

# **Comprehensive Annual Financial Report**

School Board of the  
City of Norfolk



**Norfolk Public Schools**  
The cornerstone of a proudly diverse community

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

Fiscal Year Ended June 30, 2015

*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, 2015**

**Prepared by:**

**Division of Business and Finance - Accounting Department**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SCHOOL BOARD OF THE CITY OF NORFOLK  
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)  
FISCAL YEAR ENDED JUNE 30, 2015  
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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## INTRODUCTORY SECTION



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# School Board for the City of Norfolk

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Dr. Kirk T. Houston  
Chair

Dr. Brad N. Robinson  
Vice Chair

Ms. Courtney R. Doyle  
Member

Dr. Noelle Gabriel  
Member

Rev. Edward. K. Haywood  
Member

Mr. Rodney A. Jordan  
Member

Dr. Warren A. Stewart  
Member

Dr. Michael E. Thornton  
Acting Superintendent

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## **Members of Norfolk City Council**

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Mr. Paul D. Fraim  
Mayor

Mrs. Angelia M. Williams Graves  
Vice Mayor

Mrs. Mamie Johnson  
Council Member

Mr. Andrew A. Protogyrou  
Council Member

Mr. Paul R. Riddick  
Council Member

Mr. Thomas R. Smigiel  
Council Member

Mr. Barclay C. Winn  
Council Member

Dr. Theresa W. Whibley  
Council Member



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# 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, 2014*

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



A handwritten signature in black ink, appearing to read 'M. Pepera', is written over a horizontal line.

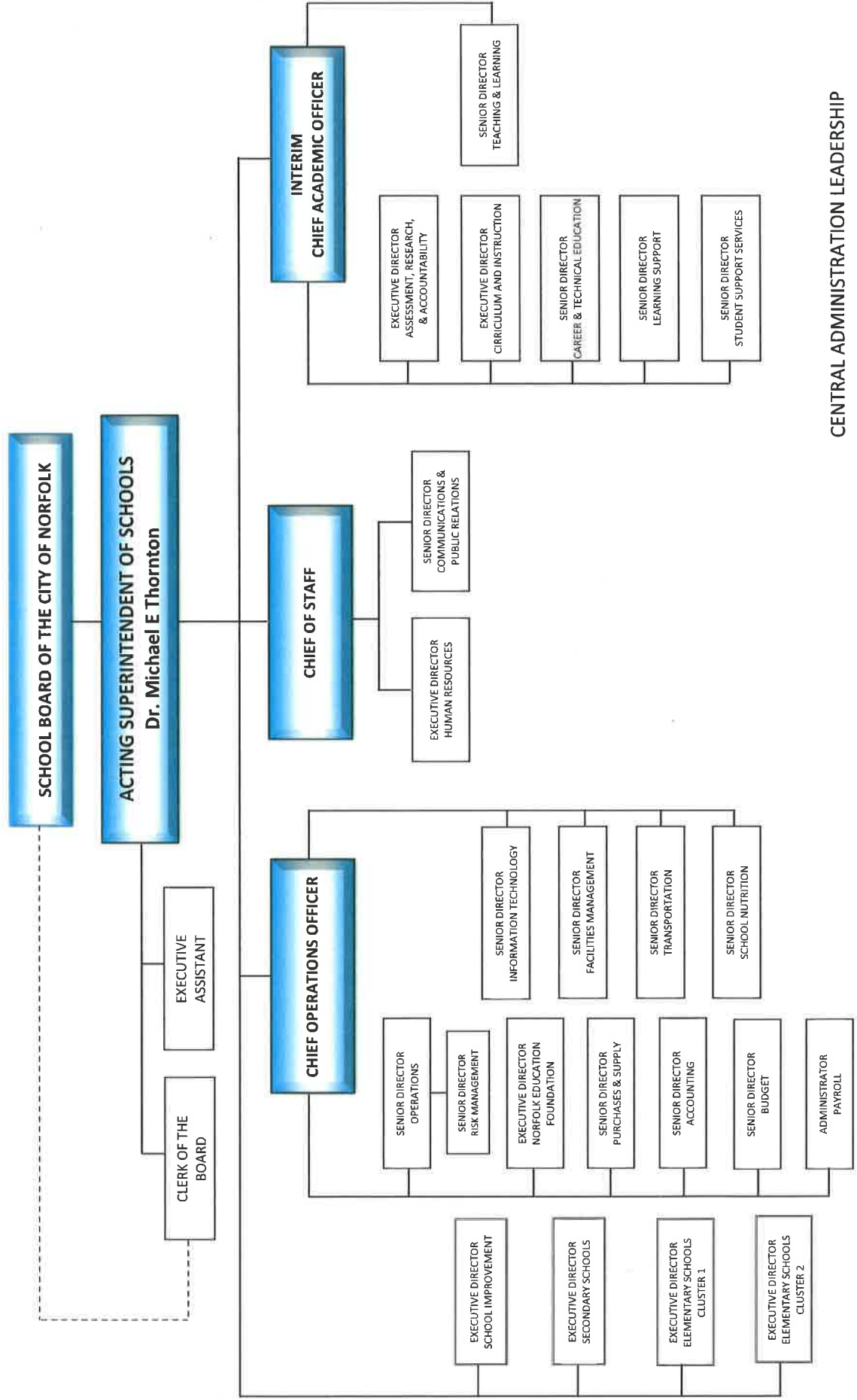
Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read 'John D. Musso', is written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director



# NORFOLK PUBLIC SCHOOLS – THE CORNERSTONE OF A PROUDLY DIVERSE COMMUNITY.



CENTRAL ADMINISTRATION LEADERSHIP



# 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 18, 2015

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year ended June 30, 2015. 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, 2015, as part of a combined contract including the School Board of the City of Norfolk, the City of Norfolk (City), and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Board's financial reporting entity may be found in the notes to the basic financial statements. The School Board served an average of 32,000 students in 2015 and provided a full range of educational services appropriate to grades Pre-K-12, including regular and enriched academic education, early childhood education, special education for 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 and developments that offer a range of architectural styles.

The City's top ten employers have approximately 133,080 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, 7 middle schools, 5 high schools, and 6 auxiliary schools. The auxiliary schools provide vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$48,118 per year. City funding for the School Board is funded by real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.11 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 (NPS) is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, NPS does not levy taxes or issue debt. All local funds are appropriated to NPS by the City Council, which has the authority to tax and incur debt. The School Board derives its authority from the State and has a constitutional responsibility to provide public education to the citizens of Norfolk.

The School Board derives most of its funding from allocations from the Commonwealth of Virginia and the City of Norfolk. For the fiscal year 2015 budget year, the Commonwealth of Virginia funded 57% and the City of Norfolk funded 38% percent of the operating budget for the School Board. The remaining 5% is funded through Federal (2%) and other (3%) sources. Long-term financial planning includes a five-year forecast that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes.

The School Board is cautiously optimistic about the economic outlook based on the slow economic recovery around the Commonwealth and the Hampton Roads region. As the Hampton Roads region continues to experience slow job growth and the moderate recovery of the region's real estate market, the School Board believes that these positive trends 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 monitoring occurs regularly. The School Board’s internal controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

### Budgetary Controls

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. The School Board presents a proposed budget to the City who then adopts its own operating and capital project budgets incorporating the City’s contributions to the School Board. After the School Board makes required adjustments, they adopt an 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 current expenditures as presented in the governmental fund statements;
- NPS continues to rely on tax resources to fund its activities, which primarily are instructional;
- NPS did not need to use all of the carryforward funds budgeted in fiscal year 2015; NPS's financial position remains stable, 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. The school buildings are titled to the City.

While the School Division will continue to operate within a balanced budget, funding for FY2016-17 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.

Additionally, the School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* in fiscal year 2015. The adoption of this standard had a significant impact on the School Board's Statement of Net Position.

### Independent Audit

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

### Single Audit Act

The School Board is required to undergo an annual single audit as part of the City in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) 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, 2014. This is the ninth 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 2014.

## 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,



Michael E Thornton, Ph.D.  
Chief Operations and Finance Officer



Shenette Felton  
Senior Director of Accounting

## FINANCIAL SECTION

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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, a component of the City of Norfolk, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School Board of the City of Norfolk, Virginia's basic financial statements as listed in the table of contents.

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

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

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

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

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, as of June 30, 2015, and the respective changes in financial position for the year then ended, in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discuss in note 1 to the financial statements, in fiscal year 2015, the School Board of the City of Norfolk, Virginia adopted new accounting guidance described in Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 16, the schedule of the School Board of the City of Norfolk, Virginia's proportionate share of the net pension liability on page 55, schedules of contributions on pages 56 and 58, schedule of changes in net pension liability and related ratios on page 57, schedule of funding progress on page 59, and schedule of revenue, expenditures and budgetary comparison on page 62 as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 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 18, 2015



**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, 2015**

---

## **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, 2015. 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 \$319.3 million, grant budget of \$32.8 million, capital improvement budget of \$3.3 million, and Child Nutrition Services budget of \$18.5 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, 2015**

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**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2015 are as follows:

- On the government-wide financial statements:
  - Total net position decreased from \$8.2 million at June 30, 2014 to a net deficit of \$330.4 million at June 30, 2015, a decrease of approximately \$338.6 million. The decrease is primarily the result of adoption of GASB Statement No. 68 and 71 during the fiscal year ended June 30, 2015 which resulted in a \$338.0 adjustment to beginning net position. The School Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflow of resources, and expense/expenditures related to pensions. The School Board also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these Statements required a restatement of beginning net position for these change in accounting principles.
  - Total revenues increased from \$354.7 million in 2014 to \$365.3 million at June 30, 2015, an increase of approximately \$10.6 million, or 2.9%. The increase is the result of several factors. The School Board received a \$5.9 million increase in funding from the City to compensate for projected shortfalls anticipated in preparation of the fiscal year 2015 budget. Additionally, the School Board experienced increases in funding from the Commonwealth as a result of increases in sales tax collected as well as increased spending under several federal grants during the fiscal year.
  - Total expenses increased \$4.9 million on the Statement of Net Activities from \$361.0 million in fiscal year 2014 to \$365.9 million in fiscal year 2015, or 1.4%. The largest dollar increases occurred in the areas of Information Technology and School Facilities as result of planned increased spending in these areas.
- On the fund financial statements:
  - In the General Fund, the ending fund balance decreased from \$15.7 million at June 30, 2014 to \$11.8 million at June 30, 2015.
  - In the General Fund, total encumbrances were \$5.8 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2015**

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**OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2015**

*Summary of Net Position  
(Thousands of dollars)*

	Governmental Activities			
	2015	2014	Difference	% Change
Assets and Deferred Outflows of Resources:				
Current assets	\$ 66,733	\$ 63,146	\$ 3,587	5.7%
Capital assets, net	11,775	12,874	(1,099)	-8.5%
Deferred outflows of resources	27,974	-	27,974	100.0%
Total assets and deferred outflows of resources	<u>\$ 106,482</u>	<u>\$ 76,020</u>	<u>\$ 30,462</u>	<u>40.1%</u>
Liabilities and Deferred Inflows of Resources:				
Current	54,024	46,940	7,084	15.1%
Non-current	330,551	20,901	309,650	1481.5%
Deferred inflows of resources	52,350	-	52,350	100.0%
Total liabilities and deferred inflows of resources	<u>\$ 436,925</u>	<u>\$ 67,841</u>	<u>\$ 369,084</u>	<u>544.0%</u>
Net Position:				
Invested in capital assets	\$ 11,775	\$ 12,874	\$ (1,099)	-8.5%
Restricted	2,739	2,339	400	17.1%
Unrestricted (deficit)	(344,957)	(7,034)	(337,923)	4804.1%
Total net position (deficit)	<u>\$ (330,443)</u>	<u>\$ 8,179</u>	<u>\$ (338,622)</u>	<u>-4140.1%</u>

Note: Fiscal year 2014 amounts have not been restated for the implementation of GASB 68 and 71.

- **Total assets and deferred outflows of resources** had an overall increase of 40.1% due primarily to the adoption of GASB Statement No. 68 and 71 which resulted in deferred outflows of resources in the amount of \$28.0 million as of June 30, 2015. Additionally, there is a \$1.0 million increase in amounts owed from primary government as well as an approximately \$4.0 million increase in amounts owed from the federal government.
- **Total liabilities and deferred inflows of resources** increased \$369.1 million or 544.0% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, net pension liabilities and Other Post Employment Benefits (OPEB) for the School Board. Current liabilities increased \$7.1 million from \$46.9 million in 2014 to \$54.0 million at June 30, 2015 with the largest increase being to payroll withholdings as employee and employer share of healthcare premiums for fiscal year 2014 were paid prior to the end of the fiscal year, but were paid subsequent to the end of fiscal year 2015. Additionally, retirement premiums for the month of June 2015 were not remitted until the following month. Non-current liabilities totaled \$20.9 million in fiscal year 2014 and \$330.6 million in fiscal year 2015. The increase was primarily due to the adoption of GASB Statement No. 68 which resulted in a net pension liability in the amount of \$309.2 million being recorded as of June 30, 2015. Additionally, deferred inflows of resources in the amount of \$52.4 million have been recorded as of June 30, 2015.

**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, 2015**

- **Total net position** decreased \$338.6 million when compared to the prior fiscal year. Net position totaled \$8.2 million at June 30, 2014. There is a net deficit of \$330.4 million at June 30, 2015 which is primarily due to the adoption of GASB Statement No. 68 and 71. Invested in capital assets, net decreased \$1.1 million, or 8.5%, over the prior fiscal year. This net decrease primarily represents \$1.8 million in additions net of disposals and \$2.9 million in current year depreciation expense. Restricted net assets increased as result of equity increases in capital projects funds and an increase in encumbrances in the grants fund.

*Statement of Net Activities*

*(Thousands of dollars)*

	Governmental Activities			
	2015	2014	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 3,451	\$ 3,562	\$ (111)	-3.1%
Operating grants and contributions	207,303	203,139	4,164	2.0%
Capital grants and contributions	3,541	3,700	(159)	-4.3%
Total Program Revenues	214,295	210,401	3,894	1.9%
General Revenues:				
Use of money and property and other	1,303	1,718	(415)	-24.2%
Local government	117,722	111,854	5,868	5.2%
Commonwealth of Virginia	31,993	30,702	1,291	4.2%
Total General Revenues	151,018	144,274	6,744	4.7%
Total Revenues	365,313	354,675	10,638	3.0%
Expenses:				
Instruction	265,732	265,740	(8)	0.0%
Support Services:				
Administration, Attendance and Health	15,909	15,962	(53)	-0.3%
Pupil Transportation	12,952	12,162	790	6.5%
Operation and Maintenance	35,232	34,703	529	1.5%
Information Technology	13,234	11,239	1,995	17.8%
School Facilities	5,771	3,735	2,036	54.5%
Food Services	16,967	17,227	(260)	-1.5%
Community Services	144	244	(100)	-41.0%
Total Expenses	365,941	361,012	4,929	1.4%
Change in Net Position	(628)	(6,337)	5,709	-90.1%
Adjustment to Beginning Net Position (GASB 68)	(337,994)	-	(337,994)	-100.0%
Beginning Net Position	8,179	14,516	(6,337)	-43.7%
Adjusted Beginning Net Position	(329,815)	14,516	(344,331)	-2372.1%
Ending Net Position (Deficit)	\$ (330,443)	\$ 8,179	\$ (338,622)	-4140.1%

**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, 2015**

- **Total revenues** increased \$10.6 million or 3.0%. Local revenue support from the City increased \$5.9 million or 5.2% for ongoing operating support. Operating grants and contributions increased \$4.2 million or 2.0% primarily due to increased spending under some federal grants. Additionally, the School Board experienced modest increases in sales tax revenue during fiscal year 2015 which resulted in an increase in revenues from the Commonwealth.
- **Total expenses** increased \$4.9 million primarily due to increased spending in the areas of school facilities and information technology. Overall expenses increased 1.4% in fiscal year 2015 over balances in fiscal year 2014.

