Unrestricted	12,389	15,589	12,065	16,849	6,213	8,334	4,953	(670)	5,625	2,225
Total government-wide 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>\$ 78,603</u>	<u>\$ 69,976</u>	<u>\$ 69,976</u>	<u>\$ 14,368</u>

(UNAUDITED)

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

Schedule 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
			As Restated	As Restated						
<b>Expenses:</b>										
Instruction	\$ 213,991	\$ 228,397	\$ 235,930	\$ 257,416	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,602
Support Services:										
Administration, Attendance and Health	10,441	10,425	10,593	10,879	11,846	11,690	13,312	13,414	13,396	12,412
Pupil Transportation	9,655	9,826	12,109	7,076	9,988	10,588	10,913	10,917	10,765	11,028
Operation and Maintenance	27,962	28,505	27,936	29,101	34,112	35,398	36,258	38,954	33,660	35,283
Information Technology	5,113	6,004	6,678	10,239	9,222	9,608	8,950	8,972	10,860	8,274
School Facilities	8,068	19,416	14,071	4,621	5,348	27,473	16,099	17,151	52,851	20,093
Food Services	15,129	5,882	12,373	13,035	13,700	12,837	14,533	14,918	14,676	15,564
Other	-	-	-	-	-	-	224	264	306	238
Total Expenses	290,359	308,455	319,690	332,367	340,946	368,842	379,571	387,392	418,727	370,494
<b>Revenues:</b>										
Program Revenues:										
Charges for services	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,527	4,847
Operating grants and contributions	193,508	201,923	177,124	196,556	194,023	226,323	224,043	229,557	238,021	209,644
Capital grants and contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453
Total Program Revenues	203,973	217,635	195,604	212,439	220,945	243,173	239,234	242,453	246,425	220,944
Net (Expense) Revenue	(86,386)	(90,820)	(124,086)	(119,928)	(120,001)	(125,669)	(140,337)	(144,939)	(172,302)	(149,550)
<b>General Revenues:</b>										
Use of money and property	1,846	1,624	2,290	1,874	2,863	3,840	2,325	1,499	799	716
Other	-	-	-	103	63	53	51	200	74	2
Commonwealth of Virginia	-	-	27,399	32,220	32,239	31,830	32,292	30,102	30,267	28,912
Local government	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511
Total General Revenues	85,729	90,478	119,709	126,062	127,760	133,318	135,763	136,312	132,151	134,141
Change in Net Assets	\$ (657)	\$ (342)	\$ (4,377)	\$ 6,134	\$ 7,759	\$ 7,649	\$ (4,574)	\$ (8,627)	\$ (40,151)	\$ (15,409)

(UNAUDITED)

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

**Schedule 3**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										Note 1
General Fund										
Reserved	\$ 10,334	\$14,398	\$11,481	\$ 5,617	\$ 8,332	\$12,273	\$ 8,483	\$ 6,043	\$ 11,394	
Unreserved	9,332	9,099	8,549	19,154	5,233	6,037	4,445	4,104	4,369	
Nonspendable										-
Committed										-
Assigned										14,103
Unassigned										2,102
Total General Fund	19,666	23,497	20,030	24,771	13,565	18,310	12,928	10,138	15,763	16,498
All Other Governmental Funds										
Reserved	8,540	4,447	8,062	2,017	14,556	3,358	4,172	3,213	4,073	
Unreserved, reported in:										
Grant Fund	(2,028)	789	(2,033)	-	-	-	-	(1,793)	(2,484)	
Capital Projects Fund	-	-	-	-	-	1,483	(1,105)	293	(457)	
Child Nutrition Services Fund	2,971	2,079	4,295	4,743	4,792	5,116	4,541	4,605	5,108	
Nonspendable										430
Committed										12,684
Assigned										12,367
Unassigned										(19,145)
Total all other governmental funds	9,483	7,315	10,324	6,760	19,348	9,957	7,608	6,318	6,240	16,798

**Note:**

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

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

Schedule 4

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>										
Use of money and property	\$ 1,705	\$ 1,517	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799	\$ 716
Charges for services	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847
Other	223	1,093	1,173	526	324	209	51	508	224	397
Intergovernmental :										
Local government	84,839	98,216	99,950	100,652	103,093	108,681	109,441	111,034	103,889	110,964
Commonwealth of Virginia	157,380	161,705	165,375	185,870	190,200	206,170	208,271	212,885	195,582	177,685
Federal government	40,627	40,709	40,733	43,147	46,475	52,436	48,659	47,058	72,556	60,477
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>	<u>378,765</u>	<u>378,576</u>	<u>355,086</u>
<b>EXPENDITURES</b>										
Current:										
Instruction	186,989	212,042	226,640	233,019	261,225	256,649	278,272	285,213	286,995	263,502
Administration, Attendance, and Health	-	10,359	10,347	10,452	11,057	11,683	11,836	13,457	13,370	11,990
Pupil Transportation	-	9,575	9,752	11,940	7,193	10,390	10,416	10,896	10,723	10,709
Operation and Maintenance	12,466	27,743	28,297	27,549	29,595	32,262	33,648	33,778	36,058	35,225
Information Technology	-	5,071	5,962	6,600	10,365	8,786	9,435	8,818	8,770	8,161
School Facilities	284	7,755	19,105	13,749	4,385	13,726	23,612	15,178	3,427	2,356
Food Services	-	15,109	5,811	12,204	13,254	13,587	13,685	14,870	15,135	15,525
Other	-	411	269	-	-	-	-	294	264	238
Support Activities and facilities	57,326	-	-	-	-	-	-	-	-	-
Categorical grants	31,273	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	284	276	267	258	250	241	232	224	216	198
Capital Outlay:										
School Facilities	-	-	-	-	-	-	-	-	7,887	6,350
Total expenditures	<u>288,622</u>	<u>288,341</u>	<u>306,450</u>	<u>315,771</u>	<u>337,324</u>	<u>347,324</u>	<u>381,136</u>	<u>382,728</u>	<u>382,845</u>	<u>354,254</u>
Excess (deficiency) of revenues over expenditures	#REF!	1,361	1,663	(458)	1,177	1,381	(4,645)	(7,731)	(4,080)	832
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in from primary government										
Transfers in	-	-	-	4,172	-	10,054	-	303	-	-
Transfers out	-	-	-	(4,172)	-	(10,054)	-	(303)	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	#REF!	1,361	1,663	(458)	1,177	1,381	(4,645)	(7,731)	(4,080)	832
Debt service as a percentage of noncapital Expenditures	0.12%	0.10%	0.09%	0.08%	0.07%	0.07%	0.06%	0.06%	0.06%	0.06%

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Program Revenues by Function (Optional Schedule)**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

Schedule 5

Function/Program	Fiscal Years									
	2002	2003	2004 (As Restated)	2005 (As Restated)	2006	2007	2008	2009	2010	2011
<b>Charges for Services</b>										
Instruction	\$ 2,093	\$ 1,936	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246
Food Services	2,835	2,937	3,821	4,029	3,121	3,248	3,060	2,886	2,579	2,601
Subtotal of Charges for Services	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847
<b>Operating Grants and Contributions</b>										
Instruction	185,752	191,263	193,498	219,258	215,634	247,424	212,930	218,006	238,021	196,997
Information Technology	818	1,161	1,161	-	-	-	-	-	-	-
Food Services	8,938	9,499	9,864	9,518	10,628	10,729	11,112	11,551	12,070	12,646
Subtotal of Operating Grants and Contributions	195,508	201,923	204,523	228,776	226,262	258,153	224,042	229,557	250,091	209,643
<b>Capital Grants and Contributions</b>										
School Facilities	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453
Subtotal of Capital Grants and Contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453
<b>Total Program Revenues</b>	<b>\$ 205,973</b>	<b>\$ 217,635</b>	<b>\$ 223,003</b>	<b>\$ 244,659</b>	<b>\$ 253,184</b>	<b>\$ 275,003</b>	<b>\$ 239,233</b>	<b>\$ 242,453</b>	<b>\$ 258,494</b>	<b>\$ 220,943</b>

(UNAUDITED)

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

**Schedule 6**

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
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	35	109,440	208,271	48,584	374,905
2009	1,499	5,781	508	111,034	212,885	47,342	379,049
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	110,964	177,685	60,477	355,086
Change 2002-2011	-58.0%	-1.6%	78.0%	30.8%	12.9%	48.9%	22.6%

(UNAUDITED)

**Schedule 1**

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

Fiscal Year	Debt Service		
	Principal	Interest	Total
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
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478
2011	156,900	40,937	197,837

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)

**Schedule 2**

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Debt Capacity  
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
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	382,636,157	0.06%
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%
2011	156,900	40,937	197,837	354,254,534	0.06%

Notes:

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



(UNAUDITED)

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Child Nutrition Services**  
**Summary of Meals Served**  
**As of June 30, 2011**

<b>School</b>	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
Elementary Schools	1,232,857	2,416,601	3,649,458
Middle Schools	215,702	821,706	1,037,408
High Schools	177,810	623,378	801,188
Auxiliary Facilities	73,219	117,816	191,035
Totals	1,699,588	3,979,501	5,679,089

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

(UNAUDITED)

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the Month of October 2010**

		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	51.89%	6.15%	41.96%	48.11%
114	CAMP ALLEN ELEM.	42.96%	13.55%	43.49%	57.04%
109	CAMPOSTELLA ELEM.	4.48%	2.10%	93.42%	95.52%
126	CHESTERFIELD ACADEMY ELEM.	15.75%	4.58%	79.67%	84.25%
128	COLEMAN PLACE ELEM.	23.96%	6.27%	69.76%	76.03%
129	CROSSROADS ELEM.	31.79%	6.84%	61.37%	68.21%
127	DREAMKEEPERS ACADEMY/J.J. ROBERTS ELEM.	22.25%	9.65%	68.10%	77.75%
168	FAIRLAWN ELEM.	29.00%	12.10%	58.90%	71.00%
135	GHENT ELEM.	71.23%	7.19%	21.58%	28.77%
134	GRANBY ELEM.	32.13%	8.75%	59.13%	67.88%
136	INGLESIDE ELEM.	31.82%	7.82%	60.36%	68.18%
108	JACOX ELEM.	7.50%	2.81%	89.69%	92.50%
150	JAMES MONROE ELEM.	11.50%	2.17%	86.33%	88.50%
141	LARCHMONT ELEM.	80.00%	4.07%	15.93%	20.00%
142	LARRYMORE ELEM.	45.55%	8.40%	46.05%	54.45%
145	LINDENWOOD ELEM.	11.11%	4.09%	84.80%	88.89%
146	LITTLE CREEK ELEM.	29.03%	10.48%	60.48%	70.96%
147	LITTLE CREEK ELEM. ANNEX	28.17%	6.34%	65.49%	71.83%
123	MARY CALCOTT ELEM.	55.76%	10.29%	33.95%	44.24%
151	NORVIEW ELEM.	19.09%	7.95%	72.96%	80.91%
152	OAKWOOD ELEM.	26.15%	8.05%	65.80%	73.85%
154	OCEAN VIEW ELEM.	34.38%	7.29%	58.33%	65.62%
153	OCEANAIR ELEM.	33.11%	10.96%	55.92%	66.88%
165	P.B. YOUNG SR. ELEM.	3.07%	1.65%	95.27%	96.92%
169	POPLAR HALLS ELEM.	36.71%	9.86%	53.42%	63.28%
122	RICHARD BOWLING ELEM.	26.17%	7.02%	66.81%	73.83%
137	SEWELLS POINT ELEM.	42.39%	20.75%	36.87%	57.62%
156	SHERWOOD FOREST ELEM.	29.69%	9.38%	60.92%	70.30%
131	ST. HELENA ELEM.	14.97%	4.46%	80.57%	85.03%
159	SUBURBAN PARK ELEM.	26.40%	5.94%	67.66%	73.60%
161	TANNERS CREEK ELEM.	26.09%	9.01%	64.91%	73.92%
118	TARRALLTON ELEM.	46.76%	15.27%	37.98%	53.25%
119	TIDEWATER PARK ELEM.	2.26%	2.51%	95.24%	97.75%
160	W.H. TAYLOR ELEM.	68.65%	4.81%	26.54%	31.35%
115	WILLARD MODEL ELEM.	38.88%	6.38%	54.74%	61.12%
106	WILLOUGHBY ELEM.	44.90%	24.08%	31.02%	55.10%

