

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, 2014

Prepared by the Accounting Department



Norfolk Public Schools
The cornerstone of a proudly diverse community

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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, 2014

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, 2014
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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INTRODUCTORY SECTION

School Board for the City of Norfolk

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. Samuel T. King
Superintendent

Members of Norfolk City Council

Mr. Paul D. Fraim
Mayor

Ms. Angelia M. Williams
Vice Mayor

Ms. Alveta V. Green
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, 2013

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, 2013*

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

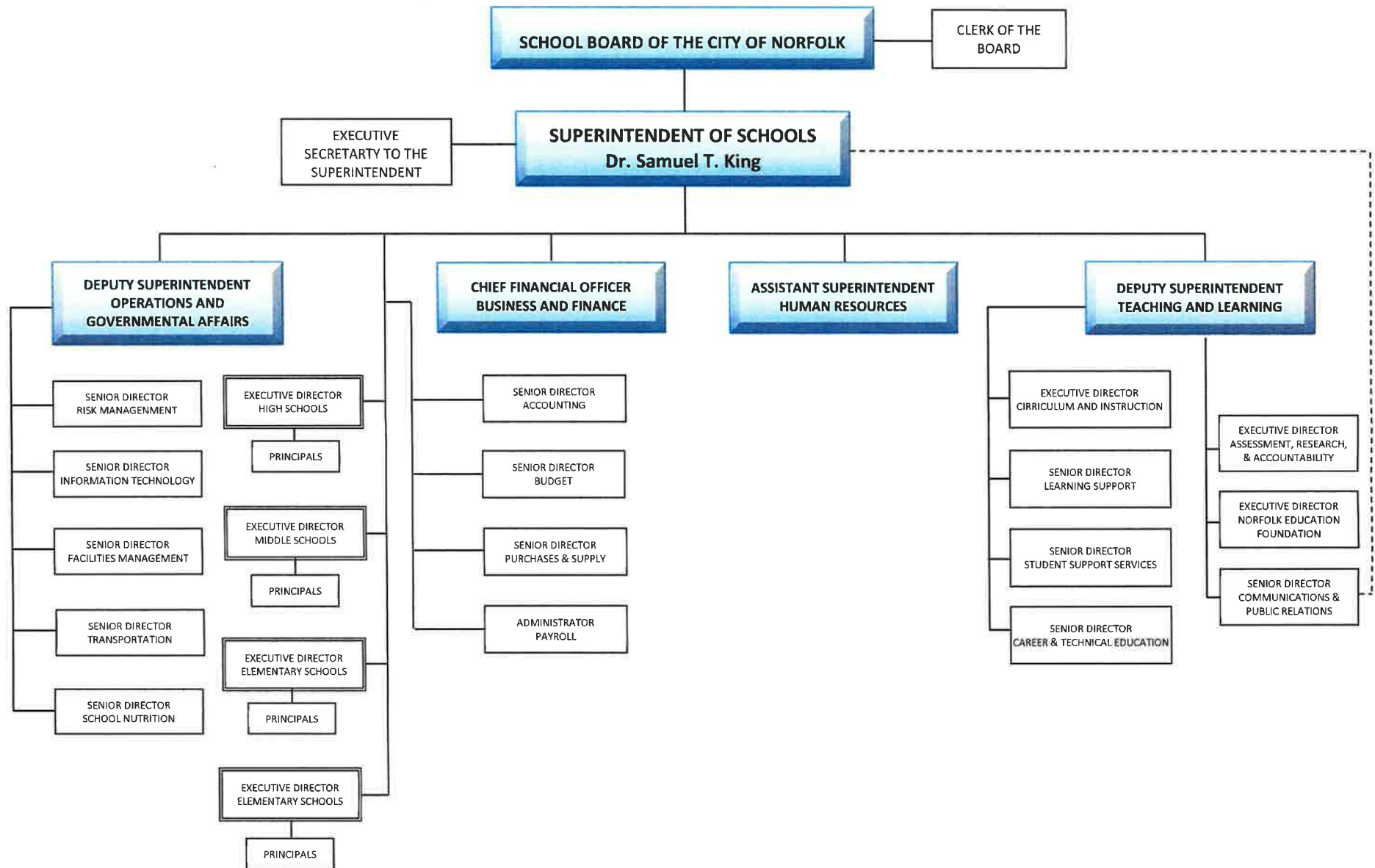


A handwritten signature in black ink, reading 'Terrie S. Simmons', is written over a horizontal line.

Terrie S. Simmons, RSBA, CSBO
President

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

John D. Musso, CAE, RSBA
Executive Director





Norfolk Public Schools

Quality Teaching and Learning for All: ALL Means ALL

Mission

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

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

Strategies

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



January 20, 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, 2014. 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, 2014, 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 2014 and provided a full range of educational services appropriate to grades K-12, including regular and enriched academic education, early childhood education, special education for handicapped children, vocational/technical education, and programs for those with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics. The School Board is considered a component unit of the City of Norfolk.

ECONOMIC OUTLOOK

The City of Norfolk, Virginia has a population of approximately 245,000 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 138,691 employees in their workforce. Major industries include manufacturing, construction, retail, finance, and the military, to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine. USA Today called Norfolk one of the top ten booming downtowns, recognizing decades of housing, retail, and financial boom. In addition, the City is home to the Virginia Opera, the Virginia Stage Company, and the Virginia Symphony.

The public school system is comprised of 31 elementary schools, 2 K-8 schools, 8 middle schools, 5 high schools, and 5 auxiliary schools. The auxiliary schools provide education for vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$48,929 per year. City funding for the School Board is 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 2014 budget year, the Commonwealth of Virginia funds 58% and the City of Norfolk funds 37% percent of the operating budget for the School Board. The remaining 5% is funded through Federal (1%) and other (4%) 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 its contributions to the School Board. After the School Board makes required adjustments, they adopt an amended budget. The Superintendent is authorized to make expenditures and commitments of funds as approved by the Board in the adopted annual budget in accordance with the Board’s policies and applicable state and federal regulations and laws.

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

Financial Highlights

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

- NPS had enough resources to cover its expenses;
- NPS continues to rely on tax resources to fund its activities, which primarily are instructional;
- NPS did not need to use all of the carryforward funds budgeted in fiscal year 2014; 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.

While the School Division will continue to operate within a balanced budget, funding for FY2015-16 will likely reflect minimal to no growth given the slow rate of economic recovery. However, the demands of increased student achievement and teacher performance will require very strategic resource allocation decisions to ensure increased efficiency and effectiveness.

Independent Audit

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

Single Audit Act

The School Board is required to undergo an annual single audit as part of the City in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal control and compliance with applicable laws regulations, contracts and grants, and a schedule of findings and questioned costs, if any, are included in the Comprehensive Annual Financial Report of the City of Norfolk.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. 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.

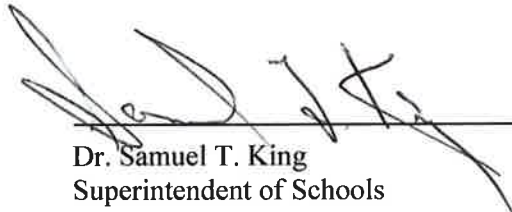
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 2013.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Dr. Samuel T. King
Superintendent of Schools



Dr. Michael E Thornton
Chief Financial Officer

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, VA:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2014, 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 School Board of the City of Norfolk, Virginia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board of the City of Norfolk, Virginia's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia as of and for the year ended June 30, 2014, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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
January 20, 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, 2014**

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, 2014. 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 \$312.0 million, grant budget of \$32.1 million, capital improvement budget of \$3.0 million, and Child Nutrition Services budget of \$17.2 million. In general, the financial operations of the School Board have weathered uncertain financial times with generally positive financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2014**

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- On the government-wide financial statements:
 - Total net position decreased from \$14.5 million at June 30, 2013 to \$8.2 million at June 30, 2014, a decrease of approximately \$6.3 million, or 43.7%. The decrease is the result of expenses exceeding revenue in the fiscal year primarily due to reductions in federal revenue.
 - Total revenues decreased from \$377.2 million in 2013 to \$354.7 million at June 30, 2014, a decrease of approximately \$22.5 million, or 6.0%. The decrease is primarily due to a decrease in federal revenue as a result of reduced funding experienced in some of the School Board's larger federal grants as well as some grants coming to an end in fiscal year 2014. Additionally, there were no major construction projects occurring in fiscal year 2014 for which the School Board would be reimbursed.
 - Total expenses decreased \$12.3 million on the Statement of Net Activities from \$373.3 million in fiscal year 2013 to \$361.0 million in fiscal year 2014, or 3.3%. The largest dollar decrease occurred in the area of instruction due to personnel vacancies. School Facilities also decreased as a result of no major construction projects occurring in fiscal year 2014.
- On the fund financial statements:
 - In the General Fund, the ending fund balance decreased from \$19.5 million at June 30, 2013 to \$15.7 million at June 30, 2014.
 - In the General Fund, total encumbrances were \$5.9 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**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, 2014**

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

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

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

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

Financial Analysis of the School Board as a Whole

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2014

Summary of Net Position
(Thousands of dollars)

	Governmental Activities			
	2014	2013	Difference	% Change
Current assets	\$ 63,146	\$ 73,412	\$ (10,266)	-14.0%
Capital assets, net	12,874	14,406	(1,532)	-10.6%
Total assets	76,020	87,818	(11,798)	-13.4%
Liabilities:				
Current	46,940	54,342	(7,402)	-13.6%
Non-current	20,901	18,960	1,941	10.2%
Total liabilities	67,841	73,302	(5,461)	-7.5%
Net Position:				
Invested in capital assets	12,874	14,406	(1,532)	-10.6%
Restricted	2,339	1,920	419	21.8%
Unrestricted (deficit)	(7,034)	(1,810)	(5,224)	288.6%
Total net position	\$ 8,179	\$ 14,516	\$ (6,337)	-43.7%

- **Total assets** had an overall decrease of 13.4% due primarily to a decrease in current assets, specifically cash and cash equivalents as well as a decrease in capital assets as no major capital assets were acquired in fiscal year 2014.
- **Total liabilities** decreased \$5.5 million or 7.5% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, and Other Post Employment Benefits (OPEB) for the School Board. Current liabilities decreased \$7.4 million from \$54.3 million in 2013 to \$46.9 million at June 30, 2014 with the largest decrease 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. Non-current liabilities totaled \$19.0 million in fiscal year 2013 and \$20.9 million in fiscal year 2014. The increase was primarily due to an increase in the unfunded employer's contribution for OPEB as determined by our most recent actuarial study as well as an increase in the workers' compensation liability as determined by our most recent actuarial study.
- **Total net position** decreased \$6.3 million or 43.7% when compared to the prior fiscal year. Net position totaled \$14.5 million at June 30, 2013 and \$8.2 million at June 30, 2014. Invested in capital assets, net decreased \$1.5 million, or 10.6%, over the prior fiscal year. This net decrease primarily represents \$1.3 million in additions net of

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disposals and \$2.8 million in current year depreciation expense. Restricted net assets increased as result of equity increases in both grants and capital projects funds.

Statement of Net Activities

(Thousands of dollars)

	Governmental Activities			
	2014	2013	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 3,562	\$ 4,349	\$ (787)	-18.1%
Operating grants and contributions	203,139	224,467	(21,328)	-9.5%
Capital grants and contributions	3,700	8,207	(4,507)	-54.9%
Total Program Revenues	210,401	237,023	(26,622)	-11.2%
General Revenues:				
Use of money and property and other	1,718	1,497	221	14.8%
Local government	111,854	107,187	4,667	4.4%
Commonwealth of Virginia	30,702	31,463	(761)	-2.4%
Total General Revenues	144,274	140,147	4,127	2.9%
Total Revenues	354,675	377,170	(22,495)	-6.0%
Expenses:				
Instruction	265,740	272,338	(6,598)	-2.4%
Support Services:				
Administration, Attendance and Health	15,962	16,138	(176)	-1.1%
Pupil Transportation	12,162	13,668	(1,506)	-11.0%
Operation and Maintenance	34,703	34,551	152	0.4%
Information Technology	11,239	10,373	866	8.3%
School Facilities	3,735	9,160	(5,425)	-59.2%
Food Services	17,227	16,821	406	2.4%
Community Services	244	250	(6)	-2.4%
Total Expenses	361,012	373,299	(12,287)	-3.3%
Change in Net Position	(6,337)	3,871	(10,208)	-263.7%
Beginning Net Position	14,516	10,645	3,871	36.4%
Ending Net Position	\$ 8,179	\$ 14,516	\$ (6,337)	-43.7%

- **Total revenues** decreased \$22.5 million or 6.0%. Local revenue support from the City increased \$4.7 million or 4.4% for ongoing operating support. Capital grants and contributions decreased \$4.5 million or 54.9%, due to the completion of a major construction contract at the end of fiscal year 2013. Operating grants and contributions decreased \$21.3 million or 9.5% primarily due to a decrease in federal revenue as a result of reduced funding experienced in some of the School Board's larger federal grants (e.g.,

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Title I) as well as some grants coming to an end in fiscal year 2014 (i.e., School Improvement ARRA, Early Reading First, etc). Additionally, there were no major construction projects occurring in fiscal year 2014 for which the School Board would be reimbursed.

- **Total expenses** decreased \$12.3 million primarily due to decreased spending for instruction as a result of personnel vacancies. Additionally, there were decreases in pupil transportation due to fewer school buses being purchased in fiscal year 2014 versus fiscal year 2013. There were decreases in spending for school facilities with the completion of the new Crossroads School primarily occurring in 2012 with some overlap in fiscal year 2013. Overall expenses decreased 3.3% in fiscal year 2014 over balances in fiscal year 2013.

