

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

2023

**FISCAL YEAR ENDED
JUNE 30, 2023**



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**City of Norfolk, Virginia
Annual Comprehensive
Financial Report
For the Fiscal Year Ended
June 30, 2023**

**Prepared by:
The Department of Finance**

**Christine Garczynski
Director of Finance**



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CITY OF NORFOLK, VIRGINIA

Code of Ethics

The City of Norfolk conducts its business fairly, impartially, ethically and in compliance with all laws and regulations. The City is committed to conducting its business with integrity underlying all relationships, including those with citizens, customers, suppliers, communities and among employees. The highest standards of ethical conduct are required of City employees in performing their responsibilities. Employees will not engage in conduct or activity that may raise questions as to the City's honesty, impartiality or reputation, or otherwise negatively reflect on the City.

Values

Accountability, Integrity, Innovation and Respect

Acknowledgments

This report has been accomplished through the efficient and dedicated services of the staff of the Department of Finance and contributing departments and our independent auditors, CliftonLarsonAllen LLP. The contributions of all are invaluable and clearly reflect the high standards set by the City of Norfolk.

It is also appropriate to thank the City Manager, Deputy City Managers, Mayor and Members of the City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.



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**INTRODUCTORY
SECTION**



CITY OF NORFOLK, VIRGINIA
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Municipal Officials

Honorable City Council

President and Mayor
Vice Mayor
Member
Member
Member
Member
Member
Member

Kenneth Cooper Alexander, Ph.D.
Martin A. Thomas, Jr.
Courtney R. Doyle
Mamie B. Johnson
Andria P. McClellan
John E. "JP" Paige
Danica J. Royster
Thomas R. Smigiel, Jr.

City Manager

Patrick G. Roberts

Deputy City Manager
Deputy City Manager
Deputy City Manager
City Attorney
City Auditor
City Clerk
City Real Estate Assessor
Registrar of Voters
Acting Director of Budget & Strategic Planning
Director of Communications
Acting Director of Cultural Facilities, Arts & Entertainment
Acting Director of Economic Development
Director of Emergency Preparedness & Response
Director of Finance
Director of Fire & Rescue Services
Director of General Services
Director of Housing and Community Development
Director of Human Resources
Director of Human Services
Director of Information Technology
Director of Libraries
Director of National Maritime Center (Nauticus)
Director of Neighborhood Development
Executive Director of Norfolk Community Services
Acting Director of Planning
Chief of Police
Director of Parks & Recreation
Acting Director of Public Health
Director of Public Works
Chief of Office of Resilience
Director of Slover Library
Director of Transportation
Acting Director of Utilities
Director of Zoological Park

LaVoris Pace
Trista Pope
Catheryn R. Whitesell
Bernard A. Pishko, Esquire
Tammie Dantzler
Richard (Allan) Bull
W.A. (Pete) Rodda
Stephanie Iles
Catheryn R. Whitesell
Chris Jones
Rob Henson

Sean Washington
James Redick
Christine Garczynski
John DiBacco
Nikki Riddick
Dr. Susan Perry
Marva Smith
Denise Gallop
Terri Doane
Sonal Rastogi
Stephen Kirkland
Kimberley Pierce
Sarah Paige Fuller
Paula Shea
Mark Talbot
Darrell Crittendon
Sulola Adekoya, MD, MPH
Richard Broad, P.E.
Kyle Spencer
Jennifer A. George
John Stevenson
Bob Carteris
Gregory Bockheim



CITY OF NORFOLK, VIRGINIA
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Municipal Officials

JUDICIAL

Fourth Judicial Circuit Court

Chief Judge
Judge
Judge
Judge
Judge
Judge
Judge
Clerk

David W. Lannetti
Michelle J. Atkins
John R. Doyle, III
Mary Jane Hall
Jerrauld C. Jones
Everett A. Martin, Jr.
Robert B. Rigney
Tasha D. Scott
George E. Schaefer, III

Norfolk General District Court

Chief Judge
Judge
Judge
Judge
Judge
Judge
Clerk

Tameeka M. Williams
Robert L. Foley
Michael C. Rosenblum
Joseph C. Lindsey
Leondras J. Webster
Jamilah D. LeCruise
Jennifer L. Morgan

Norfolk Juvenile and Domestic Relations District Court

Chief Judge
Judge
Judge
Judge
Judge
Clerk

Devon R. Paige
M. Randolph Carlson, II
Lauri D. Hogge
Lyn M. Simmons
Robert McLanahan Smith, III
Joan M. Butt

Other Constitutional Officers

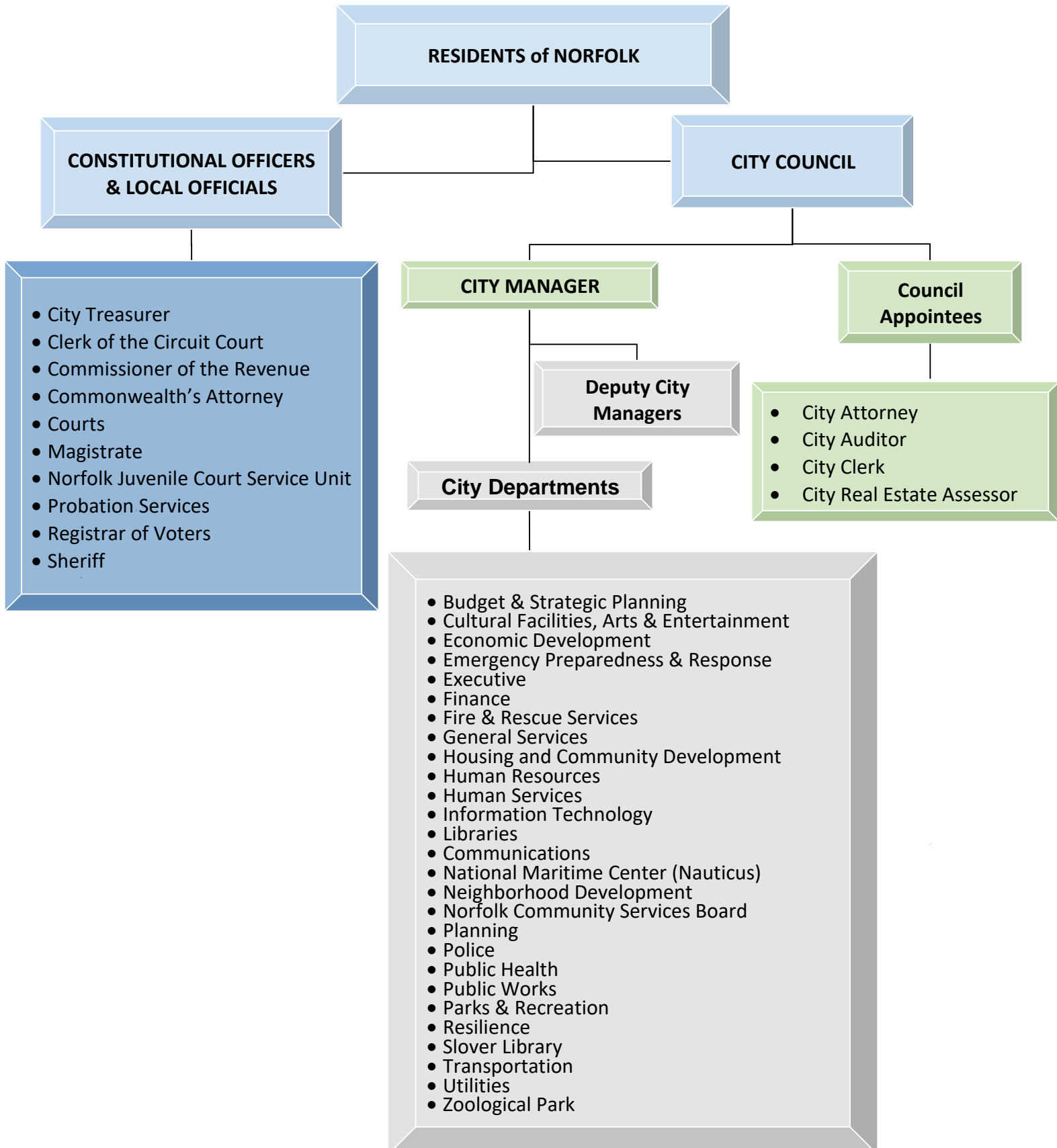
City Treasurer
Commissioner of the Revenue
Commonwealth Attorney
Sheriff

Daun Hester
Blythe A. Scott, Esq.
Ramin Fatehi
Joseph P. Baron



CITY OF NORFOLK, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

ORGANIZATIONAL CHART



December 15, 2023

To the Honorable Council and
Residents of Norfolk, Virginia:

The Annual Comprehensive Financial Report (ACFR) of the City of Norfolk (the City) for the fiscal year that ended June 30, 2023, is hereby submitted. The *Code of Virginia* and the Charter of the City of Norfolk require the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with *Government Auditing Standards* by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of various funds and component units of the City as of June 30, 2023. Extensive disclosures have been included to enable the reader to gain a comprehensive understanding of the City's financial activities.

