

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, 2013 - Prepared by the Accounting Department

School Board of the City of Norfolk

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Year Ended June 30, 2013

Prepared by:

Division of Business and Finance Accounting Department

This page intentionally left blank.

**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, 2013
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Exhibits or Schedules	Page Number
INTRODUCTORY SECTION		
Members of the School Board		i
Members of City Council		ii
GFOA Certificate of Achievement		iii
ASBO Certificate of Excellence		iv
Organizational Chart		v
Mission Statement		vi
Letter of Transmittal		vii
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis (Unaudited)		4
Basic Financial Statements:	Exhibits	
Government-wide Statements:		
Statement of Net Position	I	17
Statement of Activities	II	18
Fund Financial Statements:		
Balance Sheet – Governmental Fund	III	19
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	III (cont.)	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	IV	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	IV (cont.)	22
Statement of Fiduciary Assets and Liabilities – Agency Funds	V	23
Notes to the Basic Financial Statements		24
	Schedules	
Required Supplementary Information:		
Schedule of Funding Progress	1	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund	2	47
	Schedules	
Other Supplementary Information:		
Fiduciary Fund:		
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	1	48
STATISTICAL SECTION (Unaudited)		
	Schedules	
School Board of the City of Norfolk:		
Net Position by Category	1	49

**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, 2013
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Exhibits or Schedules	Page Number
Changes in Net Position	2	50
Fund Balances, Governmental Funds	3	51
Changes in Fund Balance, Governmental Funds	4	52
Program Revenues by Function	5	53
Total Revenue by Source, Governmental Funds	6	54
 Debt Capacity Information:		
Transportation Facility	1	55
Ratio of Annual Debt Service Expenditures to Total General Expenditures	2	56
Summary of Meals Served		57
Percentage of Free and Reduced Price Lunch Eligibility Data		58
Summary of Child Nutrition Program Funds		59
Approved Positions by Program		60
Average Daily Membership		61
Average Costs Per Student		62
Enrollment Trends and Projections		63
State Incentive to Reduce Class Size		64
Operating Statistics		65
School Building Information		66
Facilities Information for Schools		67
 City of Norfolk:		
Financial Trends Information:		
Net Position by Category	1	69
Changes in Net Position	2	70
Changes in Net Position	2-1	71
Fund Balances, Governmental Funds	3	72
Changes in Fund Balances, Governmental Funds	4	73
Program Revenues by Function	5	74
Total Revenue by Source, Governmental Funds	6	75
Other Local Tax Revenues by Source, Governmental Funds	7	75
 Revenue Capacity Information:		
Assessed Valuations and Estimated Actual Values of Taxable Property	1	76
Direct Property Rates	2	76
Principal Property Taxpayers	3	77
Property Tax Levy and Collections by Tax Year	4	78
 Debt Capacity Information:		
Ratios of Outstanding Debt by Type	1	79
Ratios of Net General Bonded Debt	2	80
Computation of Direct Bonded Debt	3	80
Legal Debt Margin	4	81
Revenue Bonds Debt Service Coverage – Water Utility Fund	5	82
Revenue Bonds Debt Service Coverage – Wastewater Utility Fund	6	82

**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, 2013
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Exhibits or Schedules	Page Number
Revenue Bonds Debt Service Coverage – Parking Facilities Fund	7	82
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt	8	83
Demographic and Economic Information:		
Population Statistics	1	84
Ten Largest Employers	2	85
New Construction and Property Values	3	86
Annual Employment Average by Industry	4	87
 COMPLIANCE SECTION		
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 <i>Government Auditing Standards</i>		88

This page intentionally left blank.

INTRODUCTORY SECTION

School Board for the City of Norfolk

Dr. Kirk T. Houston
Chair

Dr. Bran N. Robinson
Vice Chair

Dr. Noelle Gabriel
Member

Rev. Edward. K. Haywood
Member

Mr. Rodney A. Jordan
Member

Dr. Warren A. Stewart
Member

Dr. Stephen W. Tonelson
Member

Dr. Samuel T. King
Superintendent

Members of Norfolk City Council

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



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Accounting

School Board of the City of Norfolk, Virginia



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Jeffrey R. Emer

Date October 1, 2013

Association of School Business Officials International



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

School Board of the City of Norfolk

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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

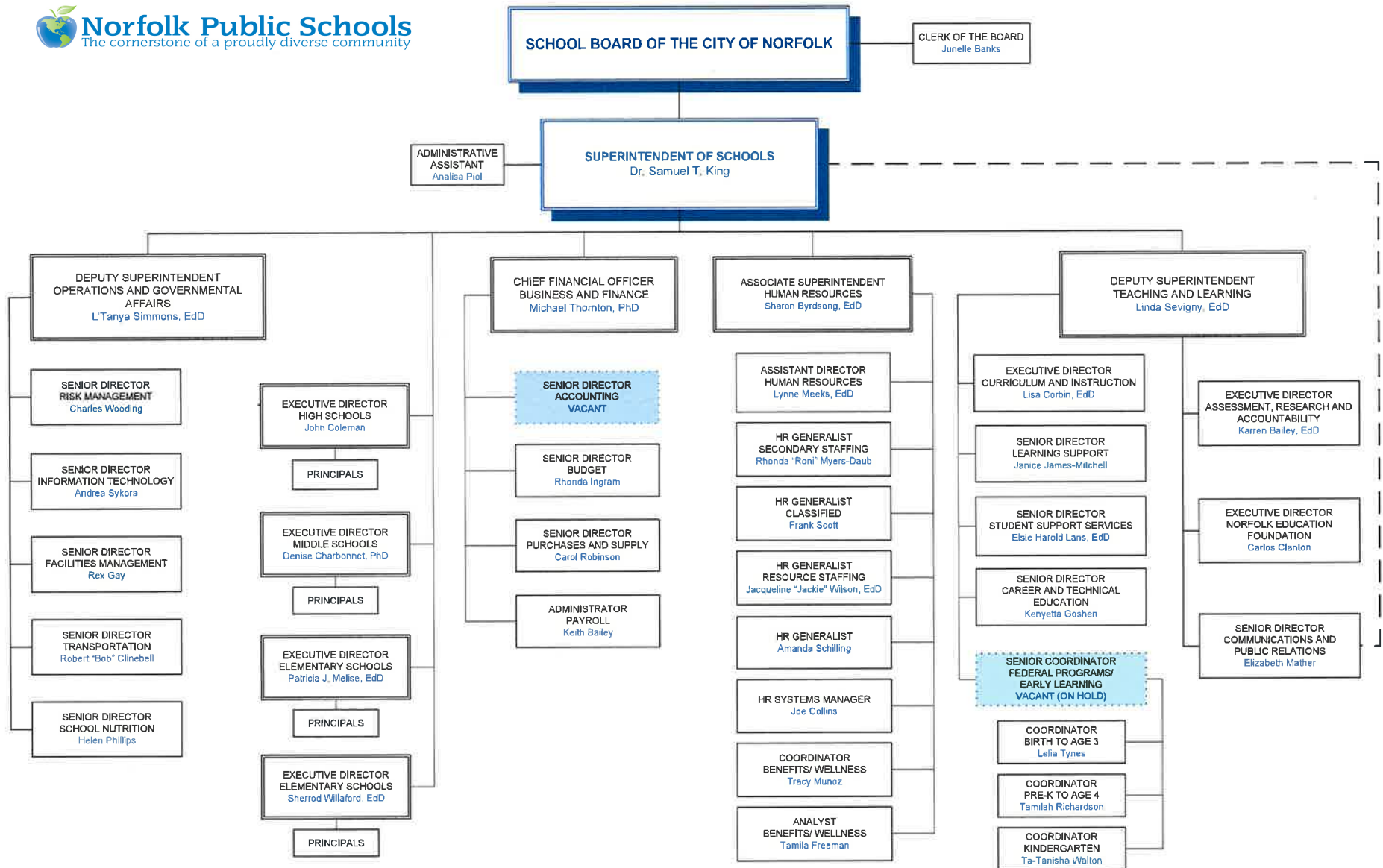


A handwritten signature in black ink, reading "Ron McCulley".

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director





Norfolk Public Schools

Quality Teaching and Learning for All: ALL Means ALL

Mission

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

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

Strategies

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



December 20, 2013

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, 2013. 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, 2013, 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 2012-2013, the School Board operated five high schools (grades 9-12), eight middle schools (grades 6-8), thirty-one elementary schools (grades K-5), two Kindergarten – 8 schools, and five other educational facilities. The School Board served an average of 32,000 students in 2013 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 approximately 246,000 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 138,691 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 31 elementary schools, 2 K-8 schools, 8 middle schools, 5 high schools, and 5 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 \$48,929 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 2013 budget year, the Commonwealth of Virginia funds 60% and the City of Norfolk funds 36% percent of the operating budget for the School Board. The remaining 4% is funded through Federal (1%) and other (3%) 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 is cautiously optimistic about the economic outlook based on the slow economic recovery experience around the Commonwealth and the Hampton Roads region. As the Hampton Roads region continues to experience slow job growth and the moderate recovery of the region's real estate market, the School Board believes that these positive trends will eventuate into additional funding support from the Commonwealth and the City of Norfolk over the next biennium. However, the School Board will maintain a position of fiscal restraint with respect to revenue projections and spending trends.

MAJOR INITIATIVES

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

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

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

FINANCIAL INFORMATION

Internal Controls

Internal controls are designed to provide reasonable assurance that assets of the reporting entity are protected from loss, theft, or misuse. In addition, internal controls are used to ensure that reliable financial records are maintained for preparation of financial statements that are in conformity with generally accepted accounting principles.

Internal control 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 an assignment of fund balance of the General Fund at year-end. The School Board must request re-appropriation from the City to retain any unexpended or unencumbered appropriated funds.

Financial Highlights

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

- NPS had enough resources to cover its expenses;
- NPS continues to rely on tax resources to fund its activities, which primarily are instructional;
- NPS revenues increased slightly from the prior fiscal year;
- NPS financial position improved over the prior fiscal year, but there are still concerns regarding the slow rate of economic recovery following the "great recession".

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.

While the School Division will continue to operate within a balanced budget, funding for FY2014-15 will likely reflect minimal to no growth given the slow rate of economic recovery. However, the demands of increased student achievement and teacher performance, will require very strategic resource allocation decisions to ensure increased efficiency and effectiveness.

Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. In addition, an unmodified 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, 2012. This is the eighth 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 2012.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Dr. Samuel T. King
Superintendent of Schools

Dr. Michael E Thornton
Chief Financial Officer

This page intentionally left blank.

FINANCIAL SECTION



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the School Board of the City of Norfolk, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia as of and for the year then ended June 30, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 through 16 and the required supplementary information on schedules 1 and 2 as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

The Introductory section and Statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board of the City of Norfolk, Virginia's internal control over financial reporting and compliance.

KPMG LLP

Norfolk, Virginia
December 20, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

INTRODUCTION

Our discussion and analysis of the financial performance of the School Board of the City of Norfolk, Virginia (School Board) provides an overview of the school district's financial activities for the fiscal year ended June 30, 2013. The intent of management's discussion and analysis is to look at the School Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

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

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

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

OVERALL ANALYSIS

The School Board enrolls approximately 32,000 total students with a general fund operating budget of \$305.4 million, grant budget of \$33.6 million, capital improvement budget of \$3.0 million, and Child Nutrition Services budget of \$16.7 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
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- On the government-wide financial statements:
 - Total net position increased from \$10.6 million in 2012 to \$14.5 million at June 30, 2013, an increase of approximately \$3.9 million, or 36.4%. The improvement was due largely to a decrease in unearned revenue related to the one-time deferral of State Basic Aid in fiscal year 2012.
 - Total revenues increased from \$368.3 million in 2012 to \$377.2 million at June 30, 2013, an increase of approximately \$8.9 million, or 2.4%. The increase was due primarily to the recognition of prior year unearned revenue in fiscal year 2013.
 - Total expenses increased \$.8 million on the Statement of Net Activities from \$372.5 million in fiscal year 2012 to \$373.3 million in fiscal year 2013, or 0.2%. The largest dollar increase occurred in the area of instruction to support increased labor costs.
- On the fund financial statements:
 - In the General Fund, the ending fund balance increased from \$16.5 million at June 30, 2012 to \$19.5 million at June 30, 2013.
 - In the General Fund, total encumbrances were \$9.1 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- The *Statement of Net Position* presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net position*. Increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

- The **Statement of Activities** presents information on activities that shows how direct expenses for an activity versus program revenues received results in a *change to net position*. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

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

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

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

Financial Analysis of the School Board as a Whole

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013

Summary of Net Position
(Thousands of dollars)

	Governmental Activities			
	2013	2012	Difference	% Change
Current Assets	\$ 73,412	\$ 82,246	\$ (8,834)	-10.7%
Capital assets, net	14,406	12,265	2,141	17.5%
Total assets	87,818	94,511	(6,693)	-7.1%
Liabilities:				
Current	54,342	67,395	(13,053)	-19.4%
Non-current	18,960	16,471	2,489	15.1%
Total liabilities	73,302	83,866	(10,564)	-12.6%
Net Position:				
Invested in capital assets	14,406	12,265	2,141	17.5%
Restricted	1,920	416	1,504	361.5%
Unrestricted (deficit)	(1,810)	(2,036)	226	-11.1%
Total net position	\$ 14,516	\$ 10,645	\$ 3,871	36.4%

- **Total assets** had an overall decrease of 7.1% due primarily to a decrease in current assets related to cash and cash equivalents received which represented deferred revenue from state Basic Aid in the prior fiscal year. The overall decrease was \$6.7 million between fiscal year 2012 and fiscal year 2013.
- **Invested in capital assets** increased \$2.1 million, or 17.5%, over the prior fiscal year. This net increase primarily represents \$5.0 million in additions and \$2.9 million in current year depreciation expense. The majority of the increase resulted from the purchase of additional school buses and other technology equipment during the year.
- **Total liabilities** decreased \$10.6 million or 12.6% 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, and Other Post Employment Benefits (OPEB) for the School Board. Current liabilities decreased \$13.1 million from \$67.4 million in 2012 to \$54.3 million at June 30, 2013 with the largest decrease being to unearned revenue for state Basic Aid funds at June 30, 2012 that was recognized in 2013. Non-current liabilities totaled \$16.5 million in fiscal year 2012 and \$19.0 million in fiscal year 2013. The increase was primarily due to an increase in the unfunded employer's contribution for OPEB as determined by our most recent actuarial study.
- **Total net position** increased \$3.9 million or 36.4% when compared to the prior fiscal year. Net position totaled \$10.6 million at June 30, 2012 and \$14.5 million at June 30,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013

2013. Invested in capital assets, net increased 17.5% or \$2.1 million primarily because of the procurement of additional new school buses. Restricted net assets increased due to the timing of encumbrances within the grants restriction as compared to the prior year.