Source of data: Norfolk Public Schools Child Nutrition Services

(UNAUDITED)

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the Month of October 2010**

		Paid	Reduced	Free	Total Free / Reduced
Middle Schools					
206	AZALEA MIDDLE	37.66%	13.99%	48.35%	62.34%
207	BLAIR MIDDLE	43.65%	11.00%	45.35%	56.35%
217	LAFAYETTE-WINONA MIDDLE	18.23%	7.13%	74.64%	81.77%
216	LAKE TAYLOR MIDDLE	15.28%	10.59%	74.13%	84.72%
211	NORTHSIDE MIDDLE	30.56%	14.61%	54.83%	69.44%
212	NORVIEW MIDDLE	20.40%	9.87%	69.73%	79.60%
214	RUFFNER MIDDLE	15.46%	8.22%	76.32%	84.54%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEMON	42.07%	15.38%	42.55%	57.93%
High Schools					
304	B. T. WASHINGTON HIGH	39.17%	5.28%	55.55%	60.83%
301	GRANBY HIGH	52.61%	5.54%	41.85%	47.39%
305	LAKE TAYLOR HIGH	38.93%	7.01%	54.05%	61.06%
302	MAURY HIGH	58.84%	5.97%	35.19%	41.16%
303	NORVIEW HIGH	50.30%	8.37%	41.33%	49.70%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	10.14%	2.10%	87.76%	89.86%
171	EASTON PRESCHOOL	33.52%	6.59%	59.89%	66.48%
392	MADISON	23.97%	4.79%	71.23%	76.02%
163	MARINE INSTITUTE	11.54%	0.00%	88.46%	88.46%
163	NORFOLK RE-ED SCHOOL - SECEP	16.00%	21.33%	62.67%	84.00%
396	NORFOLK TECHNICAL CTR	41.82%	10.05%	48.13%	58.18%
School Board of the City of Norfolk					
October 2010 Totals		35.57%	8.10%	56.33%	64.43%

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

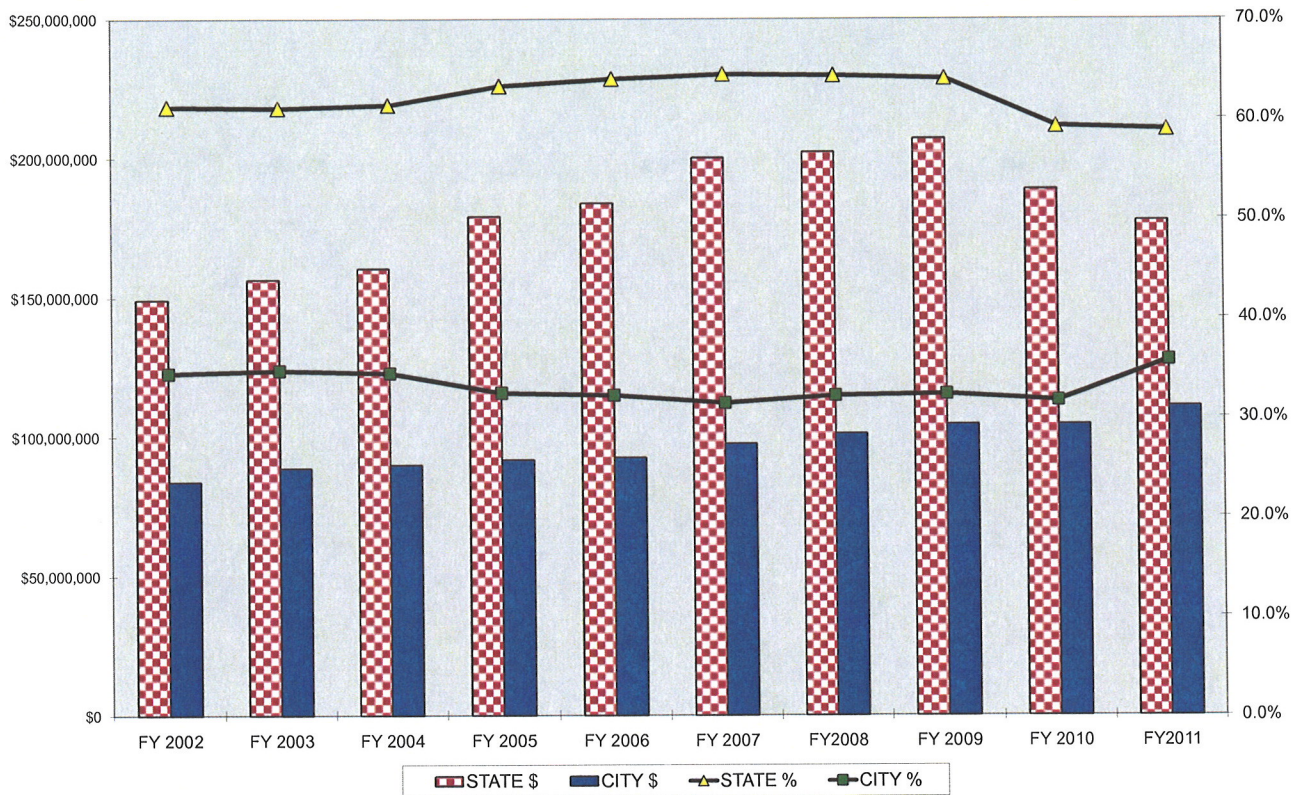
## Summary of Child Nutrition Services Funds

Currently, Norfolk serves an average of 31,500 meals and 1,000 after-school snacks each day. Child Nutrition Services provides breakfasts, lunches, and snacks which meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible for free or reduced meals. Norfolk operates the program as a non-profit organization and uses commodities provided by USDA as well as those provided by private vendors.

Account Description	Positions		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Increase Over 2011
	2011	2012								
<b>Revenue</b>										
Sales			\$ 2,835,200	\$ 2,580,078	\$ 2,555,000	\$ 2,603,674	\$ 2,545,000			-0.39%
Federal and State Food Program Reimbursements			10,560,000	11,199,151	11,645,000	11,632,694	11,770,000			1.07%
Federal Commodities Donated			870,000	871,024	850,000	1,013,773	830,000			-2.35%
Interest Earnings			35,000	-	10,000	41,612	10,000			0.00%
Other			90,500	162,947	95,500	84,227	104,500			9.42%
<b>Total revenue</b>			<b>\$ 14,390,700</b>	<b>\$ 14,813,200</b>	<b>\$ 15,155,500</b>	<b>\$ 15,375,980</b>	<b>\$ 15,259,500</b>			<b>0.69%</b>
<b>Expenditures</b>										
Cost of Goods Sold			6,615,000	6,516,805	6,873,000	7,495,857	7,116,000			3.54%
Employee Compensation	169.50	160.50	7,215,500	6,849,452	7,050,000	6,550,205	6,944,000			-1.50%
Maintenance Costs			402,000	360,282	454,000	314,378	415,000			-8.59%
Supplies and Materials			130,000	100,653	125,000	144,760	135,000			8.00%
Cafeteria and Other Equipment			250,000	497,889	445,000	447,509	440,000			-1.12%
Other Costs			219,250	175,341	208,500	290,739	209,500			0.48%
<b>Total expenditures</b>	<b>169.50</b>	<b>160.50</b>	<b>\$ 14,831,750</b>	<b>\$ 14,500,422</b>	<b>\$ 15,155,500</b>	<b>\$ 15,243,448</b>	<b>\$ 15,259,500</b>			<b>0.69%</b>
Excess of Revenues over Expenditures			(441,050)	312,778	-	132,532	-			
Fund Balance - Beginning of Year			5,315,280	5,315,280	5,628,057	5,628,058	5,628,057			
<b>Fund Balance - End of Year</b>			<b>\$ 4,874,230</b>	<b>\$ 5,628,058</b>	<b>\$ 5,628,057</b>	<b>\$ 5,760,590</b>	<b>\$ 5,628,057</b>			

Source of Data: Norfolk Public Schools Child Nutrition Services

## State and City Revenues



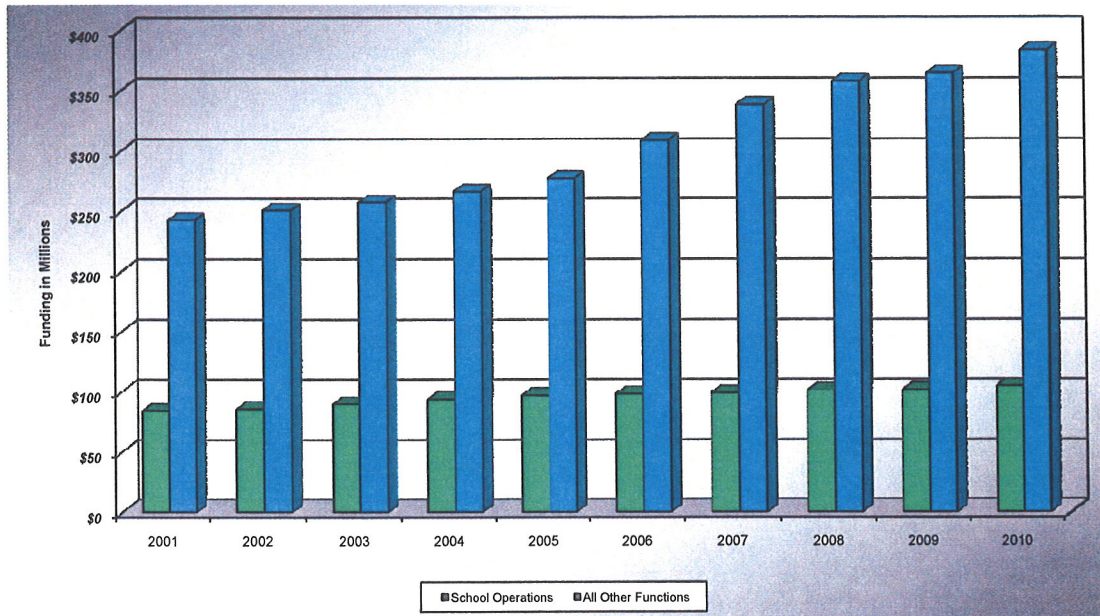
FISCAL YEAR	STATE REVENUE		CITY REVENUE	
	Total	Percent	Total	Percent
2002	\$ 149,254,360	61.2%	\$ 83,882,544	34.4%
2003	\$ 156,504,286	61.0%	\$ 88,853,663	34.7%
2004	\$ 160,507,605	61.4%	\$ 90,020,000	34.4%
2005	\$ 179,190,014	63.2%	\$ 91,864,910	32.4%
2006	\$ 183,950,776	63.9%	\$ 92,594,910	32.2%
2007	\$ 200,127,838	64.4%	\$ 97,594,910	31.4%
2008	\$ 202,196,359	64.3%	\$ 101,094,910	32.1%
2009	\$ 206,990,016	64.0%	\$ 104,511,131	32.3%
2010	\$ 206,990,016	64.0%	\$ 104,511,131	32.3%
2011	\$ 177,684,710	58.9%	\$ 110,964,421	35.7%

This chart indicates state and city funding (the two major sources of school operating 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 revenues are not shown on this chart, the percentages do not total 100%.