Important information regarding the financial statements and audit is discussed in the Financial Information located on page 7.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (the MD&A). The MD&A immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the City

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. Norfolk is the economic, business, educational and cultural center of southeastern Virginia. Norfolk is the third most populated city in Virginia and has a fun filled atmosphere with vibrant entertainment and culture, delicious cuisine, all along its 144 miles of shoreline. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the cities of Virginia Beach, Portsmouth and Chesapeake. With the bay, ocean and several rivers in our backyard, residents are never far from the water, which provide ample recreational opportunities and are the centerpiece of dozens of historic neighborhoods. The waterways have been central to Norfolk's identity and an ongoing source of its financial stability, thanks to a major international port, significant military facilities and related businesses.

Downtown Norfolk



The City Council is comprised of eight members, who formulate policies for the administration of the City. Seven members are elected through a ward system and the Mayor, currently Kenneth Cooper Alexander, is elected at-large. The Vice Mayor, Martin A. Thomas, Jr., is elected by the City Council.

Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager implements the policies of the City Council, directs business procedures, and appoints, with the power to remove, the heads of executive departments and other employees of the City except those otherwise specifically covered by statutory provisions. Serving as the City's 17th City Manager, Patrick "Pat" Roberts assumed the position in June 2023.

The City provides a full range of general governmental services for its residents. These services include police protection; fire and paramedical services; public health and social services; planning and zoning management; neighborhood preservation and code enforcement; environmental storm water management; local street maintenance; traffic control; parks and recreation operations; design, construction and maintenance of public buildings and infrastructure; coastal resilience; cemeteries operations and maintenance; library services; collection and disposal of refuse and recycling; water and wastewater utilities;

construction and operation of parking facilities; arts, entertainment, and cultural affairs; and general administrative services.

The City budget appropriates all funds including City, state and federal pass-through funds for education, social service, correctional facilities, and judicial activities. Cities in Virginia have sole jurisdiction over the entire area within their boundaries and operate independently from any other municipal government. The City does not overlap with any other municipal jurisdiction and, consequently, citizens of Virginia cities are not subject to overlapping taxation. Further, cities in Virginia are prohibited from annexation to adjust their boundaries.

Financial Information

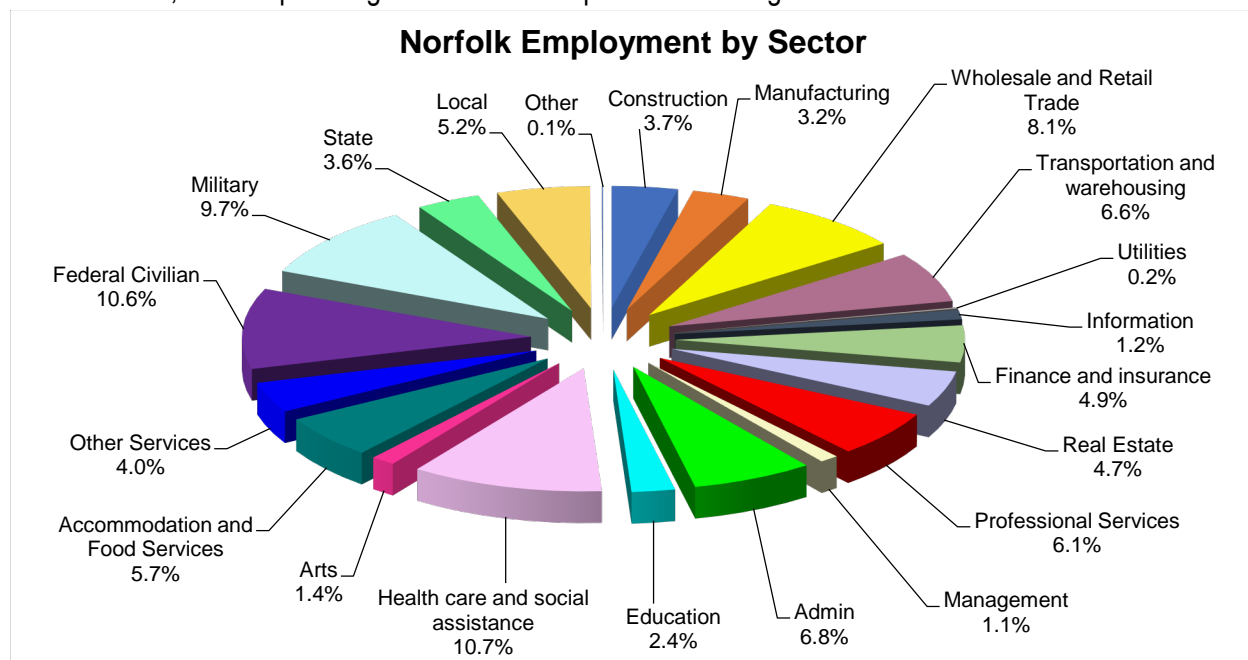
All the financial activities of the financial reporting entity are included within this report. In accordance with the requirements of the Governmental Accounting Standards Board ("GASB"), the financial reporting entity consists of the primary government (the City of Norfolk), as well as its component units. The City has included the financial data of two discrete component units which are legally separate entities: The School Board for the City of Norfolk and the Economic Development Authority ("EDA"). The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Employees' Retirement System of the City is a blended component unit, and although legally separate, it is considered a part of the City's operations, and therefore data from this entity is combined with financial information from the City. Additional information on these component units can be found in Note I of the Notes to the Basic Financial Statements contained within this document.

Continued Coronavirus (COVID-19) Impacts – American Rescue Plan Act

Congress passed the American Rescue Plan Act (ARPA) in March 2021. From this Act, the City was awarded \$154 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF). These funds have a range of eligible uses that include funding government services in an amount equal to the revenue loss experienced by the recipient due to the COVID-19 public health emergency. According to the Treasury's formula, Norfolk's calculated revenue loss is more than the total SLFRF allocation. As of June 30, 2023, the City has expended \$125.7 million of eligible government services, in the form of public safety salaries, under the revenue loss category, and is on track to spend the remaining \$28.4 million by June 2024.

Local Economic Condition and Outlook

The City has a stable economic base anchored by the world's largest naval station and the Port of Virginia, one of the busiest ports on the east coast. Norfolk is a leader in health care, education, and finance within the Hampton Roads region. While Norfolk's economy is grounded by its maritime assets and is the core of a military region, the economy also benefits from diverse corporate strength. As shown in the following chart, no one sector constitutes more than 11 percent of total employment. This diversity acts as a mitigating factor against any federal government's reduction in defense spending. In addition, the City continues to promote comprehensive urban revitalization, to foster job growth and to expand economic opportunities that enhance diversification, while capitalizing on Norfolk's competitive advantages.



Source: Bureau of Economic Analysis, total full-time and part-time employment by North American Industry Classification System industry, for 2022; Total employment – 200,371.

With 200,371 jobs, Norfolk serves its role well as the Hampton Roads region's urban job center and has the highest job density in the region. Norfolk's vibrancy has spurred the development of several new businesses over the last year, as well as encouraged the expansion of existing businesses. The City recognizes that expanding its business and industrial tax base will ease the burden on homeowners and it is committed to promoting economic development throughout the City.

Military

Norfolk is proud to be the home of the world's largest Naval Station and the presence of the military in Norfolk has a significant impact on the local economy. According to the most recent data available to the City, the U.S. Navy's direct economic impact on the region was \$15.8 billion in fiscal year 2020, comprised of a total annual payroll of \$13.2 billion and the balance consumed on goods and services and procurement contracts. The region, and particularly the City, expect to continue as a center of activity for the U.S. Navy with current

total personnel (military and civilian) of more than 126,300 with an additional 15,530 military contractor personnel.