Capital Assets

At June 30, 2014, the School Board had an investment of \$12.9 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 \$1.5 million or 10.6% between fiscal year 2013 and 2014.

Change in Capital Assets
(Thousands of dollars)

	Governmental Activities			
	June 30, 2014	June 30, 2013	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Total Non-Depreciable Assets	\$ 488	\$ 488	\$ -	0.0%
Other Capital Assets:				
Mobile Classrooms	6,559	5,378	1,181	22.0%
Equipment and Vehicles	35,449	37,235	(1,786)	-4.8%
Intangible Assets	982	982	-	
Total Other Capital Assets	\$ 42,990	\$ 43,595	\$ (605)	-1.4%
Total Capital Assets	\$ 43,478	\$ 44,083	\$ (605)	-1.4%
Less: Accumulated Depreciation	(30,604)	(29,677)	(927)	3.1%
Total Capital Assets, Net	\$ 12,874	\$ 14,406	\$ (1,532)	-10.6%

The \$12.9 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Position (Exhibit I).

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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, 2014, the School Board had \$28.3 million in long-term obligations compared to \$26.2 million for fiscal year 2013. This resulted in an 8.1% increase in long-term obligations, which is comprised of compensated absences, workers' compensation, claims liability, pollution remediation and OPEB liability. 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, 2013	Additions	Retirements	June 30, 2014	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,255	\$ 9,960	\$ (9,781)	\$ 9,434	\$ 179	1.9%
Workers' Compensation	2,774	1,474	(502)	3,746	972	35.0%
Claims Liability	46	137	(132)	51	5	10.9%
Pollution Remediation	-	-	-	-	-	0.0%
Other Post Employment Benefits	14,092	4,343	(3,382)	15,053	961	6.8%
Total Long-Term Obligations	\$ 26,167	\$ 15,914	\$ (13,797)	\$ 28,284	\$ 2,117	8.1%

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

OVERVIEW OF FUND FINANCIAL STATEMENTS

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

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Governmental Funds

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

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

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

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

The School Board adopts an appropriated budget for all of its major and nonmajor governmental funds and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Schedule 2 within Required Supplementary Information for the General Fund to demonstrate compliance with the annual budget. General Fund budgetary highlights for the 2014 fiscal year include:

- Inflows of resources were \$3.9 million less than budgeted. This is primarily due to Construction Technology and Infrastructure (CTI) funding in the amount of \$3.3 million not being used during fiscal year 2014. These funds were re-appropriated in fiscal year 2015.
- Outflows of resources were \$10.8 million less than budgeted. The majority of the variance is attributed to the areas of Instruction and School Facilities. Instruction expenditures are \$6.3 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 2014.

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As of June 30, 2014, the School Board's governmental funds reported combined fund balances of \$23.6 million, a decrease of \$2.7 million, in comparison to the prior fiscal year. In the General Fund, unassigned fund balance was \$3.4 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 \$5.9 million that was appropriated by the Norfolk City Council as a funding source for the fiscal year 2015 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, 2014, the fund balance of the General Fund was \$15.7 million. The fund has nonspendable, and assigned fund balances that total \$12.3 million.

General Fund Revenues

Revenues for the General fund totaled \$301.2 million for fiscal year 2014, which was approximately \$6.4 million or 2.1% lower than the revenues received in fiscal year 2013. 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)

	2014 Amount	2014 Percent of Total	2013 Amount	2013 Percent of Total	Increase (Decrease) From 2012	% Increase (Decrease) 2012
Local government	\$ 112,814	37.4%	\$ 109,287	35.5%	\$ 3,527	3.2%
Commonwealth of Virginia	179,182	59.5%	188,174	61.2%	(8,992)	-4.8%
Federal government	6,474	2.1%	6,509	2.1%	(35)	-0.5%
Other revenues	2,769	0.9%	3,698	1.2%	(929)	-25.1%
Total	\$ 301,239	100.0%	\$ 307,668	100.0%	\$ (6,429)	-2.1%

The largest source of revenues is from the Local Government and the Commonwealth of Virginia. The Commonwealth of Virginia revenue includes funding for basic school aid, reimbursement of a portion of teachers' fringe benefits, salary support, remedial and vocational education, class size and at-risk initiatives, gifted and talented, special education, special

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educational regional programs and other purposes. The decrease in Commonwealth of Virginia funding reflects the recognition of revenue deferred from fiscal year 2012 to fiscal year 2013.

General Fund Expenditures

General Fund expenditures were \$305.1 million for fiscal year 2014, which represents no significant change when comparing to fiscal year 2013. 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.

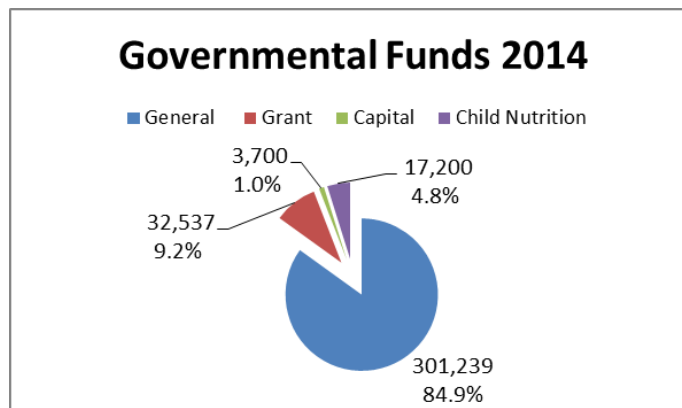
*General Fund Expenditures
(Thousands of Dollars)*

	2014 Amount	2014 Percent of Total	2013 Amount	2013 Percent of Total	Increase/ (Decrease) From 2013	Percent Increase/ Decrease From 2013
Instruction	\$ 230,795	75.6%	\$ 228,629	75.0%	\$ 2,166	0.9%
Support Services:						
Administration, Attendance and Health	15,288	5.0%	15,829	5.2%	(541)	-3.4%
Pupil Transportation	12,995	4.3%	13,435	4.4%	(440)	-3.3%
Operation and Maintenance	33,928	11.1%	34,410	11.3%	(482)	-1.4%
Information Technology	10,587	3.5%	10,202	3.3%	385	3.8%
School Facilities	1,490	0.5%	2,138	0.7%	(648)	-30.3%
Community Services	-	0.0%	9	0.0%	(9)	-100.0%
Subtotal - Support Services	74,288	24.4%	76,023	25.0%	(1,735)	-2.3%
Total - Instruction and Support Services	\$ 305,083	100.0%	\$ 304,652	100.0%	\$ 431	0.1%

There were increases in instruction and information technology offset by decreases in the other functional 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 9.2% of the overall funding for the School Board. The funds are received from Federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.



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During fiscal year 2014, the School Board received \$32.5 million in grant funding. The Federal Government provided 83.7% or \$27.2 million in revenue for the year. The Commonwealth of Virginia provided 13.5% or \$4.4 million while private donors provided 2.8% or \$0.9 million of the resources received. The School Board expended \$32.0 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 \$3.4 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 2014.

In May 2013, the City Council appropriated construction funds for fiscal year 2014 to fund ongoing building improvements to various school buildings of \$3.0 million.

Fiduciary Funds

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

The School Board's Fiduciary funds 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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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 nonprofessional 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 2014, the School Board adopted a balanced budget for fiscal year 2015 that reflected appropriations of \$317.6 million for the General Fund, or an increase of \$5.7 million from the fiscal year 2014 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 2015.

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 - \$5.9 million
- Increase in Regular City Appropriation - \$2.1 million
- Construction Technology and Infrastructure (CTI) funding - \$3.4 million
- Re-appropriation of fiscal year 2014 CTI funding - \$3.0 million
- Increase in Federal funding - \$0.7 million

Expenditure assumptions included:

- A net increase of 32 teaching and support positions added
- A net increase of 5 school nurse positions added
- A general wage increase of 2.0% for all employees
- An increase in employer provided health care costs of 4.0%
- Increase in Virginia Retirement System rates

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YEAR ENDED JUNE 30, 2014**

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.

In fiscal year 2015, the School Board will adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*. 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 will require any net pension liability to be recorded as a liability in our financial statements. While this statement will have no impact on the School Board's governmental fund financial statements, it will have a significant impact on the School Board's government-wide financial statements. The School Board's net pension liability was estimated to be approximately \$400 million as of June 30, 2013.

REQUESTS FOR INFORMATION

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

Exhibit I

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 1)	\$ 25,380,914
Accounts receivable	1,539,221
Due from primary government	3,523,610
Due from the Federal government	13,988,754
Due from the Commonwealth of Virginia	17,717,051
Inventories	996,070
Total current assets	<u>63,145,620</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment, vehicles and intangibles, net of accumulated depreciation and amortization	<u>12,386,745</u>
Total capital assets, net	<u>12,874,245</u>
Total assets	<u><u>\$ 76,019,865</u></u>
LIABILITIES	
Current Liabilities:	
Vouchers payable	\$ 9,031,328
Retainage payable	66,719
Payroll Withholding	3,720,618
Accrued Payroll	22,653,304
Unearned revenue	169,409
Due to other agencies	3,774,788
Other payables	140,770
Long-term liabilities - current portion (Note 2)	<u>7,383,158</u>
Total current liabilities	46,940,094
Non-current Liabilities (Note 2)	<u>20,901,083</u>
Total liabilities	<u><u>\$ 67,841,177</u></u>
NET POSITION	
Invested in capital assets	\$ 12,874,245
Restricted for:	
Capital Projects	1,127,561
Grants	1,210,809
Unrestricted (deficit)	<u>(7,033,927)</u>
Total net position	<u><u>\$ 8,178,688</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)
Statement of Activities
For the Year Ended, June 30, 2014

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 265,739,832	\$ 2,054,557	\$ 186,579,436	\$ -	\$ (77,105,839)
Administration, Attendance, and Health	15,962,429	-	-	-	(15,962,429)
Pupil Transportation	12,161,735	-	960,000	-	(11,201,735)
Operation and Maintenance	34,703,345	-	-	-	(34,703,345)
Information Technology	11,239,049	-	-	-	(11,239,049)
School Facilities	3,735,672	-	-	3,699,610	(36,062)
Food Services	17,227,258	1,507,814	15,599,557	-	(119,887)
Community Services	243,811	-	-	-	(243,811)
Total	<u>\$ 361,013,131</u>	<u>\$ 3,562,371</u>	<u>\$ 203,138,993</u>	<u>\$ 3,699,610</u>	<u>(150,612,157)</u>
Unrestricted Revenues:					
Use of money and property					806,015
Other					912,408
Unrestricted Intergovernmental Revenues:					
Local government					111,854,400
Commonwealth of Virginia					30,701,766
Total					<u>144,274,589</u>
Change in net position					(6,337,568)
Net position-beginning					14,516,256
Net position-ending					<u>\$ 8,178,688</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)
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
ASSETS					
Cash and investments	\$ 22,095,470	\$ -	\$ -	\$ 3,285,444	\$ 25,380,914
Accounts receivable	1,403,519	58,492	-	77,210	1,539,221
Due from other funds	6,697,175	-	-	2,368,661	9,065,836
Due from the primary government	-	-	3,523,610	-	3,523,610
Due from the Federal government	3,337,216	9,823,374	-	828,164	13,988,754
Due from the Commonwealth of Virginia	16,041,107	1,657,823	-	18,121	17,717,051
Inventories	398,387	-	-	597,683	996,070
Total assets	<u>\$ 49,972,874</u>	<u>\$ 11,539,689</u>	<u>\$ 3,523,610</u>	<u>\$ 7,175,283</u>	<u>\$ 72,211,456</u>
LIABILITIES					
Vouchers payable	\$ 6,367,765	\$ 1,380,119	\$ 816,327	\$ 467,117	\$ 9,031,328
Retainage payable	-	-	66,719	-	66,719
Payroll withholdings	3,720,618	-	-	-	3,720,618
Accrued payroll	20,268,581	1,996,021	-	388,702	22,653,304
Due to other agencies	3,774,788	-	-	-	3,774,788
Due to other funds	-	7,552,833	1,513,003	-	9,065,836
Unearned revenue	-	169,409	-	-	169,409
Other payables	140,770	-	-	-	140,770
Total liabilities	<u>34,272,522</u>	<u>11,098,382</u>	<u>2,396,049</u>	<u>855,819</u>	<u>48,622,772</u>
FUND BALANCES					
Nonspendable:					
Inventories	398,387	-	-	597,683	996,070
Restricted for:					
Food Services	-	-	-	5,721,781	5,721,781
Grants		1,210,809			
Committed to:					-
School Facilities	-	-	2,543,440	-	2,543,440
Assigned to:					
Instruction	2,460,423	-	-	-	2,460,423
Administration, Attendance and Health	342,869	-	-	-	342,869
Pupil Transportation	449,893	-	-	-	449,893
Operation and Maintenance	1,062,277	-	-	-	1,062,277
Information Technology	1,104,384	-	-	-	1,104,384
School Facilities	526,693	-	-	-	526,693
Funding Sources for 2015	5,944,513	-	-	-	5,944,513
Unassigned (deficit):	3,410,913	(769,502)	(1,415,879)	-	1,225,532
Total fund balances (deficit)	<u>15,700,352</u>	<u>441,307</u>	<u>1,127,561</u>	<u>6,319,464</u>	<u>23,588,684</u>
Total liabilities and fund balances	<u>\$ 49,972,874</u>	<u>\$ 11,539,689</u>	<u>\$ 3,523,610</u>	<u>\$ 7,175,283</u>	<u>\$ 72,211,456</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, 2014**