**Capital Assets**

At June 30, 2015, the School Board had an investment of \$11.8 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, equipment and vehicles. This amount represents a net decrease of \$1.1 million or 8.5% between fiscal year 2014 and 2015.

*Change in Capital Assets  
(Thousands of dollars)*

	Governmental Activities			
	June 30, 2015	June 30, 2014	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Total Non-Depreciable Assets	\$ 488	\$ 488	\$ -	0.0%
Other Capital Assets:				
Mobile Classrooms	6,662	6,559	103	1.6%
Equipment and Vehicles	36,208	35,449	759	2.1%
Intangible Assets	1,323	982	341	
Total Other Capital Assets	\$ 44,193	\$ 42,990	\$ 1,203	2.8%
Total Capital Assets	\$ 44,681	\$ 43,478	\$ 1,203	2.8%
Less: Accumulated Depreciation	(32,906)	(30,604)	(2,302)	7.5%
Total Capital Assets, Net	\$ 11,775	\$ 12,874	\$ (1,099)	-8.5%

The \$11.8 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, 2015**

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, 2015, the School Board had \$338.0 million in long-term obligations compared to \$28.3 million for fiscal year 2014 before the restatement for GASB No. 68. This increase in long-term obligations is comprised of compensated absences, workers' compensation, claims liability, pollution remediation, net pension liabilities and OPEB liabilities. Approximately \$7.4 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, 2014 (as restated)	Additions	Retirements	June 30, 2015	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,434	\$ 10,010	\$ (9,943)	\$ 9,501	\$ 67	0.7%
Workers' Compensation	3,746	163	(373)	3,536	(210)	-5.6%
Claims Liability	51	102	(107)	46	(5)	-9.8%
Pollution Remediation	-	-	-	-	-	0.0%
Net pension liability	360,771	23,521	(75,127)	309,165	(51,606)	100.0%
Other Post Employment Benefits	15,053	3,320	(2,629)	15,744	691	4.6%
Total Long-Term Obligations	\$ 389,055	\$ 37,116	\$ (88,179)	\$ 337,992	\$ (51,063)	-13.1%

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

**OVERVIEW OF FUND FINANCIAL STATEMENTS**

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

**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, 2015**

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**Governmental Funds**

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

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

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

The School Board maintains four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for General, Grants, and Capital Project Funds, which are considered to be major funds. Data from the Child Nutrition Fund, which is considered a nonmajor fund, is shown in a single aggregated presentation.

The School Board adopts an appropriated multiyear 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 6 within Required Supplementary Information for the General Fund to demonstrate compliance with the annual budget. General Fund budgetary highlights for the 2015 fiscal year include:

- Inflows of resources were \$5.0 million less than budgeted. This is primarily due to Construction Technology and Infrastructure (CTI) funding in the amount of \$3.4 million not being used during fiscal year 2015.
- Outflows of resources were \$7.9 million less than budgeted. The majority of the variance is attributed to the areas of Instruction and School Facilities. Instruction expenditures are \$4.8 million less than budgeted due to personnel turnover and vacancies in teaching positions. School Facilities expenditures are \$3.6 million less than budgeted as a result of the CTI funding not being utilized in fiscal year 2015.



**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, 2015**

As of June 30, 2015, the School Board's governmental funds reported combined fund balances of \$20.1 million, a decrease of \$3.4 million, in comparison to the prior fiscal year. In the General Fund, unassigned fund balance was \$1.1 million and represents resources which are not committed, restricted or assigned to a specific program or function. The remaining combined fund balances total is either a nonspendable asset or is restricted, committed or assigned to specific programs, functions or contracts. Included in the assigned amount is \$4.4 million that was appropriated by the Norfolk City Council as a funding source for the fiscal year 2016 general operating fund budget.

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, 2015, the fund balance of the General Fund was \$11.8 million. The fund has nonspendable, and assigned fund balances that total \$10.7 million.

**General Fund Revenues**

Revenues for the General fund totaled \$309.2 million for fiscal year 2015, which was approximately \$8.0 million or 2.7% higher than the revenues received in fiscal year 2014. 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)*

	2015 Amount	2015 Percent of Total	2014 Amount	2014 Percent of Total	Increase (Decrease) From 2012	% Increase (Decrease) 2012
Local government	\$ 118,637	38.4%	\$ 112,814	36.5%	\$ 5,823	5.2%
Commonwealth of Virginia	182,387	59.0%	179,182	57.9%	3,205	1.8%
Federal government	5,428	1.8%	6,474	2.1%	(1,046)	-16.2%
Other revenues	2,773	0.9%	2,769	0.9%	4	0.1%
Total	\$ 309,225	100.0%	\$ 301,239	97.4%	\$ 7,986	2.7%

The largest sources of revenue 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 is primarily the result of increases in sales tax collections.

**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, 2015**

**General Fund Expenditures**

General Fund expenditures were \$313.1 million for fiscal year 2015, which was approximately \$8.1 million or 2.6% higher than expenditures incurred in fiscal year 2014. The following table presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

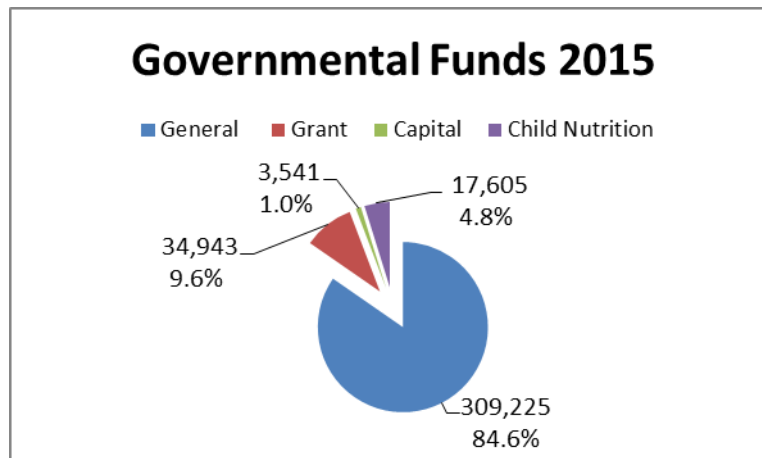
*General Fund Expenditures  
(Thousands of Dollars)*

	2015 Amount	2015 Percent of Total	2014 Amount	2014 Percent of Total	Increase/ (Decrease) From 2014	Percent Increase/ Decrease From 2014
Instruction	\$ 233,889	74.7%	\$ 230,795	75.6%	\$ 3,094	1.3%
Support Services:						
Administration, Attendance and Health	15,635	5.0%	15,288	5.0%	347	2.3%
Pupil Transportation	13,669	4.4%	12,995	4.3%	674	5.2%
Operation and Maintenance	35,047	11.2%	33,928	11.1%	1,119	3.3%
Information Technology	12,860	4.1%	10,587	3.5%	2,273	21.5%
School Facilities	2,052	0.7%	1,490	0.5%	562	37.7%
Community Services	1	0.0%	-	0.0%	1	100.0%
Subtotal - Support Services	79,264	25.3%	74,288	24.4%	4,976	6.7%
Total - Instruction and Support Services	\$ 313,153	100.0%	\$ 305,083	100.0%	\$ 8,070	2.6%

There were increases in school facilities and information technology as a result of planned increases in those areas.

**Grant Funds**

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. Grants provide 9.6% of the overall funding for the School Board. The funds are received from Federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED JUNE 30, 2015**

During fiscal year 2015, the School Board received \$34.9 million in grant funding. The Federal Government provided 87.5% or \$30.6 million in revenue for the year. The Commonwealth of Virginia provided 11.2% or \$3.9 million while private donors provided 1.3% or \$0.5 million of the resources received. The School Board expended \$35.3 million that was used 100% for instruction and instructional support.

**Capital Projects Fund**

The School Board's Capital Projects Fund is funded by the City. The Capital Projects Fund is considered multi-year funding for spending purposes. It makes up 1.0% (see chart above) of the overall governmental funds received and expended during the fiscal year. The capital funds are used for the infrastructure of the schools and auxiliaries. Capital Project Funds expended \$3.5 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 2015.

In May 2014, the City Council appropriated construction funds for fiscal year 2015 to fund ongoing building improvements to various school buildings of \$3.3 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 are Agency funds. Agency funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds do not involve the measurement of results of operations, as they are custodial in nature (*assets equal liabilities*).

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

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

**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.

**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, 2015**

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**OTHER INFORMATION**

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

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

**BUDGETARY HIGHLIGHTS**

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grants Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2015, the School Board adopted a balanced budget for fiscal year 2016 that reflected appropriations of \$314.7 million for the General Fund, or a decrease of \$4.6 million from the fiscal year 2015 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 2016.

**Revenue assumptions included:**

- Increase in State revenues based on the Governor's 2014 - 2016 Introduced Biennial Budget - \$1.6 million
- Carry Forward Funds from prior fiscal years - \$4.4 million
- No change in the Regular City Appropriation
- Decrease in Construction Technology and Infrastructure (CTI) funding - \$1.5 million
- No re-appropriation of fiscal year 2015 CTI funding
- Decrease in Federal funding - \$0.1 million

**Expenditure assumptions included:**

- A net decrease of 12 teaching positions removed
- A net increase of 24 school nurse positions added
- A net increase of 5 instructional technology resource teachers added
- A general wage increase of 2.0% for all full-time contracted employees
- An increase in employer provided health care costs of 7.0%
- Decrease in Virginia Retirement System rates
- \$3.8 million reduction in one-time expenditures from fiscal year 2015
- \$4.6 million reduction from re-basing the fiscal year 2015 compensation 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, 2015**

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**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.

As previously mentioned, the School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* (GASB 68) in fiscal year 2015. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflow of resources, and expense/expenditures related to pensions. When total pension liability exceeds the pension plan's net assets, a net pension liability exists. GASB No. 68 requires net pension liability to be recorded as a liability in our financial statements. The School Board's net pension liability is \$309.2 million as of June 30, 2015.

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

Exhibit I

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments (Note 1)	\$ 33,598,848
Accounts receivable	689,398
Due from primary government	4,577,245
Due from the Federal government	18,398,908
Due from the Commonwealth of Virginia	8,210,181
Inventories	1,258,242
Total current assets	<u>66,732,822</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment, vehicles and intangibles, net of accumulated depreciation and amortization	<u>11,287,905</u>
Total capital assets, net	<u>11,775,405</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>27,973,625</u>
Total assets and deferred outflows of resources	<u>\$ 106,481,852</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Vouchers payable	\$ 7,232,695
Retainage payable	25,905
Payroll Withholding	10,809,204
Accrued Payroll	22,945,530
Unearned revenue	277,573
Due to other agencies	5,158,691
Other payables	133,364
Long-term liabilities - current portion (Note 2)	<u>7,440,542</u>
Total current liabilities	<u>54,023,504</u>
Non-current Liabilities:	
Net pension liability (Note 2)	309,164,736
Other long-term liabilities (Note 2)	<u>21,386,485</u>
Total non-current liabilities	<u>330,551,221</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>52,349,660</u>
Total liabilities and deferred inflows of resources	<u>\$ 436,924,385</u>
<b>NET POSITION</b>	
Invested in capital assets	\$ 11,775,405
Restricted for:	
Capital Projects	1,135,742
Grants	1,602,837
Unrestricted (deficit)	<u>(344,956,517)</u>
Total net position	<u>\$ (330,442,533)</u>

See Accompanying Notes to the Basic Financial Statements.

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Activities**  
**For the Year Ended, June 30, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 265,732,237	\$ 2,017,741	\$ 190,302,894	\$ -	\$ (73,411,602)
Administration, Attendance, and Health	15,908,470	-	-	-	(15,908,470)
Pupil Transportation	12,952,368	-	914,608	-	(12,037,760)
Operation and Maintenance	35,231,729	-	-	-	(35,231,729)
Information Technology	13,234,422	-	-	-	(13,234,422)
School Facilities	5,770,662	-	-	3,540,647	(2,230,015)
Food Services	16,966,622	1,433,241	16,085,781	-	552,400
Community Services	144,417	-	-	-	(144,417)
Total	\$ 365,940,927	\$ 3,450,982	\$ 207,303,283	\$ 3,540,647	\$ (151,646,015)
Unrestricted Revenues:					
Use of money and property					841,554
Other					462,169
Unrestricted Intergovernmental Revenues:					
Local government					117,721,922
Commonwealth of Virginia					31,992,590
Total					151,018,235
Change in net position					(627,780)
Net position-beginning, restated (Note 11)					(329,814,753)
Net position-ending					\$ (330,442,533)

See Accompanying 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, 2015**

	<b>General Fund</b>	<b>Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Child Nutrition</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 27,589,134	\$ -	\$ -	\$ 6,009,714	\$ 33,598,848
Accounts receivable	49,953	563,862	-	75,583	689,398
Due from other funds	12,305,863	-	307,758	-	12,613,621
Due from the primary government	3,000,000	-	1,577,245	-	4,577,245
Due from the Federal government	3,167,701	12,760,512	-	2,470,695	18,398,908
Due from the Commonwealth of Virginia	6,783,048	1,427,133	-	-	8,210,181
Inventories	432,796	-	-	825,446	1,258,242
Total assets	<u>\$ 53,328,495</u>	<u>\$ 14,751,507</u>	<u>\$ 1,885,003</u>	<u>\$ 9,381,438</u>	<u>\$ 79,346,443</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ 4,766,743	\$ 1,573,709	\$ 723,356	\$ 168,887	\$ 7,232,695
Retainage payable	-	-	25,905	-	25,905
Payroll withholdings	10,809,204	-	-	-	10,809,204
Accrued payroll	20,689,088	1,824,793	-	431,649	22,945,530
Due to other agencies	5,158,691	-	-	-	5,158,691
Due to other funds	-	11,017,797	-	1,595,824	12,613,621
Unearned revenue	-	277,573	-	-	277,573
Other payables	133,364	-	-	-	133,364
Total liabilities	<u>41,557,090</u>	<u>14,693,872</u>	<u>749,261</u>	<u>2,196,360</u>	<u>59,196,583</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	423,796	-	-	825,446	1,249,242
Restricted for:					
Food Services	-	-	-	6,359,632	6,359,632
Grants		1,602,837			
Committed to:					-
School Facilities	-	-	2,057,869	-	2,057,869
Assigned to:					
Instruction	2,365,996	-	-	-	2,365,996
Administration, Attendance and Health	805,388	-	-	-	805,388
Pupil Transportation	36,494	-	-	-	36,494
Operation and Maintenance	860,630	-	-	-	860,630
Information Technology	941,330	-	-	-	941,330
School Facilities	777,584	-	-	-	777,584
Funding Sources for 2016	4,410,913	-	-	-	4,410,913
Unassigned (deficit):	1,149,274	(1,545,202)	(922,127)	-	(1,318,055)
Total fund balances	<u>11,771,405</u>	<u>57,635</u>	<u>1,135,742</u>	<u>7,185,078</u>	<u>20,149,860</u>
Total liabilities and fund balances	<u>\$ 53,328,495</u>	<u>\$ 14,751,507</u>	<u>\$ 1,885,003</u>	<u>\$ 9,381,438</u>	<u>\$ 79,346,443</u>

See Accompanying Notes to the Basic Financial Statements.

(Con't.)