Statement of Net Activities

(Thousands of dollars)

	Governmental Activities			
	2013	2012	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 4,349	\$ 4,597	\$ (248)	-5.4%
Operating grants and contributions	224,467	206,947	17,520	8.5%
Capital grants and contributions	8,207	20,652	(12,445)	-60.3%
Total Program Revenues	237,023	232,196	4,827	2.1%
General Revenues:				
Use of money and property	1,497	1,284	213	16.6%
Local government	107,187	104,511	2,676	2.6%
Commonwealth of Virginia	31,463	30,311	1,152	3.8%
Total General Revenues	140,147	136,106	4,041	3.0%
Total Revenues	377,170	368,302	8,868	2.4%
Expenses:				
Instruction	272,338	265,178	7,160	2.7%
Support Services:				
Administration, Attendance and Health	16,138	12,436	3,702	29.8%
Pupil Transportation	13,668	10,870	2,798	25.7%
Operation and Maintenance	34,551	33,038	1,513	4.6%
Information Technology	10,373	10,547	(174)	-1.6%
School Facilities	9,160	24,171	(15,011)	-62.1%
Food Services	16,821	15,935	886	5.6%
Community Services	250	275	(25)	-9.1%
Total Expenses	373,299	372,450	849	0.2%
Change in Net Position	3,871	(4,148)	8,019	-193.3%
Beginning Net Position	10,645	14,793	(4,148)	-28.0%
Ending Net Position	\$ 14,516	\$ 10,645	\$ 3,871	36.4%

- **Total revenues** increased \$8.9 million or 2.4%. Local revenue support from the City increased \$4.8 million or 4.6% for ongoing operating support. Capital grants and contributions decreased \$12.4 million or 60.3%, due to the completion of a major construction contract at the end of fiscal year 2012. Operating grants and contributions increased \$17.5 million or 8.5% primarily due from the recognition of state revenue that was deferred in the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013

- **Total expenses** increased \$.8 million primarily due to increased spending for instruction, administration, attendance and health, pupil transportation, and operations and maintenance to support increased labor costs. This was offset with decreases in spending for school facilities with the completion of the new Crossroads School. The School Board continues to pay debt service expenses for the Transportation Facility. Overall expenses increased .2% in fiscal year 2013 over balances in fiscal year 2012.

Capital Assets

At June 30, 2013, the School Board had an investment of \$14.4 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, equipment and vehicles. This amount represents a net increase of \$2.1 million or 17.5% between fiscal year 2012 and 2013.

Change in Capital Assets

(Thousands of dollars)

	Governmental Activities			
	June 30, 2013	June 30, 2012	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Development in Progress	-	775	(775)	
Total Non-Depreciable Assets	\$ 488	\$ 1,263	\$ (775)	-61.4%
Other Capital Assets:				
Mobile Classrooms	5,378	5,378	-	0.0%
Equipment and Vehicles	37,235	33,768	3,467	10.3%
Intangible Assets	982	-	982	
Total Other Capital Assets	\$ 43,595	\$ 39,146	\$ 4,449	11.4%
Total Capital Assets	\$ 44,083	\$ 40,409	\$ 3,674	9.1%
Less: Accumulated Depreciation	(29,677)	(28,144)	(1,533)	5.4%
Total Capital Assets, Net	\$ 14,406	\$ 12,265	\$ 2,141	17.5%

The \$14.4 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Position (Exhibit I).

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

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

Long Term Obligations

As of June 30, 2013, the School Board had \$26.2 million in long-term obligations versus \$24.5 million for fiscal year 2012. This resulted in a 6.7% increase in long-term obligations, which is comprised of compensated absences, workers' compensation, claims liability, pollution remediation and OPEB liability. Approximately \$7.2 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, 2012	Additions	Retirements	June 30, 2013	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 8,968	\$ 10,662	\$ (10,375)	\$ 9,255	\$ 287	3.2%
Workers' Compensation	2,728	603	(558)	2,774	45	1.6%
Claims Liability	40	191	(184)	46	7	17.5%
Pollution Remediation	1,079	-	(1,079)	-	(1,079)	-100.0%
Other Post Employment Benefits	11,711	6,309	(3,928)	14,092	2,381	20.3%
Total Long-Term Obligations	\$ 24,526	\$ 17,765	\$ (16,124)	\$ 26,167	\$ 1,641	6.7%

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

OVERVIEW OF FUND FINANCIAL STATEMENTS

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

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 Schedule 2 within Required Supplementary Information for the General Fund to demonstrate compliance with the annual budget.

As of June 30, 2013, the School Board's governmental funds reported combined fund balances of \$26.3 million, an increase of \$3.4 million, in comparison to the prior fiscal year. In the General Fund unassigned fund balance was \$2.4 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 \$7.7 million that was appropriated by the Norfolk City Council as a funding source for the fiscal year 2014 general operating fund budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013

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, 2013, the fund balance of the General Fund was \$19.5 million. The fund has nonspendable, and assigned fund balances that total \$17.1 million.

General Fund Revenues

Revenues for the General fund totaled \$307.7 million for fiscal year 2013, which was approximately \$23.9 million or 8.5% higher than the revenues received in fiscal year 2012. 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)

	2013 Amount	2013 Percent of Total	2012 Amount	2012 Percent of Total	Increase (Decrease) From 2012	% Increase (Decrease) 2012
Local government	\$ 109,287	35.5%	\$ 104,511	36.8%	\$ 4,776	4.6%
Commonwealth of Virginia	188,174	61.2%	162,945	57.4%	25,229	15.5%
Federal government	6,509	2.1%	12,818	4.5%	(6,309)	-49.2%
Other revenues	3,698	1.2%	3,404	1.2%	294	8.6%
Total	<u>\$ 307,668</u>	<u>100.0%</u>	<u>\$ 283,678</u>	<u>100.0%</u>	<u>\$ 23,990</u>	<u>8.5%</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 increase in Commonwealth of Virginia funding reflects the recognition of revenue deferred from fiscal year 2012 to fiscal year 2013.

General Fund Expenditures

General Fund expenditures were \$304.7 million for fiscal year 2013, which represented an increase of approximately \$21.0 million or 7.4% over fiscal year 2012. The following table presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013

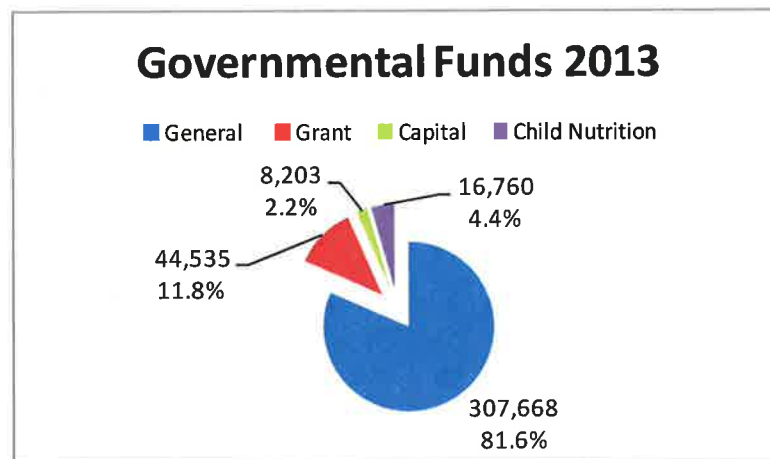
General Fund Expenditures
(Thousands of Dollars)

	2013 Amount	2013 Percent of Total	2012 Amount	2012 Percent of Total	Increase/ (Decrease) From 2012	Percent Increase/ Decrease From 2012
Instruction	\$ 228,629	75.1%	\$ 217,956	76.8%	\$ 10,673	4.9%
Support Services:						
Administration, Attendance and Health	15,829	5.2%	11,897	4.2%	3,932	33.1%
Pupil Transportation	13,435	4.4%	10,639	3.8%	2,796	26.3%
Operation and Maintenance	34,410	11.3%	32,681	11.5%	1,729	5.3%
Information Technology	10,202	3.3%	8,773	3.1%	1,429	16.3%
School Facilities	2,138	0.7%	1,691	0.6%	447	26.4%
Food Services	-	0.0%	-	0.0%	-	100.0%
Community Services	9	0.0%	10	0.0%	(1)	-10.0%
Subtotal - Support Services	76,023	24.9%	65,691	23.2%	10,332	15.7%
Total - Instruction and Support Services	\$ 304,652	100.0%	\$ 283,647	100.0%	\$ 21,005	7.4%

Increases occurred in all functional areas and were driven by compensation and benefit cost increases; as well as investments in technology equipment and school buses.

Grant Funds

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. Grants provide 11.8% 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.



During fiscal year 2013, the School Board received \$44.5 million in grant funding. The Federal Government provided 90.0% or \$40.1 million in revenue for the year. The Commonwealth of Virginia provided 9.5% or \$4.2 million while private donors provided less than 0.5% or \$0.2 million of the resources received. The School Board expended \$44.3 million that was used 100% for instruction and instructional support.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

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 2.2% (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 \$8.1 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 2013.

In May 2012, the City Council appropriated construction funds for fiscal year 2013 to fund ongoing building improvements to various school buildings of \$3.0 million.

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 V of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

NOTES TO THE FINANCIAL STATEMENTS

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

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

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the School Board's progress in funding the retirement benefits for its 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 immediately following the Notes to the Basic Financial Statements.

BUDGETARY HIGHLIGHTS

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grants Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2013, the School Board adopted a balanced budget for fiscal year 2014 that reflected appropriations of \$311.9 million for the General Fund, or an increase of \$6.5 million from the fiscal year 2013 General Fund budget.

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final budget amounts for fiscal year 2014.

Revenue assumptions included:

- Increase in State revenues based on the 2013 General Assembly's Adopted Amendments - \$.6 million
- Carry Forward Funds from prior fiscal years - \$7.7 million
- Increase in Regular City Appropriation - \$4.7 million
- New Appropriation for Debt Service related to future plans for new construction - \$3.3 million
- Reduction in Federal Impact Aid funding - \$0.3 million

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2013**

Expenditure assumptions included:

- A net decrease of 45 central office/support positions eliminated
- An increase of 80 reading and math instruction specialist positions for elementary and middle schools
- A general wage increase of 2.0% for all employees.
- An increase in employer provided health care costs of 7.2%
- Elimination of one-time expenditures

VIRGINIA RETIREMENT SYSTEM (VRS) FUNDING

During fiscal year 2011, 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 years 2010 and 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 Michael E Thornton, PhD, Chief Financial Officer for the School Board of the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, at (757) 628-3482 and (757) 628-3883, respectively. Please visit our website at: <http://www.nps.k12.va.us> for a complete copy of the Comprehensive Annual Financial Report (CAFR) and other financial information.

Exhibit I

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Net Position
June 30, 2013**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 1)	\$ 35,851,723
Accounts receivable	367,627
Due from primary government	2,637,626
Due from the Federal government	16,656,942
Due from the Commonwealth of Virginia	17,109,714
Inventories	788,248
Total current assets	<u>73,411,880</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment and vehicles, net of accumulated depreciation and amortization	<u>13,918,472</u>
Total capital assets, net	<u>14,405,972</u>
Total assets	<u>\$ 87,817,852</u>
LIABILITIES	
Current Liabilities:	
Vouchers payable	\$ 4,372,895
Retainage payable	228,082
Payroll Withholding	9,939,258
Accrued Payroll	22,590,760
Unearned revenue	169,409
Due to other agencies	9,632,503
Other payables	202,053
Long-term liabilities - current portion (Note 2)	<u>7,207,067</u>
Total current liabilities	54,342,027
Non-current liabilities (Note 2)	<u>18,959,569</u>
Total liabilities	<u>\$ 73,301,596</u>
NET POSITION	
Invested in capital assets	\$ 14,405,972
Restricted for:	
Capital Projects	815,133
Grants	1,104,970
Unrestricted (deficit)	<u>(1,809,819)</u>
Total net position	<u>\$ 14,516,256</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 Activities
For the Year Ended, June 30, 2013

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 272,337,901	\$ 2,563,426	\$ 207,885,108	\$ -	\$ (61,889,367)
Administration, Attendance, and Health	16,138,161	-	-	-	(16,138,161)
Pupil Transportation	13,668,251	-	2,100,000	-	(11,568,251)
Operation and Maintenance	34,551,026	-	-	-	(34,551,026)
Information Technology	10,373,231	-	-	-	(10,373,231)
School Facilities	9,160,289	-	-	8,207,537	(952,752)
Food Services	16,820,587	1,785,442	14,482,507	-	(552,638)
Community Services	249,882	-	-	-	(249,882)
Total	\$ 373,299,328	\$ 4,348,868	\$ 224,467,615	\$ 8,207,537	\$ (136,275,308)
Unrestricted Revenues:					
Use of money and property					1,262,108
Other					235,312
Unrestricted Intergovernmental Revenues:					
Local government					107,186,600
Commonwealth of Virginia					31,462,706
Total					140,146,726
Change in net position					3,871,418
Net position-beginning					10,644,838
Net position-ending					\$ 14,516,256

See Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
ASSETS					
Cash and investments	\$ 29,861,735	\$ -	\$ -	\$ 5,989,988	\$ 35,851,723
Accounts receivable	227,307	1,955	-	138,365	367,627
Due from other funds	14,622,171	-	-	-	14,622,171
Due from the primary government	-	-	2,637,626	-	2,637,626
Due from the Federal government	2,108,440	14,086,550	-	461,952	16,656,942
Due from the Commonwealth of Virginia	15,945,192	1,126,119	-	38,403	17,109,714
Inventories	293,201	-	-	495,047	788,248
Total assets	<u>\$ 63,058,046</u>	<u>\$ 15,214,624</u>	<u>\$ 2,637,626</u>	<u>\$ 7,123,755</u>	<u>\$ 88,034,051</u>
LIABILITIES					
Vouchers payable	\$ 3,511,265	\$ 559,654	\$ 91,602	\$ 210,374	\$ 4,372,895
Retainage payable	228,082	-	-	-	228,082
Payroll withholdings	9,939,258	-	-	-	9,939,258
Accrued payroll	20,000,207	2,200,836	-	389,717	22,590,760
Due to other agencies	9,632,503	-	-	-	9,632,503
Due to other funds	-	12,366,143	1,730,891	525,137	14,622,171
Unearned revenue	-	169,409	-	-	169,409
Other payables	201,776	277	-	-	202,053
Total liabilities	<u>43,513,091</u>	<u>15,296,319</u>	<u>1,822,493</u>	<u>1,125,228</u>	<u>61,757,131</u>
FUND BALANCES					
Nonspendable:					
Inventories	293,201	-	-	495,047	788,248
Restricted for:					
Food Services	-	-	-	5,503,480	5,503,480
Grants	-	1,104,970	-	-	1,104,970
Assigned to:					
Instruction	4,841,344	-	-	-	4,841,344
Administration, Attendance and Health	948,056	-	-	-	948,056
Pupil Transportation	130,004	-	-	-	130,004
Operation and Maintenance	1,301,952	-	-	-	1,301,952
Information Technology	1,545,628	-	-	-	1,545,628
School Facilities	298,384	-	1,853,673	-	2,152,057
Funding Sources for 2014	7,741,873	-	-	-	7,741,873
Unassigned (deficit):	2,444,513	(1,186,665)	(1,038,540)	-	219,308
Total fund balances (deficit)	<u>19,544,955</u>	<u>(81,695)</u>	<u>815,133</u>	<u>5,998,527</u>	<u>26,276,920</u>
Total liabilities and fund balances	<u>\$ 63,058,046</u>	<u>\$ 15,214,624</u>	<u>\$ 2,637,626</u>	<u>\$ 7,123,755</u>	<u>\$ 88,034,051</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 Position
June 30, 2013**

Fund balances--total governmental funds	\$ 26,276,920
---	---------------

Amounts reported for governmental activities in the Statement of
Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,405,972
---	------------

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

Compensated Absences	(9,254,571)
Workers Compensation	(2,773,723)
Claims Liability	(46,184)
Other Post Employment Benefits	(14,092,158)

Net Position of Governmental Activities	<u>\$ 14,516,256</u>
---	----------------------

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, 2013

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 1,134,728	\$ -	\$ -	\$ 127,380	\$ 1,262,108
Charges for services	2,563,426	-	-	1,785,442	4,348,868
Other	-	226,177	-	9,135	235,312
Intergovernmental:					
Local government	109,286,600	-	8,207,537	-	117,494,137
Commonwealth of Virginia	188,174,421	4,245,839	-	355,636	192,775,896
Federal government	6,509,100	40,062,924	-	14,482,507	61,054,531
Total revenues	<u>307,668,275</u>	<u>44,534,940</u>	<u>8,207,537</u>	<u>16,760,100</u>	<u>377,170,852</u>
EXPENDITURES					
Current:					
Instruction	228,628,809	43,523,430	-	-	272,152,239
Administration, Attendance, and Health	15,828,902	24,083	-	-	15,852,985
Pupil Transportation	13,435,433	-	-	-	13,435,433
Operation and Maintenance	34,409,999	218,546	-	-	34,628,545
Information Technology	10,201,609	146,410	-	-	10,348,019
School Facilities	1,957,625	-	-	-	1,957,625
Food Services	-	194,084	-	16,722,262	16,916,346
Community Services	8,614	238,365	-	-	246,979
Intergovernmental for Debt Service:					-
School Facilities	180,556	-	-	-	180,556
Capital Outlay:					
School Facilities	-	-	8,080,323	-	8,080,323
Total expenditures	<u>304,651,547</u>	<u>44,344,918</u>	<u>8,080,323</u>	<u>16,722,262</u>	<u>373,799,050</u>
Excess of revenues over expenditures	<u>3,016,728</u>	<u>190,022</u>	<u>127,214</u>	<u>37,838</u>	<u>3,371,802</u>
Net change in fund balance	3,016,728	190,022	127,214	37,838	3,371,802
Fund balances (deficit)--beginning	<u>16,528,227</u>	<u>(271,717)</u>	<u>687,919</u>	<u>5,960,689</u>	<u>22,905,118</u>
Fund balances (deficit)--ending	<u>\$ 19,544,955</u>	<u>\$ (81,695)</u>	<u>\$ 815,133</u>	<u>\$ 5,998,527</u>	<u>\$ 26,276,920</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, 2013**

Net change in fund balances--total governmental funds

Amounts reported for governmental activities in the Statement of Activities are
different because: \$ 3,371,802

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

Capital acquisitions	5,069,425	
Depreciation expense & loss on disposal of capital assets	<u>(2,928,688)</u>	2,140,737

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	(286,587)
Workers Compensation	(45,597)
Claims Liability	(6,634)
Other Post Employment Benefits	(2,380,858)
Pollution Remediation	<u>1,078,555</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,871,418</u></u>

See Notes to the Basic Financial Statements.

Exhibit V

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 4,781,444
Receivables from others	<u>10,189,630</u>
Total assets	<u><u>\$ 14,971,074</u></u>
LIABILITIES	
Amounts held for others	<u>\$ 14,971,074</u>
Total liabilities	<u><u>\$ 14,971,074</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, 2013**

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction 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 operating-specific and discretionary (either operational or capital) grants while the capital grants column reflects capital-specific grants.

**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, 2013**

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

Fund financial statements are provided for governmental and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2013.

The deficit in fund balance in the Grants Fund is caused by timing differences and will be eliminated in the next fiscal year.

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 majority of the activity within the Capital Projects Fund is financed by the City of Norfolk. 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

**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, 2013**

Child Nutrition Fund is considered a non-major fund for government-wide reporting purposes.

FIDUCIARY FUNDS

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

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses (such as capital leases and compensated absences) are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 have been incurred.

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 position.

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

**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, 2013**

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 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. Revenue from the City of Norfolk for activity within the capital projects fund is recognized when the related expenditure is incurred. 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

**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, 2013**

Food Services) level; while Grants and Capital Projects, which are budgeted on a multi-year basis, are at the fund level. These categories or funds cannot legally be exceeded. In addition, certain controls are exercised administratively on all funds. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures (including encumbrances) with the amended budgets.

Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the legally adopted budget as amended. Due to the difference in the basis of accounting for budgetary and fund accounting purposes, Schedule 2 within Required Supplementary Information provides reconciliation between the budgetary basis and fund financial accounting (modified accrual) basis. Unencumbered appropriations on the annual budget lapse at the end of each fiscal year for funds with annual budgets. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

E. Upcoming GASB Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was issued to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as outflows and deferred outflows of resources or inflows and deferred inflows of resources. The Schools will adopt this standard effective June 30, 2014.

GASB Statement No. 68, *Financial Reporting for Pensions*, was issued to improve the accounting and financial reporting by state and local government pensions. The standard will change the accounting perspective from a funding basis to reporting pension liability and expense as employees earn their pension benefits by providing services. Along with GASB Statement 67, *Financial reporting for Pension Plans*, the standard will require the use of a prescriptive method to calculate the discount rate which is expected to increase the total respective liability and decrease the funded status of the plan. The City will adopt this pronouncement in the fiscal year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees as well as additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The City will adopt this pronouncement in the fiscal year ended June 30, 2014.

**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, 2013**

F. 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, 2013, the carrying amount of cash deposits for the School Board was \$22,794,931. This amount includes agency funds of \$4,781,444.

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, 2013, the School Board has investments of \$17,838,236 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 institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool’s collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks.

Interest Rate and Foreign Currency Risk – Interest rate risk represents the risk governments are exposed to as a result of changes in interest rates for their debt investments. Interest rate risk is reduced by investing operating funds primarily in shorter-term securities. The School Board does not have interest rate or foreign currency risk.

**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, 2013**

RECEIVABLES AND PAYABLES

All inter-fund receivables and payables are displayed in the fund statements as “Due to/Due from Other Funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Position, 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 2013.

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 position. The weighted average cost method is used to record inventories.

The Child Nutrition Fund’s inventories also include United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$495,047 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 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 (School Buses)	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.

**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, 2013**

Upon sale or retirement of land, building improvements, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any related gain or loss is included in the results of operations.

School buildings share joint title with the City of Norfolk and are carried on the City's financial statements for reporting purposes and include all building improvements under the City's charter. Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of the School 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.

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

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. The payment of this liability is primarily made through the General Fund and Grants Fund. See Note 2C for further details.

**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, 2013**

NET POSITION/FUND BALANCES

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In the governmental funds' financial statements, unassigned fund balance represents the portion of spendable fund balance which has not been assigned or committed at year end. State law restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as those amounts stand at the close of the fiscal year proceeding the budget year. The governmental fund types classify fund balances as follows:

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. The City of Norfolk is defined by the School Board as the highest level of decision-making authority in order to establish the category of a committed fund balance.

**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, 2013**

Assigned

Portion of fund balance that is intended to be used for specific purposes, occurring by School Board authority, under the direction of the Chief Financial Officer. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation) in the General, Grants, Capital Projects, and Child Nutrition Funds.

Unassigned

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

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

G. Encumbrances

Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis.

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, 2013, the Child Nutrition Fund had purchase order commitments approximating \$335,747. These encumbrances are included in the restricted fund balance due to the requirements placed by the Department of Agriculture. In the Capital Projects Fund, there were open purchase orders amounting to \$1,853,673 at June 30, 2013 for various capital improvement projects, which will be reimbursed by the City as expenditures are incurred. These amounts are presented as assigned fund balance. Fund balances in the

**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, 2013**

Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2013. Encumbrances for Grants Funds were approximately \$1,104,970 as of June 30, 2013, which are reflected as restricted fund balance. These encumbrances will be reimbursed by the grantor agencies as expenditures are incurred. Fund balances in the General Fund have been assigned consistent with School Board management's intention to use net resources at June 30, 2013.

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, 2013 is as follows:

	Due From		Due to
	(Receivables)		(Payables)
<hr/>			
Major Funds:			
General Fund	\$ 14,622,171	\$	
Grants Fund			12,366,143
Capital Projects			1,730,891
Non-Major Funds:			
Child Nutrition Fund			525,137
	<hr/>		<hr/>
	\$ 14,622,171	\$	14,622,171
	<hr/>		<hr/>

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

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, 2013

B. Capital Assets

Changes in Capital Assets

	Capital Assets				Capital Assets
	June 30, 2012	Additions	Deletions	Transfers	June 30, 2013
Capital assets, not being depreciated					
Land	\$ 487,500	\$ -	\$ -	\$ -	\$ 487,500
Development in Progress	775,510	-	-	(775,510)	-
Total capital assets, not being depreciated	1,263,010	-	-	(775,510)	487,500
Capital assets, being depreciated:					
Mobile Classrooms	5,377,982	-	-	-	5,377,982
Equipment and vehicles	33,767,997	4,863,165	(1,395,915)	-	37,235,247
Intangible assets	-	206,260	-	775,510	981,770
Total capital assets, being depreciated	39,145,979	5,069,425	(1,395,915)	775,510	43,594,999
Less accumulated depreciation for:					
Mobile Classrooms	(2,959,168)	(268,931)	-	-	(3,228,099)
Equipment and vehicles	(25,184,586)	(2,407,545)	1,340,057	-	(26,252,074)
Intangible assets	-	(196,354)	-	-	(196,354)
Total accumulated depreciation	(28,143,754)	(2,872,830)	1,340,057	-	(29,676,527)
Total capital assets being depreciated, net	11,002,225	2,196,595	(55,858)	775,510	13,918,472
Total capital assets, net	\$ 12,265,235	\$ 2,196,595	\$ (55,858)	\$ -	\$ 14,405,972

Depreciation expense by function for the year ended June 30, 2013 follows:

Instruction	\$ 1,289,602
Administration, Attendance, and Health	489,127
Pupil Transportation	407,439
Operation and Maintenance	364,428
Information Technology	161,329
School Facilities	41,844
Food Services	119,061
Total	<u>\$ 2,872,830</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

C. Long-Term Obligations

The following is a summary of the changes in long-term obligations for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Long-Term Obligations:					
Compensated absences	\$ 8,967,984	\$ 10,662,048	\$ (10,375,461)	\$ 9,254,571	\$ 6,940,929
Workers' compensation	2,728,126	603,341	(557,744)	2,773,723	262,384
Claims liability	39,550	190,664	(184,030)	46,184	3,754
Pollution remediation	1,078,555	-	(1,078,555)	-	-
Other post employment benefits	11,711,300	6,309,396	(3,928,538)	14,092,158	-
Total Long-Term Obligations	<u>\$ 24,525,515</u>	<u>\$ 17,765,449</u>	<u>\$ (16,124,328)</u>	<u>\$ 26,166,636</u>	<u>\$ 7,207,067</u>

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2013, 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.