The Hampton Roads region is home to six aircraft carriers, including the Gerald R. Ford, the USS Dwight D. Eisenhower, USS John C. Stennis (currently undergoing overhaul at Newport News Shipbuilding through at least 2025), USS Harry S. Truman, USS George Washington, and the USS George H.W. Bush at Naval Station Norfolk. The Naval Station is home to approximately 64 ships and 187 aircraft that in addition to the six aircraft carriers includes cruisers, destroyers, large amphibious ships, submarines, and a variety of supply and logistics ships. In October 2022, the first-in-class aircraft carrier USS Gerald R Ford departed from Naval Station Norfolk on its first deployment to conduct operations and training exercise in the North Atlantic alongside North Atlantic Treaty Organization (“NATO”) partners.



United States Navy

In 2023, the USS George Washington was delivered back to the Navy after years of work at Newport News Shipbuilding, following successful sea trials. The ship is ready to support any mission and serve our nation for the next 25 years. The USS George Washington is expected to return to Japan in 2024 to relieve the USS Ronald Reagan which will return to the United States. Norfolk is home to Joint Force Command (JFC) Norfolk, one of NATO’s three operational commands and the only one in North America.

In November 2022, Navy leadership celebrated two new additions to Norfolk Naval Shipyard (“NNSY”) with a ribbon cutting ceremony for the Navy’s newest barge, Auxiliary Personnel Lighter (“APL”) 68 as well as a new self-service Navy Exchange (“NEX”) Micro Mart. The facilities aim to provide better living accommodations and improve quality of service for Sailors stationed aboard ships during planned maintenance availabilities.



Auxiliary Personnel Lighter (“APL”) 68

Norfolk is one of the most veteran friendly cities in the nation with a significant workforce development program. In 2023, for the Virginia Values Veterans (V3) awards, the City of Norfolk was the recipient of the Secretary’s Award. This award was presented to the City, for recognition of efforts to

hire and retain veteran employers by Virginia Secretary of Veterans and Defense Affairs.

The Port of Virginia and Shipping

The City also serves as a gateway between world commerce centers and the heartland (the central land area of the United States), which offers efficient train routing from the Norfolk-based Port of Virginia. With one of the world’s largest natural deep-water harbors and a temperate climate, the Port of Virginia is an integral part of the City’s economy. The Port of Virginia is one the nation’s sixteen strategic ports for deploying military

INTRODUCTORY SECTION

personnel and equipment worldwide. The Port is home to the deepest harbor on the east coast of the United States. The Port is also working to increase the depth of the Norfolk Harbor to 55 feet, while working to widen the Thimble Shoals Channel to 1,400 feet, with an anticipated completion by the end of 2024.

In 2024, the expansion of the Central Rail Yard at Norfolk International Terminal (NIT) will accommodate 455,000 additional rail TEUs (twenty-foot equivalent container units) annually, for a total annual rail capacity of more than 1.8M TEUs at The Port of Virginia. The largest intermodal rail port on the East Coast is expanding with the strategic investment in efficiency and on-dock capacity that will support more freight cargo more efficiently.



Norfolk International Terminals (NIT)

These expansions and growth at the Port translate into more jobs and greater economic prosperity for the City and the Commonwealth of Virginia.

Transportation



Norfolk International Airport

Norfolk leads the way as the most multimodal city in the Hampton Roads region. Norfolk International Airport ("NIA") is the primary airport serving Hampton Roads and northeast North Carolina and celebrates 85 years in service this year. Currently, NIA is served by Allegiant, American, Breeze, Delta, Frontier, Southwest, Spirit, United and their regional partners. Designated as Virginia's first green airport, NIA is one of the most powerful economic generators in the Hampton Roads region. NIA ranks in the top 14 percent of the country's airports in terms of passengers served annually, with over 4.1 million passengers and over 75,000 flight operations in 2022. NIA

earned a 4-Star Regional Airport Rating in 2023 and was ranked #6 in the World's Best Domestic Airports 2023 by Skytrax.

The City's light rail system, the Tide, runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach City line. Additionally, with several trains a day, Amtrak passenger rail line service connecting the City to Washington, D.C. via Petersburg and Richmond operates from the train station located at Harbor Park where the Minor League Baseball Norfolk Tides play, and not far from where the HeadWaters Resort & Casino is planned to be built.



Light Rail System

Announced in 2017, the \$3.9 billion expansion of the I-64 Hampton Roads Bridge Tunnel will become the largest highway construction project in the Commonwealth's history. This transformation will widen the current four-lane segments along nearly ten miles of the I-64 corridor in the City and Hampton, adding twin tunnels across the harbor. The expansion will increase capacity, ease major congestion, as well as enhance travel time reliability for the region. HRTAC is the primary funding agent of the project, which is being financed with regional sales and gas tax collections and the City is not liable for any debt obligation. Additional funding includes \$308 million from the Virginia Department of Transportation. Construction began in 2019, with estimated completion currently in 2026.



Lime Electric Bike

The Multimodal Transportation Master Plan is a systems approach to safe and convenient mobility for everybody, whether we walk, ride, roll, or drive in the City. The Plan focuses on making Norfolk's streets safer and improves transportation equity by providing more efficient and affordable transportation options to work, school or daily needs with or without a car. The new multimodal system redesigns City bus routes to better meet the goals, priorities, and develops a long-term vision for multimodal transportation in Norfolk. Multimodal Norfolk provides the framework for large and small decisions about

transportation projects, priorities, coordinated planning with land use decisions, public/private initiatives, infrastructure projects and more.

Education – Pre-K to 12 and Libraries

Norfolk Public Schools ("NPS") is on a mission to ensure that all students maximize their academic potential, develop skills for lifelong learning and become successful contributors to a global society. NPS is the largest urban school division and the seventh largest division overall in the Commonwealth of Virginia. The school division enrolls a racially and economically diverse population and has an array of academically challenging programs from which to choose.

NPS offers innovative public-school programs, which include Early Childhood Education, a unique, comprehensive program full-day preschool classrooms ensuring 3-year-olds and 4-year-olds enter school with critical early literacy and numeracy skills. NPS has an array of academically challenging programs from which to choose, including six middle school specialty programs, five high school specialty programs, three K-8 choice schools, one 3-8 school, two Pre-K-2 schools, two 3-5 schools and one Pre-K-8 school. The City is home to the Governor's



Larchmont Elementary School



Slover Library

Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 350 students from six cities and two counties in its downtown location in Norfolk on Granby Street.

The Slover Library, the main public library, blends traditional library functions with the best of contemporary library resources and services. Nestled between The Main and Slover Library, the Selden Market, which features the area's up-and-coming small businesses in retail, food and more.

Higher Education

Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to several institutions of higher learning: ODU, NSU, Tidewater Community College ("TCC"), Eastern Virginia Medical School ("EVMS"), and Tidewater Tech Trade School ("Tidewater Tech"). ODU is one of only 100 public research-extensive universities nationwide and one of four in Virginia. NSU is Virginia's largest public, historically Black university and one of the largest predominately Black institutions in the nation. Located in Downtown, TCC occupies several buildings, including the Jeanne and George Roper Performing Arts Center.

In 2021, NSU received the largest single-donor gift in its 85-year history, accepting a \$40 million donation to advance NSU's mission in support of access, student achievement and academic excellence. Celebrating 2023, NSU has been designated as a 2023-2024 Top 10 Military Friendly School, ranking No. 1 in the Small Public category. The designation is made by Military Friendly, which is owned and operated by Viqtory, a service-disabled, veteran-owned small business. For the third year in a row, NSU has been ranked by U.S. News and World Report as one of the Top 20 Historically Black Colleges or Universities in the nation.

In March 2023, NSU renewed its partnership with the U.S. Coast Guard to create opportunity for students to receive college tuition support, fees, books, and essential supplies. It is also to promote the Coast Guard's civilian and military recruiting efforts through the College Student Pre-Commissioning Initiative ("CSPI"). While enrolled in school, a CSPI selectee is enlisted in the Coast Guard and receives active duty pay, allowances, entitlements, and benefits such as medical, dental, and housing. After graduation, CSPI participants attend Officer Candidate School and become commissioned officers in the Coast Guard.