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

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2015**

Fund balances--total governmental funds	\$ 20,149,860
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Amounts reported for governmental activities in the Statement of  
Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,775,405
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Deferred outflows of resources related to pensions	27,973,625
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Deferred inflows of resources related to pensions	(52,349,660)
---	--------------

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

Compensated Absences	(9,501,128)
Workers Compensation	(3,535,697)
Claims Liability	(46,306)
Net Pension Liability	(309,164,736)
Other Post Employment Benefits	(15,743,896)

Net Position of Governmental Activities	<u><u>\$ (330,442,533)</u></u>
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**See Accompanying Notes to the Basic Financial Statements.**

## Exhibit IV

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
<b>REVENUES</b>					
Use of money and property	\$ 755,458	\$ -	\$ -	\$ 86,096	\$ 841,554
Charges for services	2,017,741	-	-	1,433,241	3,450,982
Other	-	462,169	-	-	462,169
Intergovernmental:					
Local government	118,636,530	-	3,540,647	-	122,177,177
Commonwealth of Virginia	182,387,109	3,926,872	-	399,451	186,713,432
Federal government	5,427,739	30,553,764	-	15,686,330	51,667,833
Total revenues	<u>309,224,577</u>	<u>34,942,805</u>	<u>3,540,647</u>	<u>17,605,118</u>	<u>365,313,147</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	233,889,512	34,356,670	-	-	268,246,182
Administration, Attendance, and Health	15,635,178	51,018	-	-	15,686,196
Pupil Transportation	13,668,569	-	-	-	13,668,569
Operation and Maintenance	35,047,334	110,907	-	-	35,158,241
Information Technology	12,859,586	378,747	-	-	13,238,333
School Facilities	1,938,398	-	-	-	1,938,398
Food Services	-	285,512	-	16,739,504	17,025,016
Community Services	797	143,623	-	-	144,420
Intergovernmental for Debt Service:					-
School Facilities	114,150	-	-	-	114,150
Capital Outlay:					
School Facilities	-	-	3,532,466	-	3,532,466
Total expenditures	<u>313,153,524</u>	<u>35,326,477</u>	<u>3,532,466</u>	<u>16,739,504</u>	<u>368,751,971</u>
Excess of revenues over expenditures	<u>(3,928,947)</u>	<u>(383,672)</u>	<u>8,181</u>	<u>865,614</u>	<u>(3,438,824)</u>
Net change in fund balance	(3,928,947)	(383,672)	8,181	865,614	(3,438,824)
Fund balances--beginning	15,700,352	441,307	1,127,561	6,319,464	23,588,684
Fund balances--ending	<u>\$ 11,771,405</u>	<u>\$ 57,635</u>	<u>\$ 1,135,742</u>	<u>\$ 7,185,078</u>	<u>\$ 20,149,860</u>

See Accompanying Notes to the Basic Financial Statements.

(Con't.)

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

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2015**

Net change in fund balances--total governmental funds

Amounts reported for governmental activities in the Statement of Activities are  
different because: \$ (3,438,824)

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	1,832,346	
Depreciation expense & loss on disposal of capital assets	<u>(2,931,187)</u>	(1,098,841)

Change in deferred outflows of resources related to pensions	5,196,310
--	-----------

Change in deferred inflows of resources related to pensions	(52,349,660)
---	--------------

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	(67,350)
Workers Compensation	210,347
Claims Liability	4,788
Net Pension Liability	51,606,020
Other Post Employment Benefits	<u>(690,570)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (627,780)</u></u>

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

**Exhibit V**

**School Board of the City of Norfolk  
(A Component Unit of the City of Norfolk, Virginia)  
Statement of Fiduciary Assets and Liabilities  
June 30, 2015**

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Cash	\$ 9,474,543
Receivables from others	<u>5,783,874</u>
 Total assets	 <u><u>\$ 15,258,417</u></u>
 <b>LIABILITIES</b>	
Amounts held for others	<u>\$ 15,258,417</u>
 Total liabilities	 <u><u>\$ 15,258,417</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

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

**A. Reporting Entity**

The School Board is responsible for elementary and secondary education within the City of Norfolk, Virginia (City). The School Board is governed by an appointed seven-member board that serves staggered terms and is vested with policy making and budgetary authority. On November 4, 2014, a referendum was passed requiring School Board members to be elected versus appointed. The first elected members will join the School Board in fiscal year 2017. Those appointed members with terms expiring in fiscal year 2016 will be replaced with elected members. 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 or Food Services). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity, and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other items not attributable to program revenues are reported as general revenues.

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

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

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

Fund financial statements are provided for governmental and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2015.

### **GOVERNMENTAL FUNDS**

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, funds withheld from employee pay checks for benefits and taxes (Trust Fund) 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 fund balance.

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

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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 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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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. Pensions**

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

**F. Upcoming GASB Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and establishes a hierarchy of inputs to valuation techniques used to measure fair value. The School Board will adopt this pronouncement in the fiscal year ending June 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued to improve the usefulness of information about pensions included in external financial reporting for making decisions and assessing accountability. This Statement establishes requirements for defined pension that are not within the scope of GASB 68 as well as for those assets accumulated for purposes of providing those pensions. Additionally, it establishes requirement for defined contribution pensions that are not within the scope of GASB 68. The School Board will adopt this pronouncement in the fiscal year ending June 30, 2017.

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued to identify the hierarchy of generally accepted accounting principles for governmental financial reporting. The School Board will adopt this pronouncement in the fiscal year ending June 30, 2016.

**G. 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, 2015, the carrying amount of cash deposits for the School Board was \$43,073,391. This amount includes agency funds of \$9,474,543.

**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, 2015, the School Board did not have any investments. During the year, 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School Board does not have interest rate or foreign currency risk.

## **RECEIVABLES AND PAYABLES**

All inter-fund receivables and payables are displayed in the fund statements as “Due to/Due from Other Funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Position, 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 2015.

## **INVENTORIES**

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

The Child Nutrition Fund's inventories also include United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$825,446 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 the assets meet the School Board's

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capitalization threshold of \$5,000 and have an estimated useful life greater than a year. 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
Intangible Assets	5 years

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

School buildings share joint title with the City 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 Board was reported in the School Board's discrete column along with the related capital assets. Under the revised law, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to the outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

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

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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.

**NET POSITION/FUND BALANCES**

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

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

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

**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.

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**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.

**Assigned**

Portion of fund balance that is intended to be used for specific purposes, but which is neither restricted or committed. The School Board's fund balance policy is that assignment occurs by the School Board under the direction of the Chief Financial Officer. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation) in the General, Grants, Capital Projects, and Child Nutrition Funds.

**Unassigned**

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

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

**H. Encumbrances**

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

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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, 2015, the Child Nutrition Fund had purchase order commitments approximating \$1,275,497. These encumbrances are included in the restricted fund balance due to the requirements placed by the Department of Agriculture. In the Capital Projects Fund, there were open purchase orders amounting to \$2,057,869 at June 30, 2015 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 Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2015. Encumbrances for Grants Funds were approximately \$1,602,837 as of June 30, 2015, 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, 2015.

**I. Adjustments to Beginning Net Position**

The School Board implemented GASB Statement No. 68, *Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during fiscal year 2015. The effect of the adoption of these accounting principles retrospectively is as follows:

	<b>Balance</b> <b>June 30, 2014</b>
Net Position, As Previously Reported	\$ 8,178,688
Adjustments	<u>(337,993,441)</u>
Net position, As Restated	<u><u>\$ (329,814,753)</u></u>

The adjustments noted above are comprised of the following:

	<b>VRS Teacher Retirement Plan</b>	<b>VRS Retirement Plan for Political Subdivisions</b>	<b>Total</b>
Net pension liability	\$ (344,155,042)	\$ (16,615,714)	\$ (360,770,756)
Deferred outflows of resources:			
Contributions subsequent to measurement date	21,055,714	1,721,601	22,777,315
Net Adjustment	<u><u>\$ (323,099,328)</u></u>	<u><u>\$ (14,894,113)</u></u>	<u><u>\$ (337,993,441)</u></u>

**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, 2015 is as follows:

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	<b>Due From</b>	<b>Due to</b>
	<b>(Receivables)</b>	<b>(Payables)</b>
<b>Major Funds:</b>		
General Fund	\$ 12,305,863	\$ -
Grants Fund	-	11,017,797
Capital Projects	307,758	-
<b>Non-Major Funds:</b>		
Child Nutrition Fund	-	1,595,824
	<u>\$ 12,613,621</u>	<u>\$ 12,613,621</u>

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

**B. Capital Assets**

**Changes in Capital Assets**

	<b>Capital Assets</b>				<b>Capital Assets</b>
	<b>June 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2015</b>
Capital assets, not being depreciated					
Land	\$ 487,500	\$ -	\$ -	\$ -	487,500
Development in Progress	-	-	-	-	-
Total capital assets, not being depreciated	487,500	-	-	-	487,500
Capital assets, being depreciated:					
Mobile Classrooms	6,559,590	102,685	-	-	6,662,275
Equipment and vehicles	35,449,338	1,388,044	(629,413)	-	36,207,969
Intangible assets	981,770	341,617	-	-	1,323,387
Total capital assets, being depreciated	42,990,698	1,832,346	(629,413)	-	44,193,631
Less accumulated depreciation for:					
Mobile Classrooms	(3,514,883)	(531,989)	-	-	(4,046,872)
Equipment and vehicles	(26,696,362)	(2,143,787)	627,293	-	(28,212,856)
Intangible assets	(392,708)	(253,290)	-	-	(645,998)
Total accumulated depreciation	(30,603,953)	(2,929,066)	627,293	-	(32,905,726)
Total capital assets being depreciated, net	12,386,745	(1,096,720)	(2,120)	-	11,287,905
Total capital assets, net	<u>\$ 12,874,245</u>	<u>\$ (1,096,720)</u>	<u>\$ (2,120)</u>	<u>\$ -</u>	<u>11,775,405</u>



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**Depreciation expense by function for the year ended June 30, 2015 follows:**

Instruction	\$ 1,108,409
Administration, Attendance, and Health	400,822
Pupil Transportation	529,486
Operation and Maintenance	362,847
Information Technology	140,617
School Facilities	288,353
Food Services	98,532
Total	<u><u>\$ 2,929,066</u></u>

**C. Long-Term Obligations**

The following is a summary of the changes in long-term obligations for the year ended June 30, 2015:

	Balance June 30, 2014 (as restated)	Additions	Retirements	Balance June 30, 2015	Current Portion
Long-Term Obligations:					
Compensated absences	\$ 9,433,778	\$ 10,009,999	\$ (9,942,649)	\$ 9,501,128	\$ 7,083,993
Workers' compensation	3,746,044	162,513	(372,860)	3,535,697	328,071
Claims liability	51,094	102,449	(107,237)	46,306	28,478
Net pension liability	360,770,756	23,520,955	(75,126,975)	309,164,736	-
Other post employment benefits	15,053,326	3,319,756	(2,629,186)	15,743,896	-
Total Long-Term Obligations	<u><u>\$ 389,054,998</u></u>	<u><u>\$ 37,115,672</u></u>	<u><u>\$ (88,178,907)</u></u>	<u><u>\$ 337,991,763</u></u>	<u><u>\$ 7,440,542</u></u>

**Note 3. Contingencies**

**A. Litigation**

The School Board, as of June 30, 2015, 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.

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**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.

**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 \$5,958,231 to SECEP during the fiscal year ended June 30, 2015. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

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

The Governor’s School for the Arts (Governor’s School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor’s School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor’s School can be obtained from the Governor’s School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$234,090 to the Governor’s School during the fiscal year ended June 30, 2015. The School Board is the fiscal agent for Governor’s School and the assets it holds for the Governor’s School are included in Agency Funds.

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**Note 5. Self-Insurance Program**

The School Board is self-insured for a portion of its risks. This self-insurance is for workers' compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2015 was \$2,258,874. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund, 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, 2015, workers' compensation and claims liability totaling \$3,582,003 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, 2015:

	<b>June 30, 2015</b>	
	<b>Workers'</b>	<b>Claims'</b>
	<b>Compensation</b>	<b>Liability</b>
Balance, beginning of year	\$ 3,746,044	\$ 51,094
Claims and other changes	162,513	102,449
Employer payments	(372,860)	(107,237)
Balance, end of year	<u>\$ 3,535,697</u>	<u>\$ 46,306</u>

In addition, effective January 1, 2014 the School Board, in conjunction with the City of Norfolk, became self-insured for health care coverage under a consortium which also includes the Norfolk Redevelopment and Housing Authority. An internal service fund was established by the City of Norfolk to account for the self-insurance activity related to the consortium. This internal service fund is managed by the City. The School Board pays healthcare premiums directly to the City for deposit into the internal service fund. Employer and employees' share of premiums for active employees are collected a month in advance for coverage in the subsequent month. Premiums for employees are collected over a 10 month period (September through June) for 12 months of coverage. The School Board collected a total of \$38.9 million in premiums for the fund in the fiscal year ended June 30, 2015 for active employees which consisted of \$33.1 million in employer contributions and \$5.8 million in employee contributions. Approximately \$35.0 million was paid to the fund during the fiscal year with \$3.9 million being owed to the fund as of June 30, 2015 for active employees. Approximately \$205,570 is owed to the fund as

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of June 30, 2015 for retirees. The School Board, as a member of the consortium, has voting authority to amend the plan's provisions. Any deficits experienced by the fund will be recovered through adjustments in premiums over a reasonable period of time.

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

**A. Virginia Retirement System**

**PLAN DESCRIPTION**

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board as well as a hybrid plan which contains both defined benefit and defined contribution aspects. All full-time, salaried permanent professional employees of the School Board must participate and are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent non-professional employees of the School Board must participate and are automatically covered by the VRS Retirement Plan for political subdivisions. Members earn one month of service credit for each month they are employed and for which the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Members hired on or after January 1, 2014 are covered under the Hybrid Retirement Plan (Hybrid Plan) as well as Plan 1 and 2 members who were eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employer contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0%. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 is minimal.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5.00%; under

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

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing the VRS System at P. O. Box 2500, Richmond, VA 23218-2500.

**B. VRS Teacher Retirement Plan**

**Contributions**

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

The School Board's professional contribution rate for the fiscal year ended June 30, 2015, was 14.50% of the annual covered payroll (not including 5% employee contribution). This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. The School Board's contributions to the VRS for the years ended June 30, 2015, 2014 and 2013 for professional employees were \$26,205,705, \$21,055,714, and \$20,910,975, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years.

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

At June 30, 2015, the School Board reported a net pension liability of \$298,089,523 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The School Board's proportion of the collective net pension liability was based on the School Board's actuarially

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determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was 2.467% as compared to 2.498% at June 30, 2013.

For the year ended June 30, 2015, the School Board recognized pension expense of \$22,777,416. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	44,239,660
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	3,547,561
School Board contributions subsequent to the measurement date	26,205,705	-
Total	<u>\$ 26,205,705</u>	<u>\$ 47,787,221</u>

The \$26,205,705 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Deferred inflows and outflows are amortized over a closed five year period or the average remaining service life of employees in the pension plan. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2016	\$ (11,861,935)
2017	(11,861,935)
2018	(11,861,935)
2019	(11,861,935)
2020	(339,481)
Thereafter	-

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**Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

Mortality rates were based on the following:

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 year and females set back 5 years.

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Updated the mortality table
- Adjusted the rates of service retirement
- Decreased the rates of withdrawals for 3 through 9 years of service
- Decreased the rates of disability
- Reduced rates of salary increase by 0.25% per year

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

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estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the School Board for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore,



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the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 437,714,486	\$ 298,089,523	\$ 183,132,236

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Payables to the Pension Plan**

As of June 30, 2015, the School Board reported a payable of \$3,363,345 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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**C. VRS Retirement Plan for Political Subdivisions**

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for the School Board contains combined information related to the School Board and SECEP. As such, amounts reflected herein present only the School Board's proportionate share as of the measurement date which amounted to 99.54% and 99.16% as of June 30, 2013 and 2014, respectively.