Fund balances--total governmental funds \$ 23,588,684

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. 12,874,245

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

Compensated Absences	(9,433,777)
Workers Compensation	(3,746,044)
Claims Liability	(51,094)
Other Post Employment Benefits	(15,053,326)

Net Position of Governmental Activities	<u>\$ 8,178,688</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, 2014

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 713,383	\$ -	\$ -	\$ 92,632	\$ 806,015
Charges for services	2,054,557	-	-	1,507,814	3,562,371
Other	-	912,408	-	-	912,408
Intergovernmental:					
Local government	112,814,400	-	3,699,610	-	116,514,010
Commonwealth of Virginia	179,182,243	4,394,481	-	369,713	183,946,437
Federal government	6,474,260	27,230,218	-	15,229,844	48,934,322
Total revenues	<u>301,238,843</u>	<u>32,537,107</u>	<u>3,699,610</u>	<u>17,200,003</u>	<u>354,675,563</u>
EXPENDITURES					
Current:					
Instruction	230,795,115	30,562,040	-	-	261,357,155
Administration, Attendance, and Health	15,288,384	93,494	-	-	15,381,878
Pupil Transportation	12,995,058	-	-	-	12,995,058
Operation and Maintenance	33,927,665	279,796	-	-	34,207,461
Information Technology	10,587,095	605,427	-	-	11,192,522
School Facilities	1,318,214	-	-	-	1,318,214
Food Services	-	231,019	-	16,879,066	17,110,085
Community Services	-	242,329	-	-	242,329
Intergovernmental for Debt Service:					
School Facilities	171,915	-	-	-	171,915
Capital Outlay:					
School Facilities	-	-	3,387,182	-	3,387,182
Total expenditures	<u>305,083,446</u>	<u>32,014,105</u>	<u>3,387,182</u>	<u>16,879,066</u>	<u>357,363,799</u>
Excess of revenues over expenditures	<u>(3,844,603)</u>	<u>523,002</u>	<u>312,428</u>	<u>320,937</u>	<u>(2,688,236)</u>
Net change in fund balance	(3,844,603)	523,002	312,428	320,937	(2,688,236)
Fund balances (deficit)--beginning	<u>19,544,955</u>	<u>(81,695)</u>	<u>815,133</u>	<u>5,998,527</u>	<u>26,276,920</u>
Fund balances (deficit)--ending	<u>\$ 15,700,352</u>	<u>\$ 441,307</u>	<u>\$ 1,127,561</u>	<u>\$ 6,319,464</u>	<u>\$ 23,588,684</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, 2014**

Net change in fund balances--total governmental funds

Amounts reported for governmental activities in the Statement of Activities are
different because: \$ (2,688,236)

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

Capital acquisitions	2,787,060	
Depreciation expense & loss on disposal of capital assets	<u>(4,318,787)</u>	(1,531,727)

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		(179,206)
Workers Compensation		(972,321)
Claims Liability		(4,910)
Other Post Employment Benefits		(961,168)
Change in Net Position of Governmental Activities		<u><u>\$ (6,337,568)</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
For the Year Ended June 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 10,602,521
Receivables from others	<u>4,231,418</u>
 Total assets	 <u><u>\$ 14,833,939</u></u>
 LIABILITIES	
Amounts held for others	<u>\$ 14,833,939</u>
 Total liabilities	 <u><u>\$ 14,833,939</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, 2014**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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 2014.

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.

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

**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, 2014**

of operations. The Agency Funds of the School Board are funds held for School Activity Funds and fiscal agencies (Governor's School for the Arts and Southeastern Cooperative Educational Programs). See Note 4.

C. Basis of Accounting and Measurement Focus

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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 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.

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YEAR ENDED JUNE 30, 2014**

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

E. Upcoming GASB Pronouncements

GASB Statement No. 68, *Financial Reporting for Pensions*, was issued to improve the accounting and financial reporting by state and local government pensions. The standard will change the accounting perspective from a funding basis to reporting pension liability and expense as employees earn their pension benefits by providing services. Along with GASB Statement 67, *Financial reporting for Pension Plans*, the standard will require the use of a prescriptive method to calculate the discount rate which is expected to increase the total respective liability and decrease the funded status of the pension plan. The City will adopt this pronouncement in the fiscal year ending June 30, 2015. See Note 6.A for additional information on the pension plan.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, was issued to address an issue regarding application of transition provisions of GASB Statement No. 68. The issue relates to any contributions made by a state or local government to a defined benefit pension plan after the measurement date of the government's net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City will adopt this pronouncement in the fiscal year ending June 30, 2015.

F. Subsequent Events

On November 4, 2014, Norfolk voters passed a referendum for School Board members to be elected rather than be appointed by City Council. School Board election could occur as early as 2016.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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, 2014, the carrying amount of cash deposits for the School Board was \$22,730,435. This amount includes agency funds of \$10,602,521.

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, 2014, the School Board has investments of approximately \$13,253,000 in an AAA rated money market mutual fund. The School Board pools money from several funds to facilitate disbursement and investment and to maximize overnight investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Custodial Credit Risk - All deposits of the School Board are held in designated official depositories and are collateralized in accordance with the Virginia Security for Public Deposits Act (“the Act”), Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the Federal Depository Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool’s collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks.

Interest Rate and Foreign Currency Risk – Interest rate risk represents the risk governments are exposed to as a result of changes in interest rates for their debt investments. Interest rate risk is reduced by investing operating funds primarily in shorter-term securities. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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 2014.

INVENTORIES

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

The Child Nutrition Fund’s inventories also include United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$597,683 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 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 market value on the date donated. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful life are capitalized.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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

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

**SCHOOL BOARD OF THE CITY OF NORFOLK
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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.

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, 2014, the Child Nutrition Fund had purchase order commitments approximating \$385,027. 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 \$2,543,440 at June 30, 2014 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, 2014. Encumbrances for Grants Funds were approximately \$1,210,809 as of June 30, 2014, 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, 2014.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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, 2014 is as follows:

	Due From		Due to
	(Receivables)		(Payables)
Major Funds:			
General Fund	\$ 6,697,175	\$	-
Grants Fund	-		7,552,833
Capital Projects	-		1,513,003
Non-Major Funds:			
Child Nutrition Fund	2,368,661		-
	<u>\$ 9,065,836</u>	\$	<u>9,065,836</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.

**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, 2014**

B. Capital Assets

Changes in Capital Assets

	Capital Assets				Capital Assets
	June 30, 2013	Additions	Deletions	Transfers	June 30, 2014
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	5,377,982	1,181,608	-	-	6,559,590
Equipment and vehicles	37,235,247	1,605,452	(3,391,361)	-	35,449,338
Intangible assets	981,770	-	-	-	981,770
Total capital assets, being depreciated	43,594,999	2,787,060	(3,391,361)	-	42,990,698
Less accumulated depreciation for:					
Mobile Classrooms	(3,228,099)	(286,784)	-	-	(3,514,883)
Equipment and vehicles	(26,252,074)	(2,328,766)	1,884,478	-	(26,696,362)
Intangible assets	(196,354)	(196,354)	-	-	(392,708)
Total accumulated depreciation	(29,676,527)	(2,811,904)	1,884,478	-	(30,603,953)
Total capital assets being depreciated, net	13,918,472	(24,844)	(1,506,883)	-	12,386,745
Total capital assets, net	\$ 14,405,972	\$ (24,844)	\$ (1,506,883)	\$ -	12,874,245

Depreciation expense by function for the year ended June 30, 2014 follows:

Instruction	\$ 1,277,478
Administration, Attendance, and Health	420,658
Pupil Transportation	473,702
Operation and Maintenance	360,195
Information Technology	121,762
School Facilities	59,076
Food Services	99,033
Total	<u>\$ 2,811,904</u>

**SCHOOL BOARD OF THE CITY OF NORFOLK
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

C. Long-Term Obligations

The following is a summary of the changes in long-term obligations for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Long-Term Obligations:					
Compensated absences	\$ 9,254,571	\$ 9,960,644	\$ (9,781,438)	\$ 9,433,777	\$ 7,033,777
Workers' compensation	2,773,723	1,474,360	(502,039)	3,746,044	318,515
Claims liability	46,184	136,695	(131,785)	51,094	30,866
Other post employment benefits	14,092,158	4,342,609	(3,381,441)	15,053,326	-
Total Long-Term Obligations	<u>\$ 26,166,636</u>	<u>\$ 15,914,308</u>	<u>\$ (13,796,703)</u>	<u>\$ 28,284,241</u>	<u>\$ 7,383,158</u>

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2014, is a named defendant in various lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

B. Intergovernmental Grants

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

C. Pollution Remediation

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

**SCHOOL BOARD OF THE CITY OF NORFOLK
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

Note 4. Joint Ventures

A. Southeastern Cooperative Educational Programs

The Southeastern Cooperative Educational Programs (“SECEP”) is a public body established in accordance with the *Code of Virginia*, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$6,018,161 to SECEP during the fiscal year ended June 30, 2014. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

B. The Governor’s School for the Arts

The Governor’s School for the Arts (Governor’s School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor’s School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor’s School can be obtained from the Governor’s School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$222,966 to the Governor’s School during the fiscal year ended June 30, 2014. The School Board is the fiscal agent for Governor’s School and the assets it holds for the Governor’s School are included in Agency Funds.

Note 5. Self-Insurance Program

The School Board is self-insured for a portion of its risks. This self-insurance is for workers’ compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2014 was \$2,142,058. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014, workers' compensation and claims liability totaling \$3,797,138 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, 2014:

	June 30, 2014	
	Workers'	Claims'
	Compensation	Liability
Balance, beginning of year	\$ 2,773,723	\$ 46,184
Claims and other changes	1,474,360	136,695
Employer payments	(502,039)	(131,785)
Balance, end of year	<u>\$ 3,746,044</u>	<u>\$ 51,094</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 and paid a total of \$28.6 million in premiums to the fund in the fiscal year ended June 30, 2014 for active employees which consisted of \$24.1 million in employer contributions and \$4.5 million in employee contributions. Approximately \$1.5 million is owed to the fund as of June 30, 2014 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.

**SCHOOL BOARD OF THE CITY OF NORFOLK
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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 hybrid plan which contains both defined benefit and defined contribution aspects. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Members hired on or after January 1, 2014 are covered under the Hybrid Retirement Plan (Hybrid Plan) as well as Plan 1 and 2 members who were eligible and opted in during the election window which was January 1, 2014 to April 30, 2014. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation. The benefit from the defined contribution component is dependent upon member and employer contributions as well as investment performance. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The multiplier for the Hybrid Plan is 1.0%.

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

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

FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. Prior to fiscal year 2013, the School Board had assumed the 5.00% member contribution for its employees.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

The School Board's professional and non-professional contribution rates for the fiscal year ended June 30, 2014, were 11.66% and 11.10% of the annual covered payroll (not including 5% employee contribution). The School Board's contributions to the VRS for the years ended June 30, 2014, 2013 and 2012 for professional employees were \$24,395,994, \$24,033,904, and \$22,597,524, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years. Further information regarding funding for the agent-multiple employer plan is disclosed below.

Annual Pension Cost – Agent Multiple-Employer Plan

For the fiscal year ended June 30, 2014, the School Board's annual pension cost (APC) of \$1,734,810 for nonprofessional employees was equal to the School Board's required and actual contributions.

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

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$1,734,810	100 %	\$ -
June 30, 2013	\$1,741,681	100 %	\$ -
June 30, 2012	\$1,866,524	100 %	\$ -

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7.00% investment rate of return (net of administration expenses), (b) projected salary increases of 3.75% to 5.60%, and (c) 2.50% per year cost-of-living adjustments for Plan 1 members and 2.25% cost-of-living adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. As disclosed in the required supplementary information, Schedule 1, the School Board's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was 30 years.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

Funding Status and Funding Progress

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

VRS Schedule of Funding Progress for Non-professional Employees

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
		Actuarial	Unfunded			UAAL as a
Actuarial	Actuarial	Accrued	Actuarial	Funded	Covered	Percentage
Valuation	Value of	Liability	Liability	Ratio	Payroll	of Covered
Date	Assets	(AAL)	(UAAL)			Payroll
June 30, 2013	\$ 62,876,545	\$ 82,824,011	\$ 19,947,466	75.92%	\$ 15,733,483	126.78%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

B. Other Post Employment Benefits

PLAN DESCRIPTION

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who have not obtained the age of 50 at July 1, 2013 will need 15 years of service to qualify for the benefit. All employees hired on or after July 1, 2008 will need 15 years of service to qualify regardless of when they attained the age of 50. 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.