Source of Data: Comprehensive Annual Financial Reports



**Comparison of Revenue Under Local Control Dedicated  
to School Operations and to Other Functions  
2001-2010**



FISCAL YEAR	Revenue Under Local Control		Local Revenue Dedicated to School Operations (a)		Dedicated to All Other Functions	
	Total	Growth	Total	Growth	Total	Growth
2001	\$335.90	2.9%	\$85.39	1.9%	\$250.51	3.2%
2002	\$346.70	3.2%	\$89.42	4.7%	\$257.28	2.7%
2003	\$359.65	3.7%	\$93.54	4.6%	\$266.11	3.4%
2004	\$373.80	3.9%	\$96.86	3.5%	\$276.94	4.1%
2005	\$406.30	8.7%	\$97.81	1.0%	\$308.49	11.4%
2006	\$436.70	7.5%	\$98.57	0.8%	\$338.13	9.6%
2007	\$458.10	4.9%	\$100.60	2.1%	\$357.50	5.7%
2008	\$468.40	2.2%	\$101.09	0.5%	\$364.20	1.9%
2009	\$487.50	4.1%	\$104.20	3.1%	\$383.30	5.2%
2010	\$500.23	2.6%	\$101.01	-3.1%	\$399.22	4.2%

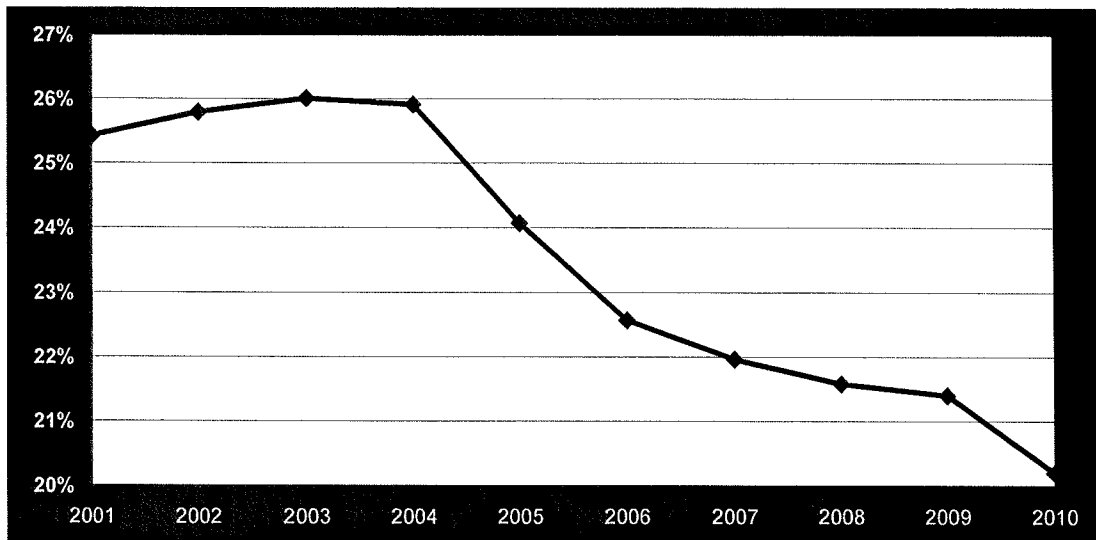
Amounts shown are in millions of dollars

Average growth 2001-10:	4.4%	1.9%	5.1%
Total growth 2001-10	48.9%	18.3%	59.4%

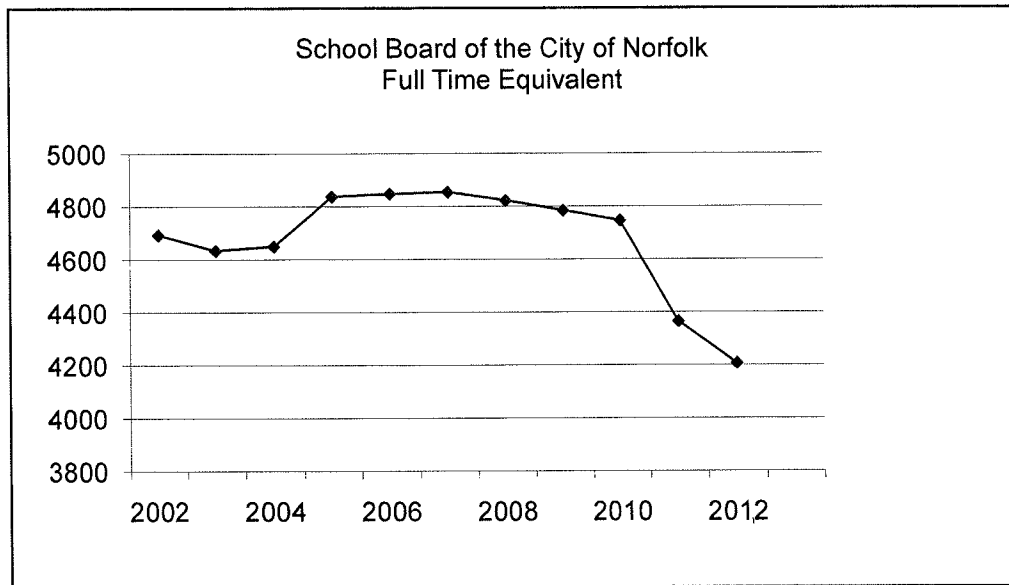
(a) Includes an estimate of cost of crossing guards, school nurses, grounds maintenance and local revenues collected directly by school board (fees, etc.).

(b) Source of data: Norfolk Public Schools Budget Department. 2011 data not yet available.

**Percentage of Revenue Under Local Control  
Dedicated to School Operations  
2000-2009**



FISCAL YEAR	Local Revenue	Dedicated to School Operations	% to School Operations
2001	\$335.90	\$85.39	25.4%
2002	\$346.70	\$89.42	25.8%
2003	\$359.65	\$93.54	26.0%
2004	\$373.80	\$96.86	25.9%
2005	\$406.30	\$97.81	24.1%
2006	\$436.70	\$98.57	22.6%
2007	\$458.10	\$100.60	22.0%
2008	\$468.40	\$101.09	21.6%
2009	\$487.50	\$104.20	21.4%
2010	\$500.23	\$101.01	20.2%

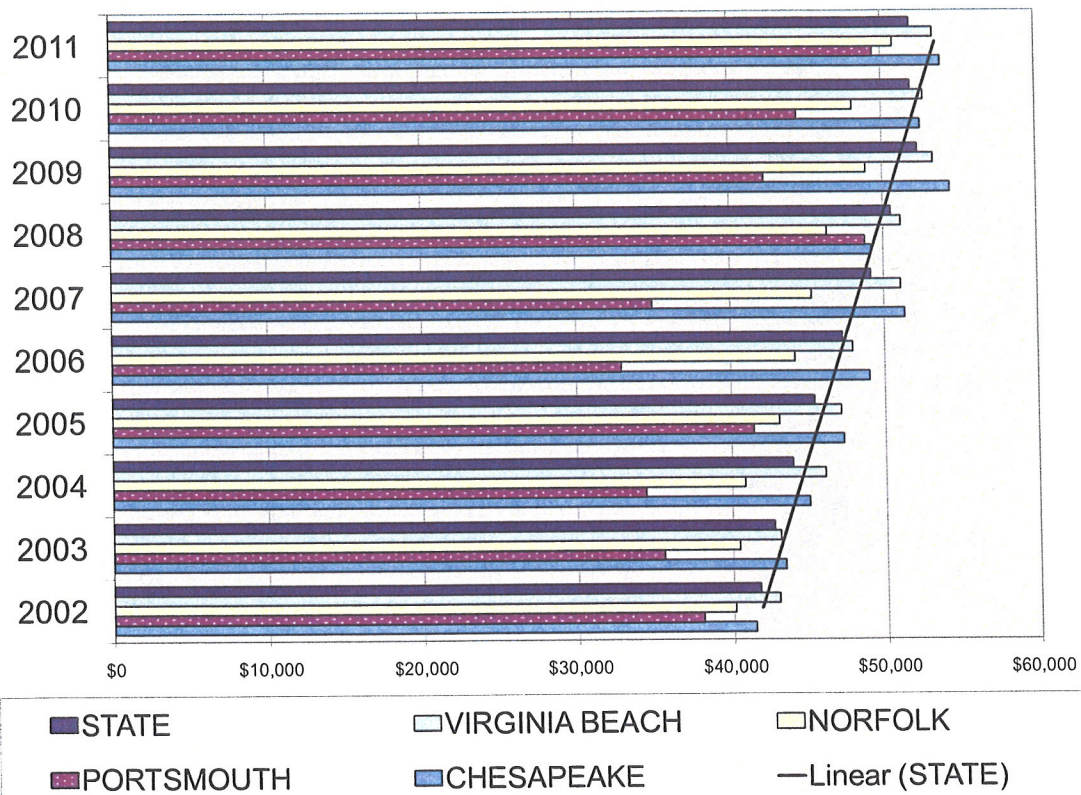


Fiscal Year	FTE
2002	4694
2003	4634
2004	4650
2005	4838
2006	4848
2007	4855
2008	4823
2009	4785
2010	4747
2011	4365
(budgeted) 2012	4206