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	594
Inactive members:	
Vested inactive members	53
Non-vested inactive members	321
Inactive members active elsewhere in VRS	109
Total inactive members	<u>483</u>
Active members	657
Total	<u><u>1,734</u></u>

**Contributions**

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

The School Board's contractually required contribution rate for the fiscal year ended June 30, 2015 was 11.12% of the annual covered payroll (not including 5% employee contribution). This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The School Board's contributions to the VRS for the

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years ended June 30, 2015, 2014 and 2013 for non-professional employees were \$1,767,920, \$1,721,601 and \$1,733,663, respectively.

**Net Pension Liability**

The School Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions**

The total pension liability in the June 30, 2013 actuarial valuation was determined using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014:

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

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

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follow:

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

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

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

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the School Board for the VRS

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Retirement Plan for political subdivisions will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2014	\$ 82,124,515	\$ 65,572,932	\$ 16,551,583
Changes for the year:			
Service cost	1,530,404	-	1,530,404
Interest	5,585,659	-	5,585,659
Contributions - employer	-	1,721,601	(1,721,601)
Contributions - employee	-	774,947	(774,947)
Net investment income	-	10,151,404	(10,151,404)
Benefits payments, including refunds of employee contributions	(4,658,771)	(4,658,771)	-
Administrative expense	-	(56,055)	56,055
Other changes	-	536	(536)
Net changes	2,457,292	7,933,662	(5,476,370)
Balances at June 30, 2015	\$ 84,581,807	\$ 73,506,594	\$ 11,075,213

The difference between net pension liability reflected in this schedule and the similar amount reflected in Note 1.I as of June 30, 2014 is a result of changes in the School Board's proportionate share of the net pension liability which decreased from 99.54% as of the June 30, 2013 measurement date for the June 30, 2014 net pension liability to 99.16% as of the June 30, 2014 measurement date for the June 30, 2015 net pension liability. All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2014 measurement date for the June 30, 2015 net pension liability of 99.16%.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's Net Pension Liability	\$ 21,076,873	\$ 11,075,213	\$ 2,649,317

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

For the year ended June 30, 2015, the School Board recognized pension expense of \$743,539. At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,511,134
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	51,305
School Board contributions subsequent to the measurement date	1,767,920	-
Total	<u>\$ 1,767,920</u>	<u>\$ 4,562,439</u>

The \$1,767,920 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Deferred inflows and outflows are amortized over a closed five year period or the average remaining service life of employees in the pension plan. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2016	\$ (1,140,610)
2017	(1,140,610)
2018	(1,140,610)
2019	(1,140,609)

**Payables to the Pension Plan**

As of June 30, 2015, the School Board reported a payable of \$219,683 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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**D. Other Post Employment Benefits**

**PLAN DESCRIPTION**

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who 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. The School Board had agreed to pay the sum of \$75 per month towards the cost of their health care benefit for each retiree who has elected to continue health care coverage through the School Board. Effective January 1, 2014, the School Board eliminated health care coverage for post 65 retirees (e.g., retirees eligible for Medicare) along with the \$75 monthly subsidy. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. The plan is considered a multi-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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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.

The actuarial liability of the Plan as of July 1, 2014 is \$39.8 million as shown below:

**Pay-As-You-Go Funding**  
**(4.0% assumed discount)**

<b>Actuarial Liability</b>	
Actives	\$ 31,328,698
Retirees	8,505,324
<b>Total</b>	<b>\$ 39,834,022</b>
<b>Assets</b>	<b>-</b>
<b>UAL</b>	<b>\$ 39,834,022</b>

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

The ARC was computed for 2015 under the pay-as-you-go funding method and an assumed 4.0% discount rate. The table includes the PAYGo cost and the net difference:



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**GASB ARC - FY 2015**  
**Pay-As-You-Go Funding**  
**(4.0% assumed discount)**

Normal Cost	\$ 1,356,845
UAL Amortization	1,422,668
Interest	<u>111,181</u>
<b>Total ARC</b>	<b>\$ 2,890,694</b>
PAYGo Cost (Contributions made - including implicit subsidy)	<u>2,629,186</u>
ARC in excess of PAYGo Cost	<u><u>\$ 261,508</u></u>

Schedule of Employer Contribution

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

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

<b>Fiscal Year Ended June</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation at end of year</b>
2013	\$ 4.73	83%	\$ 14.10
2014	\$ 3.63	93%	\$ 15.05
2015	\$ 2.93	90%	\$ 15.74

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.

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**Development of Net OPEB Obligation**

<b>Expected Net OPEB Obligation as of June 30, 2014</b>	\$ 15,053,326
Expected Employer Contributions FY2014	(3,381,441)
Actual Employer Contributions FY 2014	(2,996,478)
	<hr/>
Increase in Net OPEB Obligation	384,963
<b>Net OPEB Obligation as of June 30, 2014</b>	\$ 15,438,289
Actuarial Required Contribution (ARC) for FY 2015	\$ 2,890,694
Interest on Net OPEB Obligation (NOO)	617,532
Adjustment to ARC	(573,433)
	<hr/>
Annual OPEB Cost (AOC)	\$ 2,934,793
Expected Employer Contributions FY 2015 - including implicit rate subsidy	(2,629,186)
	<hr/>
<b>Net OPEB Obligation as of June 30, 2015</b>	<b>\$ 15,743,896</b>
	<hr/> <hr/>

**Funding Status and Funding Progress**

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

**Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
			Unfunded			
Actuarial	Actuarial	Actuarial	Actuarial			UAAL as a
Valuation	Value of	Accrued	Accrued	Funded	Covered	Percentage
Date	Assets	Liability	Liability	Ratio	Payroll	of Covered
		(AAL)	(UAAL)			Payroll
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0%	\$ 186,834,233	21.3%

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Actuarial Methods and Assumptions

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

Valuation date	July 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Not Applicable
Actuarial assumptions:	
Investment rate of return	4.00%
Rate of salary increases	3.50%
Rate of Medical Inflation	8.33% (pre-Medicare) grading to 4.0% over 13 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**  
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**Schedules of Required Supplementary Information**  
**Schedule of the School Board's Proportionate Share of the Net Pension Liability**  
**VRS Teacher Retirement Plan**  
**Last Ten Fiscal Years**  
**(Amounts in thousands)**

**Schedule 1**

	Fiscal Year 2015
School Board's proportion of the net pension liability (asset)	2.467%
School Board's proportionate share of the net pension liability (asset)	\$ 298,089
School Board's covered-employee payroll	189,067
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

\*The schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no other data is available. However, additional years will be included as they become available.

(UNAUDITED)

**School Board of the City of Norfolk**  
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**Schedules of Required Supplementary Information**  
**Schedule of School Board Contributions**  
**VRS Teacher Retirement Plan**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

**Schedule 2**

Fiscal Years	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 26,206	\$ 26,206	\$ -	\$ 189,624	13.82%
2014	\$ 21,056	\$ 21,056	\$ -	\$ 189,067	11.14%
2013	\$ 20,911	\$ 20,911	\$ -	\$ 144,714	14.45%
2012	\$ 19,516	\$ 19,516	\$ -	\$ 148,138	13.17%
2011	\$ 16,027	\$ 16,027	\$ -	\$ 135,016	11.87%
2010	\$ 21,492	\$ 21,492	\$ -	\$ 157,542	13.64%
2009	\$ 26,461	\$ 26,461	\$ -	\$ 157,178	16.84%
2008	\$ 32,696	\$ 32,696	\$ -	\$ 152,536	21.43%
2007	\$ 28,482	\$ 28,482	\$ -	\$ 187,608	15.18%
2006	\$ 21,035	\$ 21,035	\$ -	\$ 182,016	11.56%

Note: Covered employee payroll prior to June 30, 2014 was calculated on payroll subject to pension coverage. Under GASB 68, covered employee payroll should include total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not.

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

	Fiscal Year 2015
<b>Total pension liability</b>	
Service cost	\$ 1,530
Interest	5,586
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contribution	(4,659)
<b>Net change in total pension liability</b>	<u>2,457</u>
<b>Total pension liability - beginning</b>	<u>82,125</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 84,582</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,722
Contributions - employee	775
Net investment income	10,151
Benefit payments, including refunds of employee contribution	(4,659)
Administrative expense	(56)
Other	1
<b>Net change in plan fiduciary net position</b>	<u>7,934</u>
<b>Plan fiduciary net position - beginning</b>	<u>65,573</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 73,507</u></u>
<b>School Board's net pension liability (a) - (b)</b>	<u><u>\$ 11,075</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	86.91%
<b>Covered-employee payroll</b>	21,766
<b>School Board's net pension liability as a percentage of covered-employee payroll</b>	50.88%

\*The schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no other data is available. However, additional years will be included as they become available.

(UNAUDITED)

**School Board of the City of Norfolk**  
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**Schedules of Required Supplementary Information**  
**Schedule of School Board Contributions**  
**VRS Retirement Plan for Political Subdivisions**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

**Schedule 4**

Fiscal Years	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 1,768	\$ 1,768	\$ -	\$ 22,224	7.96%
2014	\$ 1,722	\$ 1,722	\$ -	\$ 21,766	7.91%
2013	\$ 1,734	\$ 1,734	\$ -	\$ 15,661	11.07%
2012	\$ 1,858	\$ 1,858	\$ -	\$ 14,818	12.54%
2011	\$ 1,923	\$ 1,923	\$ -	\$ 15,287	12.58%
2010	\$ 1,928	\$ 1,928	\$ -	\$ 16,169	11.92%
2009	\$ 2,016	\$ 2,016	\$ -	\$ 16,871	11.95%
2008	\$ 2,443	\$ 2,443	\$ -	\$ 17,440	14.01%
2007	\$ 2,211	\$ 2,211	\$ -	\$ 15,166	14.58%
2006	\$ 1,596	\$ 1,596	\$ -	\$ 14,181	11.25%

Note: Covered employee payroll prior to June 30, 2014 was calculated on payroll subject to pension coverage. Under GASB 68, covered employee payroll should include total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not.



**SCHOOL BOARD OF THE CITY OF NORFOLK**  
**(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY SCHEDULES**  
**YEAR ENDED JUNE 30, 2015**

**Schedule of Funding Progress – OPEB (Unaudited)**

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

Schedule of Funding Progress

	(a)	(b)	(b-a) Unfunded	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 69,496,659	\$ 69,496,659	0%	\$ 186,413,340	37.3%
July 1, 2013	\$ -	\$ 46,450,857	\$ 46,450,857	0%	\$ 183,295,993	25.3%
July 1, 2014	\$ -	\$ 39,834,022	\$ 39,834,022	0%	\$ 186,834,233	21.3%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

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**A. VRS Teacher Retirement Plan**

**Changes of benefit terms**

There have been no significant changes to the VRS benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component went into effect in fiscal year 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 is minimal.

**Changes of assumptions**

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

- Used the following mortality tables:
  - RP-2000 Employee Mortality Table
  - RP-2000 Combined Mortality Table
  - RP-2000 Disability Mortality Table
- Adjusted the rates of service retirement
- Decreased the rates of withdrawals for 3 through 9 years of service
- Decreased the rates of disability
- Reduced the rates of salary increase by 0.25% per year

**B. VRS Retirement Plan for Political Subdivisions**

**Changes of benefit terms**

There have been no significant changes to the VRS benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining VRS after the valuation date of June 30, 2013. Because this was a new benefit and number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 is minimal.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

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**Changes of assumptions**

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

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

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**for the General Fund**  
**- Unaudited -**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 4,177,226	\$ 4,177,226	\$ 2,773,199	(1,404,027)
Commonwealth of Virginia	181,890,249	182,272,749	182,387,109	114,360
Federal government	5,245,721	5,745,721	5,427,739	(317,982)
Local government	120,360,722	121,110,722	117,721,922	(3,388,800)
Carryforward funds from fiscal year 2014	5,944,513	5,944,513	5,944,513	-
Amounts available for appropriation	317,618,431	319,250,931	314,254,482	(4,996,449)
Charges to appropriations (outflows)				
Instruction	239,132,633	237,973,512	233,140,754	(4,832,758)
Administration, Attendance, and Health	15,488,722	16,093,279	16,118,554	25,275
Pupil Transportation	11,812,978	11,584,659	12,214,722	630,063
Operation and Maintenance	33,599,968	34,562,872	34,938,987	376,115
Information Technology	12,711,180	13,192,809	12,709,581	(483,228)
School Facilities	4,872,950	5,843,800	2,282,833	(3,560,967)
Total charges to appropriations	317,618,431	319,250,931	311,405,431	(7,845,500)
Budgetary fund balance, June 30, 2015	\$ -	\$ -	2,849,051	2,849,051

**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	\$ 314,254,482
Acquisition of School buses by local government	914,608
Other budgetary resources but not revenue for financial reporting purposes	(5,944,513)
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	\$ 309,224,577

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 311,405,431
Difference - budget to GAAP:	
Acquisition of school buses by the local government	914,608
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year received for GAAP purposes	833,485
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	\$ 313,153,524

## OTHER SUPPLEMENTARY INFORMATION

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**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash, investments and accounts receivable				
Southeastern Cooperative Educational Programs	\$ 12,177,480	\$ 104,443,787	\$ 103,539,654	\$ 13,081,613
Governor's School for the Arts	262,020	5,261,351	5,214,673	308,698
Trust Funds	400,737	198,413,257	198,852,094	(38,100)
School Activity Funds	1,993,702	3,636,036	3,723,532	1,906,206
Total Assets	<u>\$ 14,833,939</u>	<u>\$ 311,754,431</u>	<u>\$ 311,329,953</u>	<u>\$ 15,258,417</u>
<b>LIABILITIES</b>				
Due to Other Agencies				
Southeastern Cooperative Educational Programs	\$ 12,177,480	\$ 213,008,241	\$ 212,104,108	13,081,613
Governor's School for the Arts	262,020	12,970,278	12,923,600	308,698
Trust Fund	400,737	247,906,860	248,345,697	(38,100)
Due to Students	1,993,702	3,636,036	3,723,532	1,906,206
Total Liabilities	<u>\$ 14,833,939</u>	<u>\$ 477,521,415</u>	<u>\$ 477,096,937</u>	<u>\$ 15,258,417</u>

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# STATISTICAL SECTION (UNAUDITED)

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

## **Contents**

### **Financial Trends 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										Note 1
Government-wide:										
Invested in capital assets	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568	\$ 12,265	\$ 14,406	\$ 12,874	\$ 11,775
Restricted	19,045	9,006	1,837	1,003	611	1,000	416	1,920	2,339	2,739
Unrestricted	6,213	8,334	5,179	(670)	5,625	2,225	(2,036)	(1,810)	(7,034)	(344,957)
Total government-wide net position	\$ 75,755	\$ 83,404	\$ 78,829	\$ 69,977	\$ 29,825	\$ 14,793	\$ 10,645	\$ 14,516	\$ 8,179	\$(330,443)

Note:

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

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

Schedule 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses:</b>										
Instruction	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,477	\$ 265,178	\$ 272,338	\$ 265,740	\$ 265,732
Support Services:										
Administration, Attendance and Health	11,846	11,690	13,312	13,414	13,396	12,412	12,436	16,138	15,962	15,908
Pupil Transportation	9,988	10,588	10,913	10,917	10,765	11,028	10,869	13,668	12,162	12,952
Operation and Maintenance	34,112	35,398	36,258	38,954	33,660	35,283	33,038	34,551	34,703	35,232
Information Technology	9,222	9,608	8,950	8,972	10,860	8,274	10,547	10,373	11,239	13,234
School Facilities	5,348	27,473	16,099	17,151	52,851	20,266	24,171	9,160	3,735	5,771
Food Services	13,700	12,837	14,533	14,918	14,676	15,564	15,935	16,821	17,227	16,967
Other	-	-	224	264	306	238	276	250	244	144
<b>Total Expenses</b>	<b>340,946</b>	<b>368,842</b>	<b>379,571</b>	<b>387,392</b>	<b>418,727</b>	<b>370,542</b>	<b>372,450</b>	<b>373,299</b>	<b>361,012</b>	<b>365,940</b>
<b>Revenues:</b>										
<b>Program Revenues:</b>										
Charges for services	5,750	5,155	6,250	5,781	5,527	4,847	4,597	4,349	3,562	3,451
Operating grants and contributions	194,023	226,323	224,043	229,557	238,021	209,644	206,947	224,467	203,139	207,303
Capital grants and contributions	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,207	3,700	3,541
<b>Total Program Revenues</b>	<b>220,945</b>	<b>243,173</b>	<b>239,234</b>	<b>242,453</b>	<b>246,425</b>	<b>221,368</b>	<b>232,196</b>	<b>237,023</b>	<b>210,401</b>	<b>214,295</b>
<b>Net (Expense) Revenue</b>	<b>(120,001)</b>	<b>(125,669)</b>	<b>(140,337)</b>	<b>(144,939)</b>	<b>(172,302)</b>	<b>(149,174)</b>	<b>(140,254)</b>	<b>(136,276)</b>	<b>(150,611)</b>	<b>(151,645)</b>
<b>General Revenues:</b>										
Use of money and property	2,863	3,840	2,325	1,499	799	716	1,284	1,262	806	841
Other	63	53	51	200	74	2	-	235	912	462
Commonwealth of Virginia	32,239	31,830	32,292	30,102	30,267	28,912	30,311	31,463	30,702	31,992
Local government	92,595	97,595	101,095	104,511	101,011	104,511	104,511	107,187	111,854	117,722
<b>Total General Revenues</b>	<b>127,760</b>	<b>133,318</b>	<b>135,763</b>	<b>136,312</b>	<b>132,151</b>	<b>134,141</b>	<b>136,106</b>	<b>140,147</b>	<b>144,274</b>	<b>151,017</b>
<b>Change in Net Position</b>	<b>\$ 7,759</b>	<b>\$ 7,649</b>	<b>\$ (4,574)</b>	<b>\$ (8,627)</b>	<b>\$ (40,151)</b>	<b>\$ (15,033)</b>	<b>\$ (4,148)</b>	<b>\$ 3,871</b>	<b>\$ (6,337)</b>	<b>\$ (628)</b>

**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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Note 1									
General Fund										
Reserved	\$ 5,617	\$ 8,332	\$ 8,482	\$ 6,034	\$ 11,394					
Unreserved	19,154	5,233	4,446	4,105	4,369					
Nonspendable						\$ 293	\$ 293	\$ 293	\$ 398	\$ 424
Restricted						-	-	-	-	-
Committed						-	-	-	-	-
Assigned						14,103	13,109	16,807	11,891	10,198
Unassigned						2,102	3,126	2,445	3,411	1,149
Total General Fund	\$ 24,771	\$ 13,565	\$ 12,928	\$ 10,139	\$ 15,763	\$ 16,498	\$ 16,528	\$ 19,545	\$ 15,700	\$ 11,771
All Other Governmental Funds										
Reserved	\$ 2,017	\$ 14,556	\$ 5,406	\$ 3,198	\$ 4,073					
Unreserved, reported in:										
Grant Fund	-	-	(1,235)	(1,794)	(2,484)					
Capital Projects Fund	-	-	(1,105)	293	(457)					
Child Nutrition Services Fund	4,743	4,792	4,541	4,620	5,108					
Nonspendable						\$ 430	\$ 401	\$ 495	\$ 598	\$ 825
Restricted						5,331	5,560	6,608	6,933	7,963
Committed						72	4,651	-	2,543	2,058
Assigned						1,033	-	1,854	-	-
Unassigned						(105)	(4,235)	(2,225)	(2,185)	(2,467)
Total all other governmental funds	\$ 6,760	\$ 19,348	\$ 7,607	\$ 6,317	\$ 6,240	\$ 6,761	\$ 6,377	\$ 6,732	\$ 7,889	\$ 8,379

## 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Use of money and property	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799	\$ 716	\$ 1,284	\$ 1,262	\$ 806	\$ 842
Charges for services	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349	3,562	3,451
Other	324	209	51	508	224	397	218	235	912	462
Intergovernmental :										
Local government	103,093	108,681	109,441	111,034	103,889	111,389	125,163	117,494	116,514	122,177
Commonwealth of Virginia	190,200	206,170	208,271	212,885	195,582	177,685	168,216	192,776	183,947	186,713
Federal government	46,475	52,436	48,659	47,058	72,556	60,477	68,824	61,055	48,934	51,668
Total revenues	<u>348,705</u>	<u>376,491</u>	<u>374,997</u>	<u>378,765</u>	<u>378,576</u>	<u>355,511</u>	<u>368,302</u>	<u>377,171</u>	<u>354,675</u>	<u>365,313</u>
<b>EXPENDITURES</b>										
Current:										
Instruction	261,225	256,649	285,213	286,995	284,101	263,502	263,542	272,152	261,357	268,246
Administration, Attendance, and Health	11,057	11,683	13,457	13,369	12,998	11,990	11,980	15,853	15,382	15,686
Pupil Transportation	7,193	10,390	10,896	10,723	10,503	10,709	10,639	13,435	12,995	13,669
Operation and Maintenance	29,595	32,262	33,778	36,058	33,695	35,225	32,938	34,629	34,207	35,158
Information Technology	10,365	8,786	8,818	8,769	10,665	8,161	10,517	10,348	11,193	13,238
School Facilities	4,385	13,726	15,178	3,427	2,784	2,356	1,535	1,958	1,318	1,938
Food Services	13,254	13,587	14,870	15,135	14,721	15,525	15,971	16,916	17,110	17,025
Other	-	-	294	264	306	238	275	247	242	145
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	250	241	224	1,400	206	198	189	181	172	114
Capital Outlay:										
School Facilities	-	-	-	6,701	3,049	6,350	21,069	8,080	3,387	3,533
Total expenditures	<u>337,324</u>	<u>347,324</u>	<u>382,728</u>	<u>382,841</u>	<u>373,028</u>	<u>354,254</u>	<u>368,655</u>	<u>373,799</u>	<u>357,363</u>	<u>368,752</u>
Excess (deficiency) of revenues over expenditures	11,381	29,167	(7,731)	(4,076)	5,548	1,257	(353)	3,372	(2,688)	(3,439)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in from primary government										
Transfers in	-	10,054	-	303	-	-	-	-	-	-
Transfers out	-	(10,054)	-	(303)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 11,381</u>	<u>\$ 29,167</u>	<u>\$ (7,731)</u>	<u>\$ (4,076)</u>	<u>\$ 5,548</u>	<u>\$ 1,257</u>	<u>\$ (353)</u>	<u>\$ 3,372</u>	<u>\$ (2,688)</u>	<u>\$ (3,439)</u>
Debt service as a percentage of noncapital Expenditures	0.07%	0.07%	0.06%	0.37%	0.06%	0.06%	0.05%	0.05%	0.05%	0.03%

(UNAUDITED)

**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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Charges for Services</b>										
Instruction	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201	\$ 2,564	\$ 2,054	\$ 2,018
Food Services	3,121	3,248	3,060	2,886	2,579	2,601	2,396	1,785	1,508	1,433
Subtotal of Charges for Services	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349	3,562	3,451
<b>Operating Grants and Contributions</b>										
Instruction	215,634	247,424	212,930	218,006	225,951	196,997	193,423	207,885	186,579	190,303
Pupil Transportation	-	-	-	-	-	-	-	2,100	960	915
Information Technology	-	-	-	-	-	-	-	-	-	-
Food Services	10,628	10,729	11,112	11,551	12,070	12,646	13,523	14,483	15,600	16,086
Subtotal of Operating Grants and Contributions	226,262	258,153	224,042	229,557	238,021	209,643	206,946	224,468	203,139	207,304
<b>Capital Grants and Contributions</b>										
School Facilities	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208	3,700	3,541
Subtotal of Capital Grants and Contributions	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208	3,700	3,541
<b>Total Program Revenues</b>	<b>\$ 253,184</b>	<b>\$ 275,003</b>	<b>\$ 239,233</b>	<b>\$ 242,453</b>	<b>\$ 246,424</b>	<b>\$ 221,367</b>	<b>\$ 232,195</b>	<b>\$ 237,025</b>	<b>\$ 210,401</b>	<b>\$ 214,296</b>

(UNAUDITED)

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

**Schedule 6**

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
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
2014	806	3,562	912	116,514	183,947	48,934	354,675
2015	842	3,451	462	122,177	186,713	51,668	365,313
Change 2006-2015	-70.6%	-40.0%	42.6%	18.5%	-1.8%	11.2%	4.8%

## 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
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
2014	156,900	15,015	171,915
2015	107,775	6,375	114,150

## 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
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%
2014	156,900	15,015	171,915	305,083,446	0.06%
2015	107,775	6,375	114,150	313,153,524	0.04%

## 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, 2015**

<b>School</b>	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
Elementary Schools	1,574,551	2,017,431	3,591,982
Middle Schools	161,379	639,011	800,390
High Schools	128,680	455,801	584,481
Auxiliary Facilities	80,536	97,830	178,366
Totals	1,945,146	3,210,073	5,155,219

**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 2014**

Schools		Paid	Reduced	Free	Total Free / Reduced
<b>Elementary Schools</b>					
121	BAY VIEW ELEM.	48.37%	6.13%	45.50%	51.63%
114	CAMP ALLEN ELEM.	39.91%	11.75%	48.34%	60.09%
109	CAMPOSTELLA ELEM.	0.00%	0.00%	100.00%	100.00%
126	CHESTERFIELD ACADEMY ELEM.	15.14%	4.78%	80.08%	84.86%
128	COLEMAN PLACE ELEM.	20.18%	6.33%	73.48%	79.82%
129	CROSSROADS ELEM.	36.92%	7.60%	55.48%	63.08%
168	FAIRLAWN ELEM.	33.00%	14.14%	52.86%	67.00%
135	GHENT ELEM.	70.00%	7.65%	22.35%	30.00%
134	GRANBY ELEM.	32.92%	7.04%	60.03%	67.08%
136	INGLESIDE ELEM.	27.62%	5.94%	66.43%	72.38%
108	JACOX ELEM.	0.00%	0.00%	100.00%	100.00%
150	JAMES MONROE ELEM.	0.00%	0.00%	100.00%	100.00%
141	LARCHMONT ELEM.	78.95%	2.47%	18.59%	21.05%
142	LARRYMORE ELEM.	41.35%	6.26%	52.39%	58.65%
145	LINDENWOOD ELEM.	0.00%	0.00%	100.00%	100.00%
146	LITTLE CREEK ELEM.	25.52%	4.77%	69.71%	74.48%
147	LITTLE CREEK ELEM. ANNEX	25.82%	3.56%	70.62%	74.18%
123	MARY CALCOTT ELEM.	54.82%	10.64%	34.54%	45.18%
151	NORVIEW ELEM.	15.16%	4.92%	79.92%	84.84%
154	OCEAN VIEW ELEM.	36.49%	6.59%	56.93%	63.51%
153	OCEANAIR ELEM.	21.28%	10.09%	68.62%	78.72%
165	P.B. YOUNG SR. ELEM.	0.00%	0.00%	100.00%	100.00%
169	POPLAR HALLS ELEMENTARY	32.43%	11.72%	55.86%	67.57%
122	RICHARD BOWLING ELEM.	24.14%	5.36%	70.50%	75.86%
137	SEWELLS POINT ELEM.	40.61%	25.32%	34.08%	59.39%
156	SHERWOOD FOREST ELEM.	29.82%	11.18%	59.00%	70.18%
131	ST. HELENA ELEM.	0.00%	0.00%	100.00%	100.00%
159	SUBURBAN PARK ELEMENTARY	22.57%	7.72%	69.70%	77.43%
161	TANNERS CREEK ELEMENTARY	33.08%	8.69%	58.23%	66.92%
118	TARRALLTON ELEM.	46.91%	19.45%	33.64%	53.09%
119	TIDEWATER PARK ELEM.	0.00%	0.00%	100.00%	100.00%
160	W.H. TAYLOR ELEM.	67.07%	3.90%	29.02%	32.93%
115	WILLARD MODEL ELEM.	36.01%	8.51%	55.48%	63.99%
106	WILLOUGHBY ELEM.	44.29%	18.57%	37.14%	55.71%
<b>Middle Schools</b>					
206	AZALEA MIDDLE	37.58%	9.32%	53.11%	62.42%
207	BLAIR MIDDLE	40.77%	9.30%	49.93%	59.23%
217	LAFAYETTE-WINONA MIDDLE	0.00%	0.00%	0.00%	0.00%
216	LAKE TAYLOR MIDDLE	18.28%	7.05%	74.67%	81.72%
211	NORTHSIDE MIDDLE	28.76%	9.67%	61.57%	71.24%
212	NORVIEW MIDDLE	23.62%	9.36%	67.02%	76.38%
214	RUFFNER MIDDLE	17.08%	4.78%	78.14%	82.92%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEM	48.30%	13.62%	38.08%	51.70%
<b>High Schools</b>					
304	B. T. WASHINGTON HIGH	27.39%	7.21%	65.40%	72.61%
301	GRANBY HIGH	47.53%	8.11%	44.37%	52.47%
305	LAKE TAYLOR HIGH	33.63%	8.35%	58.02%	66.37%
302	MAURY HIGH	59.14%	6.64%	34.22%	40.86%
303	NORVIEW HIGH	42.29%	9.77%	47.94%	57.71%
<b>Auxiliary Facilities</b>					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	2.30%	0.00%	97.70%	97.70%
171	EASTON PRESCHOOL	41.71%	8.56%	49.73%	58.29%
392	MADISON	27.78%	2.22%	70.00%	72.22%
163	NORFOLK RE-ED SCHOOL - SECEP	6.82%	11.36%	81.82%	93.18%
396	NORFOLK TECHNICAL CTR	43.45%	10.12%	46.43%	56.55%
School Board for the City of Norfolk Totals		33.17%	7.58%	59.25%	66.83%
October 2014 Totals		33.17%	7.58%	59.25%	66.83%

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, 2015**

Currently, Norfolk serves an average of 35,500 meals and 450 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	2015	2016	Budget 2014	Actual 2014	Budget 2015	Actual 2015	Budget 2016	Budget % Increase Over 2015
<b>Revenue</b>								
Sales			\$ 2,165,000	\$ 1,507,814	\$ 2,024,807	\$ 1,433,241	\$ 1,685,000	-16.78%
Federal and State Food Program Reimbursements			14,110,000	14,269,062	15,292,420	14,675,992	15,123,000	-1.11%
Federal Commodities Donated			830,000	1,330,495	996,000	1,409,789	1,200,000	20.48%
Interest Earnings			15,000	16,676	15,600	10,794	16,000	2.56%
Other			113,000	75,956	120,470	75,302	124,000	2.93%
<b>Total Revenue</b>			<b>17,233,000</b>	<b>17,200,003</b>	<b>18,449,297</b>	<b>17,605,118</b>	<b>18,148,000</b>	<b>-1.63%</b>
<b>Expenditures</b>								
Cost of Goods Sold			9,135,000	9,066,536	9,880,618	8,672,015	9,259,907	-6.28%
Employee Compensation	145.00	145.00	7,183,500	7,017,687	7,400,433	7,008,573	7,523,593	1.66%
Maintenance Costs			380,000	336,403	488,750	293,126	657,000	34.42%
Supplies and Materials			130,000	73,083	125,034	85,203	90,000	-28.02%
Cafeteria and Other Equipment			170,500	152,067	326,940	245,826	330,000	0.94%
Other Costs			234,000	233,290	227,522	434,761	287,500	26.36%
<b>Total Expenditures</b>	<b>145.00</b>	<b>145.00</b>	<b>17,233,000</b>	<b>16,879,066</b>	<b>18,449,297</b>	<b>16,739,504</b>	<b>18,148,000</b>	<b>-1.63%</b>
Excess of Revenues over Expenditures			-	320,937	-	865,614	-	
Fund Balance - Beginning of Year			5,998,527	5,998,527	6,319,464	6,319,464	7,185,078	
<b>Fund Balance - End of Year</b>			<b>\$ 5,998,527</b>	<b>\$ 6,319,464</b>	<b>\$ 6,319,464</b>	<b>\$ 7,185,078</b>	<b>\$ 7,185,078</b>	