C. Pollution Remediation

The School Board evaluates its exposure to certain environmental liabilities throughout the year at each of its locations across the City of Norfolk. Estimates of liabilities are made based on consultations with industry experts and often arise when school buildings are replaced.

**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, 2013**

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 \$6,715,507 to SECEP during the fiscal year ended June 30, 2013. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

B. The Governor’s School for the Arts

The Governor’s School for the Arts (Governor’s School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor’s School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor’s School can be obtained from the Governor’s School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$222,966 to the Governor’s School during the fiscal year ended June 30, 2013. 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 2013 was \$2,314,658. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

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, 2013

The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund, Grants 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, 2013, workers' compensation and claims liability totaling \$2,819,907 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, 2013:

	June 30, 2013	
	Workers'	Claims'
	Compensation	Liability
Balance, beginning of year	\$ 2,728,126	\$ 39,550
Claims and other changes	603,341	190,664
Employer payments	(557,744)	(184,030)
Balance, end of year	<u>\$ 2,773,723</u>	<u>\$ 46,184</u>

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. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier.

**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, 2013**

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

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing the VRS 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 5.00% of their annual reported compensation to the VRS. Prior to fiscal year 2013, the School Board had assumed the 5.00% member contribution for its employees. However, beginning on July 1, 2012, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The School Board elected to require employees to pay the full 5% member contribution beginning on July 1, 2012. 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, 2013, were 11.66% and 11.10% of the annual covered payroll (not including assumed 5%). The School Board's contributions to the VRS for the years ended June 30, 2013, 2012 and 2011 for professional employees were \$24,033,904, \$22,597,524, \$18,557,452, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years. 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, 2013, the School Board's annual pension cost (APC) of \$1,741,681 for nonprofessional employees was equal to the School Board's required and actual contributions.

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, 2013

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

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$1,741,681	100 %	\$
June 30, 2012	\$1,866,524	100 %	\$ -
June 30, 2011	\$1,932,102	100 %	\$ -

The fiscal year 2013 required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) 7.00% investment rate of return (net of administration expenses), (b) projected salary increases of 3.75% to 5.60%, and (c) 2.50% per year cost-of-living adjustments for Plan 1 members and 2.25% cost-of-living adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.50%. 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. As disclosed in the required supplementary information, Schedule 1, the School Board's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2012 actuarial valuation was 30 years.

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, 2013, 748 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 records the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrues a liability to the extent actual contributions are less than this expense.

**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, 2013**

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

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, 2013

The actuarial liability of the Plan as of July 1, 2012 is \$69.5 million as shown below:

Pay-As-You-Go Funding (3.5% assumed discount) (\$ in millions)	
Actuarial Liability	
Actives	\$ 49.7
Retirees	19.8
Total	\$ 69.5
Assets	-
UAL	\$ 69.5

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

The ARC was computed for 2013 under the pay-as-you-go funding method and an assumed 3.50% discount rate. The table includes the PAYGo cost and the net difference:

GASB ARC - FY 2013 Pay-As-You-Go Funding (3.50% assumed discount) (\$ in millions)	
Normal Cost	\$ 2.24
UAL Amortization	2.32
Interest	0.16
Total ARC	\$ 4.72
PAYGo Cost (Contributions made - including implicit subsidy)	3.93
ARC in excess of PAYGo Cost	\$ 0.79

**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, 2013**

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
2011	\$ 6.00	77%	\$ 8.07
2012	\$ 5.81	80%	\$ 11.71
2013	\$ 4.73	83%	\$ 14.10

Development of Net OPEB Obligation

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

Development of Net OPEB Obligation

Expected Net OPEB Obligation as of June 30, 2012	\$ 11,711,300
Expected Employer Contributions FY2012	4,672,358
Actual Employer Contributions FY 2012	(3,091,510)
	<hr/>
Increase in Net OPEB Obligation	1,580,848
Net OPEB Obligation as of June 30, 2012	\$ 13,292,148
Actuarial Required Contribution (ARC) for FY 2013	\$ 4,721,902
Interest on Net OPEB Obligation (NOO)	465,225
Adjustment to ARC	(458,579)
	<hr/>
Annual OPEB Cost (AOC)	\$ 4,728,548
Employer Contributions FY 2013 - including implicit rate subsidy	(3,928,538)
	<hr/>
Net OPEB Obligation as of June 30, 2013	\$ 14,092,158
	<hr/>

**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, 2013**

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, 2012
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	3.50%
Rate of salary increases	3.50%
Rate of Medical Inflation	9.00% (pre-Medicare) grading to 4.0% 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.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
REQUIRED SUPPLEMENTARY SCHEDULES
YEAR ENDED JUNE 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
- Schedule 1 -

Schedule of Funding Progress - VRS

As of June 30, 2012, the most recent actuarial valuation date, the agent multiple employer plan was 74.31% funded. The actuarial accrued liability for benefits was \$83,259,820, and the actuarial value of assets was \$61,872,968, resulting in UAAL of \$21,386,852. The covered payroll (annual payroll of active employees covered by the plan) was \$14,886,664 and the ratio of the UAAL to the covered payroll was 143.66%. 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.

VRS 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, 2010	\$64,120,661	\$80,984,997	\$16,864,336	79.18%	\$16,243,835	103.82%
June 30, 2011	\$63,440,533	\$81,830,629	\$18,390,096	77.53%	\$15,357,257	119.75%
June 30, 2012	\$61,872,968	\$83,259,820	\$21,386,852	74.31%	\$14,886,664	143.66%

Schedule of Funding Progress - OPEB

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability (AAL) under GASB is determined assuming that the Plan is ongoing and the participants continue to terminate employment, retire, etc., in accordance with actuarial assumptions. The schedule of funding

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
REQUIRED SUPPLEMENTARY SCHEDULES
YEAR ENDED JUNE 30, 2013

progress, presented as required supplemental information (RSI), presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Schedule of Funding Progress

(\$ 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, 2010	\$ 0	\$ 82.8	\$ 82.8	0%	\$ 199	41.6%
July 1, 2011	\$ 0	\$ 77.6	\$ 77.6	0%	\$ 172	45.1%
July 1, 2012	\$ 0	\$ 69.5	\$ 69.5	0%	\$ 186	37.3%

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
for the General Fund
- Unaudited -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 4,177,226	\$ 4,177,226	\$ 3,802,441	\$ (374,785)
Commonwealth of Virginia	179,711,257	179,711,257	188,174,421	8,463,164
Federal government	4,836,537	4,836,537	6,509,100	1,672,563
Local government	107,186,600	107,186,600	107,186,600	-
Carryforward funds from fiscal year 2012	6,121,700	9,478,360	-	(9,478,360)
	<u>302,033,320</u>	<u>305,389,980</u>	<u>305,672,562</u>	<u>282,582</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
Instruction	230,392,516	232,741,046	224,460,434	(8,280,612)
Administration, Attendance, and Health	15,282,286	16,010,971	14,744,988	(1,265,983)
Pupil Transportation	11,664,171	11,648,031	10,916,675	(731,356)
Operation and Maintenance	34,710,178	32,544,170	30,319,068	(2,225,102)
Information Technology	8,339,304	10,619,096	8,603,330	(2,015,766)
School Facilities	1,644,865	1,826,666	1,850,099	23,433
Other				-
	<u>302,033,320</u>	<u>305,389,980</u>	<u>290,894,594</u>	<u>(14,495,386)</u>
Total charges to appropriations				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,777,968</u>	<u>\$ 14,777,968</u>
Budgetary fund balance, June 30, 2013				

**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	\$ 305,672,562
Acquisition of School buses by local government	2,100,000
Other budgetary resources but not revenue for financial reporting purposes	(104,287)
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 307,668,275</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 290,894,594
Difference - budget to GAAP:	
Acquisition of school buses by the local government	2,100,000
Change in payable accruals between fiscal years	7,612,914
Encumbrance change between fiscal years	4,044,039
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 304,651,547</u>

See Notes to the Basic Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank.

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, 2013

	Balance			Balance
	July 1, 2012	Additions	Deductions	June 30, 2013
ASSETS				
Cash, investments and accounts receivable				
Southeastern Cooperative Educational Programs	\$ 11,654,918	\$ 121,900,957	\$ 121,191,289	\$ 12,364,586
School Activity Funds	2,198,062	3,965,062	3,917,682	2,245,442
Trust Funds	(16,637)	126,331,522	126,381,664	(66,779)
Governor's School for the Arts	453,779	4,438,609	4,464,563	427,825
 Total Assets	 \$ 14,290,122	 \$ 256,636,150	 \$ 255,955,198	 \$ 14,971,074
LIABILITIES				
Due to Other Agencies				
Southeastern Cooperative Educational Programs	\$ 11,654,918	\$ 228,491,438	\$ 229,295,866	12,459,346
Governor's School for the Arts	453,779	12,707,635	12,681,681	427,825
Trust Fund	(16,637)	167,601,818	167,551,676	(66,779)
Due to Students	2,198,062	3,965,062	3,917,682	2,150,682
 Total Liabilities	 \$ 14,290,122	 \$ 412,765,953	 \$ 413,446,905	 \$ 14,971,074

This page intentionally left blank.

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends Information

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

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

(UNAUDITED)

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

Schedule 1

Fiscal Year									
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013

Government-wide:

Invested in capital assets	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568	\$ 12,265	\$ 14,406
Restricted	9,931	6,400	19,045	9,006	1,837	1,003	611	1,000	416	1,920
Unrestricted	12,065	16,849	6,213	8,334	5,179	(670)	5,625	2,225	(2,036)	(1,810)

Total government-wide net position	\$ 54,839	\$ 71,114	\$ 75,755	\$ 83,404	\$ 78,829	\$ 69,977	\$ 29,825	\$ 14,793	\$ 10,645	\$ 14,516
------------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

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

Schedule 2

	Fiscal Year									
	2004 As Restated	2005 As Restated	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Instruction	\$ 235,930	\$ 257,416	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,477	\$ 265,178	\$ 272,338
Support Services:										
Administration, Attendance and Health	10,593	10,879	11,846	11,690	13,312	13,414	13,396	12,412	12,436	16,138
Pupil Transportation	12,109	7,076	9,988	10,588	10,913	10,917	10,765	11,028	10,869	13,668
Operation and Maintenance	27,936	29,101	34,112	35,398	36,258	38,954	33,660	35,283	33,038	34,551
Information Technology	6,678	10,239	9,222	9,608	8,950	8,972	10,860	8,274	10,547	10,373
School Facilities	14,071	4,621	5,348	27,473	16,099	17,151	52,851	20,266	24,171	9,160
Food Services	12,373	13,035	13,700	12,837	14,533	14,918	14,676	15,564	15,935	16,821
Other	-	-	-	-	224	264	306	238	276	250
Total Expenses	319,690	332,367	340,946	368,842	379,571	387,392	418,727	370,542	372,450	373,299
Revenues:										
Program Revenues:										
Charges for services	6,780	6,469	5,750	5,155	6,250	5,781	5,527	4,847	4,597	4,349
Operating grants and contributions	177,124	196,556	194,023	226,323	224,043	229,557	238,021	209,644	206,947	224,467
Capital grants and contributions	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,207
Total Program Revenues	195,604	212,439	220,945	243,173	239,234	242,453	246,425	221,368	232,196	237,023
Net (Expense) Revenue	(124,086)	(119,928)	(120,001)	(125,669)	(140,337)	(144,939)	(172,302)	(149,174)	(140,254)	(136,276)
General Revenues:										
Use of money and property	2,290	1,874	2,863	3,840	2,325	1,499	799	716	1,284	1,262
Other	-	103	63	53	51	200	74	2	-	235
Commonwealth of Virginia	27,399	32,220	32,239	31,830	32,292	30,102	30,267	28,912	30,311	31,463
Local government	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,511	107,187
Total General Revenues	119,709	126,062	127,760	133,318	135,763	136,312	132,151	134,141	136,106	140,147
Change in Net Position	\$ (4,377)	\$ 6,134	\$ 7,759	\$ 7,649	\$ (4,574)	\$ (8,627)	\$ (40,151)	\$ (15,033)	\$ (4,148)	\$ 3,871

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
								Note 1		
General Fund										
Reserved	\$ 14,398	\$ 11,481	\$ 5,617	\$ 8,332	\$ 8,482	\$ 6,034	\$ 11,394			
Unreserved	9,099	9,099	19,154	5,233	4,446	4,105	4,369			
Nonspendable								\$ 293	\$ 293	\$ 293
Restricted								-	-	-
Committed								-	-	-
Assigned								14,103	13,109	16,807
Unassigned								2,102	3,126	2,445
Total General Fund	\$ 23,497	\$ 20,580	\$ 24,771	\$ 13,565	\$ 12,928	\$ 10,139	\$ 15,763	\$ 16,498	\$ 16,528	\$ 19,545
All Other Governmental Funds										
Reserved	\$ 4,447	\$ 8,062	\$ 2,017	\$ 14,556	\$ 5,406	\$ 3,198	\$ 4,073			
Unreserved, reported in:										
Grant Fund	789	(2,033)	-	-	(1,235)	(1,794)	(2,484)			
Capital Projects Fund	-	-	-	-	(1,105)	293	(457)			
Child Nutrition Services Fund	2,079	4,295	4,743	4,792	4,541	4,620	5,108			
Nonspendable								\$ 430	\$ 401	\$ 495
Restricted								5,331	5,560	6,608
Committed								72	4,651	-
Assigned								1,033	-	1,854
Unassigned								(105)	(4,235)	(2,225)
Total all other governmental funds	\$ 7,315	\$ 10,324	\$ 6,760	\$ 19,348	\$ 7,607	\$ 6,317	\$ 6,240	\$ 6,761	\$ 6,377	\$ 6,732

Note:

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

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

Schedule 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Use of money and property	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799	\$ 716	\$ 1,284	\$ 1,262
Charges for services	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349
Other	1,173	526	324	209	51	508	224	397	218	235
Intergovernmental :										
Local government	99,950	100,652	103,093	108,681	109,441	111,034	103,889	111,389	125,163	117,494
Commonwealth of Virginia	165,375	185,870	190,200	206,170	208,271	212,885	195,582	177,685	168,216	192,776
Federal government	40,733	43,147	46,475	52,436	48,659	47,058	72,556	60,477	68,824	61,055
Total revenues	315,313	338,501	348,705	376,491	374,997	378,765	378,576	355,511	368,302	377,171
EXPENDITURES										
Current:										
Instruction	226,640	233,019	261,225	256,649	285,213	286,995	284,101	263,502	263,542	272,152
Administration, Attendance, and Health	10,347	10,452	11,057	11,683	13,457	13,369	12,998	11,990	11,980	15,853
Pupil Transportation	9,752	11,940	7,193	10,390	10,896	10,723	10,503	10,709	10,639	13,435
Operation and Maintenance	28,297	27,549	29,595	32,262	33,778	36,058	33,695	35,225	32,938	34,629
Information Technology	5,962	6,600	10,365	8,786	8,818	8,769	10,665	8,161	10,517	10,348
School Facilities	19,105	13,749	4,385	13,726	15,178	3,427	2,784	2,356	1,535	1,958
Food Services	5,811	12,204	13,254	13,587	14,870	15,135	14,721	15,525	15,971	16,916
Other	269	-	-	-	294	264	306	238	275	247
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	267	258	250	241	224	1,400	206	198	189	181
Capital Outlay:										
School Facilities	-	-	-	-	-	6,701	3,049	6,350	21,069	8,080
Total expenditures	306,450	315,771	337,324	347,324	382,728	382,841	373,028	354,254	368,655	373,799
Excess (deficiency) of revenues over expenditures	8,863	22,730	11,381	29,167	(7,731)	(4,076)	5,548	1,257	(353)	3,372
OTHER FINANCING SOURCES (USES)										
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	\$ 8,863	\$ 22,730	\$ 11,381	\$ 29,167	\$ (7,731)	\$ (4,076)	\$ 5,548	\$ 1,257	\$ (353)	\$ 3,372
Debt service as a percentage of noncapital Expenditures										
	0.09%	0.08%	0.07%	0.07%	0.06%	0.37%	0.06%	0.06%	0.05%	0.05%

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Financial Trends Information
Program Revenues by Function (Optional Schedule)
Last Ten Fiscal Years
(Amounts in Thousands)

Schedule 5

Function/Program	Fiscal Years									
	2004 (As Restated)	2005 (As Restated)	2006	2007	2008	2009	2010	2011	2012	2013
Charges for Services										
Instruction	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201	\$ 2,564
Food Services	3,821	4,029	3,121	3,248	3,060	2,886	2,579	2,601	2,396	1,785
Subtotal of Charges for Services	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349
Operating Grants and Contributions										
Instruction	193,498	219,258	215,634	247,424	212,930	218,006	225,951	196,997	193,423	207,885
Pupil Transportation	-	-	-	-	-	-	-	-	-	2,100
Information Technology	1,161	-	-	-	-	-	-	-	-	-
Food Services	9,864	9,518	10,628	10,729	11,112	11,551	12,070	12,646	13,523	14,483
Subtotal of Operating Grants and Contributions	204,523	228,776	226,262	258,153	224,042	229,557	238,021	209,643	206,946	224,468
Capital Grants and Contributions										
School Facilities	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208
Subtotal of Capital Grants and Contributions	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208
Total Program Revenues	\$ 223,003	\$ 244,659	\$ 253,184	\$ 275,003	\$ 239,233	\$ 242,453	\$ 246,424	\$ 221,367	\$ 232,195	\$ 237,025

(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
2004	\$ 1,302	\$ 6,780	\$ 1,173	\$ 99,950	\$ 165,375	\$ 40,733	\$ 315,313
2005	1,838	6,469	526	100,652	185,870	43,147	338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
2008	2,325	6,250	51	109,440	208,271	48,659	374,996
2009	1,499	5,781	508	111,034	212,885	47,058	378,765
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	111,389	177,685	60,477	355,511
2012	1,284	4,597	218	125,163	168,216	68,824	368,302
2013	1,262	4,349	235	117,494	192,776	61,055	377,171
Change 2004-2013	-3.1%	-35.9%	-80.0%	17.6%	16.6%	49.9%	19.6%

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
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
2012	156,900	32,297	189,197
2013	156,900	23,656	180,556

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.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
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%
2012	156,900	32,297	189,197	283,647,437	0.07%
2013	156,900	23,656	180,556	304,651,547	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)
School Nutrition
Summary of Meals Served
As of June 30, 2013

School	Breakfast	Lunch	Total
Elementary Schools	1,778,958	2,317,852	4,096,810
Middle Schools	189,901	799,472	989,373
High Schools	166,493	554,751	721,244
Auxiliary Facilities	62,493	105,411	167,904
Totals	2,197,845	3,777,486	5,975,331

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Percentage of Free and Reduced Price Lunch Eligibility Data
For the Month of October 2012

Schools		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	44.63%	8.71%	46.67%	55.37%
114	CAMP ALLEN ELEM.	44.75%	13.66%	41.58%	55.25%
109	CAMPOSTELLA ELEM.	5.30%	1.33%	93.37%	94.70%
126	CHESTERFIELD ACADEMY ELEM.	20.25%	6.27%	73.48%	79.75%
128	COLEMAN PLACE ELEM.	24.69%	5.19%	70.12%	75.31%
129	CROSSROADS ELEM.	37.55%	7.79%	54.66%	62.45%
168	FAIRLAWN ELEM.	29.08%	12.06%	58.87%	70.92%
135	GHENT ELEM.	65.41%	9.77%	24.81%	34.59%
134	GRANBY ELEM.	37.09%	3.64%	59.27%	62.91%
136	INGLESIDE ELEM.	19.93%	9.70%	70.37%	80.07%
108	JACOX ELEM.	10.16%	3.44%	86.40%	89.84%
150	JAMES MONROE ELEM.	11.28%	3.40%	85.32%	88.72%
141	LARCHMONT ELEM.	76.94%	4.65%	18.42%	23.06%
142	LARRYMORE ELEM.	34.80%	8.61%	56.59%	65.20%
145	LINDENWOOD ELEM.	10.95%	4.23%	84.83%	89.05%
146	LITTLE CREEK ELEM.	23.76%	6.70%	69.55%	76.24%
147	LITTLE CREEK ELEM. ANNEX	34.35%	6.65%	59.00%	65.65%
123	MARY CALCOTT ELEM.	56.01%	7.54%	36.46%	43.99%
151	NORVIEW ELEM.	11.35%	9.16%	79.48%	88.65%
154	OCEAN VIEW ELEM.	32.52%	7.84%	59.64%	67.48%
153	OCEANAIR ELEM.	23.82%	15.45%	60.73%	76.18%
165	P.B. YOUNG SR. ELEM.	3.71%	1.31%	94.98%	96.29%
169	POPLAR HALLS ELEMENTARY	35.03%	9.28%	55.69%	64.97%
122	RICHARD BOWLING ELEM.	19.18%	6.27%	74.55%	80.82%
137	SEWELLS POINT ELEM.	37.14%	24.29%	38.57%	62.86%
156	SHERWOOD FOREST ELEM.	27.27%	9.54%	63.19%	72.73%
131	ST. HELENA ELEM.	17.55%	5.96%	76.49%	82.45%
159	SUBURBAN PARK ELEMENTARY	23.94%	9.46%	66.60%	76.06%
161	TANNERS CREEK ELEMENTARY	27.18%	7.32%	65.49%	72.82%
118	TARRALLTON ELEM.	51.43%	16.90%	31.67%	48.57%
119	TIDEWATER PARK ELEM.	14.47%	0.53%	85.00%	85.53%
160	W.H. TAYLOR ELEM.	69.60%	4.19%	26.21%	30.40%
115	WILLARD MODEL ELEM.	29.63%	8.18%	62.19%	70.37%
106	WILLOUGHBY ELEM.	40.61%	28.82%	30.57%	59.39%
Middle Schools					
206	AZALEA MIDDLE	38.80%	10.03%	51.17%	61.20%
207	BLAIR MIDDLE	44.65%	9.29%	46.06%	55.35%
217	LAFAYETTE-WINONA MIDDLE	18.77%	7.23%	74.00%	81.23%
216	LAKE TAYLOR MIDDLE	20.07%	10.21%	69.72%	79.93%
211	NORTHSIDE MIDDLE	36.96%	10.60%	52.44%	63.04%
212	NORVIEW MIDDLE	25.13%	10.05%	64.81%	74.87%
214	RUFFNER MIDDLE	19.57%	5.86%	74.57%	80.43%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEMC	51.66%	13.91%	34.44%	48.34%
High Schools					
304	B. T. WASHINGTON HIGH	29.39%	8.15%	62.46%	70.61%
301	GRANBY HIGH	49.32%	7.69%	42.99%	50.68%
305	LAKE TAYLOR HIGH	34.34%	6.84%	58.82%	65.66%
302	MAURY HIGH	56.22%	8.61%	35.17%	43.78%
303	NORVIEW HIGH	45.27%	9.46%	45.27%	54.73%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	7.53%	9.14%	83.33%	92.47%
171	EASTON PRESCHOOL	30.26%	12.82%	56.92%	69.74%
392	MADISON	22.73%	3.79%	73.48%	77.27%
2123	MARJINE INSTITUTE	22.22%	0.00%	77.78%	77.78%
163	NORFOLK RE-ED SCHOOL - SECEP	10.53%	5.26%	84.21%	89.47%
396	NORFOLK TECHNICAL CTR	39.31%	5.98%	54.71%	60.69%
School Board for the City of Norfolk Totals		33.95%	8.35%	57.70%	66.05%
October 2012 Totals		33.95%	8.35%	57.70%	66.05%

Source of data: Norfolk Public Schools - School Nutrition

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Summary of Child Nutrition Program Funds
As of June 30, 2013

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

Account Description	2013	2014	Budget 2012	Actual 2012	Budget 2013	Actual 2013	Budget 2014	Budget Increase Over 2013
Revenue								
Sales			\$ 2,545,000	\$ 2,396,490	\$ 2,664,000	\$ 1,794,577	\$ 2,165,000	-18.73%
Federal and State Food Program Reimbursements			11,770,000	12,628,098	13,025,000	13,695,846	14,110,000	8.33%
Federal Commodities Donated			830,000	895,422	900,000	1,142,296	830,000	-7.78%
Interest Earnings			10,000	14,894	15,000	19,596	15,000	0.00%
Other			104,500	66,756	100,000	107,784	113,000	13.00%
Total Revenue			15,259,500	16,001,659	16,704,000	16,760,100	17,233,000	3.17%
Expenditures								
Cost of Goods Sold			7,116,000	8,123,501	8,321,000	8,856,600	9,135,000	9.78%
Employee Compensation	157.50	148.50	6,944,000	6,617,659	7,123,500	6,835,520	7,183,500	0.84%
Maintenance Costs			415,000	320,981	390,000	364,815	380,000	-2.56%
Supplies and Materials			135,000	115,923	125,000	97,805	130,000	4.00%
Cafeteria and Other Equipment			440,000	437,880	513,000	355,284	170,500	-66.76%
Other Costs			209,500	185,616	231,500	212,237	234,000	1.08%
Total Expenditures	157.50	148.50	15,259,500	15,801,559	16,704,000	16,722,262	17,233,000	3.17%
Excess of Revenues over Expenditures			-	200,100	-	37,838	-	
Fund Balance - Beginning of Year			5,760,589	5,760,589	5,960,689	5,960,689	5,998,527	
Fund Balance - End of Year			\$ 5,760,589	\$ 5,960,690	\$ 5,960,689	\$ 5,998,527	\$ 5,998,527	

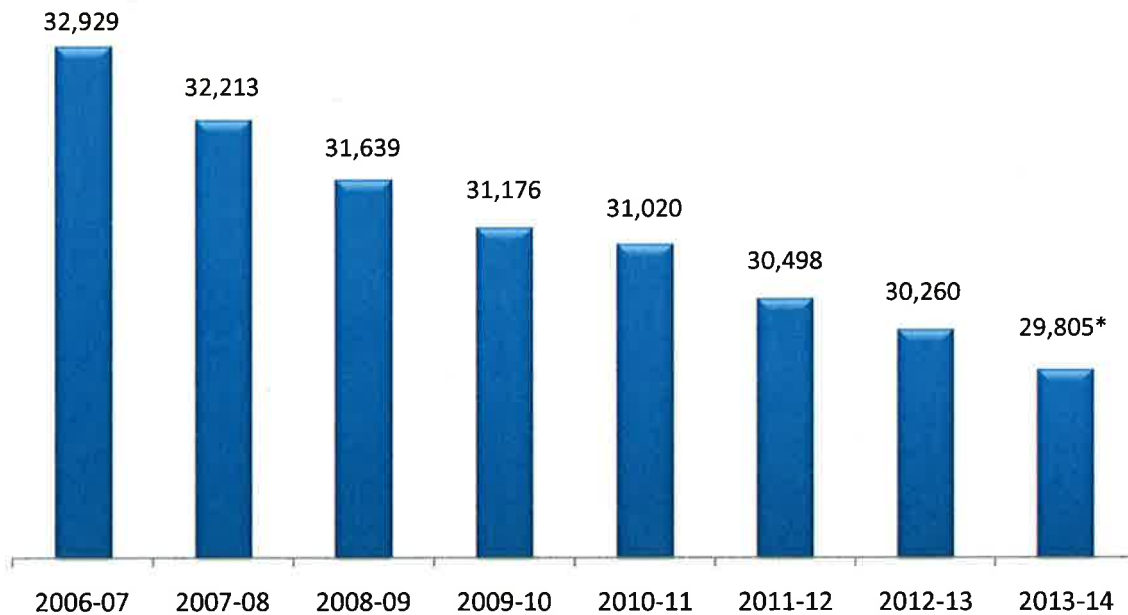
(UNAUDITED)