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YEAR ENDED JUNE 30, 2014**

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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

The actuarial liability of the Plan as of July 1, 2013 is \$46.5 million as shown below:

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

Actuarial Liability	
Actives	\$ 34,331,974
Retirees	<u>12,118,883</u>
Total	\$ 46,450,857
Assets	<u>-</u>
UAL	<u>\$ 46,450,857</u>

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 2014 under the pay-as-you-go funding method and an assumed 4.0% discount rate. The table includes the PAYGo cost and the net difference:

GASB ARC - FY 2014
Pay-As-You-Go Funding
(4.0% assumed discount)

Normal Cost	\$ 1,791,160
UAL Amortization	1,658,987
Interest	<u>138,006</u>
Total ARC	\$ 3,588,153
PAYGo Cost (Contributions made - including implicit subsidy)	<u>3,381,441</u>
ARC in excess of PAYGo Cost	<u>\$ 206,712</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

Schedule of Employer Contribution

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

Schedule of Employer Contribution
(\$ in millions)

Fiscal Year Ended June	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation at end of year
2012	\$ 5.81	80%	\$ 11.71
2013	\$ 4.73	83%	\$ 14.10
2014	\$ 3.63	93%	\$ 15.05

Development of Net OPEB Obligation

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

Development of Net OPEB Obligation

Expected Net OPEB Obligation as of June 30, 2013	\$ 14,092,158
Expected Employer Contributions FY2013	(3,928,538)
Actual Employer Contributions FY 2013	<u>(3,216,371)</u>
Increase in Net OPEB Obligation	712,167
Net OPEB Obligation as of June 30, 2013	\$ 14,804,325
 Actuarial Required Contribution (ARC) for FY 2014	 \$ 3,588,153
Interest on Net OPEB Obligation (NOO)	592,173
Adjustment to ARC	<u>(549,884)</u>
Annual OPEB Cost (AOC)	\$ 3,630,442
Expected Employer Contributions FY 2014 - including implicit rate subsidy	<u>(3,381,441)</u>
Net OPEB Obligation as of June 30, 2014	<u>\$ 15,053,326</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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:

<u>Schedule of Funding Progress</u>						
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
			Unfunded			
Actuarial	Actuarial	Actuarial	Actuarial			UAAL as a
Valuation	Value of	Accrued	Liability	Funded	Covered	Percentage
Date	Assets	Liability	(UAAL)	Ratio	Payroll	of Covered
		(AAL)				Payroll
July 1, 2013	\$ -	\$ 46,450,857	\$ 46,450,857	0%	\$ 183,295,993	25.3%

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, 2013
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	8.67% (pre-Medicare) grading to 4.0% over 14 years

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

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REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
REQUIRED SUPPLEMENTARY SCHEDULES
YEAR ENDED JUNE 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
- Schedule 1 -

Schedule of Funding Progress - VRS

As of June 30, 2013, the most recent actuarial valuation date, the agent multiple employer plan was 75.92% funded. The actuarial accrued liability for benefits was \$82,824,011, and the actuarial value of assets was \$62,876,545, resulting in UAAL of \$19,947,466. The covered payroll (annual payroll of active employees covered by the plan) was \$15,733,483 and the ratio of the UAAL to the covered payroll was 126.78%. 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.

<u>VRS Schedule of Funding Progress for Non-professional Employees</u>						
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 63,440,533	\$ 81,830,629	\$ 18,390,096	77.53%	\$ 15,357,257	119.75%
June 30, 2012	\$ 61,872,968	\$ 83,259,820	\$ 21,386,852	74.31%	\$ 14,886,664	143.66%
June 30, 2013	\$ 62,876,545	\$ 82,824,011	\$ 19,947,466	75.92%	\$ 15,733,483	126.78%

Schedule of Funding Progress - OPEB

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

SCHOOL BOARD OF THE CITY OF NORFOLK
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REQUIRED SUPPLEMENTARY SCHEDULES
YEAR ENDED JUNE 30, 2014

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

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
		Actuarial	Unfunded			UAAL as a
Actuarial	Actuarial	Accrued	Actuarial			Percentage
Valuation	Value of	Liability	Liability	Funded	Covered	of Covered
Date	Assets	(AAL)	(UAAL)	Ratio	Payroll	Payroll
July 1, 2011	\$ -	\$ 77,556,192	\$ 77,556,192	0%	\$ 171,691,191	45.2%
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%

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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 4,177,226	\$ 4,177,226	\$ 2,767,940	(1,409,286)
Commonwealth of Virginia	180,303,062	180,303,062	179,182,243	(1,120,819)
Federal government	4,545,721	4,545,721	6,474,260	1,928,539
Local government*	115,190,000	115,190,000	111,854,400	(3,335,600)
Carryforward funds from fiscal year 2013	7,741,873	7,741,873	7,741,873	-
Amounts available for appropriation	311,957,882	311,957,882	308,020,716	(3,937,166)
Charges to appropriations (outflows)				
Instruction	235,084,311	234,717,292	228,453,442	(6,263,850)
Administration, Attendance, and Health	16,075,102	15,207,744	14,777,274	(430,470)
Pupil Transportation	11,725,871	12,646,749	12,403,631	(243,118)
Operation and Maintenance	33,609,690	33,654,233	33,647,105	(7,128)
Information Technology	10,585,393	10,450,196	10,148,228	(301,968)
School Facilities	4,877,515	5,281,668	1,728,188	(3,553,480)
Total charges to appropriations	311,957,882	311,957,882	301,157,868	(10,800,014)
Budgetary fund balance, June 30, 2014	\$ -	\$ -	6,862,848	6,862,848
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			\$ 308,020,716	
Acquisition of School buses by local government			960,000	
Other budgetary resources but not revenue for financial reporting purposes			(7,741,873)	
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 301,238,843</u>	
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above			\$ 301,157,868	
Difference - budget to GAAP:				
Acquisition of school buses by the local government			960,000	
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			<u>2,965,578</u>	
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 305,083,446</u>	

*Approximately \$3 million in Construction Technology and Infrastructure (CTI) funding from fiscal year 2014 was reappropriated in fiscal year 2015.

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, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash, investments and accounts receivable				
Southeastern Cooperative Educational Programs	\$ 12,364,586	\$ 121,573,396	\$ 121,760,502	\$ 12,177,480
Governor's School for the Arts	427,825	4,416,502	4,582,307	262,020
Trust Funds	(66,779)	123,229,256	122,761,740	400,737
School Activity Funds	2,245,442	3,738,516	3,990,256	1,993,702
Total Assets	<u>\$ 14,971,074</u>	<u>\$ 252,957,670</u>	<u>\$ 253,094,805</u>	<u>\$ 14,833,939</u>
LIABILITIES				
Due to Other Agencies				
Southeastern Cooperative Educational Programs	\$ 12,364,586	\$ 205,418,128	\$ 205,605,234	12,177,480
Governor's School for the Arts	427,825	13,122,565	13,288,370	262,020
Trust Fund	(66,779)	194,736,169	194,268,653	400,737
Due to Students	2,245,442	3,738,516	3,990,256	1,993,702
Total Liabilities	<u>\$ 14,971,074</u>	<u>\$ 417,015,378</u>	<u>\$ 417,152,513</u>	<u>\$ 14,833,939</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.

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Government-wide:										
Invested in capital assets	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568	\$ 12,265	\$ 14,406	\$ 12,874
Restricted	6,400	19,045	9,006	1,837	1,003	611	1,000	416	1,920	2,338
Unrestricted	16,849	6,213	8,334	5,179	(670)	5,625	2,225	(2,036)	(1,810)	(7,034)
Total government-wide net position	<u>\$ 71,114</u>	<u>\$ 75,755</u>	<u>\$ 83,404</u>	<u>\$ 78,829</u>	<u>\$ 69,977</u>	<u>\$ 29,825</u>	<u>\$ 14,793</u>	<u>\$ 10,645</u>	<u>\$ 14,516</u>	<u>\$ 8,178</u>

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	As Restated									
Expenses:										
Instruction	\$ 257,416	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,477	\$ 265,178	\$ 272,338	\$ 265,740
Support Services:										
Administration, Attendance and Health	10,879	11,846	11,690	13,312	13,414	13,396	12,412	12,436	16,138	15,962
Pupil Transportation	7,076	9,988	10,588	10,913	10,917	10,765	11,028	10,869	13,668	12,162
Operation and Maintenance	29,101	34,112	35,398	36,258	38,954	33,660	35,283	33,038	34,551	34,703
Information Technology	10,239	9,222	9,608	8,950	8,972	10,860	8,274	10,547	10,373	11,239
School Facilities	4,621	5,348	27,473	16,099	17,151	52,851	20,266	24,171	9,160	3,736
Food Services	13,035	13,700	12,837	14,533	14,918	14,676	15,564	15,935	16,821	17,227
Other	-	-	-	224	264	306	238	276	250	244
Total Expenses	<u>332,367</u>	<u>340,946</u>	<u>368,842</u>	<u>379,571</u>	<u>387,392</u>	<u>418,727</u>	<u>370,542</u>	<u>372,450</u>	<u>373,299</u>	<u>361,013</u>
Revenues:										
Program Revenues:										
Charges for services	6,469	5,750	5,155	6,250	5,781	5,527	4,847	4,597	4,349	3,562
Operating grants and contributions	196,556	194,023	226,323	224,043	229,557	238,021	209,644	206,947	224,467	203,139
Capital grants and contributions	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,207	3,700
Total Program Revenues	<u>212,439</u>	<u>220,945</u>	<u>243,173</u>	<u>239,234</u>	<u>242,453</u>	<u>246,425</u>	<u>221,368</u>	<u>232,196</u>	<u>237,023</u>	<u>210,401</u>
Net (Expense) Revenue	<u>(119,928)</u>	<u>(120,001)</u>	<u>(125,669)</u>	<u>(140,337)</u>	<u>(144,939)</u>	<u>(172,302)</u>	<u>(149,174)</u>	<u>(140,254)</u>	<u>(136,276)</u>	<u>(150,612)</u>
General Revenues:										
Use of money and property	1,874	2,863	3,840	2,325	1,499	799	716	1,284	1,262	806
Other	103	63	53	51	200	74	2	-	235	912
Commonwealth of Virginia	32,220	32,239	31,830	32,292	30,102	30,267	28,912	30,311	31,463	30,702
Local government	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,511	107,187	111,854
Total General Revenues	<u>126,062</u>	<u>127,760</u>	<u>133,318</u>	<u>135,763</u>	<u>136,312</u>	<u>132,151</u>	<u>134,141</u>	<u>136,106</u>	<u>140,147</u>	<u>144,274</u>
Change in Net Position	<u>\$ 6,134</u>	<u>\$ 7,759</u>	<u>\$ 7,649</u>	<u>\$ (4,574)</u>	<u>\$ (8,627)</u>	<u>\$ (40,151)</u>	<u>\$ (15,033)</u>	<u>\$ (4,148)</u>	<u>\$ 3,871</u>	<u>\$ (6,338)</u>

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

Schedule 3

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 Note 1	2012	2013	2014
General Fund										
Reserved	\$ 11,481	\$ 5,617	\$ 8,332	\$ 8,482	\$ 6,034	\$ 11,394				
Unreserved	9,099	19,154	5,233	4,446	4,105	4,369				
Nonspendable							\$ 293	\$ 293	\$ 293	\$ 398
Restricted							-	-	-	-
Committed							-	-	-	-
Assigned							14,103	13,109	16,807	11,891
Unassigned							2,102	3,126	2,445	3,411
Total General Fund	\$ 20,580	\$ 24,771	\$ 13,565	\$ 12,928	\$ 10,139	\$ 15,763	\$ 16,498	\$ 16,528	\$ 19,545	\$ 15,700
All Other Governmental Funds										
Reserved	\$ 8,062	\$ 2,017	\$ 14,556	\$ 5,406	\$ 3,198	\$ 4,073				
Unreserved, reported in:										
Grant Fund	(2,033)	-	-	(1,235)	(1,794)	(2,484)				
Capital Projects Fund	-	-	-	(1,105)	293	(457)				
Child Nutrition Services Fund	4,295	4,743	4,792	4,541	4,620	5,108				
Nonspendable							\$ 430	\$ 401	\$ 495	\$ 598
Restricted							5,331	5,560	6,608	6,933
Committed							72	4,651	-	2,543
Assigned							1,033	-	1,854	-
Unassigned							(105)	(4,235)	(2,225)	(2,185)
Total all other governmental funds	\$ 10,324	\$ 6,760	\$ 19,348	\$ 7,607	\$ 6,317	\$ 6,240	\$ 6,761	\$ 6,377	\$ 6,732	\$ 7,889

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)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Use of money and property	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799	\$ 716	\$ 1,284	\$ 1,262	\$ 806
Charges for services	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349	3,562
Other	526	324	209	51	508	224	397	218	235	912
Intergovernmental :										
Local government	100,652	103,093	108,681	109,441	111,034	103,889	111,389	125,163	117,494	116,514
Commonwealth of Virginia	185,870	190,200	206,170	208,271	212,885	195,582	177,685	168,216	192,776	183,947
Federal government	43,147	46,475	52,436	48,659	47,058	72,556	60,477	68,824	61,055	48,934
Total revenues	<u>338,501</u>	<u>348,705</u>	<u>376,491</u>	<u>374,997</u>	<u>378,765</u>	<u>378,576</u>	<u>355,511</u>	<u>368,302</u>	<u>377,171</u>	<u>354,675</u>
EXPENDITURES										
Current:										
Instruction	233,019	261,225	256,649	285,213	286,995	284,101	263,502	263,542	272,152	261,357
Administration, Attendance, and Health	10,452	11,057	11,683	13,457	13,369	12,998	11,990	11,980	15,853	15,382
Pupil Transportation	11,940	7,193	10,390	10,896	10,723	10,503	10,709	10,639	13,435	12,995
Operation and Maintenance	27,549	29,595	32,262	33,778	36,058	33,695	35,225	32,938	34,629	34,207
Information Technology	6,600	10,365	8,786	8,818	8,769	10,665	8,161	10,517	10,348	11,193
School Facilities	13,749	4,385	13,726	15,178	3,427	2,784	2,356	1,535	1,958	1,318
Food Services	12,204	13,254	13,587	14,870	15,135	14,721	15,525	15,971	16,916	17,110
Other	-	-	-	294	264	306	238	275	247	242
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	258	250	241	224	1,400	206	198	189	181	172
Capital Outlay:										
School Facilities	-	-	-	-	6,701	3,049	6,350	21,069	8,080	3,387
Total expenditures	<u>315,771</u>	<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>
Excess (deficiency) of revenues over expenditures	22,730	11,381	29,167	(7,731)	(4,076)	5,548	1,257	(353)	3,372	(2,688)
OTHER FINANCING SOURCES (USES)										
Transfers in from primary government										
Transfers in	4,172	-	10,054	-	303	-	-	-	-	-
Transfers out	(4,172)	-	(10,054)	-	(303)	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ 22,730</u>	<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>
Debt service as a percentage of noncapital Expenditures	0.08%	0.07%	0.07%	0.06%	0.37%	0.06%	0.06%	0.05%	0.05%	0.05%