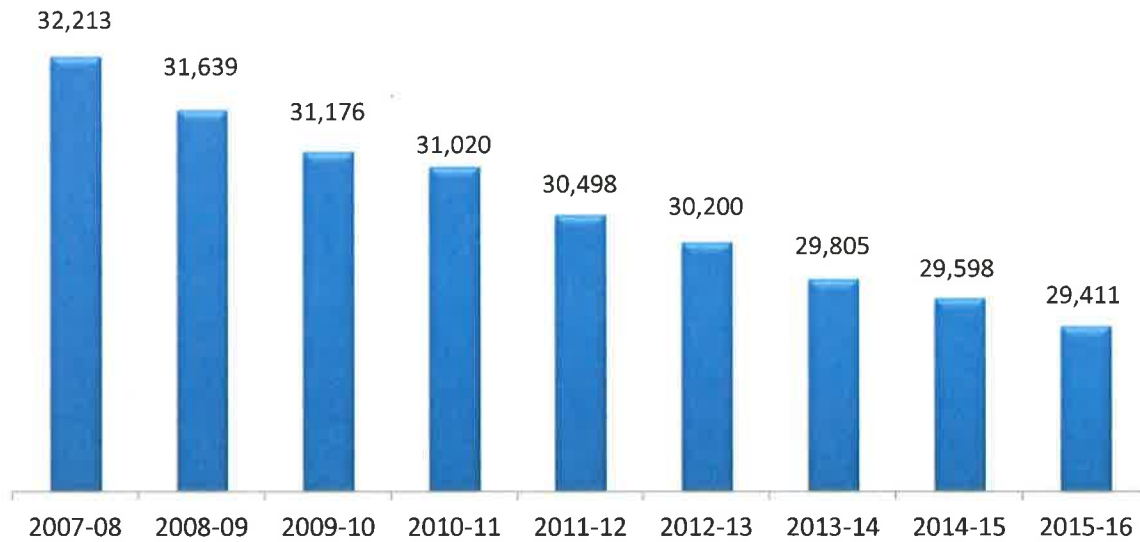
(UNAUDITED)

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Instructional Services	3,800.95	3,809.95	3,758.95	3,724.95	3,725.95	3,459.63	3,315.05	3,241.05	3,293.60	3,261.10
Central Administration	98.25	98.25	105.25	103.25	100.25	96	95	97	81	81
Student Attendance and Health Services	60	60	62	62	61	48	50	49	59.5	75.5
Pupil Transportation	306	306	306	306	305	284	281	278	271	271
Operations and Maintenance	471	471	471	479	478	415	409.5	401.5	401	401
Community Services (Jobs Bill)	0	0	1	1	1	0	0	0	0	0
Facility Improvements	0	0	0	0	0	0	0	0	0	0
Information Technology	109	110	109	109	76	63	61	64	63	63
Total Approved Positions General Fund Budget	4,845.20	4,855.20	4,813.20	4,785.20	4,747.20	4,365.63	4,211.55	4,130.55	4,169.10	4,152.60



### Adjusted March 31<sup>st</sup> ADM Reported to VDOE



NOTE: Since 2007-2008, Average Daily Membership (ADM) has decreased by 2,802 students or 8.7%.

School Year	Mar 31st Adjusted ADM	Variance
2015-16	29,411	-187
2014-15	29,598	-207
2013-14	29,805	-395
2012-13	30,200	-298
2011-12	30,498	-522
2010-11	31,020	-156
2009-10	31,176	-463
2008-09	31,639	-574
2007-08	32,213	-

NOTE: The enrollment projection listed above for FY 2015-2016 includes 58 additional students who returned to the District to attend the Open Campus Academy.

(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	
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	304,420,159	30,260	2,185	32,445	9,383
2014	311,188,133	29,805	2,259	32,064	9,705
2015	318,499,501	29,598	2,174	31,772	10,025

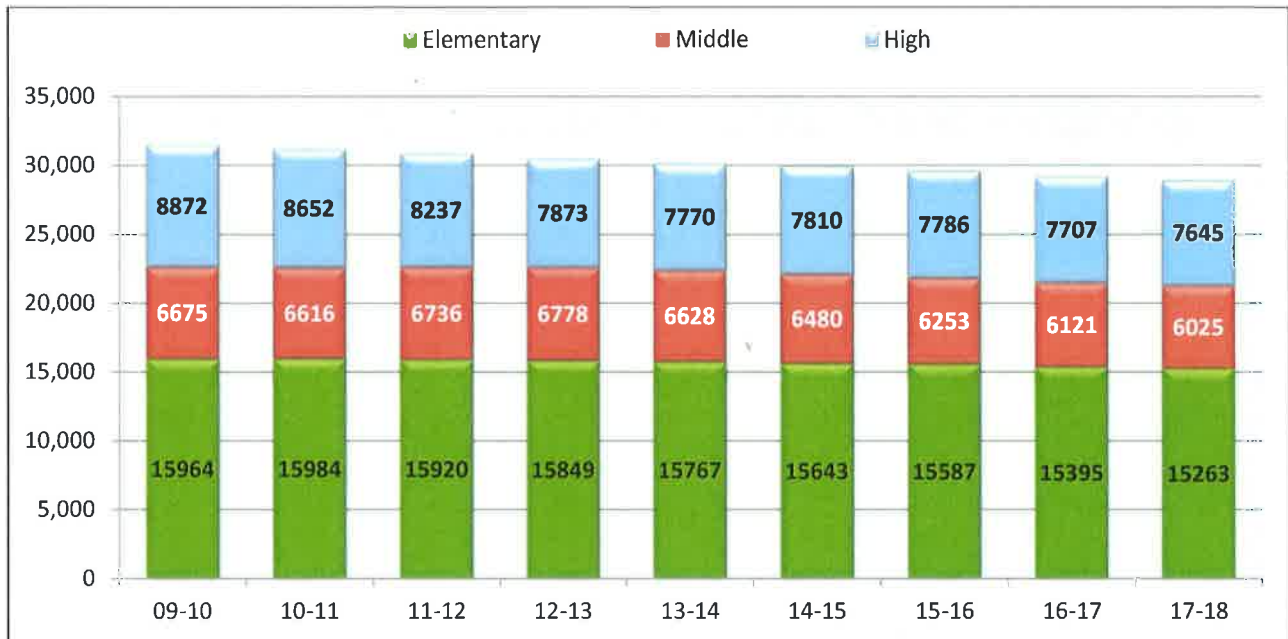
Notes:

(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 <sup>th</sup> ENROLLMENT
FY 2009	32,013	32,215
FY 2010	31,511	31,709
FY 2011	31,252	31,443
FY 2012	30,893	31,081
FY 2013	30,500	30,677
FY 2014	30,153	30,338
FY 2015	29,746	30,101
FY 2016	29,315	
FY 2017	28,846	
FY 2018	28,432	

### METHODOLOGY

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





**State Incentive to Reduce Class Size**

School Name	October 2012 Free Lunch Eligibility Rate	Required School-Wide Pupil-Teacher Ratio	Funded Per Pupil Amount	Largest Permitted Individual Class Size in the School	Projected September 30, 2015 Funded Fall Membership
BAY VIEW	43.85%	19:1	\$586	24	434.89
CAMP ALLEN	43.31%	19:1	\$586	24	282.43
CAMPOSTELLA	93.40%	14:1	\$1,730	19	433.91
CHESTERFIELD ACADEMY	77.33%	14:1	\$1,730	19	281.46
COLEMAN PLACE	70.50%	15:1	\$1,436	20	430.98
CROSSROADS	57.47%	17:1	\$958	22	482.78
FAIRLAWN	60.04%	17:1	\$958	22	252.14
GRANBY	58.97%	17:1	\$958	22	372.34
INGLESIDE	64.40%	17:1	\$958	22	291.23
JACOX	88.17%	14:1	\$1,730	19	433.91
JAMES MONROE	85.55%	14:1	\$1,730	19	249.21
LARRYMORE	52.10%	18:1	\$757	23	356.71
LINDENWOOD	85.59%	14:1	\$1,730	19	269.73
LITTLE CREEK	64.59%	17:1	\$958	22	541.41
MARY CALCOTT	34.49%	19:1	\$586	24	336.18
NORVIEW	74.94%	15:1	\$1,436	20	307.84
OCEAN VIEW	57.46%	17:1	\$958	22	356.71
OCEANAIR	60.28%	17:1	\$958	22	300.03
P.B. YOUNG SR.	93.76%	14:1	\$1,730	19	305.89
POPLAR HALLS	53.91%	18:1	\$757	23	178.84
RICHARD BOWLING	69.56%	16:1	\$1,180	21	280.48
SEWELLS POINT	36.89%	19:1	\$586	24	423.16
SHERWOOD FOREST	60.37%	17:1	\$958	22	358.66
ST. HELENA	79.06%	14:1	\$1,730	19	206.21
SUBURBAN PARK	67.29%	16:1	\$1,180	21	348.89
TANNERS CREEK	64.53%	17:1	\$958	22	456.39
TARRALLTON	34.60%	19:1	\$586	24	232.59
TIDEWATER PARK	91.70%	14:1	\$1,730	19	249.21
WILLARD MODEL	57.86%	17:1	\$958	22	406.55
WILLOUGHBY	32.47%	19:1	\$586	24	135.84

(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	Expenditures	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced-Price Meals
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%
2014	30,338	353,804,702	11,662	-2.13%	357,363,799	11,779	-3.33%	66.96%
2015	30,101	365,105,355	12,129	4.01%	368,751,971	12,250	4.00%	66.96%

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Schools</b>										
<b>Elementary (K - 8 &amp; Pre K - 8)</b>										
Buildings	35	35	35	35	35	35	33	33	33	33
Square feet	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,179,947	2,179,947	2,179,947	2,179,947
Capacity	20,550	20,550	20,550	20,550	20,550	20,550	19,758	19,758	19,758	19,758
Enrollment	16,720	16,576	16,437	16,379	16,199	16,220	16,152	16,143	16,098	16,038
<b>Middle</b>										
Buildings	9	9	9	9	9	8	8	8	8	7
Square feet	1,215,629	1,215,629	1,215,629	1,215,629	1,215,629	1,167,600	1,167,600	1,167,600	1,167,600	1,027,600
Capacity	10,074	10,074	10,074	10,074	10,074	9,487	9,487	9,487	9,487	9,487
Enrollment	8,255	7,841	7,225	6,649	6,552	6,481	6,597	6,577	6,377	6,159
<b>High</b>										
Buildings	5	5	5	5	5	5	5	5	5	5
Square feet	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566
Capacity	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Enrollment	9,048	9,129	9,224	9,187	8,958	8,742	8,332	7,957	7,863	7,904

**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 2015**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Age</b>	<b>Total Sqft. Bldgs. &amp; Mobiles</b>
Granby High	1939	292,294	25	0	1997-1998	17	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	41	263,000
Maury High	1910	265,000	9.8	0	1988	27	265,000
Norview High	2004	287,272	27	0		11	287,272
B. T. Washington High	1974	265,000	30	0		41	265,000
<b>High School Average Age:</b>						<b>27.40</b>	
Azalea Middle	1961	120,374	21.1	3		54	123,110
Blair Middle	1922	241,597	7.4	0	2007	8	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		24	140,000
Lake Taylor Middle	1965	118,926	20	6		50	124,398
Northside Middle	1956	122,675	14.5	0		59	122,675
Norview Middle	1995	152,000	19	0		20	152,000
Rosemont Middle	1959	126,028	18.5	0		56	126,028
Ruffner Middle	1994	146,000	10.52	0		21	146,000
<b>Middle School Average Age:</b>						<b>36.50</b>	
Bayview Elementary	1922	83,095	9.4	0	1999	16	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	62	62,149
Calcott Elementary	1952	65,100	12	2	1954	63	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	45	69,200
Campostella Elementary	1963	95,970	21.2	10		52	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	62	67,870
Coleman Place Elementary	2007	96,818	9.2	0		8	96,818
Crossroads Elementary	2012	146,923	12	0		4	146,923
Fairlawn Elementary	1959	58,500	16.4	11	1961	56	68,532
Ghent Elementary	1978	60,800	13	3		37	63,536
Granby Elementary	1948	82,081	9	0	1989	67	82,081
Ingleside Elementary	1954	58,500	16	6		61	63,972
Jacox Elementary	1949	79,200	11.7	4		66	82,848
Larchmont Elementary	1929	47,300	23	0	1977	86	47,300
Larrymore Elementary	1957	77,325	13	0	1964	58	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	62	61,284
Little Creek Elementary	1954	56,795	17	5		61	61,355
Little Creek Primary*	1957	44,500		1		58	45,412
Monroe Elementary	1990	64,000	12.8	0		25	64,000
Norview Elementary	1952	57,640	14.2	14	1953	63	70,408
Oakwood Elementary*	1952	40,000	8.2	2	1961	63	41,824
Ocean View Elementary	1939	56,150	20.5	2		76	57,974
Oceanair Elementary	1956	62,470	17.7	8		59	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	56	47,136
J.J. Roberts Elementary*	1964	40,355	6.6	4		51	44,003
St. Helena Elementary	1966	36,074	13.2	2		49	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	49	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	58	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	60	61,980
Tanners Creek Elementary	1990	83,000	9	0		25	83,000
Tarralton Elementary	1964	46,300	15.2	3		51	49,036
Taylor Elementary	1998	54,786	2.8	0		17	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		51	44,235
Willard Elementary	1952	80,925	14.9	0	1990	63	80,925
Willoughby Elementary	1967	58,400	12	0		48	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		61	55,325
<b>Elementary School Average Age:</b>						<b>51.36</b>	

**School Board of the City of Norfolk**  
**(A Component Unit of the City of Norfolk, Virginia)**  
**Facilities Information on Schools**  
**As of 2015**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Age</b>	<b>Total Sqft. Bldgs. &amp; Mobiles</b>
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	62	46,453
Camp Young	1946	27,398	30	0		69	27,398
Easton Preschool	1959	37,500	11.7	0	1961	56	37,500
Madison Career Center	1919	75,501	3	0	1921	96	75,501
Norfolk Technical Center	1968	125,938	29.5	0		47	125,938
Open Campus	1959	13,280	2.2	2		56	15,104
Bellmore	1968	77,028	3.9	1		47	77,940
Transportation	1995	24,689	9.9	1		20	25,601
<b>Other Average Age:</b>						<b>56.63</b>	
Total Mobiles				129			
Average Age of all Buildings				47.77			
Total Number of Acres				811.42			
Total Number of Square Feet				5,270,755			
Total Square feet including mobiles				5,379,459			

Total Square footage column include Building plus Mobiles as of 10 November 2011

Age of original structure is different for buildings that have renovations

\*School buildings not in use during the fiscal year

*Source of data: Norfolk Public Schools Facilities Management*

(UNAUDITED)

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

	2006	2007	2008	2009	2010	2011	2012 restated	2013 restated	2014 restated	2015*
Governmental activities:										
Net investment in capital assets										
Restricted	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 429,850
Unrestricted	6,605	6,731	6,890	64,397	120,974	6,744	11,081	11,111	22,062	40,051
	96,705	127,479	90,917	63,013	76,365	5,347	25,832	22,593	10,416	(247,780)
Subtotal governmental activities net position	494,702	467,198	422,980	379,538	353,293	336,667	332,119	353,254	370,415	222,121
Business-type activities:										
Net investment in capital assets										
Restricted	259,198	268,503	241,203	237,307	229,693	267,107	270,913	275,195	259,371	266,206
Unrestricted	-	2,526	2,506	39,306	40,056	12,928	12,928	13,244	32,495	29,610
	43,383	34,373	72,387	43,921	63,316	62,458	72,063	78,631	92,918	100,988
Subtotal business-type activities net position	302,581	305,402	316,096	320,534	333,065	342,493	355,904	367,070	384,784	396,804
Primary government:										
Net investment in capital assets										
Restricted	650,590	601,491	566,376	489,435	385,647	591,683	566,119	594,745	597,308	696,056
Unrestricted	6,605	9,257	9,396	103,703	161,030	19,672	24,009	24,355	54,557	69,661
	140,088	161,852	163,304	106,934	139,681	67,805	97,895	101,224	103,334	(146,792)
Total primary government net position	\$ 797,283	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 720,324	\$ 755,199	\$ 618,925

Note: Restatements are due to implementation of new accounting pronouncements.