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

Positions Approved	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Instructional Services	3,671.70	3,806.95	3,800.95	3,809.95	3,758.95	3,724.95	3,725.95	3,459.63	3,315.05	3,241.05
Central Administration	98.25	100.25	98.25	98.25	105.25	103.25	100.25	96	95	97
Student Attendance and Health Services	62.8	60	60	60	62	62	61	48	50	49
Pupil Transportation	287	292	306	306	306	306	305	284	281	278
Operations and Maintenance	463.5	470	471	471	471	479	478	415	409.5	401.5
Community Services (Jobs Bill)	0	0	0	0	1	1	1	0	0	0
Facility Improvements	0	0	0	0	0	0	0	0	0	0
Information Technology	67	109	109	110	109	109	76	63	61	64
Total Approved Positions General Fund Budget	4,650.25	4,838.20	4,845.20	4,855.20	4,813.20	4,785.20	4,747.20	4,365.63	4,211.55	4,130.55



Adjusted March 31st ADM Reported to VDOE



* Unadjusted ADM projection

School Year	Mar 31st Adjusted ADM	Variance
2013-14	29,805*	-455
2012-13	30,260	-238
2011-12	30,498	-522
2010-11	31,020	-156
2009-10	31,176	-463
2008-09	31,639	-574
2007-08	32,213	-716
2006-07	32,929	-543
2005-06	33,472	

(UNAUDITED)

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

Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (a)			Average Costs per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2004	\$ 260,460,046	34,030	1,152	35,182	\$ 7,403
2005	282,762,068	33,762	1,152	34,914	8,099
2006	291,657,947	33,262	1,052	34,314	8,500
2007	309,045,784	32,962	1,052	34,014	9,086
2008	316,464,796	32,259	1,052	33,311	9,500
2009	324,043,814	31,639	2,173	33,812	9,584
2010	327,186,336	30,839	2,302	33,141	9,873
2011	290,958,964	30,630	2,344	32,974	8,824
2012	286,229,821	30,498	2,380	32,878	8,706
2013	301,318,126	30,200	2,380	32,580	9,249

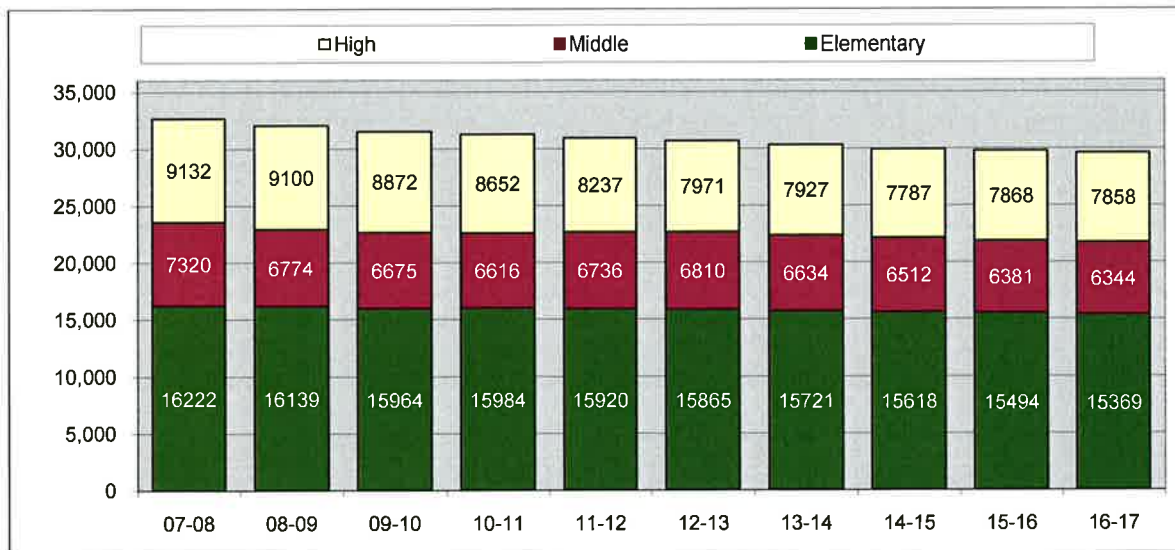
Notes:

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

Source of Data: Norfolk Public Schools Budget Department



Enrollment Trends and Projections (K-12)



FISCAL YEAR	PROJECTED ENROLLMENT	SEPTEMBER 30 th ENROLLMENT
FY 2008	32,794	32,674
FY 2009	31,979	32,013
FY 2010	31,300	31,511
FY 2011	31,078	31,252
FY 2012	30,962	33,522
FY 2013	30,646	32,887
FY 2014	30,282	
FY 2015	29,917	
FY 2016	29,743	
FY 2017	29,571	

METHODOLOGY

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

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



State Incentive to Reduce Class Size

School Name	October 2010 Free Lunch Eligibility Rate	Required School-Wide Pupil-Teacher Ratio	NPS Pupil- Teacher Ratio Budgeted	Largest Permitted Individual Class Size in the School	NPS Average Class Size Expected
BAY VIEW	41.96%	19:1	22:1	24	22
CAMP ALLEN	43.49%	19:1	20:1	24	20
CAMPOSTELLA	93.42%	14:1	18:1	19	16
CHESTERFIELD ACADEMY	79.67%	14:1	22:1	19	19
COLEMAN PLACE	69.76%	16:1	21:1	21	21
CROSSROADS	61.37%	17:1	20:1	22	20
FAIRLAWN	58.90%	17:1	20:1	22	20
GRANBY	59.13%	17:1	24:1	22	24
INGLESIDE	60.36%	17:1	19:1	22	19
JACOX	89.69%	14:1	17:1	19	15
JAMES MONROE	86.33%	14:1	18:1	19	15
LARRYMORE	46.05%	18:1	21:1	23	21
LINDENWOOD	84.80%	14:1	18:1	19	15
LITTLE CREEK	60.48%	17:1	20:1	22	20
MARY CALCOTT	33.95%	19:1	21:1	24	21
NORVIEW	72.96%	15:1	18:1	20	18
OCEAN VIEW	58.33%	17:1	20:1	22	20
OCEANAIR	55.92%	17:1	20:1	22	20
P.B. YOUNG SR.	95.27%	14:1	18:1	19	15
POPLAR HALLS	53.42%	18:1	18:1	23	18
RICHARD BOWLING	66.81%	16:1	23:1	21	19
SHERWOOD FOREST	60.92%	17:1	21:1	22	22
ST. HELENA	80.57%	14:1	22:1	19	17
SUBURBAN PARK	67.66%	16:1	20:1	21	20
TANNERS CREEK	64.91%	17:1	20:1	22	20
TARRALLTON	37.98%	19:1	21:1	24	21
TIDEWATER PARK	95.63%	14:1	19:1	19	15
WILLARD MODEL	54.74%	18:1	21:1	23	21
WILLOUGHBY	31.02%	19:1	19:1	24	19

(UNAUDITED)

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

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenses	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced-Price Meals
2004	34,914	\$ 302,638,687	\$ 8,668	N/A	\$ 315,771,027	\$ 9,044	N/A	55.91%
2005	34,410	323,777,501	9,409	8.55%	337,324,224	9,803	8.39%	60.04%
2006	34,023	336,242,746	9,883	5.03%	347,323,628	10,208	4.14%	58.32%
2007	33,546	360,407,851	10,744	8.71%	381,136,457	11,362	11.30%	57.68%
2008	32,886	373,409,165	11,355	5.69%	382,727,579	11,638	2.43%	58.29%
2009	32,215	374,742,998	11,633	2.45%	382,845,264	11,884	2.11%	58.68%
2010	31,709	369,774,070	11,661	0.25%	373,029,687	11,764	-1.01%	61.92%
2011	31,443	347,706,732	11,058	-5.17%	354,254,534	11,267	-4.23%	64.43%
2012	31,081	347,397,094	11,177	1.07%	368,655,704	11,861	5.28%	65.16%
2013	30,677	365,538,171	11,916	6.61%	373,799,050	12,185	2.73%	66.05%

Notes:

1. Enrollment information obtained from Fall Membership Reports as provided by the Virginia Department of Education (VDOE) excludes Pre-K and post graduate enrollment.
 2. Operating expenditures are total expenditures less debt service and capital outlays.
 3. Teaching Positions information obtained from Table 17B of the "Superintendent's Annual Report for Virginia" as provided by VDOE.
 4. Percentage of students receiving free or reduced-price meals information presented for the month of October of the respective fiscal year.
- N/A = not available

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

Fiscal Year									
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013

Schools**Elementary (K - 8 & Pre K - 8)**

Buildings	35	35	35	35	35	35	35	33	33
Square feet	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,179,947	2,179,947
Capacity	20,550	20,550	20,550	20,550	20,550	20,550	20,550	19,758	19,758
Enrollment	17,511	17,102	16,720	16,576	16,437	16,379	16,199	16,152	16,143

Middle

Buildings	9	9	9	9	9	9	8	8	8
Square feet	1,215,629	1,215,629	1,215,629	1,215,629	1,215,629	1,215,629	1,167,600	1,167,600	1,167,600
Capacity	10,074	10,074	10,074	10,074	10,074	10,074	9,487	9,487	9,487
Enrollment	8,570	8,582	8,255	7,841	7,225	6,649	6,552	6,597	6,577

High

Buildings	5	5	5	5	5	5	5	5	5
Square feet	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566
Capacity	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Enrollment	8,764	8,727	9,048	9,129	9,224	9,187	8,958	8,742	7,957

Notes:

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

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2013

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Granby High	1939	292,294	25	0	1997-1998	15	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	39	263,000
Maury High	1910	265,000	9.8	0	1988	25	265,000
Norview High	2004	287,272	27	0		9	287,272
B. T. Washington High	1974	265,000	30	0		39	265,000
High School Average Age:						25.40	
Azalea Middle	1961	120,374	21.1	3		52	123,110
Blair Middle	1922	241,597	7.4	0	2007	6	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		22	140,000
Lake Taylor Middle	1965	118,926	20	6		48	124,398
Northside Middle	1956	122,675	14.5	0		57	122,675
Norview Middle	1995	152,000	19	0		18	152,000
Rosemont Middle	1959	126,028	18.5	0		54	126,028
Ruffner Middle	1994	146,000	10.52	0		19	146,000
Middle School Average Age:						34.50	
Bayview Elementary	1922	83,095	9.4	0	1999	14	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	60	62,149
Calcott Elementary	1952	65,100	12	2	1954	61	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	43	69,200
Campostella Elementary	1963	95,970	21.2	0		50	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	60	67,870
Coleman Place Elementary	2007	96,818	9.2	0		6	96,818
Crossroads Elementary	2012	146,923	12	0		2	146,923
Fairlawn Elementary	1959	58,500	16.4	11	1961	54	68,532
Ghent Elementary	1978	60,800	13	3		35	63,536
Granby Elementary	1948	82,081	9	0	1989	65	82,081
Ingleside Elementary	1954	58,500	16	6		59	63,972
Jacox Elementary	1949	79,200	11.7	4		64	82,848
Larchmont Elementary	1929	47,300	23	0	1977	84	47,300
Larrymore Elementary	1957	77,325	13	0	1964	56	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	60	61,284
Little Creek Elementary	1954	56,795	17	5		59	61,355
Little Creek Primary	1957	44,500		1		56	45,412
Monroe Elementary	1990	64,000	12.8	0		23	64,000
Norview Elementary	1952	57,640	14.2	14	1953	61	70,408
Oakwood Elementary	1952	40,000	8.2	2	1961	61	41,824
Ocean View Elementary	1939	56,150	20.5	2		74	57,974
Oceanair Elementary	1956	62,470	17.7	8		57	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	54	47,136
J.J. Roberts Elementary	1964	40,355	6.6	4		49	44,003
St. Helena Elementary	1966	36,074	13.2	2		47	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	47	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	56	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	58	61,980
Tanners Creek Elementary	1990	83,000	9	0		23	83,000
Tarrallton Elementary	1964	46,300	15.2	3		49	49,036
Taylor Elementary	1998	54,786	2.8	0		15	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		49	44,235
Willard Elementary	1952	80,925	14.9	0	1990	61	80,925
Willoughby Elementary	1967	58,400	12	0		46	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		59	55,325
Elementary School Average Age:						49.36	

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2013

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Berkley/Compostella ECC	1953	46,453	10.6	0	1991	60	46,453
Camp Young	1946	27,398	30	0		67	27,398
Easton Preschool	1959	37,500	11.7	0	1961	54	37,500
Madison Career Center	1919	75,501	3	0	1921	94	75,501
Norfolk Technical Center	1968	125,938	29.5	0		45	125,938
Bellmore	1968	77,028	3.9	1		45	77,940
Transportation	1995	24,689	9.9	1		18	25,601
Subtotal Average Age Other:						54.71	
Total Mobiles				117			
Average Age of all Buildings				45.77			
Total Number of Acres				809.22			
Total Number of Square Feet				5,257,475			
Total Square feet including mobiles				5,364,355			

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 Position by Category
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:									restated	
Net investment in capital assets										
Restricted	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 323,564
Unrestricted	55,786	6,788	6,605	6,731	6,890	64,397	120,974	6,744	11,081	11,111
	86,959	91,869	96,705	127,479	90,917	63,013	76,365	5,347	25,832	22,593
Subtotal governmental activities net position	554,738	502,234	494,702	467,198	422,980	379,538	353,293	336,667	332,119	357,268
Business-type activities:										
Net investment in capital assets										
Restricted	223,018	237,044	259,198	268,503	241,203	237,307	229,693	267,107	270,913	279,587
Unrestricted	36,041	-	-	2,526	2,506	39,306	40,056	12,928	12,928	13,245
	20,293	48,563	43,383	34,373	72,387	43,921	63,316	62,458	72,063	78,631
Subtotal business-type activities net position	279,352	285,607	302,581	305,402	316,096	320,534	333,065	342,493	355,904	371,463
Primary government:										
Net investment in capital assets										
Restricted	635,011	640,621	650,590	601,491	566,376	489,435	385,647	591,683	566,119	603,151
Unrestricted	91,827	6,788	6,605	9,257	9,396	103,703	161,030	19,672	24,009	24,356
	107,252	140,432	140,088	161,852	163,304	106,934	139,681	67,805	97,895	101,224
Total primary government net position	\$ 834,090	\$ 787,841	\$ 797,283	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 728,731