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

Function/Program	Fiscal Years									
	2005 (As Restated)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Charges for Services										
Instruction	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201	\$ 2,564	\$ 2,054
Food Services	4,029	3,121	3,248	3,060	2,886	2,579	2,601	2,396	1,785	1,508
Subtotal of Charges for Services	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597	4,349	3,562
Operating Grants and Contributions										
Instruction	219,258	215,634	247,424	212,930	218,006	225,951	196,997	193,423	207,885	186,579
Pupil Transportation	-	-	-	-	-	-	-	-	2,100	960
Information Technology	-	-	-	-	-	-	-	-	-	-
Food Services	9,518	10,628	10,729	11,112	11,551	12,070	12,646	13,523	14,483	15,600
Subtotal of Operating Grants and Contributions	228,776	226,262	258,153	224,042	229,557	238,021	209,643	206,946	224,468	203,139
Capital Grants and Contributions										
School Facilities	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208	3,700
Subtotal of Capital Grants and Contributions	9,414	21,172	11,695	8,941	7,115	2,877	6,877	20,652	8,208	3,700
Total Program Revenues	\$ 244,659	\$ 253,184	\$ 275,003	\$ 239,233	\$ 242,453	\$ 246,424	\$ 221,367	\$ 232,195	\$ 237,025	\$ 210,401

(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
2005	\$ 1,838	\$ 6,469	\$ 526	\$ 100,652	\$ 185,870	\$ 43,147	\$ 338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
2008	2,325	6,250	51	109,440	208,271	48,659	374,996
2009	1,499	5,781	508	111,034	212,885	47,058	378,765
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	111,389	177,685	60,477	355,511
2012	1,284	4,597	218	125,163	168,216	68,824	368,302
2013	1,262	4,349	235	117,494	192,776	61,055	377,171
2014	806	3,562	912	116,514	183,947	48,934	354,675
Change 2005-2014	-56.1%	-44.9%	73.4%	15.8%	-1.0%	13.4%	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
2005	\$ 156,900	\$ 92,782	\$249,682
2006	156,900	84,141	241,041
2007	156,900	75,500	232,400
2008	156,900	66,860	223,760
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478
2011	156,900	40,937	197,837
2012	156,900	32,297	189,197
2013	156,900	23,656	180,556
2014	156,900	15,015	171,915

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
2005	156,900	92,782	249,682	337,324,224	0.07%
2006	156,900	84,141	241,041	347,323,628	0.07%
2007	156,900	75,500	232,400	381,136,457	0.06%
2008	156,900	66,860	223,760	382,636,157	0.06%
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%
2011	156,900	40,937	197,837	354,254,534	0.06%
2012	156,900	32,297	189,197	283,647,437	0.07%
2013	156,900	23,656	180,556	304,651,547	0.06%
2014	156,900	15,015	171,915	305,083,446	0.06%

Notes:

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

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
School Nutrition
Summary of Meals Served
As of June 30, 2014

School	Breakfast	Lunch	Total
Elementary Schools	1,886,597	2,216,132	4,102,729
Middle Schools	180,755	762,264	943,019
High Schools	140,168	546,914	687,082
Auxiliary Facilities	105,142	138,958	244,100
Totals	2,312,662	3,664,268	5,976,930

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 2013

Schools		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	44.66%	6.85%	48.49%	55.34%
114	CAMP ALLEN ELEM.	39.00%	13.94%	47.06%	61.00%
109	CAMPOSTELLA ELEM.	1.98%	2.97%	95.05%	98.02%
126	CHESTERFIELD ACADEMY ELEM.	13.41%	4.28%	82.31%	86.59%
128	COLEMAN PLACE ELEM.	19.17%	6.92%	73.90%	80.83%
129	CROSSROADS ELEM.	38.23%	6.77%	54.99%	61.77%
168	FAIRLAWN ELEM.	28.74%	12.08%	59.18%	71.26%
135	GHENT ELEM.	66.80%	9.71%	23.50%	33.20%
134	GRANBY ELEM.	30.52%	8.11%	61.37%	69.48%
136	INGLESIDE ELEM.	21.99%	6.77%	71.24%	78.01%
108	JACOX ELEM.	5.71%	2.92%	91.36%	94.29%
150	JAMES MONROE ELEM.	9.75%	4.66%	85.59%	90.25%
141	LARCHMONT ELEM.	77.65%	2.48%	19.87%	22.35%
142	LARRYMORE ELEM.	35.95%	7.68%	56.37%	64.05%
145	LINDENWOOD ELEM.	10.72%	4.43%	84.85%	89.28%
146	LITTLE CREEK ELEM.	24.49%	5.97%	69.55%	75.51%
147	LITTLE CREEK ELEM. ANNEX	27.52%	4.90%	67.57%	72.48%
123	MARY CALCOTT ELEM.	51.90%	10.62%	37.47%	48.10%
151	NORVIEW ELEM.	17.51%	3.82%	78.67%	82.49%
154	OCEAN VIEW ELEM.	38.95%	6.14%	54.91%	61.05%
153	OCEANAIR ELEM.	22.94%	10.59%	66.47%	77.06%
165	P.B. YOUNG SR. ELEM.	3.51%	1.45%	95.04%	96.49%
169	POPLAR HALLS ELEMENTARY	30.82%	6.89%	62.30%	69.18%
122	RICHARD BOWLING ELEM.	20.36%	6.52%	73.12%	79.64%
137	SEWELLS POINT ELEM.	37.46%	22.60%	39.94%	62.54%
156	SHERWOOD FOREST ELEM.	30.83%	10.80%	58.37%	69.17%
131	ST. HELENA ELEM.	14.37%	5.35%	80.28%	85.63%
159	SUBURBAN PARK ELEMENTARY	22.83%	4.15%	73.02%	77.17%
161	TANNERS CREEK ELEMENTARY	25.34%	8.04%	66.62%	74.66%
118	TARRALTON ELEM.	50.12%	22.95%	26.93%	49.88%
119	TIDEWATER PARK ELEM.	1.66%	0.00%	98.34%	98.34%
160	W.H. TAYLOR ELEM.	66.43%	3.29%	30.28%	33.57%
115	WILLARD MODEL ELEM.	34.25%	8.60%	57.14%	65.75%
106	WILLOUGHBY ELEM.	40.00%	23.11%	36.89%	60.00%
Middle Schools					
206	AZALEA MIDDLE	39.44%	11.48%	49.08%	60.56%
207	BLAIR MIDDLE	44.93%	8.72%	46.35%	55.07%
217	LAFAYETTE-WINONA MIDDLE	19.17%	6.91%	73.92%	80.83%
216	LAKE TAYLOR MIDDLE	19.93%	8.69%	71.38%	80.07%
211	NORTHSIDE MIDDLE	29.58%	11.67%	58.75%	70.42%
212	NORVIEW MIDDLE	22.74%	8.48%	68.79%	77.26%
214	RUFFNER MIDDLE	16.19%	5.67%	78.14%	83.81%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEM	50.97%	10.00%	39.03%	49.03%
High Schools					
304	B. T. WASHINGTON HIGH	30.16%	6.68%	63.15%	69.84%
301	GRANBY HIGH	46.43%	8.86%	44.71%	53.57%
305	LAKE TAYLOR HIGH	31.87%	7.91%	60.23%	68.13%
302	MAURY HIGH	57.24%	8.17%	34.59%	42.76%
303	NORVIEW HIGH	43.89%	9.32%	46.79%	56.11%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	13.98%	3.18%	82.84%	86.02%
171	EASTON PRESCHOOL	37.93%	6.90%	55.17%	62.07%
392	MADISON	19.61%	3.92%	76.47%	80.39%
163	NORFOLK RE-ED SCHOOL - SECEP	13.64%	9.09%	77.27%	86.36%
396	NORFOLK TECHNICAL CTR	44.00%	10.61%	45.39%	56.00%
School Board for the City of Norfolk Totals		33.04%	8.04%	58.92%	66.96%
October 2013 Totals		33.04%	8.04%	58.92%	66.96%

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, 2014

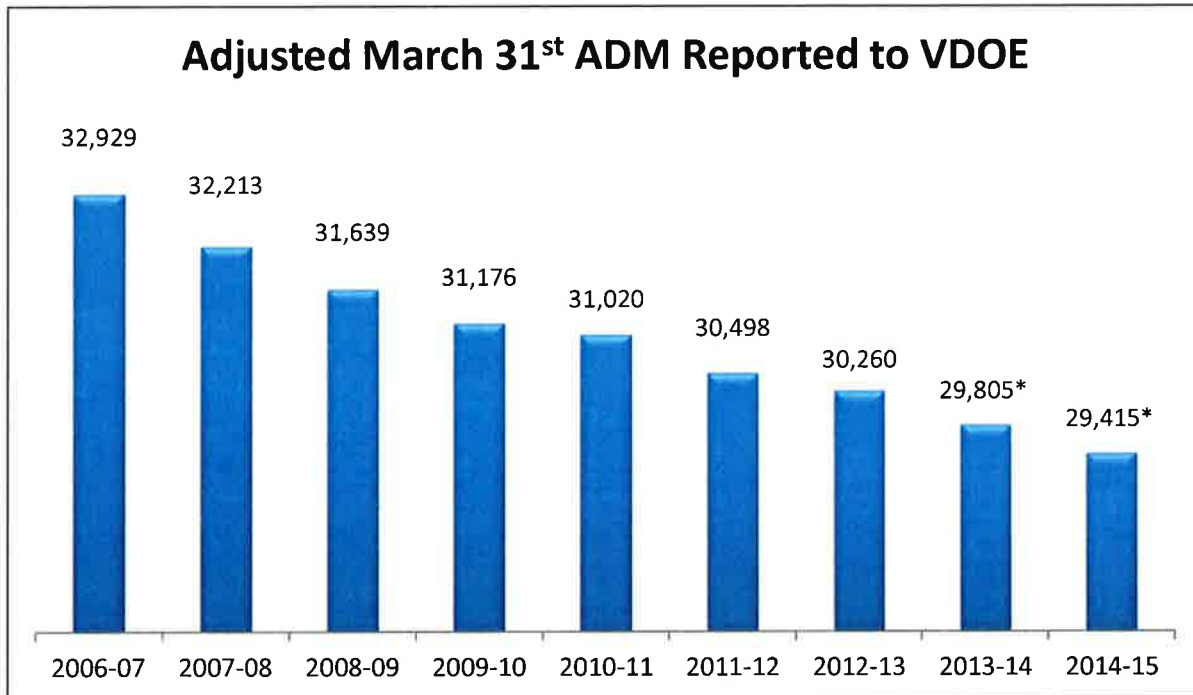
Currently, Norfolk serves an average of 35,500 meals and 1,000 after-school snacks each day. Child Nutrition Services provides breakfasts, lunches, and snacks which meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible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

Account Description	2014	2015	Budget 2013	Actual 2013	Budget 2014	Actual 2014	Budget 2015	Budget % Increase Over 2014
Revenue								
Sales			\$ 2,664,000	\$ 1,794,577	\$ 2,165,000	\$ 1,507,814	\$ 2,024,807	-6.48%
Federal and State Food Program Reimbursements			13,025,000	13,695,846	14,110,000	14,269,062	15,292,420	8.38%
Federal Commodities Donated			900,000	1,142,296	830,000	1,330,495	996,000	20.00%
Interest Earnings			15,000	19,596	15,000	16,676	15,600	4.00%
Other			100,000	107,784	113,000	75,956	120,470	6.61%
Total Revenue			16,704,000	16,760,100	17,233,000	17,200,003	18,449,297	7.06%
Expenditures								
Cost of Goods Sold			8,321,000	8,856,600	9,135,000	9,066,536	9,880,618	8.16%
Employee Compensation	148.50	145.00	7,123,500	6,835,520	7,183,500	7,017,687	7,400,433	3.02%
Maintenance Costs			390,000	364,815	380,000	336,403	488,750	28.62%
Supplies and Materials			125,000	97,805	130,000	73,083	125,034	-3.82%
Cafeteria and Other Equipment			513,000	355,284	170,500	152,067	326,940	91.75%
Other Costs			231,500	212,237	234,000	233,290	227,522	-2.77%
Total Expenditures	157.50	148.50	16,704,000	16,722,262	17,233,000	16,879,066	18,449,297	7.06%
Excess of Revenues over Expenditures			-	37,838	-	320,937	-	
Fund Balance - Beginning of Year			5,960,689	5,960,689	5,998,527	5,998,527	6,319,464	
Fund Balance - End of Year			\$ 5,960,689	\$ 5,998,527	\$ 5,998,527	\$ 6,319,464	\$ 6,319,464	

(UNAUDITED)