*Source of Data: Norfolk Public Schools Budget Office*



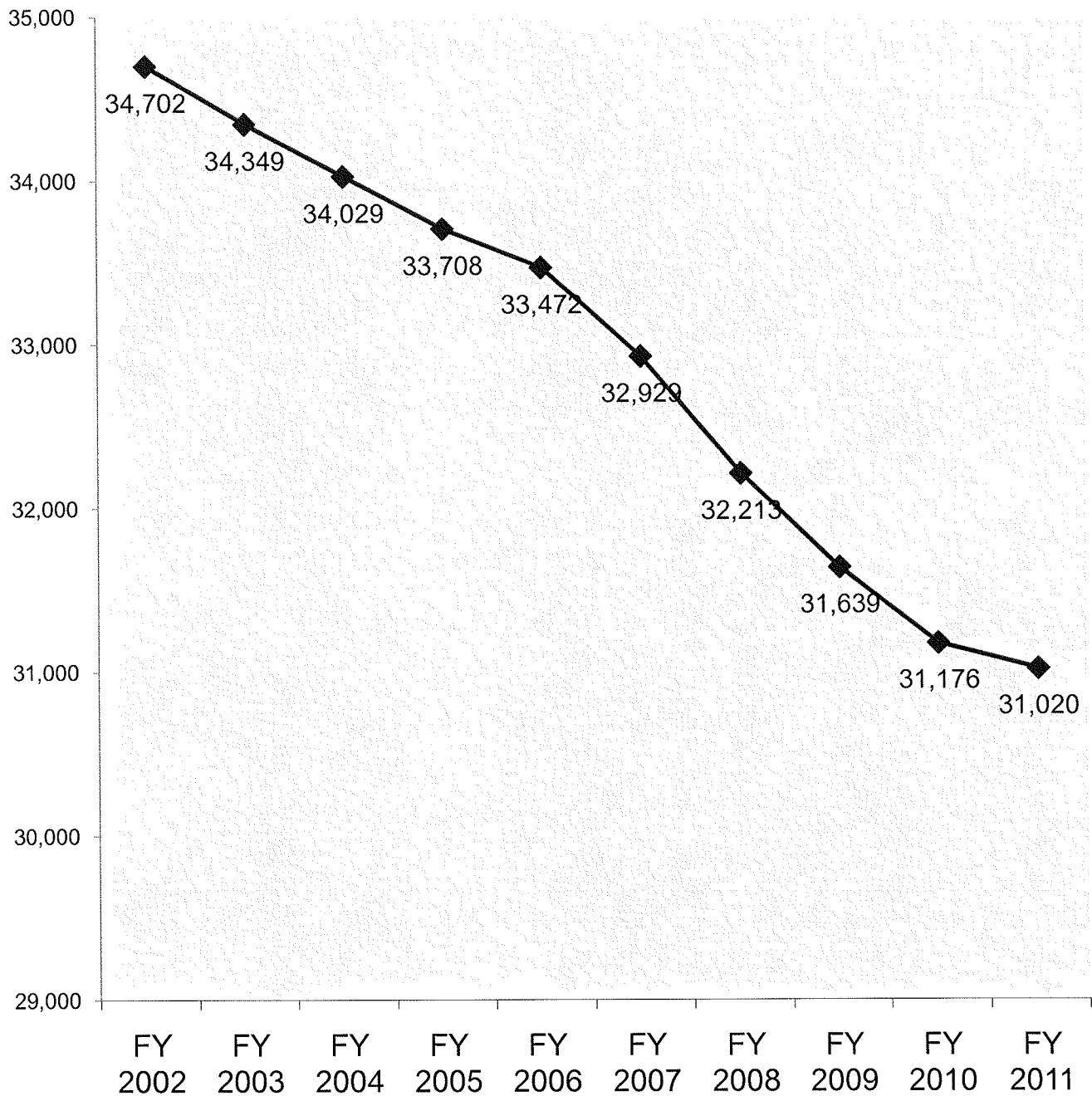
## Average Annual Salary - All Teaching Positions



FISCAL YEAR	CHESAPEAKE	PORTSMOUTH	NORFOLK	VIRGINIA BEACH	STATE
2002	\$41,433	\$38,030	\$40,100	\$42,978	\$41,731
2003	\$43,396	\$35,535	\$40,429	\$43,095	\$42,694
2004	\$45,011	\$34,404	\$40,832	\$46,030	\$43,952
2005	\$47,265	\$41,436	\$43,087	\$47,110	\$45,377
2006	\$49,005	\$32,903	\$44,165	\$47,900	\$47,248
2007	\$51,348	\$34,924	\$45,288	\$51,102	\$49,164
2008	\$49,205	\$48,790	\$46,297	\$51,133	\$50,511
2009	\$54,385	\$42,270	\$48,903	\$53,315	\$52,307
2010	\$52,514	\$44,450	\$48,058	\$52,710	\$51,894
2011	\$53,878	\$49,458	\$50,758	\$53,379	\$51,903

Source of Data: Superintendent's Annual Report for Virginia.  
2011 data is budgeted figure.

## Average Daily Membership



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

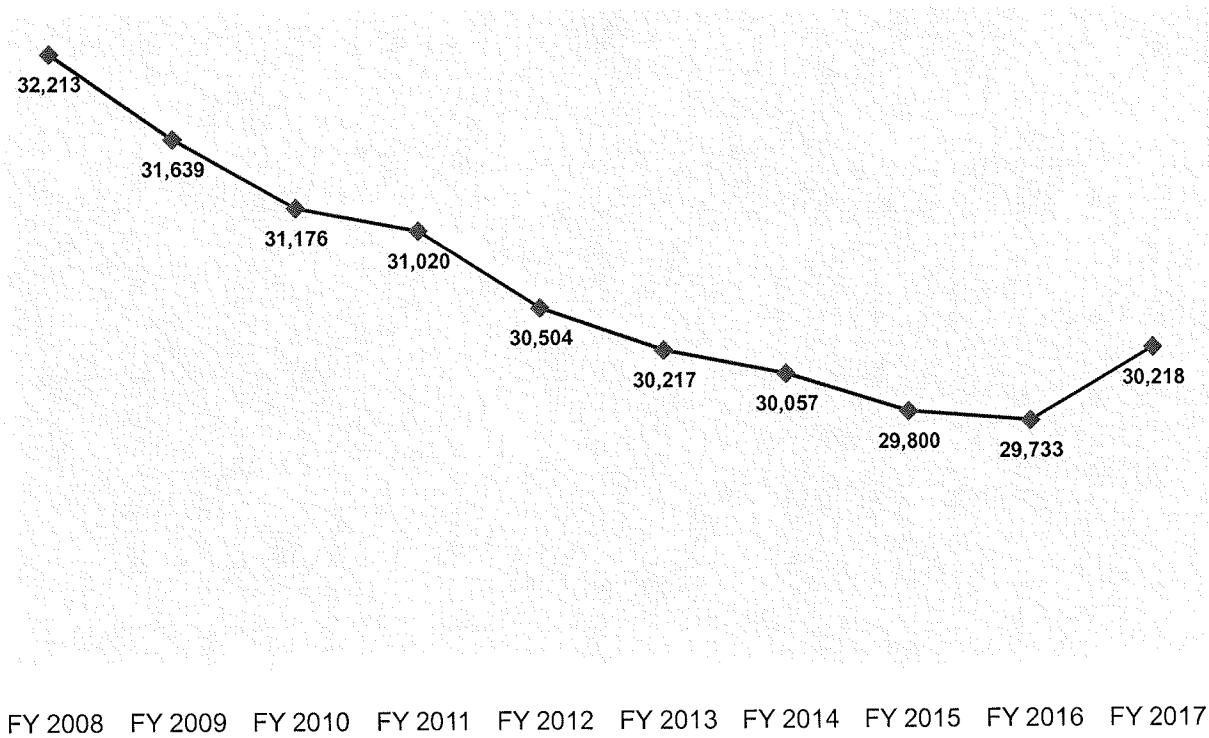
## Average Cost Per Student

Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (a)			Average Cost per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2011	\$295,670,900	29,450	1,570	31,020	\$9,532
2010	\$327,186,336	30,839	2,302	33,141	\$9,873
2009	\$324,043,814	31,639	2,173	33,812	\$9,584
2008	\$316,464,796	32,259	1,052	33,311	\$9,500
2007	\$309,045,784	32,962	1,052	34,014	\$9,086
2006	\$291,657,947	33,262	1,052	34,314	\$8,500
2005	\$282,762,068	33,762	1,152	34,914	\$8,099
2004	\$260,460,046	34,030	1,152	35,182	\$7,403
2003	\$251,565,368	34,349	1,152	35,501	\$7,086
2002	\$245,188,608	34,268	1,152	35,420	\$6,922

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

Source of Data: Norfolk Public Schools Budget Department

## Enrollment Projections (K-12)



FISCAL YEAR	PROJECTED ENROLLMENT
2008	32,213
2009	31,639
2010	31,176
2011	31,020
2012	30,504
2013	30,217
2014	30,057
2015	29,800
2016	29,733
2017	30,218

### 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 Incentive to Reduce Class Size

Elementary School	October 2008 Free Lunch Eligibility Rate	State Target Pupil-Teacher Ratio	NPS Pupil Teacher Ratio Budgeted	Maximum Permitted Individual Class Size in the School	NPS Average Class Size Expected
BAY VIEW	36.42%	19:1	22:1	24	22
BOWLING PARK	64.36%	17:1	23:1	22	19
CALCOTT	32.31%	19:1	21:1	24	21
CAMP ALLEN	30.28%	19:1	20:1	24	20
CAMPOSTELLA *	90.35%	14:1	18:1	19	16
CHESTERFIELD ACADEMY	70.61%	15:1	22:1	20	19
COLEMAN PLACE	63.11%	17:1	21:1	22	21
CROSSROADS	46.18%	18:1	20:1	23	20
FAIRLAWN	49.79%	18:1	20:1	23	20
GRANBY	50.24%	18:1	24:1	23	24
INGLESIDE	47.71%	18:1	19:1	23	19
JACOX *	82.93%	14:1	17:1	19	15
LARRYMORE	40.84%	19:1	21:1	24	21
LINDENWOOD *	80.10%	14:1	18:1	19	15
LITTLE CREEK	52.20%	18:1	20:1	23	20
MONROE	84.22%	14:1	18:1	19	15
NORVIEW	67.96%	16:1	18:1	21	18
OAKWOOD	52.22%	18:1	19:1	23	19
OCEAN VIEW	52.20%	18:1	20:1	23	20
OCEANAIR	49.23%	18:1	20:1	23	20
POPLAR HALLS	46.91%	18:1	18:1	23	18
ROBERTS PARK	64.75%	17:1	23:1	22	18
SHERWOOD FOREST	46.67%	18:1	22:1	23	22
ST. HELENA	75.31%	14:1	22:1	19	17
SUBURBAN PARK	57.43%	17:1	20:1	22	20
TANNERS CREEK	53.35%	18:1	20:1	23	20
TARRALLTON	32.40%	19:1	21:1	24	21
TIDEWATER PARK	94.65%	14:1	19:1	19	15
WILLARD MODEL	46.87%	18:1	21:1	23	21
WILLOUGHBY	32.10%	19:1	19:1	24	19
YOUNG PARK	91.44%	14:1	18:1	19	15