Norfolk State University and U.S. Coast Guard

EVMS opened its doors in 1973, and for more than four decades, has operated as a medical school for physicians and health professionals, educators, and medical pioneers. In 2023, the Goldrich Institute opened at EVMS offering a full range of medical management and quality-of-life services for people with neurodegenerative diseases such as Parkinson's and Alzheimer's, and related movement disorders, as well as the families of those patients. Approximately 4,000 square feet of state-of-the-art clinical space is currently dedicated for this institute inside Andrews Hall.

EVMS and NSU announced a new partnership in January 2023 to address healthcare disparities and medical workforce. The new program, called the EVMS-NSU Research and Training Incubator for Collaboration in Health Equity Initiative (ENRICHe), will help address healthcare disparities among minorities, as well as help expand career paths for NSU students interested in working in healthcare. Part of the goal is to help create a medical workforce that looks like the community, school leaders as research has shown one of the main aspects to address mental health inequities in neighborhoods is to have the health workforce mirror the community in which they are practicing.

EVMS and ODU announced their integration in September 2023. EVMS is one of the few remaining standalone medical schools in the country. The integration will allow EVMS the opportunity to expand available resources, expertise, and community reach. It also allows for continued innovation and leadership



in the medical and health instructional fields. Under the plan, EVMS would become the Eastern Virginia Health Sciences Center at ODU. It would include a School of

Medicine, School of Health Professions, College of Health Sciences and School of Nursing, along with the Medical Group and O.N.E. School of Public Health, a joint initiative among ODU, Norfolk State University and EVMS. The integrated center would provide 56 health sciences programs, including 18 not offered elsewhere in Virginia, such as Master of Surgical Assisting, Doctorate in Reproductive Clinical Science and Art Therapy and Counseling.

Tidewater Tech specializes in trade vocations including auto technician, HVAC, building maintenance and repair, and welding. Tesla, an American electric vehicle, and clean energy company based out of Austin, Texas, opened a new dealership located in the City. This presence of an electric vehicle manufacturer affords Hampton Roads residents the opportunity to shop Tesla in a space closer to home and in addition to increased availability of electric vehicles, this new center offers the opportunity for students in Hampton Roads to serve in the electric car industry through auto technicians. To meet the demand for electric car vehicle maintenance, Tidewater Tech unveiled a unit within their auto technician program to educate students about how to perform quality maintenance on electric vehicles.

TCC is Hampton Road's largest provider of higher education and workforce development services and a resource for business and industry to gain technical employees, as well as expertise for training and retraining

INTRODUCTORY SECTION

programs for current employees. TCC is a part of the Community College Workforce Cooperative, a regional partnership, designed to meet the job training needs of the region's major industries and businesses. TCC has moved its visual arts programs from Portsmouth to the City, adding another building to its campus. TCC school officials highlighted the location of the downtown campus in the City allows it to take advantage of nearby galleries, the NEON arts district, and the Governor's School for the Arts.

TCC announced the opening of a Child Development Center in downtown beginning in winter 2025. Alumni and students of TCC's Early Childhood Development Program will staff the centers and focus on teaching children school readiness and important skills through play. The center's services are planned to be available to any student currently enrolled in TCC.

Located in the heart of the ODU campus, the new Student Recreation Center has become the hub of all sport, wellness, and fitness activities. The project involved the demolition of most of an existing field house and the creation of the 121,000 square foot state-of-the-art recreation facility built around the existing 31,000 square foot natatorium. Along with the existing natatorium and locker rooms, the facility contains a two-story climbing wall, an elevated jogging track, a three-court open gymnasium and a multipurpose activity court. Other amenities include a 15,000-square-foot fitness center, group exercise studios, a three-tiered group cycling studio, three racquetball courts, indoor hockey and soccer fields, dance studios, cardiovascular training rooms, lounge areas, classrooms, office space and conference rooms.



Old Dominion University

In addition to these recreation components, the center houses the Department of Human Movement Sciences that includes programs such as Exercise Science and Health & Physical Education. The new space will become home to Student Health Services, Counseling Services and Health Promotion. The expansion is anticipated to be completed by spring 2024.

Healthcare

Within the City, there are four general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, CHKD and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional").

As the region's first magnet hospital, the recently renovated Sentara Norfolk General Hospital, a 525-bed tertiary care facility, is home to the areas only Level I Trauma Center, burn trauma unit and nationally ranked heart program at Sentara Heart Hospital. The Cardiology and Heart Program at Sentara Norfolk General Hospital has been ranked among the nation's Top 50 heart programs in the U.S. News & World Report's annual hospital rankings.

CHKD, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 206 beds, the hospital serves the medical and surgical needs of

children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and northeastern North Carolina. The CHKD completed a 14-story, \$224 million Children's Pavilion in September 2022 that provides prevention treatment, intensive day programs, research, and follow-up care to address mental health needs. The hospital has 60 inpatient beds, an indoor and outdoor recreation center, and a music therapy room and recording studio. The rooftop on the 14th floor features a basketball court, a soccer field with turf and a four-square court. The Pavilion's top floor is a safe place, enclosed with netting, for children to play in the in the fresh air and sunlight.

In March 2023, Sentara Leigh Hospital's opened their newly expanded Family Maternity Center to help accommodate more births. In addition to the thirteen new private postpartum, family rooms and state-of-the-art technology designed for mothers and their babies, the family center also added private consultation spaces, newborn rooms, and increased appointment availability for mothers.

New Investments

Economic development initiatives focus on the attraction, expansion, and retention of businesses that play to the City's strengths: maritime, higher education, medical and research facilities, neighborhood, community revitalization, and commercial corridor development. New development, expansion and retention of the City's business community has led to continued economic growth. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing, and boutique retail has increased the diversification of the City's local economy. Since 2018, the City has realized over \$2.4 billion in new development, business expansion and announcements of pending projects, an increase of almost \$27 million since the last report.

Below, we describe some of the significant economic development activities and announcements in the City in Fiscal Year 2023:

- PRINCOL, LLC, is a joint venture of Premier, Inc., a leading technology-driven healthcare improvement company, Vario Labs LLC of Virginia Beach, and Caretrust LLC will establish a healthcare products manufacturing facility in the City that will create approximately 280 jobs. The new \$18.1 million manufacturing facility in the City will benefit from the region's logistical advantages, skilled workforce, and diverse ecosystem of suppliers, innovators, and customers.
- Magazine Jukebox Inc. ("MJB"), a company that provides commercial spaces with a digital alternative to traditional print magazines, announced in February 2023 it will invest \$1 million to expand in the City. The company's technology will soon be deployed by Ziosk, a tabletop platform currently in use in more than 2,000 quick service restaurants across the country. Providing a green, sustainable method of replacing physical print magazines in public spaces, the company's investment will create 20 new jobs to support its new contracts and rapid growth, quadrupling current staffing.
- Announced in January 2023, Yellow Dog Software, an inventory software development company, will invest \$150,000 to expand its operation in the City and create 20 new jobs. The company offers an inventory system to the hospitality and sports industries, including casinos, restaurants,

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amusement parks, universities, and stadiums, is increasing its footprint by approximately 10,000 square feet to accommodate additional employees for its expanding sports and hospitality markets.