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

Positions Approved	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Instructional Services	3,806.95	3,800.95	3,809.95	3,758.95	3,724.95	3,725.95	3,459.63	3,315.05	3,241.05	3,300.55
Central Administration	100.25	98.25	98.25	105.25	103.25	100.25	96	95	97	85
Student Attendance and Health Services	60	60	60	62	62	61	48	50	49	59
Pupil Transportation	292	306	306	306	306	305	284	281	278	271
Operations and Maintenance	470	471	471	471	479	478	415	409.5	401.5	400.5
Community Services (Jobs Bill)	0	0	0	1	1	1	0	0	0	0
Facility Improvements	0	0	0	0	0	0	0	0	0	0
Information Technology	109	109	110	109	109	76	63	61	64	63
Total Approved Positions General Fund Budget	4,838.20	4,845.20	4,855.20	4,813.20	4,785.20	4,747.20	4,365.63	4,211.55	4,130.55	4,179.05



*Unadjusted ADM Projection

School Year	Mar 31st Adjusted ADM	Variance
2014-15	29,415*	-390
2013-14	29,805*	-455
2012-13	30,260	-238
2011-12	30,498	-522
2010-11	31,020	-156
2009-10	31,176	-463
2008-09	31,639	-574
2007-08	32,213	-716
2006-07	32,929	

NOTE: The enrollment projection listed above does not include additional students who may return 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	
2005	282,762,068	33,762	1,152	34,914	8,099
2006	291,657,947	33,262	1,052	34,314	8,500
2007	309,045,784	32,962	1,052	34,014	9,086
2008	316,464,796	32,259	1,052	33,311	9,500
2009	324,043,814	31,639	2,173	33,812	9,584
2010	327,186,336	30,839	2,302	33,141	9,873
2011	290,958,964	30,630	2,344	32,974	8,824
2012	286,229,821	30,498	2,380	32,878	8,706
2013	304,420,159	30,260	2,185	32,445	9,383
2014	311,188,133	29,805	2,259	32,064	9,705

amended

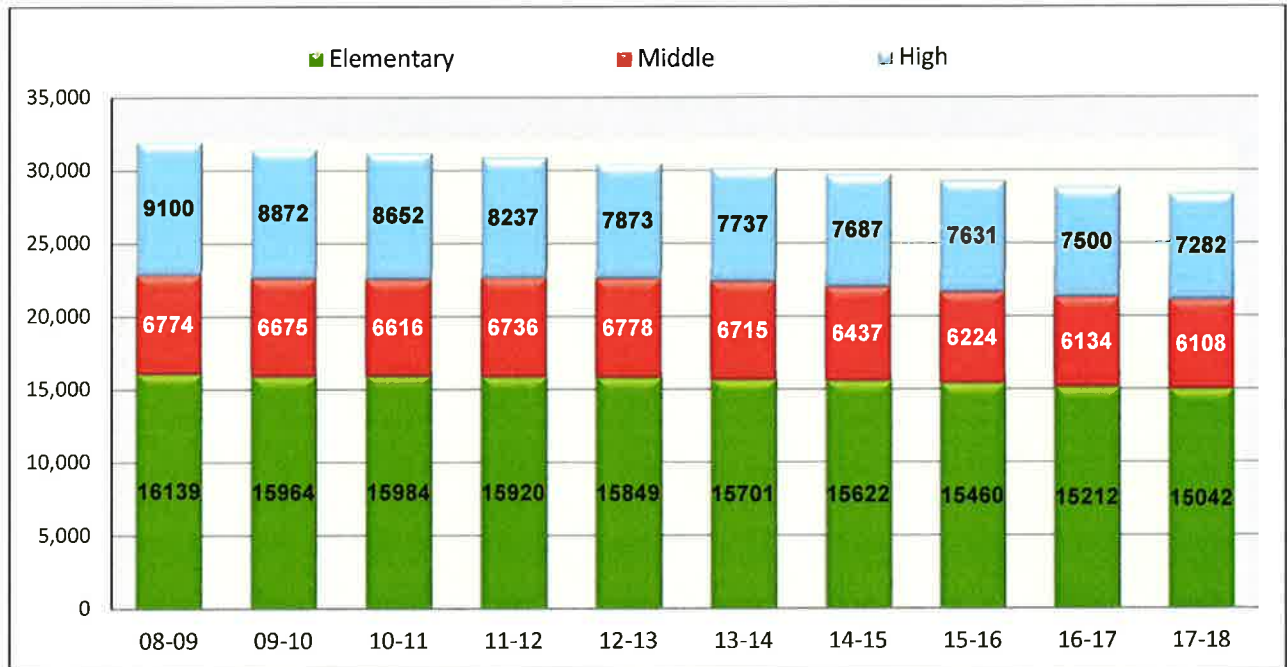
Notes:

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

Source of Data: Norfolk Public Schools Budget Department



Enrollment Trends and Projections (K-12)



FISCAL YEAR	PROJECTED ENROLLMENT	SEPTEMBER 30 th ENROLLMENT
FY 2008	32,794	32,674
FY 2009	31,979	32,013
FY 2010	31,300	31,511
FY 2011	31,078	31,252
FY 2012	30,962	33,522
FY 2013	30,646	32,887
FY 2014	30,153	30,363
FY 2015	29,746	
FY 2016	29,315	
FY 2017	28,846	

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	NPS Projected September 30, 2014 Funded Fall Membership
BAY VIEW	46.67%	18:1	\$743	23	629
CAMP ALLEN	41.58%	19:1	\$575	24	406
CAMPOSTELLA	93.37%	14:1	\$1,698	19	609
CHESTERFIELD ACADEMY	73.48%	15:1	\$1,410	20	400
COLEMAN PLACE	70.12%	15:1	\$1,410	20	629
CROSSROADS	54.66%	18:1	\$743	23	687
FAIRLAWN	58.89%	17:1	\$940	22	373
GRANBY	59.27%	17:1	\$940	22	530
INGLESIDE	70.37%	15:1	\$1,410	20	423
JACOX	86.40%	14:1	\$1,698	19	619
JAMES MONROE	85.32%	14:1	\$1,698	19	375
LARRYMORE	56.59%	17:1	\$940	22	533
LINDENWOOD	84.83%	14:1	\$1,698	19	387
LITTLE CREEK	69.55%	16:1	\$1,159	21	772
MARY CALCOTT	36.46%	19:1	\$575	24	464
NORVIEW	79.48%	14:1	\$1,698	19	449
OCEAN VIEW	59.64%	17:1	\$940	22	519
OCEANAIR	60.73%	17:1	\$940	22	431
P.B. YOUNG SR.	94.98%	14:1	\$1,698	19	440
POPLAR HALLS	55.69%	17:1	\$940	22	270
RICHARD BOWLING	74.55%	15:1	\$1,410	20	399
SEWELLS POINT	38.57%	19:1	\$575	24	622
SHERWOOD FOREST	63.19%	17:1	\$940	22	525
ST. HELENA	76.49%	14:1	\$1,698	19	303
SUBURBAN PARK	66.60%	16:1	\$1,159	21	479
TANNERS CREEK	65.49%	16:1	\$1,159	21	633
TARRALLTON	31.67%	19:1	\$575	24	349
TIDEWATER PARK	84.53%	14:1	\$1,698	19	328
WILLARD MODEL	62.19%	17:1	\$940	22	560
WILLOUGHBY	30.57%	19:1	\$575	24	181

(UNAUDITED)

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

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenses	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced-Price Meals
2005	34,410	323,777,501	9,409	8.55%	337,324,224	9,803	8.39%	60.04%
2006	34,023	336,242,746	9,883	5.03%	347,323,628	10,208	4.14%	58.32%
2007	33,546	360,407,851	10,744	8.71%	381,136,457	11,362	11.30%	57.68%
2008	32,886	373,409,165	11,355	5.69%	382,727,579	11,638	2.43%	58.29%
2009	32,215	374,742,998	11,633	2.45%	382,845,264	11,884	2.11%	58.68%
2010	31,709	369,774,070	11,661	0.25%	373,029,687	11,764	-1.01%	61.92%
2011	31,443	347,706,732	11,058	-5.17%	354,254,534	11,267	-4.23%	64.43%
2012	31,081	347,397,094	11,177	1.07%	368,655,704	11,861	5.28%	65.16%
2013	30,677	365,538,171	11,916	6.61%	373,799,050	12,185	2.73%	66.05%
2014	30,338	353,804,702	11,662	-2.13%	357,363,799	11,779	-3.33%	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

(UNAUDITED)

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									
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014

Schools

Elementary (K - 8 & Pre K - 8)

Buildings	35	35	35	35	35	35	35	33	33	33
Square feet	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,260,302	2,179,947	2,179,947	2,179,947
Capacity	20,550	20,550	20,550	20,550	20,550	20,550	20,550	19,758	19,758	19,758
Enrollment	17,102	16,720	16,576	16,437	16,379	16,199	16,220	16,152	16,143	16,098

Middle

Buildings	9	9	9	9	9	9	8	8	8	8
Square feet	1,215,629	1,215,629	1,215,629	1,215,629	1,215,629	1,215,629	1,167,600	1,167,600	1,167,600	1,167,600
Capacity	10,074	10,074	10,074	10,074	10,074	10,074	9,487	9,487	9,487	9,487
Enrollment	8,582	8,255	7,841	7,225	6,649	6,552	6,481	6,597	6,577	6,377

High

Buildings	5	5	5	5	5	5	5	5	5	5
Square feet	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566
Capacity	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Enrollment	8,727	9,048	9,129	9,224	9,187	8,958	8,742	8,332	7,957	7,863

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 2014

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Granby High	1939	292,294	25	0	1997-1998	16	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	40	263,000
Maury High	1910	265,000	9.8	0	1988	26	265,000
Norview High	2004	287,272	27	0		10	287,272
B. T. Washington High	1974	265,000	30	0		40	265,000
High School Average Age:						26.40	
Azalea Middle	1961	120,374	21.1	3		53	123,110
Blair Middle	1922	241,597	7.4	0	2007	7	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		23	140,000
Lake Taylor Middle	1965	118,926	20	6		49	124,398
Northside Middle	1956	122,675	14.5	0		58	122,675
Norview Middle	1995	152,000	19	0		19	152,000
Rosemont Middle	1959	126,028	18.5	0		55	126,028
Ruffner Middle	1994	146,000	10.52	0		20	146,000
Middle School Average Age:						35.50	
Bayview Elementary	1922	83,095	9.4	0	1999	15	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	61	62,149
Calcott Elementary	1952	65,100	12	2	1954	62	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	44	69,200
Campostella Elementary	1963	95,970	21.2	10		51	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	61	67,870
Coleman Place Elementary	2007	96,818	9.2	0		7	96,818
Crossroads Elementary	2012	146,923	12	0		3	146,923
Fairlawn Elementary	1959	58,500	16.4	11	1961	55	68,532
Ghent Elementary	1978	60,800	13	3		36	63,536
Granby Elementary	1948	82,081	9	0	1989	66	82,081
Ingleside Elementary	1954	58,500	16	6		60	63,972
Jacox Elementary	1949	79,200	11.7	4		65	82,848
Larchmont Elementary	1929	47,300	23	0	1977	85	47,300
Larrymore Elementary	1957	77,325	13	0	1964	57	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	61	61,284
Little Creek Elementary	1954	56,795	17	5		60	61,355
Little Creek Primary*	1957	44,500		1		57	45,412
Monroe Elementary	1990	64,000	12.8	0		24	64,000
Norview Elementary	1952	57,640	14.2	14	1953	62	70,408
Oakwood Elementary*	1952	40,000	8.2	2	1961	62	41,824
Ocean View Elementary	1939	56,150	20.5	2		75	57,974
Oceanair Elementary	1956	62,470	17.7	8		58	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	55	47,136
J.J. Roberts Elementary*	1964	40,355	6.6	4		50	44,003
St. Helena Elementary	1966	36,074	13.2	2		48	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	48	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	57	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	59	61,980
Tanners Creek Elementary	1990	83,000	9	0		24	83,000
Tarrallton Elementary	1964	46,300	15.2	3		50	49,036
Taylor Elementary	1998	54,786	2.8	0		16	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		50	44,235
Willard Elementary	1952	80,925	14.9	0	1990	62	80,925
Willoughby Elementary	1967	58,400	12	0		47	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		60	55,325
Elementary School Average Age:						50.36	

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2014

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	61	46,453
Camp Young	1946	27,398	30	0		68	27,398
Easton Preschool	1959	37,500	11.7	0	1961	55	37,500
Madison Career Center	1919	75,501	3	0	1921	95	75,501
Norfolk Technical Center	1968	125,938	29.5	0		46	125,938
Bellmore	1968	77,028	3.9	1		46	77,940
Transportation	1995	24,689	9.9	1		19	25,601
Other Average Age:						55.71	
Total Mobiles				127			
Average Age of all Buildings				46.77			
Total Number of Acres				809.22			
Total Number of Square Feet				5,257,475			
Total Square feet including mobiles				5,364,355			