*Includes 4 federal class reduction teachers for grades K-3*

*Source of Data: Norfolk Public Schools Budget Department*

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Facilities Information on Schools**  
**As of 2011**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Age</b>	<b>Total Sqft. Bldgs. &amp; Mobiles</b>
Granby High	1939	292,294	25	0	1997-1998	13	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	37	263,000
Maury High	1910	265,000	9.8	0	1988	23	265,000
Norview High	2004	287,272	27	0		7	287,272
B. T. Washington High	1974	265,000	30	0		37	265,000
<b>High School Average Age:</b>						<b>23.40</b>	
Azalea Middle	1961	120,374	21.1	3		50	123,110
Blair Middle	1922	241,597	7.4	0	2007	4	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		20	140,000
Lake Taylor Middle	1965	118,926	20	6		46	124,398
Northside Middle	1956	122,675	14.5	0		55	122,675
Norview Middle	1995	152,000	19	0		16	152,000
Rosemont Middle	1959	126,028	18.5	0		52	126,028
Ruffner Middle	1994	146,000	10.52	0		17	146,000
<b>Middle School Average Age:</b>						<b>32.50</b>	
Bayview Elementary	1922	83,095	9.4	0	1999	12	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	58	62,149
Calcott Elementary	1952	65,100	12	2	1954	59	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	41	69,200
Campostella Elementary	1963	95,970	21.2	0		48	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	58	67,870
Coleman Place Elementary	2007	96,818	9.2	0		4	96,818
Crossroads Elementary	1946	49,150	12	4	1955, 1956	65	52,798
Fairlawn Elementary	1959	58,500	16.4	11	1961	52	68,532
Ghent Elementary	1978	60,800	13	3		33	63,536
Granby Elementary	1948	82,081	9	0	1989	63	82,081
Ingleside Elementary	1954	58,500	16	6		57	63,972
Jacox Elementary	1949	79,200	11.7	4		62	82,848
Larchmont Elementary	1929	47,300	23	0	1977	82	47,300
Larrymore Elementary	1957	77,325	13	0	1964	54	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	58	61,284
Little Creek Elementary	1954	56,795	17	5		57	61,355
Little Creek Primary	1957	44,500		1		54	45,412
Monroe Elementary	1990	64,000	12.8	0		21	64,000
Norview Elementary	1952	57,640	14.2	14	1953	59	70,408
Oakwood Elementary	1952	40,000	8.2	2	1961	59	41,824
Ocean View Elementary	1939	56,150	20.5	2		72	57,974
Oceanair Elementary	1956	62,470	17.7	8		55	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	52	47,136
J.J. Roberts Elementary	1964	40,355	6.6	4		47	44,003
St. Helena Elementary	1966	36,074	13.2	2		45	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	45	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	54	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	56	61,980
Tanners Creek Elementary	1990	83,000	9	0		21	83,000
Tarrallton Elementary	1964	46,300	15.2	3		47	49,036
Taylor Elementary	1998	54,786	2.8	0		13	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		47	44,235
Willard Elementary	1952	80,925	14.9	0	1990	59	80,925
Willoughby Elementary	1967	58,400	12	0		44	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		57	55,325
<b>Elementary School Average Age:</b>						<b>49.17</b>	

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Facilities Information on Schools**  
**As of 2010**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Age</b>	<b>Total Sqft. Bldgs. &amp; Mobiles</b>
Tucker	1942	32,151	5	0		69	32,151
Berkley/Compostella ECC	1953	46,453	10.6	0	1991	58	46,453
Camp Young	1946	27,398	30	0		65	27,398
Coronado	1959	13,280	2.2	2		52	15,104
Easton Preschool	1959	37,500	11.7	0	1961	52	37,500
Madison Career Center	1919	75,501	3	0	1921	92	75,501
Norfolk Technical Center	1968	125,938	29.5	0		43	125,938
Ballentine	1916	38,700	9.8	0	1965	95	38,700
Bellmore	1968	77,028	3.9	1		43	77,940
Transportation	1995	24,689	9.9	1		16	25,601
<b>Subtotal Average Age Other:</b>						<b>58.50</b>	
Total Mobiles				123			
Average Age of all Buildings				40.89			
Total Number of Acres				826.2			
Total Number of Square Feet				5,243,833			
Total Square feet including mobiles				5,356,185			

Total Square footage column include Building plus Mobiles as of 10 November 2011  
Age of original structure is different for buildings that have renovations

*Source of data: Norfolk Public Schools Facilities Management*

(UNAUDITED)

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt	\$ 537,356	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576
Restricted	72,938	35,753	55,786	6,788	6,605	6,731	6,890	64,397	120,974	6,744
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>	<u>63,013</u>	<u>76,365</u>	<u>5,347</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>	<u>379,538</u>	<u>353,293</u>	<u>336,667</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	237,307	229,693	267,107
Restricted	46,861	37,216	36,041	-	-	2,526	2,506	39,306	40,056	12,928
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>	<u>43,921</u>	<u>63,316</u>	<u>62,458</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>	<u>320,534</u>	<u>333,065</u>	<u>342,493</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	489,435	385,647	591,683
Restricted	119,799	72,969	91,827	6,788	6,605	9,257	9,396	103,703	161,030	19,672
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>	<u>106,934</u>	<u>139,681</u>	<u>67,805</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>	<u>\$ 700,072</u>	<u>\$ 686,358</u>	<u>\$ 679,160</u>



(UNAUDITED)

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 108	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630
Judicial administration	10	191	402	498	200	778	931	935	3,501	3,629
Public safety	2,410	6,282	6,727	11,608	13,041	2,708	2,307	2,797	5,627	7,942
Public works	13,896	16,394	16,829	9,081	10,121	24,181	27,156	26,999	35,451	36,890
Health and public assistance	119	159	154	130	134	101	166	134	83	82
Culture and recreation	1,763	5,907	6,668	7,034	6,198	6,126	6,710	6,232	9,224	10,101
Community development	6	7	11	5	1,063	907	760	1,539	2,259	1,479
Capital grant contributions	-	-	-	-	-	-	-	16,933	7,175	-
Operating grants and contributions	93,270	123,596	105,466	116,399	116,827	115,779	112,960	112,419	127,685	116,648
Total governmental activities program revenue	111,582	152,985	136,808	145,530	148,814	153,030	153,159	169,788	204,141	195,401
Business-type activities:										
Charges for Services										
Water	59,318	63,785	60,964	61,002	74,218	69,816	74,240	74,454	78,983	80,573
Wastewater	13,389	14,615	18,633	21,329	22,375	22,314	24,917	23,125	23,815	24,362
Parking facilities	18,355	18,574	21,354	21,059	20,911	21,589	20,425	20,048	18,785	19,682
Capital grants and contributions	355	254	205	-	78	731	219	504	366	130
Total business-type activities program revenues	91,417	97,228	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747
Total primary government program revenues	202,999	250,213	237,964	248,920	266,396	267,490	272,960	287,919	326,090	320,148
<b>Expenses</b>										
Governmental activities:										
General government	48,062	83,311	86,081	74,344	94,763	113,279	113,142	111,629	112,874	103,550
Judicial administration	8,987	10,856	36,635	40,319	42,494	46,944	48,593	52,209	52,020	49,980
Public safety	122,252	117,488	99,975	107,531	106,705	111,803	126,609	120,703	130,263	129,721
Public works	96,894	103,319	124,833	144,438	109,907	119,176	118,888	134,274	132,176	101,137
Health and public assistance	62,062	70,665	77,668	84,173	91,443	93,775	95,234	93,495	91,923	82,368
Culture and recreation	46,945	44,758	42,495	46,267	44,933	52,965	56,890	63,438	73,342	64,352
Community development	17,218	19,806	10,471	16,974	14,930	14,772	15,345	10,867	15,429	18,638
Education	83,683	88,864	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511
Interest on long-term debt	18,536	18,088	17,461	18,516	19,565	19,618	21,457	23,788	26,014	27,931
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	714,914	735,052	682,188
Business-type activities:										
Water	53,712	54,382	60,069	60,207	62,009	60,511	64,877	66,990	64,316	67,852
Wastewater	11,379	10,963	11,754	11,957	15,448	17,377	18,614	21,227	18,983	19,707
Parking facilities	14,298	15,834	16,869	18,640	18,356	18,861	21,539	19,036	20,008	22,050
Total business-type activities expenses	79,389	81,179	88,692	90,804	95,813	96,749	105,030	107,253	103,307	109,609
Total primary government expenses	592,160	646,385	680,471	715,231	713,148	766,676	802,283	822,167	838,359	791,797
<b>Net (Expense) Revenue</b>										
Governmental activities	(401,189)	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)
Business-type activities	12,028	16,049	12,464	12,589	21,769	17,711	14,771	10,878	18,642	15,138
Total primary government net expense	\$ (389,161)	\$ (396,172)	\$ (442,507)	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)

(UNAUDITED)

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes:										
Real estate and personal property	\$ 158,871	\$ 168,731	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530
Consumption utility	-	-	-	43,387	43,337	42,586	46,582	44,142	44,053	48,360
Sales and use	-	-	-	29,497	30,652	32,402	31,791	29,464	28,249	28,411
Restaurant food	-	-	-	28,669	27,277	28,578	28,758	28,079	27,232	24,004
Business licenses	-	-	-	22,015	24,412	25,268	26,343	27,662	26,009	25,849
Cigarette	-	-	-	6,948	6,819	6,957	7,577	7,333	7,176	7,161
Motor vehicle licenses	-	-	-	2,605	3,576	3,529	3,498	4,005	4,308	4,313
Franchise, admission, recordation and other miscellaneous local	-	-	-	19,356	21,544	19,800	18,025	17,192	16,528	15,698
Other *	127,262	132,847	140,675	-	-	-	-	-	-	-
Interest and investment earnings	5,565	3,018	2,377	4,916	7,306	6,536	5,307	2,789	892	1,065
Grants and contributions not restricted to specific programs	60,367	60,472	77,601	68,219	68,133	66,524	69,352	60,513	32,892	32,642
Miscellaneous	12,603	7,986	18,504	8,496	15,851	4,845	11,881	9,600	5,637	5,901
Gain on disposal of assets	625	4,025	-	-	3,249	65	62	-	-	-
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	-	-	40,387	11,085
Transfers between governmental and business-type activities	8,000	8,500	10,000	10,000	11,868	10,988	10,212	10,215	13,054	10,052
<b>Total governmental activities</b>	<b>372,894</b>	<b>385,579</b>	<b>430,603</b>	<b>435,264</b>	<b>481,811</b>	<b>489,393</b>	<b>495,876</b>	<b>501,684</b>	<b>502,816</b>	<b>470,161</b>
<b>Business-type activities:</b>										
Interest and investment earnings	941	816	609	864	3,161	2,739	3,046	925	618	511
Grants and contributions not restricted to specific programs	-	-	-	-	-	333	-	-	148	557
Unrealized Gain (Loss) on investments	-	25	(640)	-	-	-	-	-	-	-
Miscellaneous	3,660	2,780	4,624	3,657	3,911	3,554	3,088	2,850	3,432	3,431
Gain (Loss) on disposal of assets	415	121	-	(852)	-	(6)	-	-	2,744	(157)
Transfers between governmental and business-type activities	(8,000)	(8,500)	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)
<b>Total business-type activities</b>	<b>(2,984)</b>	<b>(4,758)</b>	<b>(5,407)</b>	<b>(6,331)</b>	<b>(4,796)</b>	<b>(4,368)</b>	<b>(4,078)</b>	<b>(6,440)</b>	<b>(6,112)</b>	<b>(5,710)</b>
<b>Total primary governmental activities</b>	<b>369,710</b>	<b>380,821</b>	<b>425,196</b>	<b>428,933</b>	<b>477,015</b>	<b>485,025</b>	<b>495,798</b>	<b>495,244</b>	<b>496,704</b>	<b>464,451</b>
<b>Change in Net Assets</b>										
Governmental activities	(28,495)	(26,642)	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)
Business-type activities	9,044	11,291	7,057	6,255	16,973	13,343	10,693	4,438	12,530	9,428
<b>Total Primary Government changes in net assets</b>	<b>\$ (19,451)</b>	<b>\$ (15,351)</b>	<b>\$ (17,311)</b>	<b>\$ (37,378)</b>	<b>\$ 30,263</b>	<b>\$ (14,161)</b>	<b>\$ (33,525)</b>	<b>\$ (39,004)</b>	<b>\$ (15,565)</b>	<b>\$ (7,198)</b>

Note:

1. \*All taxes listed except real estate taxes were reported as "other" on the CAFR prior to fiscal year 2005.