- ARDX, a government healthcare management and technology consulting firm, announced in November 2022 it will invest \$2.4 million to relocate and expand in the City. ARDX will establish a new Division of Health Equity, which will improve access, quality, and outcomes of service delivery to the nation's most vulnerable populations. The project will create at least 15 new jobs.
- Advanced Integrated Technologies ("AIT"), a ship repair contractor for the Navy, U.S. Coast Guard, Military Sealift Command, and the marine, industrial, and commercial industries in North America, announced in March 2023 it will invest \$500,000 to expand in the City and add 76 new jobs. The company will increase capacity at its location in the Norfolk Industrial Park to serve recent government contract awards from the U.S. Department of Defense.
- As announced in April 2023, PRINCO LLC, established a healthcare products manufacturing facility in the City, creating approximately 284 jobs and an initial investment of \$18.1 million, with potential additional investment of \$5.7 million. PRINCO LLC manufactures hospital grade incontinence pads, bringing the production of this product from overseas to the U.S. to support thousands of hospitals and other healthcare providers nationwide.
- The historic Riverview neighborhood has seen growth in development activity with new restaurants and retail stores opening in the area. Riverview Theater, located in the area, opened in the City in 1947, however the 700-seat theater located on Granby Street has been closed for some time. With plans to turn the theater into an event space for live bands and performances, the historic property has been recently purchased for \$1.7 million.
- BAUER Compressors, which specializes in compressors system solutions for various breathing air and industrial applications announced in May 2023 that they will be investing \$7.4 million to expand its operations in the City. The company plans to increase hydrogen and natural gas compressors to meet the growing demand. The decision for BAUER to expand its operations will have a positive economic impact both local and statewide. This expansion will create 47 new jobs.
- Based in the Czech Republic, ANAFRA is the newest addition to the City's technology community that support tech companies specializing in combatting sea level rise and recurrent flooding, green technologies, cybersecurity, supply chain and maritime logistics, population health threats, behavioral health crisis, bioinformatics, advanced transportation technologies and more. ANAFRA provides web hosting, including the operation of dedicated and virtual servers. The firm is a leading integrator of Supermicro, ASUS and ASRock Rack server technologies. Specialized IT services include design, construction and management of data networks, IT audits and implementing closed-circuit television systems.
- Booz Allen Hamilton has been a committed partner in the Norfolk and Hampton Roads business community for over 25 years. With over 600 employees already in the area, Norfolk was selected in August 2023 as the location for its new shared services Delivery Hub, which will provide key operations and shared services functions corporate-wide. The Delivery Hub is expected to grow to 200 – 300 staff either new hires or transfers from Northern Virginia over the next few years.

- Announced in June 2023, Fugro, the world's leading geo data specialist, will expand its Americas Center of Expertise for Offshore Wind in the City. The company's Virginia operations have grown considerably over the past decade, in line with the boom in offshore wind projects on the U.S. east coast. The expansion will create an additional 15 jobs in the state and will include \$100,000 in capital investment.
- In April 2023, Old Time Pottery opened a new store in the City, which is the store's first Virginia location. This project included a \$575,000 capital investment and is estimated to create 75 jobs.
- Top Tier Solar Solutions established their City-based operations in 2023, creating 70 jobs in the City.
- In September 2023, Lyon Shipyard, a full-service ship repair and industrial provider, announced plans to invest \$8.5 million to expand its operations in the City. The company plans to increase capacity to operate on commercial ships and vessels that service offshore wind farm operations, which will create 134 new jobs.

Residential Development

One of the City's greatest strengths is its neighborhoods. With over 120 civic leagues and over 102,000 housing units, the City offers a diversity of housing choices that range from charming starter houses to grand residences and from downtown lofts and town homes to brand new developments along the Chesapeake Bay. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that increases private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Residential investment continues to grow throughout the City, particularly in and around downtown. The St. Paul's Area, adjacent to downtown, is under major revitalization, and is one of the City's key resilience projects. The transformation project targets significant improvement in all three key components of resilience as defined by the City: coastal resilience, economic resilience, and neighborhood resilience. In May 2019, the NRHA and City were awarded a \$30 million Choice Neighborhood Initiative ("CNI") Implementation Grant for the Tidewater Gardens Transformation Plan, phase one of the overall redevelopment of the St. Paul's Area. With the award of the CNI Implementation Grant, the City will redevelop the Tidewater Garden community into more than 700 new, mixed-income housing units; improve the neighborhood's landscape by creating new resilient, open space that doubles as storm water mitigation, increase opportunities for local businesses by providing ground floor commercial and retail spaces, reconnect the community through a redesigned multi-modal road network and improving families' access to quality jobs, education and health services through a human development program called People First. Kindred is the selected name for the former Tidewater Gardens Community. Construction of the first buildings and phase 1 construction of the roadway network is expected to be completed in fall 2023. Construction in phases 1 and 2 will include new pump station, public utilities, vehicular and pedestrian bridge, along with street extensions and realignments. Overall, this will be an \$85 million investment for the City. Along with the redevelopment of this community a 22.2-acre park will be added. This project is known as the Storm Water Blue/Greenway Park. The park will help with the City's flood management issues while allowing guest the opportunity to learn more about

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the history of the community. Construction on the park should be completed in winter 2025. Additional phases will be completed on a rolling basis each year through fall 2025. Private investment in the redevelopment area has already occurred with the addition of two affordable housing developments: Market Heights and Riverside Station, adjacent to the City's development. Additionally, the Reunion Senior Living at Kindred is currently under construction and contains 72 one- and two-bedroom apartment homes.

The U.S. Department of Transportation has awarded the City \$14.4 million as part of the BUILD grant program. The funds were leveraged with a \$6.2 million match from the City for a \$20.6 million road improvement project throughout the St. Paul's Area transformation project. The improvement project includes 1.33 miles of City streets that will be transformed into a connected network with integrated streets, broadband facilities, resilience, and stormwater infrastructure components.

In April 2022, to support the City's plan of redeveloping the adjacent St. Paul's development, Bruce Smith announced a 261-unit apartment complex with 4,200 square feet of ground-level retail space on an existing City-owned parking lot. The six-and-a-half story building also would include eight project-based voucher units under the Department of Housing and Urban Development.

Residential investment continues to grow throughout the City, particularly in downtown. Several new projects have recently opened in downtown, bringing the population to well over 7,000 residents.



St. Paul's Apartment Complex Renderings

Gravity 400, the sister development of the Icon residential tower, is a six-story luxury building along Waterside Drive.

This building will be the first of two large multifamily complexes from Marathon Development. The 273-unit building features extensive amenities and greenspace for residents in a prime downtown corridor. The estimated \$50 million project is expected to be complete in 2023.

Fusion @ Neon, is a five-story residential complex with ground floor parking, walk-up townhouse style apartments and coworking space on the first floor, with one-to-three-bedroom apartments on floors two through five. The multifamily dwelling is at the crossroads of the NEON District, a block from Granby Street. The estimated \$50 million project is expected to be complete in 2023.



Gravity 400

Acclaim at East Beach, a new waterfront active retirement living community, the first phase was completed in September of 2021 in the East Beach area. The living center provides a high-end, retirement living in a resort-style setting. The four-story apartment building includes 132 studio and two-bedroom spaces. The second phase is expected to be finished in June of 2024.



The Retreat at Harbor Pointe

The Retreat at Harbor Pointe Apartments is located on the east side of the City, offering residents a great opportunity to live in a brand-new waterfront home on Virginia's historic Elizabeth River. Along with stunning views of the Elizabeth River and Norfolk skyline, the community encourages a fun and active lifestyle featuring an elevated waterfront walkway, a state-of-the-art fitness center, swimming pool, accessible playground for residents with disabilities, and bicycle storage. The Retreat at Harbor Pointe offers affordable housing to residents of Norfolk making 50-60 percent of the Area Median Income.

Commercial Development

Economic development initiatives focus on the attraction, expansion, and retention of businesses that play to the City's strengths: maritime, higher education, medical and research facilities, neighborhood, community revitalization, and commercial corridor development. New development, expansion and retention of the City's business community has led to continued economic growth and diversification of the City's local economy.

Announced in June 2023 City Council voted on the strategic purchase of the 21-acre MacArthur Center. The center has been in downtown since 1999 on land leased from the NRHA. It was operated by Taubman until 2014 when Starwood purchased it for \$265.5 million. It was bundled together with several other malls for a total \$700 million loan. Wells Fargo was appointed special servicer upon the default. The City Council allocated \$18 million to purchase the property, which continues to operate as a mall. Included in a separate sale is the flagship store Dillard's located at the MacArthur Center. The 250,000 square foot, three-floor store was purchased by the Economic Development Authority of the City in August 2023 for \$4.0 million. With full control of the property, including the anchor retail space and the 4,000-space parking garages within the 23-acres centrally located in downtown, the City has positioned the property for future redevelopment opportunities.

Fairwinds Landing, LLC signed a definitive agreement with Norfolk Southern Railway Company for a 30-year lease (with 2, 10-year extensions) to transform Norfolk Southern's Lambert's Point Docks, a 130+ acre, underutilized break-bulk terminal, into a world-class maritime operations and logistics center supporting the offshore wind, defense, and transportation industries. Breaking ground in June 2023, Fairwinds expects to invest more than \$195 million in building renovations, site improvements and pier side upgrades. Key tenants on the site include Dominion Energy Inc.'s offshore wind operations and maintenance facility; Fairlead Integrated and Huntington Ingalls Newport News Shipyard's aircraft carrier component manufacturing business; and a large offshore wind equipment manufacturer¹. These companies are expected to invest between \$660 and \$740 million in taxable plant and equipment over and above the site improvements and support 700 new jobs when fully built-out.