\* GASB 68 was implemented effective July 1, 2014. Prior years were not restated.

## (UNAUDITED)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Program Revenue</b>										
Governmental activities:										
Charges for services										
General government	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152
Judicial administration	200	778	931	935	3,501	3,629	3,690	3,717	3,142	2,938
Public safety	13,041	2,708	2,307	2,797	5,627	7,942	8,424	10,154	7,613	7,563
Public works	10,121	24,181	27,156	26,999	35,451	36,990	50,597	38,890	37,769	41,821
Health and public assistance	134	101	166	134	83	82	50	5,349	5,597	5,577
Culture and recreation	6,198	6,126	6,710	6,232	9,224	10,101	9,751	10,297	9,685	8,948
Community development	1,063	907	760	1,539	2,259	1,479	1,807	2,368	1,960	2,557
Capital grant contributions	-	-	-	16,933	7,175	-	765	15,000	15,933	1,000
Operating grants and contributions	116,827	115,779	112,960	112,419	127,865	116,548	119,353	131,719	120,713	125,802
<b>Total governmental activities program revenue</b>	<b>148,814</b>	<b>153,030</b>	<b>153,159</b>	<b>169,788</b>	<b>204,141</b>	<b>195,401</b>	<b>203,878</b>	<b>226,413</b>	<b>206,561</b>	<b>203,358</b>
Business-type activities:										
Charges for Services										
Water utility	74,218	69,816	74,240	74,454	78,983	80,573	78,148	76,584	79,097	82,996
Wastewater utility	22,375	22,314	24,917	23,125	23,815	24,362	24,798	25,469	27,119	28,144
Parking facilities	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,413	19,520
Capital grants and contributions	78	731	219	504	366	130	187	-	2,761	3,005
<b>Total business-type activities program revenues</b>	<b>117,582</b>	<b>114,460</b>	<b>119,801</b>	<b>118,131</b>	<b>121,949</b>	<b>124,747</b>	<b>122,585</b>	<b>121,215</b>	<b>129,390</b>	<b>133,665</b>
<b>Total primary government program revenues</b>	<b>266,396</b>	<b>267,490</b>	<b>272,960</b>	<b>287,919</b>	<b>326,090</b>	<b>320,148</b>	<b>326,463</b>	<b>347,628</b>	<b>335,951</b>	<b>337,023</b>
<b>Expenses</b>										
Governmental activities:										
General government	94,763	113,279	113,142	111,629	112,874	103,550	109,188	119,764	122,656	126,959
Judicial administration	42,494	46,944	48,593	52,209	52,020	49,980	51,102	51,654	55,062	49,056
Public safety	105,705	111,803	126,609	120,703	130,263	129,721	129,138	125,270	125,122	119,913
Public works	109,907	119,176	118,888	134,274	132,176	101,137	91,542	71,324	66,909	81,171
Health and public assistance	91,443	93,775	95,234	93,495	91,923	82,368	75,428	90,993	90,919	86,776
Culture and recreation	44,933	52,965	56,890	63,438	73,342	64,352	63,499	56,039	56,499	58,443
Community development	14,930	14,772	15,345	10,867	15,429	18,638	17,223	16,158	12,622	13,040
Education	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287	108,467	117,722
Interest on long-term debt	19,565	19,618	21,457	23,788	26,014	27,931	28,822	28,249	25,187	22,080
<b>Total government activities expenses:</b>	<b>617,335</b>	<b>669,927</b>	<b>697,253</b>	<b>714,914</b>	<b>735,052</b>	<b>682,188</b>	<b>668,454</b>	<b>668,738</b>	<b>664,443</b>	<b>675,140</b>
Business-type activities:										
Water utility	62,009	60,511	64,877	66,990	64,316	67,952	64,473	61,358	61,609	59,455
Wastewater utility	15,448	17,377	18,614	21,227	18,983	19,707	18,806	19,983	20,128	19,142
Parking facilities	18,356	18,861	21,539	19,036	20,008	22,050	20,469	20,961	23,677	20,045
<b>Total business-type activities expenses</b>	<b>95,813</b>	<b>96,749</b>	<b>105,030</b>	<b>107,253</b>	<b>103,307</b>	<b>109,609</b>	<b>103,748</b>	<b>102,302</b>	<b>105,414</b>	<b>98,642</b>
<b>Total primary government expenses</b>	<b>713,148</b>	<b>766,676</b>	<b>802,283</b>	<b>822,167</b>	<b>838,359</b>	<b>791,797</b>	<b>772,202</b>	<b>771,040</b>	<b>769,857</b>	<b>773,782</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	(488,521)	(516,997)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(442,325)	(457,862)	(471,782)
Business-type activities	21,769	17,711	14,771	10,878	18,642	15,138	18,837	18,913	23,976	35,023
<b>Total primary government net expense</b>	<b>\$ (446,752)</b>	<b>\$ (499,186)</b>	<b>\$ (529,323)</b>	<b>\$ (534,248)</b>	<b>\$ (512,269)</b>	<b>\$ (471,649)</b>	<b>\$ (445,739)</b>	<b>\$ (423,412)</b>	<b>\$ (433,906)</b>	<b>\$ (436,759)</b>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenue and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490
Consumption utility	43,337	42,586	46,582	44,142	44,053	48,360	43,588	43,211	43,055	42,961
Sales and use	30,652	32,402	31,791	29,484	28,249	28,411	27,599	29,707	29,436	29,981
Restaurant food	27,277	28,578	28,758	28,079	27,292	24,094	30,300	30,818	31,127	32,634
Business licenses	24,412	25,268	26,343	27,692	26,009	25,849	28,667	29,301	29,889	28,640
Cigarette	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926	7,409	7,821
Motor vehicle licenses	3,576	3,529	3,498	4,005	4,308	4,318	4,210	4,210	3,966	3,953
Other	21,544	19,800	18,025	17,192	16,528	15,698	18,665	18,124	16,618	18,280
Interest and investment earnings	7,306	6,536	5,307	2,789	892	1,065	916	563	793	164
Grants and contributions not restricted to specific programs	68,133	66,524	69,352	60,513	32,892	32,642	32,726	33,539	33,788	33,793
Miscellaneous	15,851	4,845	11,881	9,600	5,637	5,901	4,653	11,501	14,563	11,916
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	11,868	10,988	10,212	10,215	13,054	10,052	10,087	10,114	10,052	10,033
<b>Total governmental activities</b>	<b>481,811</b>	<b>489,393</b>	<b>499,876</b>	<b>501,684</b>	<b>502,816</b>	<b>470,161</b>	<b>455,055</b>	<b>467,093</b>	<b>475,043</b>	<b>483,666</b>
<b>Business-type activities:</b>										
Interest and investment earnings	3,161	2,739	3,046	925	618	511	314	234	496	111
Grants and contributions not restricted to specific programs	-	333	-	-	148	557	371	1,626	219	214
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042	3,162	2,506
Gain (Loss) on disposal of assets	-	(6)	-	-	2,744	(157)	26	9	(88)	(3)
Transfers between governmental and business-type activities	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)
<b>Total business-type activities</b>	<b>(4,796)</b>	<b>(4,368)</b>	<b>(4,078)</b>	<b>(6,440)</b>	<b>(6,112)</b>	<b>(5,710)</b>	<b>(5,425)</b>	<b>(4,203)</b>	<b>(6,263)</b>	<b>(7,205)</b>
<b>Total primary governmental activities</b>	<b>477,015</b>	<b>485,025</b>	<b>495,798</b>	<b>495,244</b>	<b>496,704</b>	<b>464,451</b>	<b>449,630</b>	<b>462,890</b>	<b>468,780</b>	<b>476,461</b>
<b>Change in Net Position</b>										
Governmental activities	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,884
Business-type activities	16,973	13,343	10,693	4,438	12,530	9,428	13,412	15,814	17,713	27,818
<b>Total Primary Government changes in net position</b>	<b>\$ 30,263</b>	<b>\$ (14,161)</b>	<b>\$ (33,525)</b>	<b>\$ (39,004)</b>	<b>\$ (15,565)</b>	<b>\$ (7,198)</b>	<b>\$ 3,891</b>	<b>\$ 41,299</b>	<b>\$ 34,874</b>	<b>\$ 39,702</b>



## (UNAUDITED)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General fund:</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	330	300	265	2,100
Committed	-	-	-	-	-	395	3,000	3,000	3,000	4,000
Assigned	-	-	-	-	-	1,899	34,839	33,919	23,901	25,904
Unassigned	-	-	-	-	-	38,014	54,338	54,055	58,100	65,580
Reserved <sup>(1)</sup>	16,057	17,223	11,669	7,842	8,296	55,968	-	-	-	-
Unreserved <sup>(1)</sup>	66,619	71,056	56,302	50,784	53,840	-	-	-	-	-
<b>Total general fund</b>	<b>82,676</b>	<b>88,279</b>	<b>67,971</b>	<b>58,626</b>	<b>62,136</b>	<b>96,281</b>	<b>92,507</b>	<b>91,274</b>	<b>85,266</b>	<b>97,584</b>
<b>Capital projects fund:</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	41,063	95,053	-	10,933	-
Committed	-	-	-	-	-	11,978	14,376	13,637	14,480	14,704
Assigned	-	-	-	-	-	26,307	15,345	7,339	4,052	-
Unassigned	-	-	-	-	-	-	-	-	-	(84,624)
Reserved <sup>(1)</sup>	20,885	48,894	57,186	50,987	60,696	-	-	-	-	-
Unreserved <sup>(1)</sup>	-	15,424	64,504	25,939	86,260	-	-	-	-	-
<b>Total capital projects fund</b>	<b>20,885</b>	<b>64,318</b>	<b>121,690</b>	<b>76,926</b>	<b>146,956</b>	<b>79,348</b>	<b>124,774</b>	<b>20,976</b>	<b>29,465</b>	<b>(69,920)</b>
<b>All other governmental funds:</b>										
Nonspendable	-	-	-	-	-	22	23	24	-	-
Restricted	-	-	-	-	-	2,621	9,474	10,811	10,864	8,385
Committed	-	-	-	-	-	11,259	3,246	2,454	5,050	2,764
Assigned	-	-	-	-	-	9,877	13,569	20,708	22,144	17,843
Unassigned	-	-	-	-	-	-	-	-	(1,556)	(2,913)
Reserved <sup>(1)</sup>	19,075	20,123	30,716	27,049	34,634	-	-	-	-	-
Unreserved <sup>(1)</sup>	17,131	24,211	13,987	12,535	14,008	-	-	-	-	-
<b>Total other governmental funds</b>	<b>36,206</b>	<b>44,334</b>	<b>44,703</b>	<b>39,584</b>	<b>48,642</b>	<b>23,779</b>	<b>26,312</b>	<b>33,997</b>	<b>36,502</b>	<b>26,079</b>
<b>Total fund balance, governmental funds</b>	<b>\$ 139,767</b>	<b>\$ 196,931</b>	<b>\$ 234,364</b>	<b>\$ 175,136</b>	<b>\$ 257,734</b>	<b>\$ 199,408</b>	<b>\$ 243,593</b>	<b>\$ 146,247</b>	<b>\$ 151,233</b>	<b>\$ 53,743</b>

Note:

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

(UNAUDITED)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue:										
General property taxes	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433
Other local taxes	157,616	159,119	162,573	157,927	153,886	153,615	161,234	163,297	161,499	164,270
Licenses and permits	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098	3,089	3,013
Fines and forfeitures	1,461	1,605	1,317	1,260	1,164	1,298	1,108	1,102	1,242	1,264
Use of money and property	10,498	11,105	10,560	8,332	6,746	7,169	6,695	6,539	6,329	9,668
Charges for services	33,772	37,071	40,159	40,345	50,540	47,955	47,859	56,077	60,040	59,983
Miscellaneous	33,494	11,691	17,923	12,911	18,080	14,950	11,643	26,178	29,133	10,142
Recovered costs <sup>(1)</sup>	12,667	8,408	8,622	8,952	9,503	10,723	10,312	11,396	-	-
Intergovernmental	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148	153,782	158,840
Total revenues	614,141	625,106	643,361	635,516	652,848	647,055	656,914	676,194	672,093	669,613
Expenditures:										
Current										
General government	92,062	102,031	110,974	102,426	97,061	80,855	100,504	112,804	109,292	110,904
Judicial administration	41,795	45,173	47,331	50,347	48,726	47,535	48,233	50,920	51,673	51,360
Public safety	105,634	108,565	116,208	118,073	115,488	115,975	116,296	117,427	113,394	112,055
Public works	46,959	49,161	60,370	56,146	59,574	70,124	62,330	54,427	55,267	61,369
Health and public assistance	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413	88,671	85,631
Culture and recreation	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153	48,705	48,765
Community development	13,552	11,158	10,745	9,899	16,565	16,565	15,142	15,128	12,482	12,303
Education	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287	111,854	117,722
Debt Service:										
Principal retirement	37,660	35,872	40,260	48,092	46,052	50,865	57,683	50,559	48,135	49,255
Interest and other charges	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668	28,682	26,896
Debt Issuance Costs									1,127	680
Capital outlay	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580	100,709	103,113
Total expenditures	675,221	702,861	767,688	761,948	743,145	718,258	749,812	790,366	767,991	780,053
(Deficiency) of revenues (under) expenditures	(61,080)	(77,755)	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)	(114,172)	(95,898)	(110,440)
Other financing surces (uses):										
Proceeds of refunding bonds	-	15,480	-	16,000	-	84,136	74,859	-	73,428	74,094
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-	1,000	811
Cost of Issuance	-	-	-	-	-	-	-	-	1,127	-
Proceeds of debt (general obligation bonds and notes)	-	121,705	145,663	55,280	156,208	2,821	109,835	-	77,930	-
Premium to refunded bonds escrow agent	-	(15,480)	-	(16,000)	-	(84,136)	(74,859)	-	(79,964)	(81,267)
Premium on bonds issued	-	2,070	5,785	1,707	3,633	505	15,311	-	17,081	7,530
Miscellaneous	(122)	66	62	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	-	-	-	-	-	2,700	1,966	-	-
Operating transfers in	97,185	89,254	109,901	105,641	104,007	104,873	107,136	112,121	107,633	102,604
Operating transfers (out)	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)
Total other financing sources (uses)	10,921	134,919	161,758	67,203	172,895	12,867	137,083	12,081	102,011	12,201
Net change in fund balances	\$ (50,159)	\$ 57,164	\$ 37,431	\$ (59,229)	\$ 82,598	\$ (58,326)	\$ 44,185	\$ (102,091)	\$ 6,113	\$ (98,239)
Debt service as a percentage of noncapital expenditures	9.67%	9.01%	9.13%	10.40%	9.69%	12.19%	12.27%	11.57%	11.22%	11.27%

Note:

1. Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement.