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

Age of original structure is different for buildings that have renovations

*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)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012 restated	2013 restated	2014
Governmental activities:										
Net investment in capital assets	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937
Restricted	6,788	6,605	6,731	6,890	64,397	120,974	6,744	11,081	11,111	22,062
Unrestricted	<u>91,869</u>	<u>96,705</u>	<u>127,479</u>	<u>90,917</u>	<u>63,013</u>	<u>76,365</u>	<u>5,347</u>	<u>25,832</u>	<u>22,593</u>	<u>10,416</u>
Subtotal governmental activities net position	<u>502,234</u>	<u>494,702</u>	<u>467,198</u>	<u>422,980</u>	<u>379,538</u>	<u>353,293</u>	<u>336,667</u>	<u>332,119</u>	<u>353,254</u>	<u>370,415</u>
Business-type activities:										
Net investment in capital assets	237,044	259,198	268,503	241,203	237,307	229,693	267,107	270,913	275,195	259,371
Restricted	-	-	2,526	2,506	39,306	40,056	12,928	12,928	13,244	32,495
Unrestricted	<u>48,563</u>	<u>43,383</u>	<u>34,373</u>	<u>72,387</u>	<u>43,921</u>	<u>63,316</u>	<u>62,458</u>	<u>72,063</u>	<u>78,631</u>	<u>92,918</u>
Subtotal business-type activities net position	<u>285,607</u>	<u>302,581</u>	<u>305,402</u>	<u>316,096</u>	<u>320,534</u>	<u>333,065</u>	<u>342,493</u>	<u>355,904</u>	<u>367,070</u>	<u>384,784</u>
Primary government:										
Net investment in capital assets	640,621	650,590	601,491	566,376	489,435	385,647	591,683	566,119	594,745	597,308
Restricted	6,788	6,605	9,257	9,396	103,703	161,030	19,672	24,009	24,355	54,557
Unrestricted	<u>140,432</u>	<u>140,088</u>	<u>161,852</u>	<u>163,304</u>	<u>106,934</u>	<u>139,681</u>	<u>67,805</u>	<u>97,895</u>	<u>101,224</u>	<u>103,334</u>
Total primary government net position	<u>\$ 787,841</u>	<u>\$ 797,283</u>	<u>\$ 772,600</u>	<u>\$ 739,076</u>	<u>\$ 700,072</u>	<u>\$ 686,358</u>	<u>\$ 679,160</u>	<u>\$ 688,023</u>	<u>\$ 720,325</u>	<u>\$ 755,199</u>

Note: Restatements are due to implementation of New accounting pronouncements

(UNAUDITED)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 restated	2014
Program Revenue										
Governmental activities:										
Charges for services										
General government	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149
Judicial administration	498	200	778	931	935	3,501	3,629	3,690	3,717	3,142
Public safety	11,608	13,041	2,708	2,307	2,797	5,627	7,942	8,424	10,154	7,613
Public works	9,081	10,121	24,181	27,156	26,999	35,451	36,890	50,597	38,320	37,769
Health and public assistance	130	134	101	166	134	83	82	50	5,349	5,597
Culture and recreation	7,034	6,198	6,126	6,710	6,232	9,224	10,101	9,751	10,297	9,685
Community development	5	1,063	907	760	1,539	2,259	1,479	1,807	2,368	1,960
Capital grant contributions	-	-	-	-	16,933	7,175	-	765	15,000	15,933
Operating grants and contributions	116,399	116,827	115,779	112,960	112,419	127,665	116,648	119,353	131,719	120,713
Total governmental activities program revenue	145,530	148,814	153,030	153,159	169,788	204,141	195,401	203,878	226,413	206,561
Business-type activities:										
Charges for Services										
Water utility	61,002	74,218	69,816	74,240	74,454	78,983	80,573	78,148	76,584	79,097
Wastewater utility	21,329	22,375	22,314	24,917	23,125	23,815	24,362	24,798	25,469	27,119
Parking facilities	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,413
Capital grants and contributions	-	78	731	219	504	366	130	187	-	2,761
Total business-type activities program revenues	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,024	129,390
Total primary government program revenues	248,920	266,396	267,490	272,960	287,919	326,090	320,148	326,463	347,437	335,951
Expenses										
Governmental activities:										
General government	74,344	94,763	113,279	113,142	111,629	112,874	103,550	109,188	119,764	122,656
Judicial administration	40,319	42,494	46,944	48,593	52,209	52,020	49,980	51,102	51,654	55,062
Public safety	107,531	106,705	111,803	126,609	120,703	130,263	129,721	129,138	125,270	125,122
Public works	144,438	109,907	119,176	118,888	134,274	132,176	101,137	91,542	71,324	66,909
Health and public assistance	84,173	91,443	93,775	95,234	93,495	91,923	82,368	75,428	90,993	90,919
Culture and recreation	46,267	44,933	52,965	56,890	63,438	73,342	64,352	63,499	56,039	56,499
Community development	16,974	14,930	14,772	15,345	10,867	15,429	18,638	17,223	16,158	12,622
Education	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287	109,467
Interest on long-term debt	18,516	19,565	19,618	21,457	23,788	26,014	27,931	26,822	28,249	25,187
Total government activities expenses:	624,427	617,335	669,927	697,253	714,914	735,052	682,188	668,454	668,738	664,443
Business-type activities:										
Water utility	60,207	62,009	60,511	64,877	66,990	64,316	67,852	64,473	61,358	61,609
Wastewater utility	11,957	15,448	17,377	18,614	21,227	18,983	19,707	18,806	19,983	20,128
Parking facilities	18,640	18,356	18,861	21,539	19,036	20,008	22,050	20,469	20,961	23,677
Total business-type activities expenses	90,804	95,813	96,749	105,030	107,253	103,307	109,609	103,748	102,302	105,414
Total primary government expenses	715,231	713,148	766,676	802,283	822,167	838,359	791,797	772,202	771,040	769,857
Net (Expense) Revenue										
Governmental activities	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(442,325)	(457,882)
Business-type activities	12,586	21,769	17,711	14,771	10,878	18,642	15,138	18,837	18,722	23,976
Total primary government net expense	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,739)	\$ (423,603)	\$ (433,906)

(UNAUDITED)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenue and Other Changes in Net Position									restated	
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357
Consumption utility	43,387	43,337	42,586	46,582	44,142	44,053	48,360	43,588	43,211	43,055
Sales and use	29,497	30,652	32,402	31,791	29,484	28,249	28,411	27,599	29,707	29,436
Restaurant food	26,669	27,277	28,578	28,758	28,079	27,292	24,094	30,300	30,818	31,127
Business licenses	22,015	24,412	25,268	26,343	27,692	26,009	25,849	28,667	29,301	29,889
Cigarette	6,948	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926	7,409
Motor vehicle licenses	2,605	3,576	3,529	3,498	4,005	4,308	4,313	4,318	4,210	3,966
Other	19,356	21,544	19,800	18,025	17,192	16,528	15,698	18,665	18,124	16,618
Interest and investment earnings	4,916	7,306	6,536	5,307	2,789	892	1,065	916	563	783
Grants and contributions not restricted to specific programs	68,219	68,133	66,524	69,352	60,513	32,892	32,642	32,726	33,539	33,788
Miscellaneous	8,496	15,851	4,845	11,881	9,600	5,637	5,901	4,653	11,501	14,563
Gain on disposal of assets	-	3,249	65	62	-	-	-	-	1,734	-
Capital contributions Norfolk Public Schools	-	-	-	-	-	40,387	11,085	-	-	-
Transfers between governmental and business-type activities	10,000	11,868	10,988	10,212	10,215	13,054	10,052	10,087	10,114	10,052
Total governmental activities	435,264	481,811	489,393	499,876	501,684	502,816	470,161	455,055	467,093	475,043
Business-type activities:										
Interest and investment earnings	864	3,161	2,739	3,046	925	618	511	314	234	496
Grants and contributions not restricted to specific programs	-	-	333	-	-	148	557	371	1,626	219
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	3,657	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042	3,162
Gain (Loss) on disposal of assets	(852)	-	(6)	-	-	2,744	(157)	26	9	(88)
Transfers between governmental and business-type activities	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)
Total business-type activities	(6,331)	(4,796)	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)	(6,263)
Total primary governmental activities	428,933	477,015	485,025	495,798	495,244	496,704	464,451	449,630	462,890	468,780
Change in Net Position										
Governmental activities	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161
Business-type activities	6,255	16,973	13,343	10,693	4,438	12,530	9,428	13,412	15,814	17,713
Total Primary Government changes in net position	\$ (37,378)	\$ 30,263	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 41,299	\$ 34,874

(UNAUDITED)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	395	330	300	265
Committed	-	-	-	-	-	-	1,899	3,000	3,000	3,000
Assigned	-	-	-	-	-	-	38,014	34,839	33,919	23,901
Unassigned	-	-	-	-	-	-	55,968	54,338	54,055	58,100
Reserved ⁽¹⁾	14,172	16,057	17,223	11,669	7,842	8,296	-	-	-	-
Unreserved ⁽¹⁾	54,007	66,619	71,056	56,302	50,784	53,840	-	-	-	-
Total general fund	68,179	82,676	88,279	67,971	58,626	62,136	96,281	92,507	91,274	85,266
Capital projects fund:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	41,063	95,053	-	10,933
Committed	-	-	-	-	-	-	11,978	14,376	13,637	14,480
Assigned	-	-	-	-	-	-	26,307	15,345	7,339	4,052
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved ⁽¹⁾	82,373	20,885	48,894	57,186	50,987	60,696	-	-	-	-
Unreserved ⁽¹⁾	3,394	-	15,424	64,504	25,939	86,260	-	-	-	-
Total capital projects fund	85,767	20,885	64,318	121,690	76,926	146,956	79,348	124,774	20,976	29,465
All other governmental funds:										
Nonspendable	-	-	-	-	-	-	22	23	24	-
Restricted	-	-	-	-	-	-	2,621	9,474	10,811	10,864
Committed	-	-	-	-	-	-	11,259	3,246	2,454	5,050
Assigned	-	-	-	-	-	-	9,877	13,569	20,708	22,144
Unassigned	-	-	-	-	-	-	-	-	-	(1,556)
Reserved ⁽¹⁾	27,161	19,075	20,123	30,716	27,049	34,634	-	-	-	-
Unreserved ⁽¹⁾	3,992	17,131	24,211	13,987	12,535	14,008	-	-	-	-
Total other governmental funds	31,153	36,206	44,334	44,703	39,584	48,642	23,779	26,312	33,997	36,502
Total fund balance, governmental funds	\$ 185,099	\$ 139,767	\$ 196,931	\$ 234,364	\$ 175,136	\$ 257,734	\$ 199,408	\$ 243,593	\$ 146,247	\$ 151,233

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue:										
General property taxes	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979
Other local taxes	2,006	157,616	159,119	162,573	157,927	153,615	153,886	161,234	163,297	161,499
Licenses and permits	211,788	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098	3,089
Fines and forfeitures	157,616	1,461	1,605	1,317	1,260	1,164	1,298	1,108	1,102	1,242
Use of money and property	4,088	10,498	11,105	10,560	8,332	6,746	7,169	6,695	6,539	6,329
Charges for services	1,461	32,772	37,071	40,159	40,345	50,540	47,955	47,859	56,077	60,040
Miscellaneous	10,498	33,494	11,691	17,923	12,911	18,080	14,850	11,643	26,178	29,133
Recovered costs ⁽¹⁾	32,772	12,667	8,408	8,622	8,952	9,503	10,723	10,312	11,396	-
Intergovernmental	33,494	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148	153,782
Total revenues	647,016	614,141	625,106	643,361	635,516	652,848	647,065	656,914	676,194	672,093
Expenditures:										
Current										
General government	67,434	92,062	102,031	110,974	102,426	97,061	80,855	100,504	112,804	109,292
Judicial administration	38,110	41,795	45,173	47,331	50,347	48,726	47,535	48,233	50,920	51,673
Public safety	102,278	105,634	108,565	116,208	118,073	115,488	115,975	116,296	117,427	113,394
Public works	64,497	46,959	49,161	60,370	56,146	59,574	70,124	62,330	54,427	55,267
Health and public assistance	83,451	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413	88,671
Culture and recreation	40,290	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153	46,705
Community development	12,716	13,552	11,158	10,745	9,899	10,851	16,565	15,142	15,128	12,482
Education	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287	111,854
Debt Service:										
Principal retirement	47,407	37,660	35,872	40,260	48,092	46,052	50,865	57,683	50,559	48,135
Interest and other charges	18,061	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668	28,682
Capital outlay	85,144	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580	100,709
Total expenditures	651,253	675,221	702,861	767,688	761,948	743,145	718,258	749,812	790,366	766,864
(Deficiency) of revenues (under) expenditures	(4,237)	(61,080)	(77,755)	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)	(114,172)	(94,771)
Other financing surces (uses):										
Proceeds of refunding bonds	30,389	-	15,480	-	16,000	-	84,136	74,859	-	73,428
Proceeds of debt (general obligation bonds and notes)	70,840	-	121,705	145,663	55,280	156,208	2,821	109,835	-	77,930
Payment to refunded bonds escrow agent	(30,389)	-	(15,480)	-	(16,000)	-	(84,136)	(74,859)	-	(79,964)
Premium on bonds issued	2,259	-	2,070	5,785	1,707	3,633	505	15,311	-	17,081
Debt Issuance Costs	-	-	-	-	-	-	-	-	-	(1,127)
Proceeds from sale or disposal of fixed assets	-	-	-	-	-	-	-	2,700	1,966	-
Operating transfers in	82,354	97,185	89,254	109,901	105,641	104,007	104,873	107,136	112,121	107,633
Operating transfers (out)	(72,354)	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)
Total other financing sources (uses)	87,801	15,749	134,919	161,758	67,203	172,895	12,867	137,083	12,081	99,757
Net change in fund balances	\$ 83,564	\$ (45,331)	\$ 57,164	\$ 37,431	\$ (59,229)	\$ 82,598	\$ (58,326)	\$ 44,185	\$ (102,091)	\$ 4,986
Debt service as a percentage of noncapital expenditures	11.56%	9.67%	9.01%	9.13%	10.40%	9.69%	12.19%	12.27%	11.57%	11.21%