¹ Project company still undisclosed.

The Pamunkey Indian Tribe is moving forward with development of a \$500 million casino and resort development. The HeadWaters Resort and Casino ("HeadWaters") will be located on roughly 20-acres of waterfront property adjacent to Harbor Park, home of the City's Triple-A baseball stadium. The project is anticipated to have more than 300 four-diamond hotel rooms, a gaming floor, rooftop bar, waterside infinity pool, luxury spa, sports bar and grill, steakhouse, multi-purpose event center and a rooftop outdoor event space. HeadWaters is initially estimated to produce \$24.8 to \$44.5 million in annual tax revenues, create 2,500 new jobs and have an annual indirect economic impact value of \$850 million. The Pamunkey Indian Tribe is working toward a groundbreaking in the near future.

Quality of Life, Arts and Culture

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists. Theatre venues include the 100-year-old Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre, and the NORVA. Built in 1972, one of Norfolk's most notarized venues, Chrysler Hall celebrated its 50th anniversary in 2022.



Peter G. Decker Half Moone Center

The 80,000 square foot Peter G. Decker, Jr. Half Moone Center is located between Town Point Park and Nauticus/Battleship Wisconsin and continues to serve as a multi-purpose facility for the City offering five distinct event spaces that can accommodate from 50 to 1,500 guests.

In February 2020, the City and Carnival announced a five-year deal that will bring ships to the City from 2021 through 2025 with guaranteed revenue of at least \$350,000 per year from Carnival alone. While the 2020 cruise season was cancelled nationwide, Half Moone's 2021 schedule was a significant increase from 2019. Carnival currently has fourteen cruises scheduled for its 4,000+ passenger ship the Carnival Magic. Additionally, sixteen other cruises from a variety of lines will leave from the City. It is projected that in 2023 Carnival is expected to bring 200,000 passengers through the City. Due to an expanded partnership, Carnival will operate out of the City six months out of the year starting in May and year-round service by 2025, following a closure to all ships in 2024. With this expansion the estimated economic impact is \$17.6 million, which will provide a large boost for downtown business.

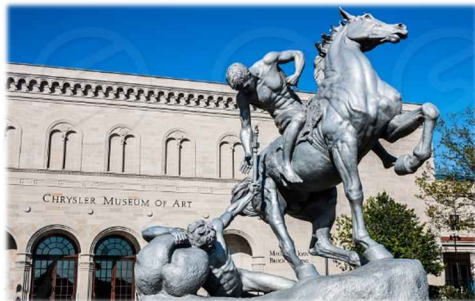
Ahead of its 30th birthday, the City and Nauticus is investing more than \$21 million to "reimagine" the downtown science center and museum, with new interactive exhibits, visitor spaces and more. The project is being billed as the first significant investment in exhibits and educational programming since the facility opened in 1994. The "state-of-the-art" additions include five large-scale and interactive gallery spaces across the whole third floor. Visitor spaces overall will see an overhaul, including a new "Wonder Hall" that will greet visitors when they enter. The phased construction will be completed by early 2024, though Nauticus remains open to the public.

Norfolk Botanical Garden is a Virginia Historic Landmark and is listed on the National Register of Historic Places. Norfolk Botanical Garden began construction on The Garden of Tomorrow, a multi-million-dollar project to enhance visitor experience, education, and conservation. The project will introduce a covered water education center, a walk-in ticketing system, entry pavilion and a parking garden designed to collect, treat, and reuse rainwater and increase parking availability.



Norfolk Botanical Garden

The Garden of Tomorrow will provide co-conscious design features and as much green space as possible and will feature a 26,000 square foot conservatory with aerial views of the tropical rainforest biomes, and the largest rose garden on the east coast. The projected grand opening is slated for year 2024. The Garden of Tomorrow will make a meaningful impact in the City and on the environment through practicing and encouraging conservation.



The Chrysler Museum of Art

Norfolk's arts district, the NEON District, is home to a new wave of passion and creativity in downtown. NEON, or New Energy of Norfolk, draws from the neighborhood's history with the automobile. Long time cultural institutions like the Chrysler Museum of Art and Harrison Opera House anchor the District.

The Chrysler Museum of Art has a new exhibit, To See a World in a Grain of Sand, that transforms sand to glass. This exhibit contains 270 samples of sand from around the globe including Fort Monroe, Naval Station Norfolk, and the Virginia Beach

Oceanfront, and each sample has been used and melted into glass to display its uniqueness. In March 2023, the Chrysler Museum of the Art in Norfolk began its expansion of the Perry Glass Studio. The 18,000-foot \$55 million project will include three shops, classrooms for glassmaking, and a performance theater that seats 200 people.

Waterfront Recreation Investment



Waterside District

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline including along Downtown's Elizabeth River, the Lafayette River, lakes, the Hampton Roads Harbor and the Chesapeake Bay. Town Point Park, located in the downtown area along the Elizabeth River, brings thousands of visitors downtown annually and generates both tax and parking revenue. The Waterside District is a regional destination located in the heart of the central business district and adjacent to the City's world-class waterfront and festival site. The

anchor is a 30,000 square foot section known as "The Marketplace" that has several restaurants, including a live performance stage and roof top deck, offering skyline and water views.

Sports and Recreation

Norfolk is home to the Norfolk Tides, a Triple-A minor league baseball team (the "Tides"), which is an affiliate of the Baltimore Orioles. The City is also home to the Norfolk Admirals, a member of the East Coast Hockey League (ECHL). In August 2023, the Canadian Professional ice hockey teams Winnipeg Jets and Manitoba Moose added the Norfolk Admirals as their official ECHL affiliate. ODU competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.



Harbor Park

Broad Creek Legacy Park is an 11-acre park in the Broad Creek emerging district. The park theme is "Healthy, Active and Abundant," and includes walking trails, open space, game tables and an urban orchard. This park along with the Jordan-Newby Library, Richard Bowling Elementary School and KROC Center will provide the community a nexus for education, fitness, recreation, and community engagement.

The 10.5-mile Elizabeth River Trail (the "Trail"), which runs from Norfolk State University ("NSU") following the Elizabeth River northward, began with an abandoned railroad spur being transformed into a walking and bicycle trail. The Trail can be accessed at various points along the Elizabeth River and offers scenic views of the Elizabeth River and interpretive markers tell the history of the area and environment. The Atlantic City spur of the Trail neighbors the Midtown Tunnel and is adjacent to Plum Point Park. Located on five acres of land, Plum Point Park is a site for environmental restoration. With magnificent



Broad Creek Legacy Park

views of the Elizabeth River, from a park-like setting, Plum Point Park now doubles as an environmental ecosystem with wetland vegetation, estuarine wildlife including blue herons and egrets, and an open meadow with mature interior trees.

In July of 2022, the Economic Development Authority of the City of Norfolk announced a 3.2 million redevelopment project for the Park Place neighborhood, The Rosna Theatre. In March 2023, design-build team presented proposals community leaders, City of Norfolk staff, and EDA Board members. In April 2023, the sale of the property was closed. The 1940's era theater will be the state-of-the-art boxing center and will serve as home to training, competitions, and community meetings while serving local, regional, and national boxing talent.

Adopted Financial Policies

On February 26, 2019, the City Council adopted updated formal financial policies. The updated Financial Policies are comprehensive and further strengthen the City's financial position. The adopted Financial Policies include an increase to the General Fund Unassigned Reserve with a minimum of 10 percent of General Fund Expenditures plus General Fund Transfers Out, an increase maximum funding in the Risk Management Reserve of \$8 million, no change in the existing Economic Downturn Reserve (i.e., \$5 million maximum), and creation of a new Inclusive Development Opportunity Fund to be funded at \$2 million. As of the end of Fiscal Year 2023, the City exceeded the minimum level in the General Fund Unassigned Reserve, and at the maximum level in the Risk Management Reserve, the Economic Downturn Reserve, and the Inclusive Development Opportunity Fund.

The adopted Financial Policies included a pension funding policy, which established the City's contribution at the greater of the prior year's contribution or the current year's actuarially defined contribution. The adopted Financial Policies included a net tax-supported debt service maximum of 11 percent of the General Fund budget with a target at 10 percent or less and a net tax-supported debt maximum of 4.0 percent of total taxable property value with a target of 3.5 percent or less. Debt affordability measures included a ten-year minimum debt pay-out ratio of 55 percent, an overlapping debt maximum of 0.5 percent of taxable property, and a variable rate debt limitation at 20 percent by fund.