(UNAUDITED)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5
Restricted	-	-	-	-	-	-	-	-	-	395
Committed	-	-	-	-	-	-	-	-	-	1,899
Assigned	-	-	-	-	-	-	-	-	-	38,014
Unassigned	-	-	-	-	-	-	-	-	-	55,968
Reserved*	14,913	8,317	8,152	14,172	16,057	17,223	11,669	7,842	8,296	-
Unreserved*	53,053	49,789	53,948	54,007	66,619	71,056	56,302	50,784	53,840	-
Total general fund	67,966	58,106	62,100	68,179	82,676	88,279	67,971	58,626	62,136	96,281
Capital projects fund:										
Restricted	-	-	-	-	-	-	-	-	-	41,063
Committed	-	-	-	-	-	-	-	-	-	11,978
Assigned	-	-	-	-	-	-	-	-	-	26,307
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	40,849	51,259	80,034	82,373	20,885	48,894	57,186	50,987	60,696	-
Unreserved*	1,009	7,200	14,132	3,394	-	15,424	64,504	25,939	86,260	-
Total capital projects fund	41,858	58,459	94,166	85,767	20,885	64,318	121,690	76,926	146,956	79,348
All Other governmental funds:										
Nonspendable	-	-	-	-	-	-	-	-	-	22
Restricted	-	-	-	-	-	-	-	-	-	2,621
Committed	-	-	-	-	-	-	-	-	-	11,259
Assigned	-	-	-	-	-	-	-	-	-	9,877
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	17,177	8,089	10,509	27,161	19,075	20,123	30,716	27,049	34,634	-
Unreserved*	1,254	14,833	14,058	3,992	17,131	24,211	13,987	12,535	14,008	-
Total Other governmental funds	18,431	22,922	24,567	31,153	36,206	44,334	44,703	39,584	48,642	23,779
Total fund balance, governmental funds	<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>	<u>\$ 175,136</u>	<u>\$ 257,734</u>	<u>\$ 199,408</u>

Note:

1. \*The City implemented GASB Statement No. 54 during fiscal year 2011. The fund balance categories of "reserved" and "unreserved" are reflected for fiscal years prior to 2011.

(UNAUDITED)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
General property taxes	\$ 159,512	\$ 168,893	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004
Other local taxes	127,262	132,847	140,675	150,477	157,616	159,119	162,573	157,927	153,615	153,886
Licenses and permits	2,700	2,973	3,204	3,542	4,088	4,071	4,055	4,012	3,526	3,691
Fines and forfeitures	1,541	1,569	1,627	1,763	1,461	1,605	1,317	1,260	1,164	1,298
Use of money and property	11,247	8,791	8,333	10,232	10,498	11,105	10,560	8,332	6,746	7,169
Charges for services	18,312	29,390	31,342	29,129	32,772	37,071	40,159	40,345	50,540	47,955
Miscellaneous	12,337	24,785	17,339	18,951	33,494	11,691	17,923	12,911	18,080	14,850
Recovered costs	10,008	9,556	12,297	14,188	12,667	8,408	8,622	8,952	9,503	10,723
Intergovernmental	133,332	131,071	160,118	147,045	149,757	156,637	156,862	149,774	152,619	149,489
<b>Total Revenue</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>643,361</b>	<b>635,516</b>	<b>652,848</b>	<b>647,065</b>
<b>Expenditures:</b>										
<b>Current</b>										
General government	44,126	64,639	76,127	67,434	92,062	102,031	110,974	102,426	97,061	80,855
Judicial administration	8,790	9,280	35,603	38,110	41,795	45,173	47,331	50,347	48,726	47,535
Public safety	115,912	123,202	94,979	102,278	105,634	108,565	116,208	118,073	115,488	115,975
Public works	56,124	57,162	80,613	64,497	46,959	49,161	60,370	56,146	59,574	70,124
Health and public assistance	61,601	68,140	76,221	83,451	91,535	93,397	95,159	91,648	89,682	79,757
Culture and recreation	40,849	40,149	40,081	40,290	42,995	46,397	51,071	52,248	51,708	45,862
Community development	16,945	17,673	8,048	12,716	13,552	11,158	10,745	9,899	10,851	16,585
Education	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511
<b>Debt Services:</b>										
Principal retirement	31,177	32,450	32,731	47,407	37,650	35,872	40,260	48,092	46,052	50,865
Interest and other charges	17,460	15,998	16,820	18,061	18,802	18,917	20,468	23,666	23,782	29,675
Intergovernmental	7,932	8,061	6,140	-	-	-	-	-	-	-
Capital outlay	30,516	37,770	45,026	85,144	91,632	94,595	114,007	104,892	99,210	76,534
<b>Total Expenditures</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>761,948</b>	<b>743,145</b>	<b>718,258</b>
<b>(Deficiency) of revenues (under) expenditures</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>(126,432)</b>	<b>(90,297)</b>	<b>(71,193)</b>
<b>Other Financing Sources (Uses):</b>										
Proceeds of refunding bonds	-	31,123	83,219	30,389	-	15,480	-	16,000	-	84,136
Proceeds of capital leases	2,184	7,503	4,430	4,702	4,828	-	-	-	-	-
Proceeds of debt (general obligation bonds and notes)	56,179	47,695	69,685	70,840	-	121,705	145,663	55,280	156,208	2,821
Payment to refunded bonds escrow agent	(30,452)	(31,123)	(83,219)	(30,389)	-	(15,480)	-	(16,000)	-	(84,136)
Premium on bonds issued	-	-	389	2,259	-	2,070	5,785	1,707	3,633	505
Miscellaneous	-	(2,989)	(7)	-	(122)	66	62	-	-	-
Proceeds from sale or disposal of fixed assets	-	4,025	1,062	-	-	-	-	-	-	-
Operating transfers in	72,913	78,637	75,587	82,354	97,185	89,254	109,901	105,641	104,007	104,873
Operating transfers (out)	(64,913)	(70,137)	(65,587)	(72,354)	(86,142)	(78,176)	(99,653)	(85,425)	(90,953)	(95,332)
<b>Total other financing sources (uses)</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>67,203</b>	<b>172,895</b>	<b>12,867</b>
<b>Net change in fund balances</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>\$ (59,229)</b>	<b>\$ 82,598</b>	<b>\$ (58,326)</b>
<b>Debt service as a percentage of noncapital expenditures</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>9.13%</b>	<b>10.40%</b>	<b>9.69%</b>	<b>12.19%</b>

(UNAUDITED)

City of Norfolk, Virginia  
Financial Trends Information  
Schedule 5  
Program Revenues by Function  
Last Ten Fiscal Years  
(Amounts in thousands)

	Fiscal Year									
Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
General government	\$ 11,272	\$ 43,823	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795
Judicial administration	4,466	4,462	17,960	19,423	19,605	27,904	28,707	23,173	26,461	27,069
Public safety	22,128	23,941	12,832	19,822	20,674	8,137	5,244	11,036	7,459	12,335
Public works	31,670	34,082	40,783	28,440	30,438	44,769	47,407	48,156	55,542	61,552
Health and public assistance	34,127	34,453	36,733	39,064	39,930	42,261	40,567	41,695	62,585	52,280
Culture and recreation	6,097	10,225	10,221	9,956	9,603	9,655	10,359	9,148	23,976	10,330
Community development	1,822	1,979	2,334	3,281	3,762	3,690	3,168	20,538	7,532	10,040
Interest on Long-term debt	-	-	-	-	-	-	-	-	849	-
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>	<u>169,788</u>	<u>204,140</u>	<u>195,401</u>
Business-type activities:										
Water	59,389	64,039	61,126	61,002	74,277	70,411	74,416	74,958	79,349	80,703
Wastewater	13,673	14,615	18,676	21,329	22,394	22,450	24,960	23,125	23,815	24,362
Parking facilities	18,355	18,574	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682
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>	<u>118,131</u>	<u>121,949</u>	<u>124,747</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>	<u>\$ 287,919</u>	<u>\$ 326,089</u>	<u>\$ 320,148</u>

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Misc	Recovered Costs	Inter-Governmental Revenues	Total
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	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
Change 2002-2011	61.7%	20.9%	36.7%	-15.8%	-36.3%	161.9%	20.4%	7.1%	12.1%	35.9%

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

Fiscal Year	Consumer's Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2002	37,922	25,267	19,288	18,644	4,280	3,554	18,307	127,262
2003	37,930	25,854	21,680	18,472	4,220	3,462	21,229	132,847
2004	39,231	27,867	21,808	20,279	7,639	3,456	20,395	140,675
2005	39,371	29,497	22,550	22,015	6,948	2,605	27,491	150,477
2006	43,337	30,652	27,277	24,412	6,819	3,576	21,543	157,616
2007	42,586	32,402	28,578	25,268	6,957	3,529	19,799	159,119
2008	46,582	31,791	28,758	26,343	7,577	3,498	18,024	162,573
2009	44,142	29,484	28,078	27,692	7,333	4,005	17,192	157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	48,360	28,411	24,094	25,849	7,161	4,313	15,698	153,886
Change 2002-2011	27.5%	12.4%	24.9%	38.6%	67.3%	21.4%	-14.3%	20.9%

Note:

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

(UNAUDITED)

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

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2001	8,458,281	1,232,852	232,377	9,923,510	9,923,510
2002	8,882,064	1,273,647	281,182	10,436,893	10,436,893
2003	9,356,760	1,311,951	271,046	10,939,757	10,939,757
2004	10,029,639	1,503,713	281,578	11,814,930	11,814,930
2005	10,960,812	1,569,991	305,154	12,835,957	12,835,957
2006	12,691,527	1,655,021	316,863	14,663,411	14,663,411
2007	15,607,512	1,687,318	324,387	17,619,217	17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674

Notes:

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

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 2**  
**Direct Property Rates**  
**Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Business improvement District	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.16
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.33
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.40	1.40	1.40	1.35	1.27	1.11	1.11	1.11	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)	0.01	0.01	0.01	0.01	0.01	0.01	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