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	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077
Judicial administration	19,423	19,605	27,904	28,707	23,173	26,461	27,069	27,880	29,479	28,537
Public safety	19,822	20,674	8,137	5,244	11,036	7,459	12,335	14,217	15,980	11,116
Public works	28,440	30,438	44,769	47,407	48,156	55,542	61,552	77,436	68,326	63,124
Health and public assistance	39,064	39,930	42,261	40,567	41,695	62,585	52,280	51,654	62,657	62,224
Culture and recreation	9,956	9,603	9,655	10,359	9,148	23,976	10,330	11,573	26,284	25,837
Community development	3,281	3,762	3,690	3,168	20,538	7,532	10,040	8,538	10,266	7,626
Interest on Long-term debt	-	-	-	-	-	849	-	2,115	2,587	3,021
Total governmental activities	<u>145,530</u>	<u>148,814</u>	<u>153,030</u>	<u>153,159</u>	<u>169,788</u>	<u>204,140</u>	<u>195,401</u>	<u>203,879</u>	<u>226,412</u>	<u>206,562</u>
Business-type activities:										
Water utility	61,002	74,277	70,411	74,416	74,958	79,349	80,703	78,335	76,585	81,757
Wastewater utility	21,329	22,394	22,450	24,960	23,125	23,815	24,362	24,798	25,469	27,219
Parking facilities	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162	20,414
Total business-type activities	<u>103,390</u>	<u>117,582</u>	<u>114,460</u>	<u>119,801</u>	<u>118,131</u>	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,216</u>	<u>129,390</u>
Total primary government	<u>\$ 248,920</u>	<u>\$ 266,396</u>	<u>\$ 267,490</u>	<u>\$ 272,960</u>	<u>\$ 287,919</u>	<u>\$ 326,089</u>	<u>\$ 320,148</u>	<u>\$ 326,464</u>	<u>\$ 347,628</u>	<u>\$ 335,952</u>

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs ⁽¹⁾	Inter-Governmental	Totals
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
Change 2005-2014	32.9%	7.3%	-12.8%	-29.6%	-38.1%	106.1%	53.7%	NA	4.6%	18.2%

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

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2005	\$ 39,371	\$ 29,497	\$ 22,550	\$ 22,015	\$ 6,948	\$ 2,605	\$ 27,491	\$ 150,477
2006	43,337	30,652	27,277	24,412	6,819	3,576	21,543	157,616
2007	42,586	32,402	28,578	25,268	6,957	3,529	19,799	159,119
2008	46,582	31,791	28,758	26,343	7,577	3,498	18,024	162,573
2009	44,142	29,484	28,078	27,692	7,333	4,005	17,192	157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,296
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
Change 2005-2014	9.4%	-0.2%	38.0%	35.8%	6.6%	52.2%	-39.6%	7.3%

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
2005	\$ 10,960,812	\$ 1,569,991	\$ 305,154	\$ 12,835,957	\$ 12,835,957
2006	12,691,527	1,655,021	316,863	14,663,411	14,663,411
2007	15,607,512	1,687,318	324,387	17,619,217	17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,112,330	258,302	19,792,044	19,792,044

Notes:

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15
Downtown improvement district	0.18	0.18	0.18	0.18	0.18	0.16	0.16	0.16	0.16	0.16
Personal property	4.00	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33	4.33
Machinery and tools	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.35	1.27	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.50	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	1.63	1.55	1.45	1.25	1.23	1.19	1.19	1.21	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%	100%	96%	100%	100%	98%	100%
As determined by the Commonwealth's Department of Taxation	65%	76%	76%	93%	96%	N/A	N/A	N/A	N/A	N/A

Notes:

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

N/A - Not available

(UNAUDITED)

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

Taxpayer	2005			2014		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Verizon Virginia, Inc.	\$ 156,543,958	1	1.43%	\$ 98,558,756	4	0.54%
Dominion Virginia Power	154,596,017	2	1.41%	301,301,543	1	1.64%
MacArthur Shopping Center LLC (Taubman Co.)	152,801,100	3	1.39%	183,168,300	2	0.99%
Norfolk Western Railway Company	77,259,985	4	0.70%	128,937,516	3	0.70%
Ford Motor Company	76,934,400	5	0.70%			
Bank of America	72,788,200	6	0.66%			
Military Circle Ltd. Partnership	61,169,100	7	0.56%	60,093,800	10	0.33%
Cox Virginia Telecom	61,046,839	8	0.56%			
New Life Tower	52,428,800	9	0.48%			
Virginia Natural Gas, Inc.	36,130,614	10	0.33%	71,459,122	7	0.39%
Foundation				116,691,000	5	0.63%
Norfolk Southern				94,315,266	6	0.51%
Dominion Enterprises				61,618,200	8	0.33%
Wells Fargo Building				69,376,700	9	0.38%
Total	<u>\$ 901,699,013</u>		<u>8.23%</u>	<u>\$ 1,185,520,203</u>		<u>6.44%</u>
Total Assessed Value	\$ 10,960,812,421			\$ 18,421,412,121		

Note:

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

(UNAUDITED)

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

Tax Year	Original Tax Levy	Adjusted Tax Levy ⁽¹⁾	Current Collections	Percentage of Current Collections to Tax Levy ⁽²⁾	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy ⁽²⁾
2005	\$ 209,202	\$ 183,406	\$ 180,348	\$ -	\$ 3,000	\$ 183,348	99.97%
2006	227,796	202,862	197,669	97.44%	5,146	202,815	99.98%
2007	254,703	230,160	219,993	95.58%	10,100	230,093	99.97%
2008	258,016	243,387	220,253	90.49%	23,083	243,336	99.98%
2009	261,535	252,088	233,725	92.72%	16,565	250,290	99.29%
2010	258,544	258,003	239,192	92.71%	16,876	256,068	99.25%
2011	254,756	253,813	235,518	92.79%	16,331	251,849	99.23%
2012	247,528	248,229	233,396	94.02%	12,408	245,804	99.02%
2013	244,309	244,894	229,872	93.87%	10,933	240,805	98.33%
2014	254,008	254,008	240,481	94.67%	-	240,481	94.67%

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, 2014 were \$255,840,000 of which \$15,359,000 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	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
Governmental Activities							
2005	\$ 436,860	\$ 446	\$ -	\$ 437,306	\$ 1,827	5.91%	1.15
2006	397,306	239	-	397,545	1,661	5.01%	1.24
2007	484,782	227	-	469,725	1,941	5.66%	0.99
2008	590,712	2,000	-	592,712	2,439	6.96%	0.71
2009	587,743	1,000	-	588,743	2,413	7.07%	0.64
2010	699,748	1,812	-	701,560	2,889	8.19%	0.50
2011	651,755	1,208	-	652,963	2,676	7.30%	0.52
2012	717,407	-	-	717,407	2,919	7.51%	0.46
2013	664,909	-	-	664,909	2,701	6.92%	0.53
2014	718,937			718,937	N/A	N/A	0.49
Business Type Activities							
2005	\$ 91,085	\$ -	\$ 372,427	\$ 463,512	\$ 1,936	6.26%	0.62
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	N/A	N/A	0.55
Total Primary Governmental Activities							
2005	\$ 527,945	\$ 446	\$ 372,427	\$ 900,818	\$ 3,763	12.17%	0.93
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	N/A	N/A	0.52

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
2005	\$ 527,945	\$ 91,085	\$ 436,860	\$ 12,835,957	\$ 239,396	3.40%	\$ 1,825
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	N/A	3.63%	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, 2014

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:			
City of Norfolk	\$ 978,654	100%	\$ 978,654

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total assessed value of taxed real property	\$ 10,960,812,421	\$ 12,691,527,668	\$ 15,496,207,804	\$ 18,401,851,069	\$ 19,395,789,387	\$ 19,940,273,451	\$ 19,320,643,495	\$ 18,676,730,533	\$ 18,319,948,478	\$ 18,421,412,121
Debt Limit -10% of total assessed valuation	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212
Net debt applicable to debt limitation	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343
Legal Debt Margin	\$ 581,176,179	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622	\$ 1,013,926,798	\$ 929,440,869
Net Debt percentage of debt limitation	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%	49.55%

(UNAUDITED)

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

Fiscal Year	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2005	\$ 69,183,154	\$ 34,643,668	\$ 34,539,486	\$ 6,250,000	\$ 14,041,059	\$ 20,291,059	1.70
2006	78,788,158	34,144,763	44,643,395	6,580,000	14,827,960	21,407,960	2.09
2007	76,013,563	32,427,377	43,586,186	7,310,000	14,379,821	21,689,821	2.01
2008	78,730,024	37,026,528	41,703,496	7,665,000	14,022,200	21,687,200	1.92
2009	78,020,552	38,182,373	39,838,179	8,050,000	16,411,343	24,461,343	1.63
2010	82,470,020	34,567,741	47,902,279	9,420,000	15,929,680	25,349,680	1.89
2011	83,737,444	37,068,753	46,668,691	9,875,000	16,527,844	26,402,844	1.77
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08

Notes:

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

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

Fiscal Year	Revenue Available for Debt Service ⁽¹⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 24,122,430	\$ 11,168,344	\$ 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

Notes:

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

(UNAUDITED)

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

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2005	\$ 35,752,761	\$ 5,157,895	\$ 17,623,223	\$ 437,894	\$ 58,971,773	\$ 490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780	13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698	13.17%
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007	13.10%

Notes:

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

(UNAUDITED)

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

<u>Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
2004	238,650	\$ 7,054,054	\$ 29,152	98,538	5.1
2005	239,396	7,399,230	30,875	96,697	5.0
2006	239,355	7,937,282	32,609	95,812	4.2
2007	241,941	8,292,887	34,375	100,042	4.1
2008	242,983	8,521,652	35,330	100,489	5.3
2009	243,957	8,325,135	34,441	99,110	8.9
2010	242,803	8,567,847	35,271	103,915	9.1
2011	243,985	8,946,520	36,873	103,996	8.3
2012	245,803	9,547,230	38,844	104,512	7.7
2013	245,392	9,601,595	39,009	104,793	7.0

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 2014.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2014.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2014.
4. All information on an average annual calendar year.

(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	
	2005	2014
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	7	5
Children's Hospital of the King's Daughters	8	6
BAE Systems Norfolk Ship Repair	-	7
Eastern Virginia Medical School	-	8
Norfolk State University	9	9
Bank of America	6	10
United States Postal Service	10	
Ford Motor Company	5	
Total Employment	94,385	138,691

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2014 is the quarter ended March 2014, 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)
2005	560	1,191	\$ 204,391	70	\$ 70,677
2006	531	1,058	133,053	60	165,989
2007	389	491	688,476	55	81,396
2008	277	815	101,212	35	102,714
2009	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	385	948	67,302	28	105,635
2014	1,338	432	93,072	30	30,565

Notes:

* The source of residential and nonresidential construction is the City's Department of Planning.

** Nonresidential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

(UNAUDITED)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Goods-Producing Industries:										
Construction	6.1	6.1	6.1	6.2	6.0	4.9	4.8	4.4	4.1	3.8
Manufacturing	9.8	9.6	8.7	7.9	7.3	7.3	6.7	3.2	6.8	6.7
Service-Providing Industries:										
Wholesale trade	5.0	5.0	5.0	5.1	4.6	4.2	4.0	3.3	3.7	3.5
Retail trade	14.2	14.0	14.3	14.6	13.8	13.0	12.9	12.9	12.6	12.8
Transportation and warehousing	9.7	9.9	9.3	9.4	9.5	8.6	8.8	8.8	9.0	8.8
Utilities	0.8	0.8	0.8	0.8	0.8	***	***	***	***	***
Information	4.2	4.0	3.5	3.7	3.4	2.8	2.6	2.1	2.9	2.9
Finance and insurance	7.1	6.7	6.0	6.6	6.6	5.7	5.5	3.9	5.3	5.3
Real estate and rental and leasing	2.7	2.8	2.9	2.9	2.7	2.7	2.6	2.3	2.5	2.7
Professional and technical services	10.2	10.1	10.2	10.7	11.3	11.6	11.5	10.2	11.0	11.4
Management of companies and enterprises	3.6	3.7	2.7	2.4	2.5	2.2	2.1	1.0	2.0	1.9
Administrative, support and waste services	7.5	7.5	7.4	7.4	7.6	6.5	6.7	5.5	6.8	7.6
Educational services	14.7	15.2	15.5	15.6	16.4	16.6	16.4	1.0	16.0	16.1
Health care and social assistance	19.2	19.6	20.1	20.6	21.3	20.8	21.4	20.5	22.4	22.4
Arts, entertainment and recreation	2.2	2.3	2.4	2.4	2.4	2.2	2.2	2.7	2.3	2.3
Accommodation and food services	11.1	10.9	11.1	10.6	10.3	10.2	10.4	10.5	10.9	10.6
Public administration	12.3	12.1	12.2	12.1	13.7	14.1	14.0	14.5	14.4	12.7
Other services	4.2	4.3	4.1	4.0	3.9	3.7	3.8	4.0	4.1	4.2
Total (adjusted for rounding)	144.6	144.6	142.3	143.0	144.1	137.1	136.4	110.8	136.8	135.7

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 2004 - 2013 as calendar year. Calendar year data not available for 2014.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia (the School Board), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2014 and the related notes to the financial statements and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Norfolk, Virginia
January 20, 2015