The City's adopted Financial Policies provide that the Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility Funds will be self-supporting. Each fund must maintain annual net revenue in an amount to provide sufficient debt service coverage to support annual debt service. The Parking Facilities coverage requirement is 1.1 times its total annual debt service. The Water Utility Fund must maintain a coverage above 1.5 times its total annual debt service, and both the Wastewater and Storm Water Utility Funds are required to have a debt service coverage minimum of 1.15 times any revenue debt service and 1.1 times their total annual debt service. Additionally, each fund may only have twenty percent of its outstanding debt in the variable rate form. Each of these funds must maintain a working cash balance. The Parking Facilities and Water Utility Fund are required to have 240 days of operating expenses in unrestricted cash. The Wastewater and Storm Water Funds must maintain at least 180 days of operating expense in unrestricted cash. To monitor these Policies, each fund is required to annually produce a ten-year plan that integrates revenue and expense projections and project cashflow forecast. Based on Fiscal Year 2022 financial results, the City is in compliance with its Financial Policies for each Enterprise Fund and anticipates compliance in Fiscal Year 2023.

Long-Term Financial Planning

Annually, the City prepares a five-year financial forecast of revenues and expenditures for the City's General Fund, which serves as a planning tool for the annual operating budget. This forecast establishes a framework for use in decision making by highlighting significant issues that must be addressed to maintain a structurally balanced budget. It assists the City in understanding the fiscal challenges ahead and the need to establish priorities. This forecast identifies key factors that affect the City's fiscal outlook such as changes in major revenue streams and costs. The City's budget guiding principles are based on a five-pronged approach of

raising revenue, reducing expenditures, becoming more efficient, growing the economy, and sharing services and leveraging resources. Continuing good fiscal practices helps ensure ongoing structural balance.

The City's five-year Capital Improvement Plan is reviewed and revised annually to reflect changing conditions affecting existing projects and changing City Council priorities. This review identifies needed capital projects, estimates capital requirements, develops project financing and timing, and estimates operational expenses of projects subsequent to completion.

Debt Administration

Norfolk typically borrows money by issuing general obligation and revenue bonds to finance major capital projects. Bond financing spreads the cost of capital projects over a period of many years, rather than charging the full cost to current taxpayers. The City has the same obligation to adhere to sound financial management that a home or business does. The City adheres to adopted financial policies that promote effective financial management. The City has multiple measures of debt affordability and is in compliance with all of them.

The City has strong credit ratings for a local government for its general obligation bonds: 'Aa2' by Moody's Investors Service ("Moody's"), 'AAA' by S&P Global Ratings ("S&P") and 'AA+' from Fitch Ratings ("Fitch").

Credit ratings are one of several tools that investors and lenders use when making decisions regarding a municipalities' future financial strengths and weaknesses. The rating indicates the City's financial strength, continued stability, and capacity to meet its financial commitments, and this highest credit rating will continue to assist the City in maintaining low cost of funds to finance strategic capital projects throughout the City.

The details of bonds outstanding and bonds authorized, but not issued are shown in Note IX to the financial statements. Tables 1 through 7 of the Statistical Section provide detailed historical information regarding the debt position and debt service requirements of the City.

Key Initiatives

The fiscal year 2023 ACFR reflects the use of resources to achieve the City's vision and goals as defined by the City Council. To ensure that Norfolk remains a preferred coastal city to attract residents, businesses and visitors, the City balances its efforts and use of resources to sustain the important components that make the City livable and successful. Highlights of some key initiatives during fiscal year 2023 impacting the success and sustainability of the City are shown below.

The City elected to join the Virginia Retirement System (VRS) and provide VRS retirement benefits for its eligible employees effective January 1, 2022. The City closed the Norfolk Employees' Retirement System (NERS) to new membership effective January 1, 2022.



Effective October 1, 2022, the City Council approved to amend the Deferred Retirement Option Program (DROP) and extend the maximum permissible DROP duration from

four to five years of participation. Effective January 1, 2023, the DROP was expanded to include all eligible NERS members, including any police officer or fire fighter member and general employee classifications.

Resilience – Designing the Coastal Community of the Future

Norfolk is on the frontlines of the challenge of sea-level rise and has long been a national leader for its resilience strategy and efforts. As a coastal community, the City is one of several localities in the United States vulnerable to flooding from sea level rise and storm-surge. Named as one of the world's first members of Resilient Cities Network, a program pioneered by The Rockefeller Foundation, the City is helping to build a global practice of resilience by working with cities around the world.



To help address this challenge, the City maintains a dedicated Resilience Office that is focused on expanding and institutionalizing an integrated approach to building resilience in the environment, mitigating economic and social stresses, and potential shocks that challenge the City. Additionally, the Resilience Office actively leverages opportunities and resources across City departments, the local community, and national and international partners.

The City is proud to be a national leader of resilience and in advancing the Association of State Floodplain Managers (ASFPM) strategic initiatives of educating policymakers on sound floodplain management policies and practices; improving the knowledge of floodplain managers through the Certified Floodplain Manager (CFM) certification program; delivering on-going professional development and training events; conducting applied research, promoting emerging technologies, and developing tools that address all aspects of flooding and floodplain management; and increasing international awareness on flooding and flood loss reduction.



For example, because the City is a coastal community vulnerable to flooding from sea level rise and storm-surge, the City is actively working to

reduce the impacts of flooding. The City has adopted a comprehensive resilience strategy to address the challenges facing the City. This strategy is driven by three goals: (1) design the coastal community of the future, (2) create economic opportunity by advancing efforts to grow existing and new industry sectors and (3) advance initiatives to connect communities, deconcentrate poverty and strengthen neighborhoods. The actions that support these goals and strategies are diverse. They range from developing the gold standard in resilient land use codes, to collaborating with global partners to innovate the next generation of water management techniques, to partnering with the federal government and the Commonwealth in funding projects that reduce risk and / or drive the City's desired impact.

Residential investment continues to grow throughout the City, particularly in and around downtown. The St. Paul's Area, adjacent to downtown, is under major revitalization, and is one of the City's key resilience projects. To support resilience efforts in the St. Paul's area, the Office of St. Paul's Transformation, a division of the City's Department of Housing and Community Development, oversees and coordinates all aspects of the transformation in partnership with the Norfolk Redevelopment and Housing Authority ("NRHA"), residents, other City departments, community organizations, and private partners. Together, they work to ensure a successful transformation that puts 'People First', adheres to the six design principles developed by residents, and fulfills the St. Paul's Vision to transform the area into one of Norfolk's most desirable

neighborhoods where residents of all income levels, races, ages and cultures can live, learn, work, play and thrive. These two offices are co-located to create synergies and ensure resilience goals are embedded and implemented into major neighborhood transformations.

The City is proactively assessing its vulnerability, developing strategies, implementing policies, and designing engineering measures that will enhance its resiliency and reduce the impacts of tidal and storm surge flooding. Further, the City is undertaking many initiatives to address its resilience goals, including the following:

1. City Council has shown its commitment to resilience by dedicating 1 cent (equating to \$2.4 million each year, as of Fiscal Year 2024) of the real estate tax to resilience projects.
2. Encouraging and requiring resiliency as part of development activities: the City's zoning code includes resilient development activities. These efforts go far beyond the FEMA floodplain requirements and include provisions that target the City's unique situation and circumstances.
3. The City conducted a multi-year process to identify resiliency challenges and opportunities. Beginning in 2015, the City engaged in the "Dutch Dialogues Virginia," which was a workshop that brought together urban water management experts from New Orleans and the Netherlands – urban designers, engineers, architects, and planners – to meet with their counterparts in Hampton Roads to discuss ideas and solutions for the future. At the workshop's conclusion, the team identified numerous, applicable strategies to promote integrated water management and resilience across Hampton Roads.
4. In May 2019, the City received a \$30 million HUD Choice Neighborhood Implementation Grant for phase 1 of the St. Paul's Area Transformation. This project is a major focus of the City and addresses the City's three resilience goals – coastal resilience, economic resilience and neighborhood resilience. The transformation focuses on the built environment, as well as the expansion of amenities for all residents of the area. To support resilience efforts in the St. Paul's area, the Office of St. Paul's Transformation, a division of the City's new Department of Housing and Community Development, oversees and coordinates all aspects of the transformation in partnership with the Norfolk Redevelopment and Housing Authority, residents, other City departments, community organizations, and private partners. Together, they work to ensure a successful transformation that adheres to the six design principles developed by residents and transforms the area into one of the City's most desirable neighborhoods where residents of all income levels, races, ages and cultures can live, learn, work, play and thrive. Additionally, in April 2023, the City received an additional \$10 million for this project from HUD to assist with the construction cost increases.
5. This year, the City completed construction on its Ohio Creek watershed project, which is designed to address coastal resilience in the area. The project was funded by a grant totaling \$112.7 million through the U.S. Department of Housing and Urban Development's National Disaster Resilience Competition. In addition to providing coastal resilience to the area, the project added amenities such as a new resilience park that includes open space, walking paths, basketball courts, and a fishing pier. The Ohio Creek Watershed Project was awarded the national James Lee Witt Local Award for Excellence in Floodplain Management from the Association of State Floodplain Managers.