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%	96%	100%
As determined by the Commonwealth's Department of Taxation	88%	88%	86%	65%	76%	76%	93%	100%	100%	100%

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 2001 through 2010.
3. The most recent Virginia Assessment/Sales ratio study is for 2009

N/A - Not available

(UNAUDITED)

**City of Norfolk, Virginia  
Revenue Capacity Information  
Schedule 3  
Principal Property Taxpayers  
Current Year and Nine Years Ago**

Taxpayer	2002			2011		
	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.	\$ 167,115,403	2	1.88%	\$ 270,009,241	1	1.40%
MacArthur Shopping Center LLC (Taubman Co.)	149,780,110	3	1.69%	152,853,900	2	0.79%
Norfolk Southern Corporation	71,911,174	4	0.81%	148,086,410	3	0.77%
Verizon Virginia, Inc.	193,357,336	1	2.18%	139,564,095	4	0.72%
Old Dominion University Real Estate Foundation				101,124,500	5	0.52%
Bank of America	64,360,500	5	0.72%	80,654,300	6	0.42%
Virginia Natural Gas, Inc.	39,965,364	10	0.45%	70,523,192	7	0.37%
Cox Virginia Telecom	47,786,599	9	0.54%	62,560,511	8	0.32%
Dominion Tower Ltd. Partnership				59,652,400	9	0.31%
Norfolk Housing, LLC				55,511,700	10	0.29%
Ford Motor Company	61,274,200	7	0.69%			
Military Circle Ltd. Partnership	62,386,800	6	0.70%			
New Life Tower	50,872,600	8	0.57%			
Total	<u>\$ 908,810,086</u>		<u>10.23%</u>	<u>\$ 1,140,540,249</u>		<u>5.90%</u>
Total Assessed Value	\$ 8,882,063,788			\$ 19,320,643,495		

Note:

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



(UNAUDITED)

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 4**  
**Property Tax Levy and Collections by Tax Year**  
**Last Ten Years**  
(in thousands)

Tax Year	Original Tax Levy	Adjusted Tax Levy (1)	Current Collections	Percentage of Current Collections to Tax Levy (2)	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy (2)
2002	171,755	154,152	147,416	95.63%	6,704	154,120	99.98%
2003	179,220	164,908	155,276	94.16%	9,591	164,867	99.98%
2004	191,397	179,753	165,100	91.85%	14,590	179,690	99.96%
2005	209,202	200,742	180,348	89.84%	20,259	200,607	99.93%
2006	227,796	228,295	197,669	86.58%	29,034	226,703	99.30%
2007	254,703	241,300	219,993	91.17%	18,784	238,777	98.95%
2008	258,016	254,815	220,253	86.44%	30,757	251,010	98.51%
2009	261,535	257,767	233,725	90.67%	19,455	253,180	98.22%
2010	258,544	253,665	239,192	94.29%	4,651	243,843	96.13%
2011	254,756	254,756	235,518	92.45%	-	235,518	92.45%

Notes:

1. Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments.  
Information obtained from Office of the City Treasurer.
2. Percentage of Collections (Current & Total) to Tax Levy are calculated using the adjusted Tax Levy amounts.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 1**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Amount in Thousands)

Fiscal Year	General Obligation Bonds *	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
Governmental Activities							
2002	348,296	2,297	-	350,593	1,489	5.58%	1.84
2003	361,656	1,726	-	363,382	1,536	5.44%	1.59
2004	398,606	1,110	-	399,716	1,675	5.67%	1.39
2005	421,008	250	-	421,258	1,760	5.69%	1.19
2006	382,773	239	-	383,012	1,600	4.83%	1.29
2007	469,498	227	-	469,725	1,941	5.66%	0.99
2008	571,138	2,000	-	573,138	2,359	6.63%	0.74
2009	577,936	1,000	-	578,936	2,373	6.74%	0.66
2010	688,152	1,812	-	689,964	2,842	N/A	0.51
2011	639,675	1,208	-	640,883	N/A	N/A	0.53
Business Type Activities							
2002	112,050	-	360,635	472,685	2,008	7.52%	0.55
2003	99,220	-	370,855	470,075	1,987	7.04%	0.58
2004	87,636	-	365,464	453,100	1,899	6.42%	0.62
2005	91,520	-	382,689	474,209	1,981	6.41%	0.60
2006	93,099	-	374,159	467,258	1,952	5.89%	0.65
2007	107,311	-	364,834	472,145	1,951	5.69%	0.65
2008	124,092	-	420,819	544,911	2,243	6.30%	0.58
2009	158,227	-	416,746	574,973	2,357	6.69%	0.56
2010	199,620	-	409,158	608,778	2,507	N/A	0.55
2011	187,199	-	449,443	636,642	N/A	N/A	0.54
Total Primary Governmental Activities							
2002	460,346	2,297	360,635	823,278	3,497	13.10%	1.10
2003	460,876	1,726	370,855	833,457	3,523	12.49%	1.02
2004	486,242	1,110	365,464	852,816	3,574	12.09%	0.98
2005	512,528	250	382,689	895,467	3,741	12.10%	0.88
2006	475,872	239	374,159	850,270	3,552	10.71%	0.94
2007	576,809	227	364,834	941,870	3,893	11.36%	0.82
2008	695,230	2,000	420,819	1,118,049	4,601	12.94%	0.66
2009	736,163	1,000	416,746	1,153,909	4,730	13.42%	0.61
2010	887,772	1,812	409,158	1,298,742	5,349	N/A	0.53
2011	826,874	1,208	449,443	1,277,525	N/A	N/A	0.53

Notes:

\* Includes the remaining balance of \$12,885,000 on a 20-year \$13,000,000 Section 108 Loan with the Department of Housing and Urban Development (HUD). Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenues pledged to support the bond's debt 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)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 2**  
**Ratio of Net General Bonded Debt**  
**Total Assessed Value and Net Bonded Debt Per Capita**  
**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
2002	460,346	112,050	348,296	10,436,893	235,405	3.34%	1,480
2003	460,876	99,220	361,656	10,939,757	236,550	3.31%	1,529
2004	486,242	87,636	398,606	11,814,930	238,650	3.37%	1,670
2005	512,528	91,520	421,008	12,835,957	239,396	3.28%	1,759
2006	475,872	93,099	382,773	14,663,411	239,355	2.61%	1,599
2007	576,809	107,311	469,498	17,619,217	241,941	2.66%	1,941
2008	695,230	124,092	571,138	20,578,641	242,983	2.78%	2,351
2009	736,163	158,227	577,936	21,308,309	243,957	2.71%	2,369
2010	887,772	199,620	688,152	21,777,754	242,803	3.16%	2,834
2011	826,874	187,199	639,675	21,383,674	N/A	2.99%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2001 through 2009 population estimates is the Weldon Cooper Center for Public Service, University of Virginia & U.S. Census Bureau. The source for the 2010 population estimate is the U.S. Census Bureau. Data was not available for 2011.

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2011**

Jurisdiction	Net Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 639,675	100%	\$ 639,675

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)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total assessed value of real property	\$ 8,882,063,788	\$ 9,356,759,552	\$ 10,029,638,801	\$ 10,960,812,421	\$ 12,691,527,668	\$ 15,486,207,804	\$ 18,401,851,069	\$ 19,395,789,387	\$ 19,940,273,451	\$ 19,320,643,495
Overall debt limitation - 10% of assessed valuation	888,206,379	935,675,955	1,002,963,880	1,086,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350
Net debt applicable to debt limitation	463,645,861	464,176,270	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927
Legal Debt Margin Within 10% Limitation	\$ 424,560,518	\$ 471,499,685	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422
Net debt percentage of 10% limitation	52.20%	49.61%	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%

(UNAUDITED)

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

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2009	78,020,552	40,807,627	37,212,925	8,050,000	16,411,343	24,461,343	1.52
2010	82,470,020	37,278,349	45,191,671	9,420,000	15,929,680	25,349,680	1.78
2011	83,737,444	39,779,361	43,958,083	9,875,000	16,527,844	26,402,844	1.66

Notes:

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

**City of Norfolk, Virginia  
Debt Capacity Information  
Schedule 6  
Revenue Bonds Debt Service Coverage  
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
				Principal (3)	Interest (3)/(4)	Total	
2002	18,427,725	7,309,883	11,117,842	1,010,000	4,370,126	5,380,126	2.07
2003	18,879,428	7,481,301	11,398,127	1,080,000	4,305,825	5,385,825	2.12
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,232,717	5,387,717	2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463	1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423	2.01
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,456,598	6,391,598	1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29
2011	20,079,618	10,513,723	9,565,895	2,445,000	4,009,864	6,454,864	1.48

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation and amortization.
3. Excludes subordinate debt service.
4. Reflects actual interest paid on the Variable Rate Parking System Revenue Bonds, Series 2000A and 2004A.

**City of Norfolk, Virginia  
Debt Capacity Information  
Schedule 7  
Revenue Bonds Debt Service Coverage  
Wastewater 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	
2010	\$ 24,122,430	\$ 11,282,865	\$ 12,839,565	\$ 425,000	\$ -	\$ 425,000	30.21
2011	\$ 24,856,689	\$ 11,489,891	\$ 13,366,798	\$ 850,000	\$ -	\$ 850,000	15.73

Notes:

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

(UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity**  
**Schedule 8**  
**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
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%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780	13.58%

Notes:

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

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 1**  
**Population Statistics**  
**Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
2002	235,405	6,285,658	26,149	98,883	5.5
2003	236,550	6,674,414	27,720	98,939	5.7
2004	238,650	7,054,054	29,152	99,029	5.5
2005	239,396	7,399,230	31,156	100,614	5.4
2006	239,355	7,937,282	33,234	97,533	4.1
2007	241,941	8,292,867	34,834	97,380	4.1
2008	242,983	8,643,180	36,834	101,457	5.3
2009	243,957	8,595,424	36,838	101,847	8.4
2010	242,803	N/A	N/A	N/A	9.2
2011	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 2011.
2. Unemployment rate and civilian Labor Force from the Bureau of Labor Statistics 2010. Data not available for FY2011
3. Personal income, per capita personal income and civilian labor force estimates from U.S. Bureau of Economic Analysis. Data not available for 2010 or 2011
4. All data on an average annual calendar year.

N/A - Not available

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 2**  
**Ten Largest Employers**  
**In Norfolk Primary Metropolitan Statistical Area**  
**Current Year and Nine Years Ago**

Employer	Rank	
	2011	2002
U.S. Department of Defense	1	1
Norfolk City School Board	2	2
Sentara Healthcare	3	3
City of Norfolk	4	4
Old Dominion University, Norfolk	5	7
Children's Hospital of the King's Daughters	6	8
Norshipco	7	
Medical College of Hampton Roads	8	
Norfolk State University	9	10
Portfolio Recovery Association	10	
United States Postal Service		9
Bank of America		5
Ford Motor Company		6
Total Employment	90,948	90,572

**Note:**

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2011 is the quarter ended March 2011 as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2011 total employment data was not available therefore 2010 data was used.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees data for each employer was not available.