## (UNAUDITED)

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739
Judicial administration	19,605	27,904	28,707	23,173	26,461	27,069	27,880	29,479	28,537	23,113
Public safety	20,674	8,137	5,244	11,036	7,459	12,335	14,217	15,980	11,116	14,226
Public works	30,438	44,769	47,407	48,156	55,542	61,552	77,436	68,326	63,124	76,359
Health and public assistance	39,930	42,261	40,567	41,695	62,585	52,280	51,654	62,657	62,224	57,059
Culture and recreation	9,603	9,655	10,359	9,148	23,976	10,330	11,573	26,284	25,837	9,947
Community development	3,762	3,690	3,168	20,538	7,532	10,040	8,538	10,266	7,626	7,498
Interest on Long-term debt	-	-	-	-	849	-	2,115	2,587	3,021	2,417
Total governmental activities	148,814	153,030	153,159	169,788	204,140	195,401	203,879	226,412	206,562	203,358
Business-type activities:										
Water utility	74,277	70,411	74,416	74,958	79,349	80,703	78,335	76,585	81,757	85,925
Wastewater utility	22,394	22,450	24,960	23,125	23,815	24,362	24,798	25,469	27,219	28,144
Parking facilities	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,414	19,596
Total business-type activities	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,216	129,390	133,665
Total primary government	\$ 266,396	\$ 267,490	\$ 272,960	\$ 287,919	\$ 326,089	\$ 320,148	\$ 326,464	\$ 347,628	\$ 335,952	\$ 337,023

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs <sup>(1)</sup>	Inter-Governmental	Totals
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
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	NA	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	NA	158,840	669,613
Change 2006-2015	35.8%	9.2%	-14.9%	-28.3%	-5.5%	105.9%	-46.5%	NA	8.0%	17.8%

**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds <sup>(2)</sup>**  
**Schedule 7**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
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
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
Change 2006-2015	-0.9%	-2.2%	19.6%	17.3%	14.7%	10.5%	-15.1%	4.2%

## Notes:

- Beginning in 2014, recovered costs are classified as the appropriate revenue or expense reimbursement
  - Presents additional details on Other Local Taxes presented in schedule 6 above.
- NA - Not Available

(UNAUDITED)

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

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
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
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353

## 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.18	0.18	0.18	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.35	1.27	1.11	1.11	1.11	1.11	1.11	1.11	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.55	1.45	1.25	1.23	1.19	1.19	1.21	1.22	1.22	1.22

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

As determined by the City Assessor	100%	100%	100%	100%	96%	100%	100%	98%	100%	100%
As determined by the Commonwealth's Department of Taxation	76%	76%	93%	96%	N/A	100%	100%	99%	100%	99%

## 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 2006 through 2015.
3. The most recent Virginia Assessment/Sales ratio study is for 2015.
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	2006			2015		
	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	\$ 146,231,554	2	1.15%	\$ 310,508,696	1	1.64%
Norfolk Western Railway Company	75,454,011	7	0.59%	198,408,924	2	1.06%
MacArthur Shopping Center LLC	156,945,800	3	1.24%	180,366,200	3	0.96%
Ford Motor Company	81,347,300	5	0.64%			
Bank of America	75,884,300	6	0.60%			
Cox Virginia Telecom	53,031,839	10	0.42%			
Real Estate Foundation				116,806,100	4	0.62%
Norfolk Southern				93,590,800	5	0.50%
Verizon Virginia, Inc.	131,139,260	3	1.03%	84,861,347	6	0.45%
Virginia Natural Gas, Inc.				72,856,378	7	0.39%
Taubman Co.	139,582,300	3	1.10%			0.00%
Dominion Enterprises				61,618,200	9	0.33%
Wells Fargo				70,561,700	8	0.38%
Military Circle Ltd. Partnership	65,249,400	8	0.51%	58,948,000	10	0.31%
Total	<u>\$ 859,616,364</u>		<u>6.77%</u>	<u>\$ 1,189,578,345</u>		<u>6.33%</u>
Total Assessed Value	\$ 12,691,527,668			\$ 18,734,201,726		

Note:

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

(UNAUDITED)

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

Tax Year	Original Tax Levy	Adjusted Tax Levy <sup>(1)</sup>	Current Collections	Percentage of Current Collections to Tax Levy <sup>(2)</sup>	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy <sup>(2)</sup>
2006	\$ 227,796	\$ 202,862	\$ 197,669	97.44%	\$ 5,146	\$ 202,815	99.98%
2007	254,703	230,114	219,993	95.60%	10,100	230,093	99.99%
2008	258,016	243,383	220,253	90.50%	23,083	243,336	99.98%
2009	261,535	251,996	233,725	92.75%	16,565	250,290	99.32%
2010	258,544	257,886	239,192	92.75%	16,876	256,068	99.30%
2011	254,756	253,595	235,518	92.87%	16,331	251,849	99.31%
2012	247,528	247,854	233,396	94.17%	12,408	245,804	99.17%
2013	244,309	244,148	229,872	94.15%	10,933	240,805	98.63%
2014	254,008	255,529	240,481	94.11%	10,816	251,297	98.34%
2015	256,040	259,480	245,803	94.73%	-	245,803	94.73%

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. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2015 were \$259,983,000 of which \$14,180,000 are for prior years and are included under the column entitled "Delinquent Collections."

(UNAUDITED)

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

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
<b>Governmental Activities</b>							
2006	\$ 397,306	\$ 239	\$ -	\$ 397,545	\$ 1,659	5.41%	1.24
2007	484,782	227	-	469,725	1,930	5.97%	0.99
2008	590,712	2,000	-	592,712	2,457	7.32%	0.71
2009	587,743	1,000	-	588,743	2,441	7.09%	0.64
2010	699,748	1,812	-	701,560	2,902	8.46%	0.50
2011	651,755	1,208	-	652,963	2,689	7.72%	0.52
2012	717,407	-	-	717,407	2,940	8.07%	0.46
2013	664,909	-	-	664,909	2,705	7.25%	0.53
2014	718,937	-	-	718,937	2,918	7.82%	0.49
2015	665,809	1,000	-	666,809	N/A	N/A	0.33
<b>Business Type Activities</b>							
2006	\$ 92,871	\$ -	\$ 364,535	\$ 467,258	\$ 1,952	5.89%	0.65
2007	107,752	-	355,841	463,593	1,916	5.59%	0.66
2008	125,363	-	413,213	538,576	2,217	6.32%	0.59
2009	159,902	-	410,377	570,279	2,338	6.85%	0.56
2010	201,701	-	403,485	605,186	2,492	7.06%	0.55
2011	189,782	-	445,687	635,469	2,605	7.10%	0.54
2012	193,729	-	439,410	633,139	2,576	6.63%	0.56
2013	184,119	-	486,832	670,951	2,726	6.99%	0.55
2014	259,717	-	410,401	670,118	2,720	7.29%	0.55
2015	247,490	-	443,911	691,401	N/A	N/A	0.57
<b>Total Primary Governmental Activities</b>							
2006	\$ 490,177	\$ 239	\$ 364,535	\$ 864,803	\$ 3,613	10.90%	0.91
2007	592,534	227	355,841	933,318	3,858	11.25%	0.85
2008	716,075	2,000	413,213	1,131,288	4,656	13.28%	0.68
2009	747,645	1,000	410,377	1,159,022	4,751	13.92%	0.64
2010	901,449	1,812	403,485	1,306,746	5,382	15.25%	0.54
2011	841,537	1,208	445,687	1,288,432	5,281	14.40%	0.53
2012	911,136	-	439,410	1,350,546	5,494	14.15%	0.50
2013	849,028	-	486,832	1,335,860	5,427	13.91%	0.51
2014	978,654	-	410,401	1,389,055	5,638	15.11%	0.52
2015	913,299	1,000	443,911	1,358,210	N/A	N/A	0.53

N/A - not available

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



(UNAUDITED)

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

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
2006	\$ 490,177	\$ 92,871	\$ 397,306	\$ 14,663,411	239,355	2.71%	1,660
2007	592,534	107,752	484,782	17,619,217	241,941	2.75%	2,004
2008	716,075	125,363	590,712	20,578,641	242,983	2.87%	2,431
2009	747,645	159,902	587,743	21,308,309	243,957	2.76%	2,409
2010	901,449	201,701	699,748	21,777,754	242,803	3.21%	2,882
2011	841,537	189,782	651,755	21,383,674	243,985	3.05%	2,671
2012	911,136	193,729	717,407	20,529,023	245,803	3.49%	2,919
2013	849,028	184,119	664,909	20,093,307	246,392	3.31%	2,699
2014	978,654	259,717	718,937	19,788,842	246,394	3.63%	2,918
2015	914,299	247,490	665,809	20,892,353	N/A	3.19%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2005 through 2009 and 2011 through 2013 population estimates is the Weldon Cooper Center for Public Service, University of Virginia and the U.S. Census Bureau. The source for the 2010 population estimate is the U.S. Census Bureau.

N/A - not available

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 3**  
**Computation of Direct Bonded Debt**  
**June 30, 2015**

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 914,299	100%	\$ 914,299

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 government since they are located outside of any county boundaries.

## (UNAUDITED)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assessed value of taxed real property	\$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	\$18,421,412,121	\$18,734,201,726
Debt Limit -10% of total assessed valuation	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	1,842,141,212	1,873,420,173
Net debt applicable to debt limitation	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379
Legal Debt Margin	\$ 790,685,305	\$ 970,386,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622	\$ 1,013,926,798	\$ 929,440,869	\$ 959,120,794
Net Debt percentage of debt limitation	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%	49.55%	48.80%

## (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 <sup>(1)</sup>	Operating Expenses Less Depreciation & Amortization <sup>(2)</sup>	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08
2015	85,403,384	36,882,803	51,550,516	7,805,000	13,905,866	21,710,866	2.37

## 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 Five Fiscal Years**

Fiscal Year	Revenue Available for Debt Service <sup>(1)</sup>	Operating Expenses Less Depreciation & Amortization <sup>(2)</sup>	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 24,122,430	\$ 11,168,344	\$ 12,954,086	\$ 425,000	\$ -	\$ 425,000	30.48
2011	24,856,689	11,375,370	13,481,319	850,000	-	850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,734,628	17,507,093	2,490,000	-	2,490,000	7.03

## Notes:

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

(UNAUDITED)

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

Fiscal Year	Principal on Serial Bonds	Redemption of Other		Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
		Long-Term Debt	Debt					
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%
2014	48,400,297	-		28,682,414	-	77,082,711	588,506,007	13.10%
2015	49,212,914	-		26,896,108	-	76,109,022	593,478,745	12.82%

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

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2005	239,650	\$ 7,346,427	\$ 30,655	96,113	5.1
2006	243,406	7,861,702	32,299	95,709	4.3
2007	241,248	8,094,455	33,552	99,742	4.1
2008	241,201	8,302,452	34,421	100,847	5.3
2009	241,725	8,291,931	34,303	98,751	8.5
2010	242,803	8,458,384	34,816	112,449	8.8
2011	243,985	8,889,173	36,472	113,035	8.4
2012	245,803	9,167,589	37,244	113,029	7.6
2013	246,392	9,192,498	37,477	113,001	6.9
2014	246,394	9,439,861	38,463	112,971	6.4

Notes:

1. Population from the Weldon Cooper Center for Public Service, University of Virginia and U.S. Census Bureau. Population data was not available for 2015
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2015.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2015.
4. All information on an average annual calendar year.

(UNAUDITED)

(UNAUDITED)

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

Employer	Rank	
	2006	2015
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City Public Schools	2	3
City of Norfolk	4	4
Old Dominion University	5	5
Children's Hospital of the King's Daughters	6	6
Norshipco		7
Eastern Virginia Medical School	10	8
Norfolk State University	9	9
U.S. Navy Exchange		10
United States Postal Service	8	
Ford Motor Company	7	
Total Employment	95,175	133,080

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2015 is the quarter ended March 2015, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

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

<u>Year</u>	Residential Construction			Non-Residential Construction		
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)	
2006	531	1,058	\$ 133,053	60	\$ 165,989	
2007	389	491	68,476	55	81,396	
2008	277	815	101,212	35	102,714	
2009	209	535	35,878	38	138,131	
2010	191	621	58,729	35	104,922	
2011	221	479	37,298	27	40,073	
2012	268	371	39,360	26	116,401	
2013	384	822	63,728	28	105,635	
2014	432	1,393	93,072	33	37,575	
2015	399	711	59,018	36	233,824	

**Notes:**

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



(UNAUDITED)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Goods-Producing Industries:										
Construction	6.0	6.0	6.2	5.9	5.0	4.7	4.4	4.1	3.8	3.8
Manufacturing	9.6	8.7	7.9	7.1	7.1	6.8	6.5	6.8	6.7	6.1
Service-Providing Industries:										
Wholesale trade	5.1	5.1	5.1	4.7	4.3	4.1	3.9	3.7	3.5	3.5
Retail trade	14.1	14.4	14.7	14.1	12.9	12.8	12.9	12.6	12.8	12.7
Transportation and warehousing	9.9	9.3	9.4	9.6	8.8	8.8	8.8	9.0	8.8	8.8
Information	3.9	3.5	3.7	3.5	3.0	2.7	2.5	2.9	2.9	2.8
Finance and insurance	6.7	6.0	6.6	6.6	6.1	5.4	5.5	5.3	5.3	5.6
Real estate and rental and leasing	2.8	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.7	2.6
Professional and technical services	10.1	10.2	10.7	11.4	11.7	11.6	11.5	11.0	11.4	11.0
Management of companies and enterprises	3.7	2.7	2.5	2.6	2.3	2.1	2.0	2.0	1.9	1.8
Administrative, support and waste services	7.5	7.4	7.4	7.6	6.6	6.6	7.4	6.8	7.6	7.7
Educational services	15.2	15.5	15.6	15.8	16.1	16.1	15.9	16.0	16.1	15.9
Health care and social assistance	19.6	20.1	20.6	21.2	20.7	21.0	21.9	22.4	22.4	21.8
Arts, entertainment and recreation	2.3	2.4	2.4	2.5	2.3	2.2	2.3	2.3	2.3	2.3
Accommodation and food services	10.9	11.1	10.7	10.5	10.3	10.3	10.9	10.9	10.6	10.5
Public administration	12.1	12.2	12.1	13.5	14.1	13.9	14.2	14.4	12.7	12.4
Other services	4.3	4.1	4.0	3.9	3.8	3.8	4.0	4.1	4.2	4.3
Total (adjusted for rounding)	144.6	142.4	143.1	144.0	138.7	136.3	138.0	137.8	136.4	134.4

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 2005 - 2014 as calendar year. Calendar year data not available for 2015.

## COMPLIANCE SECTION

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KPMG LLP  
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Norfolk, VA 23510

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

The Members

School Board of the City of Norfolk, Virginia:

We have audited, 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, 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 June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated December 18, 2015, which included a paragraph emphasizing that in fiscal year 2015, the School Board adopted the new accounting guidance described in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended June 30, 2015, we considered the School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

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

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



### **Compliance and Other Matters**

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

### **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 result of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control or 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 18, 2015