(UNAUDITED)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Charges for services										
Judicial government	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489
Public safety	402	498	200	778	931	935	3,501	3,629	3,690	3,717
Public works	6,727	11,608	13,041	2,708	2,708	2,797	5,627	7,942	8,424	10,154
Health and public assistance	16,829	9,081	10,121	24,181	27,156	26,989	35,451	36,890	50,597	38,320
Culture and recreation	154	130	134	101	166	134	83	82	50	5,349
Community development	6,668	7,034	6,198	6,126	6,710	6,232	9,224	10,101	9,751	10,297
Capital grant contributions	11	5	1,063	907	760	1,539	2,259	1,479	1,807	2,368
Operating grants and contributions	105,466	116,399	116,827	115,779	112,960	112,419	127,665	116,648	119,353	131,719
Total governmental activities program revenue	136,808	145,530	148,814	153,030	153,159	169,788	204,141	195,401	203,878	226,413
Business-type activities:										
Charges for Services										
Water utility	60,964	61,002	74,218	69,816	74,240	74,454	78,983	80,573	78,148	76,584
Wastewater utility	18,633	21,329	22,375	22,314	24,917	23,125	23,815	24,362	24,798	25,469
Parking facilities	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,692	19,452	19,162
Capital grants and contributions	205	-	78	731	219	504	366	130	187	-
Total business-type activities program revenues	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,215
Total primary government program revenues	237,964	248,920	266,396	267,490	272,960	287,919	326,090	320,148	326,463	347,628
Expenses										
Governmental activities:										
General government	86,081	74,344	94,763	113,279	113,142	111,629	112,874	103,550	109,188	119,764
Judicial administration	36,635	40,319	42,494	46,944	48,593	52,209	52,020	49,980	51,102	51,654
Public safety	99,975	107,531	106,705	111,803	126,609	120,703	130,263	129,721	129,138	125,270
Public works	124,833	144,438	109,907	119,176	118,888	134,274	132,176	101,137	91,542	71,324
Health and public assistance	77,668	84,173	91,443	93,775	95,234	93,495	91,923	82,368	75,428	90,983
Culture and recreation	42,495	46,267	44,933	52,965	56,890	63,438	73,342	64,352	63,499	56,039
Community development	10,471	16,974	14,930	14,772	15,345	10,867	15,429	18,638	17,223	16,158
Education	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287
Interest on long-term debt	17,461	18,516	19,565	19,618	21,457	23,788	26,014	27,931	26,822	27,867
Intergovernmental	6,140	-	-	-	-	-	-	-	-	-
Total government activities expenses:	591,779	624,427	617,335	669,927	697,253	714,914	735,052	682,188	668,454	668,356
Business-type activities:										
Water utility	60,069	60,207	62,009	60,511	64,877	66,960	64,316	67,852	64,473	60,927
Wastewater utility	11,754	11,957	15,448	17,377	18,614	21,227	18,983	19,707	18,806	19,967
Parking facilities	16,869	18,640	18,356	18,861	21,539	19,036	20,008	22,050	20,469	20,559
Total business-type activities expenses	88,692	90,804	95,813	96,749	105,030	107,253	103,307	109,609	103,748	101,453
Total primary government expenses	680,471	715,231	713,148	766,676	802,283	822,167	838,359	791,797	772,202	769,809
Net (Expense) Revenue										
Governmental activities	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(441,943)
Business-type activities	12,464	12,586	21,769	17,711	14,771	10,878	18,642	15,138	18,837	19,762
Total primary government net expense	\$ (442,507)	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,739)	\$ (422,181)

(UNAUDITED)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345
Consumption utility	-	43,387	43,337	42,586	46,582	44,142	44,053	48,360	43,588	43,211
Sales and use	-	29,497	30,652	32,402	31,791	29,484	28,249	28,411	27,599	29,707
Restaurant food	-	26,669	27,277	28,578	28,758	28,079	27,292	24,094	30,300	30,818
Business licenses	-	22,015	24,412	25,268	26,343	27,692	26,009	25,849	28,667	29,301
Cigarette	-	6,948	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926
Motor vehicle licenses	-	2,605	3,576	3,529	3,498	4,005	4,308	4,313	4,318	4,210
Franchise, admission, recordation and other miscellaneous local taxes	-	19,356	21,544	19,800	18,025	17,192	16,528	15,698	18,665	18,124
Other *	140,675	-	-	-	-	-	-	-	-	-
Interest and investment earnings	2,377	4,916	7,306	6,536	5,307	2,789	892	1,065	916	563
Grants and contributions not restricted to specific programs	77,601	68,219	68,133	66,524	69,352	60,513	32,892	32,642	32,726	33,539
Miscellaneous	18,504	8,496	15,851	4,845	11,881	9,600	5,637	5,901	4,653	11,501
Gain on disposal of assets	-	-	3,249	65	62	-	-	-	-	1,734
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	40,387	11,085	-	-
Transfers between governmental and business-type activities	10,000	10,000	11,868	10,988	10,212	10,215	13,054	10,052	10,087	10,114
Total governmental activities	430,603	435,264	481,811	489,393	499,876	501,684	502,816	470,161	455,055	467,093
Business-type activities:										
Interest and investment earnings	609	864	3,161	2,739	3,046	925	618	511	314	234
Grants and contributions not restricted to specific programs	-	-	-	333	-	-	148	557	371	1,626
Unrealized gain (loss) on investments	(640)	-	-	-	-	-	-	-	-	-
Miscellaneous	4,624	3,657	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042
Gain (Loss) on disposal of assets	-	(852)	-	(6)	-	-	2,744	(157)	26	9
Transfers between governmental and business-type activities	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)
Total business-type activities	(5,407)	(6,331)	(4,796)	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)
Total primary governmental activities	425,196	428,933	477,015	485,025	495,798	495,244	496,704	464,451	449,630	462,890
Change in Net Position										
Governmental activities	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,150
Business-type activities	7,057	6,255	16,973	13,343	10,693	4,438	12,530	9,428	13,412	15,559
Total Primary Government changes in net position	\$ (17,311)	\$ (37,378)	\$ 30,263	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 40,709

Note:

1. *All taxes listed except real estate taxes were reported as "other" in 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)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund:										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	395	330	300
Committed	-	-	-	-	-	-	-	1,899	3,000	3,000
Assigned	-	-	-	-	-	-	-	38,014	34,839	33,919
Unassigned	-	-	-	-	-	-	-	55,968	54,338	54,055
Reserved*	8,152	14,172	16,057	17,223	11,669	7,842	8,296	-	-	-
Unreserved*	53,948	54,007	66,619	71,056	56,302	50,784	53,840	-	-	-
Total general fund	62,100	68,179	82,676	88,279	67,971	58,626	62,136	96,281	92,507	91,274
Capital projects fund:										
Nondisposable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	41,063	95,053	-
Committed	-	-	-	-	-	-	-	11,978	14,376	13,637
Assigned	-	-	-	-	-	-	-	26,307	15,345	7,339
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	80,034	82,373	20,885	48,894	57,186	50,987	60,696	-	-	-
Unreserved*	14,132	3,394	-	15,424	64,504	25,939	86,260	-	-	-
Total capital projects fund	94,166	85,767	20,885	64,318	121,690	76,926	146,956	79,348	124,774	20,976
All Other governmental funds:										
Nondisposable	-	-	-	-	-	-	-	22	23	24
Restricted	-	-	-	-	-	-	-	2,621	9,474	10,811
Committed	-	-	-	-	-	-	-	11,259	3,246	2,454
Assigned	-	-	-	-	-	-	-	9,877	13,569	20,708
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	10,509	27,161	19,075	20,123	30,716	27,049	34,634	-	-	-
Unreserved*	14,058	3,992	17,131	24,211	13,987	12,535	14,008	-	-	-
Total Other governmental funds	24,567	31,153	36,206	44,334	44,703	39,584	48,642	23,779	26,312	33,997
Total fund balance, governmental funds	\$ 180,833	\$ 185,099	\$ 139,767	\$ 196,931	\$ 234,364	\$ 175,136	\$ 257,734	\$ 199,408	\$ 243,593	\$ 146,247

Note:

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

(UNAUDITED)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
General property taxes	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359
Other local taxes	2,005	2,006	157,616	159,119	162,573	157,927	153,615	153,886	161,234	163,297
Licenses and permits	193,293	211,788	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098
Fines and forfeitures	150,477	157,616	1,461	1,605	1,317	1,260	1,164	1,298	1,108	1,102
Use of money and property	3,542	4,088	10,498	11,105	10,560	8,332	6,746	7,169	6,895	6,539
Charges for services	1,763	1,461	32,772	37,071	40,159	40,345	50,540	47,955	47,859	56,077
Miscellaneous	10,232	10,498	33,494	11,691	17,923	12,911	18,080	14,850	11,843	26,178
Recovered costs	29,129	32,772	12,667	8,408	8,622	8,952	9,503	10,723	10,312	11,396
Intergovernmental	18,951	33,494	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148
Total Revenues	587,753	647,016	614,141	625,106	643,361	635,516	652,848	647,065	656,914	676,194
Expenditures:										
Current										
General government	76,127	67,434	92,062	102,031	110,974	102,426	97,061	80,855	100,504	112,804
Judicial administration	35,603	38,110	41,795	45,173	47,331	50,347	48,726	47,535	48,233	50,920
Public safety	94,979	102,278	105,634	108,565	116,208	118,073	115,488	115,975	116,296	117,427
Public works	80,613	64,497	46,959	49,161	60,370	56,146	59,574	70,124	62,330	54,427
Health and public assistance	76,221	83,451	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413
Culture and recreation	40,081	40,290	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153
Community development	8,048	12,716	13,552	11,158	10,745	9,899	10,851	16,565	15,142	15,128
General Services	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287
Education	32,731	47,407	37,660	35,872	40,260	48,092	46,052	50,865	57,683	50,559
Principal retirement	16,820	18,061	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668
Interest and other charges	6,140	-	-	-	-	-	-	-	-	-
Intergovernmental	45,026	85,144	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580
Capital outlay	602,409	651,253	675,221	702,861	767,688	761,948	743,145	718,258	749,812	790,366
Total Expenditures	(14,656)	(4,237)	(61,080)	(77,755)	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)	(114,172)
(Deficiency) of revenues (under) expenditures										
Other Financing Sources (Uses):										
Contingent liability - settlement	83,219	30,389	-	15,480	-	16,000	-	84,136	74,859	-
Proceeds of refunding bonds	4,430	4,702	4,828	-	-	-	-	-	-	-
Proceeds of capital leases	69,685	70,840	-	121,705	145,663	55,280	156,208	2,821	109,835	-
Proceeds of debt (general obligation bonds and notes)	(83,219)	(30,389)	-	(15,480)	-	(16,000)	-	(84,136)	(74,859)	-
Payment to refunded bonds escrow agent	389	2,259	-	2,070	5,785	1,707	3,633	505	15,311	-
Premium on bonds issued	(7)	-	(122)	66	62	-	-	-	-	-
Miscellaneous	1,062	-	-	-	-	-	-	-	2,700	1,966
Proceeds from sale or disposal of fixed assets	75,587	82,354	97,185	89,254	109,901	105,641	104,007	104,873	107,136	112,121
Operating transfers in	(65,587)	(72,354)	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)
Operating transfers (out)	85,559	87,801	15,749	134,919	161,758	67,203	172,895	12,867	137,083	12,081
Total other financing sources (uses)	\$ 70,903	\$ 83,564	\$ (45,331)	\$ 57,164	\$ 37,431	\$ (59,229)	\$ 82,598	\$ (58,326)	\$ 44,185	\$ (102,091)
Net change in fund balances	8.89%	11.56%	9.67%	9.01%	9.13%	10.40%	9.69%	12.19%	12.27%	11.57%
Debt service as a percentage of noncapital expenditures										

(UNAUDITED)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Governmental Activities:										
General government	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833
Judicial administration	17,960	19,423	19,605	27,904	28,707	23,173	26,461	27,069	27,880	29,479
Public safety	12,832	19,822	20,674	8,137	5,244	11,036	7,459	12,335	14,217	15,980
Public works	40,783	28,440	30,438	44,769	47,407	48,156	55,542	61,552	77,436	68,326
Health and public assistance	36,733	39,064	39,930	42,261	40,567	41,695	62,585	52,280	51,654	62,657
Culture and recreation	10,221	9,956	9,603	9,655	10,359	9,148	23,976	10,330	11,573	26,284
Community development	2,334	3,281	3,762	3,690	3,168	20,538	7,532	10,040	8,538	10,266
Education	-	-	-	-	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-	849	-	2,115	2,587
Subtotal governmental activities program revenues	136,808	145,530	148,814	153,030	153,159	169,788	204,140	195,401	203,879	226,412
Business-type activities:										
Water utility	61,126	61,002	74,277	70,411	74,416	74,958	79,349	80,703	78,335	76,585
Wastewater utility	18,676	21,329	22,394	22,450	24,960	23,125	23,815	24,362	24,798	25,469
Parking facilities	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162
Subtotal business-type activities program revenues	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,216
Total primary government program revenues	\$ 237,964	\$ 248,920	\$ 266,396	\$ 267,490	\$ 272,960	\$ 287,919	\$ 326,089	\$ 320,148	\$ 326,464	\$ 347,628