(UNAUDITED)

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

Year	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2002	290	462	44,498	53	51,451
2003	277	324	39,979	41	32,262
2004	506	601	75,801	71	14,658
2005	560	1,191	204,391	80	80,316
2006	531	1,058	133,053	60	165,989
2007	389	491	688,476	55	81,396
2008	277	815	101,212	35	102,714
2009	217	543	36,458	38	138,131
2010	193	554	58,800	35	104,922
2011	221	479	37,298	27	40,073

**Notes:**

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.

(UNAUDITED)

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Goods-Producing Industries:</b>										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	-
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.3	6.2	5.7	6.1	6.1	6.1	6.2	6.0	4.9	4.8
Manufacturing	9.8	9.8	9.8	9.8	9.6	8.7	7.9	7.3	7.3	6.7
<b>Service-Providing Industries:</b>										
Wholesale trade	5.8	5.3	5.2	5.0	5.0	5.0	5.1	4.6	4.2	4.0
Retail trade	14.7	14.3	14.0	14.2	14.0	14.3	14.6	13.8	13.0	12.9
Transportation and warehousing	11.6	11.0	10.1	9.7	9.9	9.3	9.4	9.5	8.6	8.8
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	***	***
Information	4.1	4.2	4.0	4.2	4.0	3.5	3.7	3.4	2.8	2.6
Finance and insurance	7.4	6.9	6.9	7.1	6.7	6.0	6.6	6.6	5.7	5.5
Real estate and rental and leasing	2.8	2.7	2.8	2.7	2.8	2.9	2.9	2.7	2.7	2.6
Professional and technical services	7.3	8.2	8.1	10.2	10.1	10.2	10.7	11.3	11.6	11.5
Management of companies and enterprises	4.1	4.0	3.8	3.6	3.7	2.7	2.4	2.5	2.2	2.1
Administrative, support, and waste services	7.6	7.7	7.8	7.5	7.5	7.4	7.4	7.6	6.5	6.7
Educational services	14.1	14.4	14.5	14.7	15.2	15.5	15.6	16.4	16.6	16.4
Health care and social assistance	17.8	18.3	18.9	19.2	19.6	20.1	20.6	21.3	20.8	21.4
Arts, entertainment and recreation	2.1	2.1	2.2	2.2	2.3	2.4	2.4	2.4	2.2	2.2
Accommodation and food services	10.3	10.4	10.7	11.1	10.9	11.1	10.6	10.3	10.2	10.4
Public administration	15.5	15.7	15.1	12.3	12.1	12.2	12.1	13.7	14.1	14.0
Other services	4.5	4.1	4.1	4.2	4.3	4.1	4.0	3.9	3.7	3.8
<b>Total (adjusted for rounding)</b>	<b>146.6</b>	<b>146.1</b>	<b>144.5</b>	<b>144.6</b>	<b>144.6</b>	<b>142.3</b>	<b>143.0</b>	<b>144.1</b>	<b>137.1</b>	<b>136.4</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 calendar year.
3. Asterisks indicate non-disclosable data.
4. This schedule includes data for the ten year period 2001 - 2010 as calendar year 2011 data was not available.

(UNAUDITED)

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

	Fiscal Year									
Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
General government	494	438	396	457	450	477	264	481	438	492
Judicial administration	28	27	25	20	16	17	18	16	14	12
Public safety										
Police	858	857	875	858	839	1,031	887	861	878	891
Fire	485	490	491	507	499	508	508	641	639	529
Other	86	85	84	84	84	-	-	84	83	90
Public works	380	393	389	389	392	379	346	414	440	431
Health and public assistance	579	557	604	513	562	469	598	487	485	532
Culture and recreational	428	479	484	483	406	478	569	558	509	512
Community development	64	64	72	74	70	59	95	75	113	137
Business-type activities:										
Water	235	245	251	279	264	261	290	268	269	289
Wastewater	74	79	84	91	95	96	103	99	95	103
Parking facility	65	68	72	77	78	90	88	89	87	85
<b>Total full-time equivalent positions</b>	<b>3,776</b>	<b>3,782</b>	<b>3,827</b>	<b>3,832</b>	<b>3,755</b>	<b>3,865</b>	<b>3,766</b>	<b>4,073</b>	<b>4,050</b>	<b>4,103</b>

Notes:

1. Fiscal years 2000 through 2009's average FTE data obtained from City's human resources information system.

(UNAUDITED)

City of Norfolk, Virginia  
Operating Information  
Schedule 2  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Service calls	288,004	274,245	206,644	206,378	191,037	237,451	258,254	242,139	245,336	241,282
Arrests	27,199	24,909	25,923	22,799	22,235	22,222	24,050	26,583	28,069	27,930
Reports filed	34,587	35,116	34,087	34,167	29,600	31,986	31,220	32,477	31,487	30,507
Fire:										
Incidences (fires, EMS)	39,621	41,484	38,509	39,605	40,337	31,266	41,212	39,714	40,234	40,641
Highways and Streets:										
Streets resurfacing (miles)	120	115	131	83	77	70	80	66	69	67
Sanitation:										
Total solid waste collected and disposed (tons)	97,749	101,604	105,079	104,247	99,131	97,143	93,799	92,333	100,480	84,162
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	22,974,000	22,666,500	22,810,560
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	21,293,000	21,280,000	21,155,000
Percent of unmetered water	8.33%	8.81%	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%	6.11%	7.25%
Average daily delivery (gallons in thousands)	68,230	68,000	67,820	67,740	68,090	66,650	66,200	62,900	62,100	62,494
Maximum daily pumpage (gallons in thousands)	84,730	81,820	77,960	81,470	83,640	83,600	82,000	79,000	76,400	80,200
Minimum daily pumpage (gallons in thousands)	56,800	58,190	59,340	58,410	57,200	56,200	52,200	52,000	52,200	52,350

(UNAUDITED)

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety:										
Police										
Stations	2	2	2	2	3	3	3	3	3	3
Fire										
Fire stations	15	15	15	15	14	14	14	14	14	14
Paramedic units	10	10	10	11	11	11	11	12	12	12
Transportation and Engineering:										
Streets (lane miles)	2,011	2,006	2,013	2,015	2,183	2,193	2,210	2,193	2,188	2,188
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	968
Bridges	50	50	50	50	50	49	49	49	50	50
Public Recreation:										
Parks:										
Acreage	587	588	589	590	591	587	586	587	587	587
Regional parks	1	1	1	1	1	1	1	2	2	2
Neighborhood parks	121	121	121	121	121	85	85	71	71	71
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	3	3	3	3	3	1	1	1	1	1
Playgrounds	45	45	45	45	45	79	123	100	101	101
Hiking trails (miles)	7	8	9	10	11	1	2	2	2	2
Recreation:										
Acreage	243	243	243	243	231	860	868	954	957	957
Recreational and senior centers	24	23	26	22	22	18	19	25	30	30
Swimming pools	4	4	4	6	6	6	8	6	6	6
Tennis Courts	143	143	146	152	152	101	134	148	148	148
Baseball/softball diamonds	36	36	36	36	36	63	99	86	86	86
Football/soccer fields	18	18	18	18	18	47	65	49	49	49
Field hockey	4	4	4	4	4	5	5	3	3	3
Basketball courts	42	42	42	42	42	229	179	204	203	203
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Public Services:										
Traffic Engineering:										
Traffic signals	289	291	294	299	299	283	287	284	301	304
Traffic signs	9,376	9,825	10,021	6,044	7,936	7,363	6,752	4,436	4,272	60,000
Street lights	31,594	31,502	31,694	31,721	29,888	30,200	30,583	30,653	30,717	31,277
Water Utilities:										
Water fund capital assets (in thousands)	\$ 429,567	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407
Wastewater fund capital assets (in thousands)	96,175	103,208	110,360	120,685	134,152	147,020	163,068	177,928	183,974	198,842
Total water utilities assets (in thousands)	\$ 525,742	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,842
Water customer accounts	63,633	63,885	63,343	64,905	65,548	65,000	65,549	64,433	66,140	64,289
Miles of water main in the system	815	817	817	817	825	827	829	832	835	838
Municipal Golf:										
Golf courses	1	1	1	1	2	3	3	3	3	3
Convention Center:										
Meeting rooms	4	4	4	7	7	8	8	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/ballroom space (square feet)	5,230	5,230	5,230	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Parking Facilities:										
Parking lots/garages	30	30	28	28	28	21	23	23	26	25
Parking meters	301	482	579	600	660	718	669	614	584	584
Stormwater Management:										
Miles of storm sewers	351	351	351	351	351	357	357	357	357	357
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	8	8	9	9	9	9	9	8	8
Elementary schools	35	35	35	35	35	35	35	35	35	35
Other educational facilities	13	13	13	11	11	11	11	9	5	5

## COMPLIANCE SECTION

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KPMG LLP  
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Norfolk, VA 23510

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

The Chairman and Members  
School Board of 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 of the City of Norfolk, Virginia (the School Board), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. That report recognizes that the School Board implemented a new accounting standard effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and that is described in the accompanying schedule of finding and response. A





significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board'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's response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit the School Board'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, Virginia, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 14, 2011

## **SCHOOL BOARD OF THE CITY OF NORFOLK**

### **Schedule of Finding and Response**

Year ended June 30, 2011

#### **Significant Deficiencies**

##### ***Capital Asset Policy Formalization – (11 – 1)***

The City of Norfolk finances the majority of major capital projects for the Norfolk Public Schools (the Schools). The Schools contract and manage the projects and maintain and use the assets in their operations. Additionally, the City reimburses the Schools for any capital additions that do not meet the capitalization policy.

Historically, the City has recorded the original school buildings in its financial statements, and the Schools have recorded renovations and building improvements. In fiscal 2010, the City and the Schools determined that the above funding arrangement, as well as a lack of clarity around the treatment of major renovations, had resulted in certain capitalized assets associated with several historical building renovations being recorded as capital assets by both entities. Virginia law, consistent with U.S. generally accepted accounting principles (GAAP), provides for flexibility in determining whether capital assets funded by debt issued by the City are recorded as capital assets by the City or the Schools.

Considering past practice, the City and the Schools have mutually agreed that major renovations should be recorded as capital assets on the City's books. Accordingly, net book value of building improvements has been transferred from the Schools' books and recorded by the City.

The City Code, as it relates to the treatment of school buildings, was adopted prior to changes in both GAAP and related Virginia law. Consequently, the lack of documentation and a formal agreement specifying the accounting treatment and policies associated with debt financed school building transactions between the City and the Schools has prevented both entities from having a clear policy to account for these assets. We recommend that the City and the Schools mutually develop a written memorandum of understanding describing the policies and procedures to be followed by both entities in recording and reporting on capital asset additions.

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

##### ***Capital Asset Policy Formalization***

Management takes very seriously the accounting for and control of all of our capital assets to include those assets which were transferred to the City of Norfolk, per their request. In fiscal year, 2011, there were no identified issues with our accounting for these assets or our procedures for internal control over these assets. We concur that the City of Norfolk should work to create a joint policy/procedure to outline their desires for school reporting of Construction in Progress, Buildings and Building Improvements as well as procedures for reimbursement of capital projects and we will work with them to accomplish that in fiscal year 2012.