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-Governmental Revenues	Totals
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
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
Change 2004-2013	38.1%	16.1%	27.9%	-32.3%	-21.5%	78.9%	51.0%	-7.3%	0.6%	22.2%

City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Schedule 7
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	Totals
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	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,296
Change 2004-2013	10.1%	6.6%	41.3%	44.5%	3.8%	21.8%	-11.1%	16.1%

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
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
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Downtown improvement district	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.16	0.16	0.16
Personal property	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33
Machinery and tools	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.40	1.35	1.27	1.11	1.11	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	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.62	1.63	1.55	1.45	1.25	1.23	1.19	1.19	1.21	1.22

Assessed value of real property as a percent of fair market value:

As determined by the City Assessor	100%	100%	100%	100%	100%	100%	96%	100%	100%	98%
As determined by the Commonwealth's Department of Taxation	86%	65%	76%	76%	93%	96%	N/A	N/A	N/A	N/A

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2004 through 2013.
3. The most recent Virginia Assessment/Sales ratio study is for 2013
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

(UNAUDITED)

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

Taxpayer	2004			2013		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Dominion Virginia Power MacArthur Shopping Center LLC (Taubman Co.)	171,710,644	2	1.71%	\$ 292,679,729	1	1.60%
Norfolk Western Railway Company	152,762,300	3	1.52%	160,697,300	2	0.88%
	69,757,900	4	0.70%	130,136,689	3	0.71%
Verizon Virginia, Inc.	180,911,591	1	1.80%	114,436,112	4	0.62%
Old Dominion University Real Estate Foundation				97,755,300	5	0.53%
Norfolk Southern				86,978,700	6	0.47%
Virginia Natural Gas, Inc.	37,482,438	10	0.37%	70,699,085	7	0.39%
Dominion Enterprises				66,624,400	8	0.36%
Wells Fargo Building Military Circle Ltd. Partnership	69,467,700	6	0.69%	65,577,400	9	0.36%
Cox Virginia Telecom	52,428,800	9	0.52%	58,279,300	10	0.32%
Bank of America	69,658,599	5	0.69%			
Ford Motor Company	65,183,800	7	0.65%			
New Life Tower	56,803,929	8	0.57%			
Total	<u>\$ 926,167,701</u>		<u>9.23%</u>	<u>\$ 1,143,864,015</u>		<u>6.24%</u>
Total Assessed Value	\$ 10,029,638,801			\$ 18,319,948,478		

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)
2004	\$ 191,397	\$ 166,456	\$ 165,100	99.19%	\$ 1,332	\$ 166,432	99.99%
2005	209,202	183,406	180,348	98.33%	3,005	183,353	99.97%
2006	227,796	202,908	197,669	97.42%	5,145	202,814	99.95%
2007	254,703	230,243	219,993	95.55%	10,083	230,076	99.93%
2008	258,016	243,614	220,253	90.41%	20,906	241,159	98.99%
2009	261,535	252,376	233,725	92.61%	16,433	250,158	99.12%
2010	258,544	258,328	239,192	92.59%	16,631	255,823	99.03%
2011	254,756	254,350	235,518	92.60%	15,890	251,408	98.84%
2012	247,528	247,529	233,396	94.29%	10,990	244,386	98.73%
2013	244,309	244,309	229,872	94.09%	-	229,872	94.09%

Notes:

- Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. Information obtained from Office of the City Treasurer.
- Percentage of Collections 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 Position Ratio
Governmental Activities							
2004	\$ 398,238	\$ 1,110	\$ -	\$ 399,348	\$ 1,688	5.98%	1.39
2005	436,860	446	-	437,306	1,832	6.20%	1.15
2006	397,306	239	-	397,545	1,661	5.37%	1.24
2007	484,782	227	-	469,725	1,962	5.92%	0.99
2008	590,712	2,000	-	592,712	2,450	7.15%	0.71
2009	587,743	1,000	-	588,743	2,423	6.81%	0.64
2010	699,748	1,812	-	701,560	2,876	N/A	0.50
2011	651,755	1,208	-	652,963	N/A	N/A	0.52
2012	717,407	-	-	717,407	N/A	N/A	0.46
2013	664,909	-	-	664,909	N/A	N/A	0.53
Business Type Activities							
2004	\$ 88,843	\$ -	\$ 357,022	\$ 445,865	\$ 1,885	6.68%	0.63
2005	91,085	-	372,427	463,512	1,942	6.57%	0.62
2006	92,871	-	364,535	467,258	1,952	6.31%	0.65
2007	107,752	-	355,841	463,593	1,937	5.84%	0.66
2008	125,363	-	413,213	538,576	2,226	6.49%	0.59
2009	159,902	-	410,377	570,279	2,347	6.60%	0.56
2010	201,701	-	403,485	605,186	2,481	N/A	0.55
2011	189,782	-	445,687	635,469	N/A	N/A	0.54
2012	193,729	-	439,410	633,139	N/A	N/A	0.56
2013	184,119	-	486,832	670,951	N/A	N/A	0.55
Total Primary Governmental Activities							
2004	\$ 487,081	\$ 1,110	\$ 357,022	\$ 845,213	\$ 3,573	12.66%	0.99
2005	527,945	446	372,427	900,818	3,775	12.77%	0.87
2006	490,177	239	364,535	864,803	3,612	11.69%	0.92
2007	592,534	227	355,841	933,318	3,899	11.76%	0.83
2008	716,075	2,000	413,213	1,131,288	4,676	13.64%	0.65
2009	747,645	1,000	410,377	1,159,022	4,770	13.41%	0.60
2010	901,449	1,812	403,485	1,306,746	5,356	N/A	0.53
2011	841,537	1,208	445,687	1,288,432	N/A	N/A	0.53
2012	911,136	-	439,410	1,350,546	N/A	N/A	0.51
2013	849,028	-	486,832	1,335,860	N/A	N/A	0.54

N/A - not available

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

(UNAUDITED)

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

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
2004	\$ 487,081	\$ 88,843	\$ 398,238	\$ 11,814,930	238,650	4.12%	2,041
2005	527,945	91,085	436,860	12,835,957	239,396	4.11%	2,205
2006	490,177	92,871	397,306	14,663,411	239,355	3.34%	2,048
2007	592,534	107,752	484,782	17,619,217	241,941	3.36%	2,449
2008	716,075	125,363	590,712	20,578,641	242,983	3.48%	2,947
2009	747,645	159,902	587,743	21,308,309	243,957	3.51%	3,065
2010	901,449	201,701	699,748	21,777,754	242,803	4.14%	3,713
2011	841,537	189,782	651,755	21,383,674	243,895	3.94%	3,450
2012	911,136	193,729	717,407	20,529,023	245,803	4.44%	3,707
2013	849,028	184,119	664,909	20,093,307	N/A	4.23%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2002 through 2009 and 2011 through 2012 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 2013

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2013

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 849,028	100%	\$ 849,028

Notes:

1. 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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total assessed value of real property	\$10,029,638,801	\$10,960,812,421	\$12,691,527,668	\$15,496,207,804	\$18,401,851,069	\$19,395,789,387	\$19,940,273,451	\$19,320,643,495	\$18,676,730,533	\$18,319,948,478
Overall debt -10% of assessed valuation	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848
Net debt applicable to debt limitation	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050
Legal Debt Margin - Within 10% Limitation	\$ 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	\$ 990,612,622	\$ 1,013,926,798
Net debt percentage of 10% limitation	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%

(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		Total	Coverage
				Principal	Interest		
2000	\$ 64,456,322	\$ 28,198,244	\$ 36,258,078	\$ 4,475,000	\$ 13,616,718	\$ 18,091,718	2.00
2001	64,459,300	29,732,203	34,727,097	4,680,000	13,411,636	18,091,636	1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180	1.83
2004	64,366,942	33,740,297	30,626,645	5,955,000	14,336,043	20,291,043	1.51
2005	69,183,154	34,643,668	34,539,486	6,250,000	14,041,059	20,291,059	1.70
2006	78,788,158	34,144,763	44,643,395	6,580,000	14,827,960	21,407,960	2.09
2007	76,013,563	32,427,377	43,586,186	7,310,000	14,379,821	21,689,821	2.01
2008	78,730,024	37,026,528	41,703,496	7,665,000	14,022,200	21,687,200	1.92
2009	78,020,552	38,182,373	39,838,179	8,050,000	16,411,343	24,461,343	1.63
2010	82,470,020	34,567,741	47,902,279	9,420,000	15,929,680	25,349,680	1.89
2011	83,737,444	37,068,753	46,668,691	9,875,000	16,527,844	26,402,844	1.77
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09

Notes:

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

City of Norfolk, Virginia
Debt Capacity Information
Schedule 6
Revenue Bonds Debt Service Coverage
Wastewater Utility Fund
Last Four Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
2010	\$ 24,122,430	\$ 11,168,344	\$ 12,954,086	\$ 425,000	\$ -	\$ 425,000	30.48
2011	24,856,689	11,375,370	13,481,319	850,000	-	850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32

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 7
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		Total	Coverage
				Principal (3)	Interest (3)(4)		
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
2012	19,683,823	9,157,207	10,526,616	2,565,000	3,894,835	6,459,835	1.63
2013	19,310,532	9,476,498	9,834,034	2,555,000	3,821,440	6,376,440	1.54

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.

(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
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%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698	13.17%

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>
2003	236,550	\$ 6,674,414	\$ 27,720	98,485	5.3
2004	238,650	7,054,054	29,152	98,538	5.1
2005	239,396	7,399,230	30,875	96,697	5.0
2006	239,355	7,937,282	32,609	95,812	4.2
2007	241,941	8,292,887	34,375	99,265	4.1
2008	242,983	8,521,652	35,330	100,322	5.3
2009	243,957	8,325,135	34,441	100,849	8.7
2010	242,803	8,567,847	35,271	106,876	9.0
2011	243,985	8,946,520	36,873	107,278	8.4
2012	245,803	9,547,230	38,844	103,838	7.3

Note:

1. Population from Weldon Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2013.
2. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2013.
3. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2013.
4. All data on an average annual calendar year.

(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	
	2004	2013
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City School Board	2	3
City of Norfolk	4	4
Old Dominion University, Norfolk	7	5
Children's Hospital of the King's Daughters	8	6
Norshipco	-	7
Eastern Virginia Medical School	-	8
Norfolk State University	9	9
Bank of America	6	10
United States Postal Service	10	
Ford Motor Company	5	
Total Employment	94,385	138,691

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2013 is the quarter ended March 2013, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2013 total employment data was not available therefore 2012 data was used.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

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

Year	Residential Construction			Non-Residential ** Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
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
2012	268	371	39,360	26	116,401
2013	385	948	67,302	28	105,635

Notes:

* The source of residential and nonresidential 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)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Goods-Producing Industries:										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	5.7	6.1	6.1	6.1	6.2	6.0	4.9	4.8	4.4	4.1
Manufacturing	9.8	9.8	9.6	8.7	7.9	7.3	7.3	6.7	3.2	6.8
Service-Providing Industries:										
Wholesale trade	5.2	5.0	5.0	5.0	5.1	4.6	4.2	4.0	3.3	3.7
Retail trade	14.0	14.2	14.0	14.3	14.6	13.8	13.0	12.9	12.9	12.6
Transportation and warehousing	10.1	9.7	9.9	9.3	9.4	9.5	8.6	8.8	8.8	9.0
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	***	***	***	***
Information	4.0	4.2	4.0	3.5	3.7	3.4	2.8	2.6	2.1	2.9
Finance and insurance	6.9	7.1	6.7	6.0	6.6	6.6	5.7	5.5	3.9	5.3
Real estate and rental and leasing	2.8	2.7	2.8	2.9	2.9	2.7	2.7	2.6	2.3	2.5
Professional and technical services	8.1	10.2	10.1	10.2	10.7	11.3	11.6	11.5	10.2	11.0
Management of companies and enterprises	3.8	3.6	3.7	2.7	2.4	2.5	2.2	2.1	1.0	2.0
Administrative, support, and waste services	7.8	7.5	7.5	7.4	7.4	7.6	6.5	6.7	5.5	6.8
Educational services	14.5	14.7	15.2	15.5	15.6	16.4	16.6	16.4	1.0	16.0
Health care and social assistance	18.9	19.2	19.6	20.1	20.6	21.3	20.8	21.4	20.5	22.4
Arts, entertainment and recreation	2.2	2.2	2.3	2.4	2.4	2.4	2.2	2.2	2.7	2.3
Accommodation and food services	10.7	11.1	10.9	11.1	10.6	10.3	10.2	10.4	10.5	10.9
Public administration	15.1	12.3	12.1	12.2	12.1	13.7	14.1	14.0	14.5	14.4
Other services	4.1	4.2	4.3	4.1	4.0	3.9	3.7	3.8	4.0	4.1
Total (adjusted for rounding)	144.5	144.6	144.6	142.3	143.0	144.1	137.1	136.4	110.8	136.8

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 2003 - 2012 as calendar year 2013 data was not available.

COMPLIANCE SECTION

This page intentionally left blank.



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

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

The Members

School Board of the City of Norfolk, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns (Specifications)*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, 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, 2013 and the rated notes to the financial statements and have issued our report thereon dated December 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the School Board's financial statements, we considered the School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the School Board's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

A deficiency in internal control 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, such that there is a reasonable possibility that a material misstatement of the School Board's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



2013-01: Finance and Accounting Resources

Condition Found

The Senior Director of Accounting position for the Schools has been open since the previous director left in January 2013. This position is vital to ensuring accurate and timely financial reporting. Several instances of nonsignificant errors such as appropriate cut-off and reoccurring items from the prior year were identified during the course of the current year audit that could have been avoided if the position were filled. In addition, the completion and finalization of the accounting records were not performed in a timely manner. The Schools should actively ensure that all positions are filled in order to maintain a high standard of excellence in financial accounting and reporting and generate accurate financial statements in a timely manner.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Norfolk, Virginia
December 20, 2013