6. To effectively align opportunities, connect internal and external stakeholders and resources, the City has a multi-disciplinary Resilience Office. The Resilience Office is focused on expanding and institutionalizing this integrated approach to building resilience in the environment, mitigating economic and social stresses and potential shocks that challenge the City and actively leveraging opportunities and resources across City departments, local community, as well as national and international partners.
7. In April 2020, the City amended its revolving line of credit to authorize draws for up to \$50 million to fund operating expenses caused by a significant emergency event. Expanding the permitted uses of the line of credit, which previously could only fund capital expenditures, provides the City a low-cost source of interim funding for emergency expenditures. To date, the line of credit has not been used to fund emergency expenditures.
8. As part of the Infrastructure Investment and Jobs Act, the City will receive nearly \$400 million in Federal funding to increase community resilience to support the City's Coastal Storm Risk Management ("CSRM") project, also known as Resilient Norfolk. This funding comes after years of coordination and planning efforts to address flooding in the City. In 2016, the City and the U.S. Army Corps of Engineers ("USACE") began the Norfolk CSRM Final Integrated Feasibility Report and Environmental Impact Statement, with the Chief of Engineer's Report completed in February 2019. The project aims to reduce the City's risk from coastal flooding and damage due to nor'easters, hurricanes, and other significant storm events. The project features storm-surge barriers, nearly eight miles of floodwalls, nearly one mile of levees, 11 tide gate, and 10 pump stations, along with a series of nonstructural projects that include home elevations, basement fills, and commercial floodproofing. The total project cost is estimated at \$2.6 billion over the next ten years. City Council authorized a Project Partnership Agreement on April 25, 2023, between the City and the USACE, in which 65% of the project will be federally funded.

Community Engagement

Community engagement has become a year-round conversation with residents. Participation in government creates ownership at all levels, empowers citizens, engages people in decision-making, and ensures transparency. Community engagement improves resource management and the ability of local authorities to solve problems, creates more inclusive and cohesive communities, and increases the number and quality of initiatives. We are committed to solid and increasing investment in transparency, conscious efforts to maximize both geographic and culturally based outreach, and a philosophy and structure that favor community level engagement to inform strategies and priorities.



36th Grand Illumination Parade

INTERNAL CONTROL AND BUDGET ACCOUNTING

The City's management team is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management. The City's control environment reflects the attitude of management at all levels towards ethical behavior, organizational values, competence, integrity, and the well-being of the organization.

Budget controls ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General, certain Special Revenue, Debt Service, Enterprise, and School Board Governmental Component Unit Funds are included in the annual appropriated budget. Each organizational unit establishes the level of budget control. Additional controls are exercised administratively.

As a recipient of federal financial assistance, the City also is responsible for maintaining an adequate internal control structure. This structure allows the City to ensure and document compliance with the U.S. Office of Management and Budget Super Circular for major federal award programs.

AWARDS AND RECOGNITION:

The strength of the City's policies and practices is reflected in multiple awards and recognitions by a variety of organizations. Among these awards and recognitions are:

- **2023 Outstanding Achievement for a Public Risk Management Program Award, 1st place winner**, The Public Risk Management and Insurance Association (PRIMA), 2023.
- **Norfolk's Ohio Creek Watershed Project Awarded the National James Lee Witt Local Award for Excellence in Floodplain Management**, the Association of State Floodplain Managers, 2023.
- **Department of Utilities Wins River Star Business Achievement Level Award**, Annual Water Quality Report, 2023.
- **#44 100 Best Fleets**, The 100 Best Fleets in the Americas, 2022.
- **Fiscal Year 2023 Distinguished Budget Presentation Award**, GFOA, 2023.
- **Fiscal Year 2022 Popular Annual Financial Report (PAFR) Received 7th GFOA recognition for its PAFR**, GFOA, 2023.
- **Fiscal Year 2021 Report to Our Citizens Received 5th consecutive Certificate of Excellence in Citizen-Centric Reporting**, Association of Government Accountants (AGA), 2022.
- **2021 Hire Vets Medallion Award**, United States Department of Labor, 2021.
- **Virginia's Citizen Planners of the Year Dogwood Award**, Virginia Chapter of the American Planning Association's (APA), 2021.
- **Ranked 10th for Digital Cities (Population 125,000 to 249,999)**, the Center for Digital Government's, 2021.

- **#7 City in the United States for Dog Parks**, LawnStarter, 2021.
- **Norfolk Fiscal Year 2022 Employees' Retirement System Received 18th consecutive GFOA recognition for its ACFR**, GFOA, 2022.
- **Best Places to Work in Local Government for 2021**, Engaging Local Government Leaders (ELGL), 2021.
- **Top 100 Best Places to Live in America for 2021 #99**, Livability-Journal Communications, Inc 2021.
- **Secretary's Award for Efforts to Hire and Retain Veteran Employees in Fiscal Year 2023**, Virginia Secretary of Veterans and Defense Affairs, 2023.

INDEPENDENT AUDIT

According to the City Charter and Section 15.2-2511 of the *Code of Virginia*, as amended, an annual audit by an independent auditor of the City is required. Accordingly, the records have been audited by CliftonLarsonAllen LLP. As a result of an audit of the City's financial records, CliftonLarsonAllen LLP has issued an unmodified opinion with respect to the City's financial statements for the year ended June 30, 2023. The independent auditors' report is presented in the financial section of this report.

Certificate of Achievement

In September 2022, the Government Finance Officers Association (GFOA) named the City a 2021 Triple Crown Winner. GFOA's Triple Crown designation recognizes governments who have received GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award and Distinguished Budget Presentation Award for a fiscal year.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This reflects the 37th consecutive year that the City received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an efficiently organized ACFR providing full disclosure and transparency. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The attainment of this award represents a significant accomplishment by a government and its financial management team. This award is valid for a period of one year only. We believe that the fiscal year ended June 30, 2023, ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, the City prepared its 7th Popular Annual Financial Report for fiscal year ended June 30, 2022, and have been awarded a Certificate of Achievement for Excellence in Financial Reporting by the GFOA for that report.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2022. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

INTRODUCTORY SECTION

Acknowledgements

We express our sincere appreciation to all who contributed to the preparation of this report, especially the members of the Financial Reporting Team of the Department of Finance. The preparation and completion of this ACFR represents the culmination of the professionalism, dedication, skill, and efficiency of the entire staff of the Financial Reporting and other divisions within the Department of Finance. The year-end closing, the audit, and compiling and publishing the Annual Report could not have been accomplished without hard work, commitment, and personal sacrifice of the dedicated efforts of these individuals who strive for continual improvement continue to make Norfolk a national leader in quality financial reporting. Additionally, we would also like to express our appreciation to all other staff and professional contributors Citywide.

We wish to express our appreciation to the Office of the City Auditor and CliftonLarsonAllen LLP for their coordination and support during the year. This ACFR reflects our ongoing commitment to the residents and businesses of Norfolk, the City Council, and all interested readers of this report to provide information with the highest standards of financial reporting.

In closing, credit must be given to the City Council for their unfailing support for maintaining the highest standards and professionalism in the management of the City's finances. The City Council's oversight of the financial affairs has resulted in this strong financial report and is commended for their dedication in supporting the policies and practices that made it so.

Respectfully submitted,



Patrick G. Roberts
City Manager



Christine A. Garczynski
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Norfolk
Virginia**

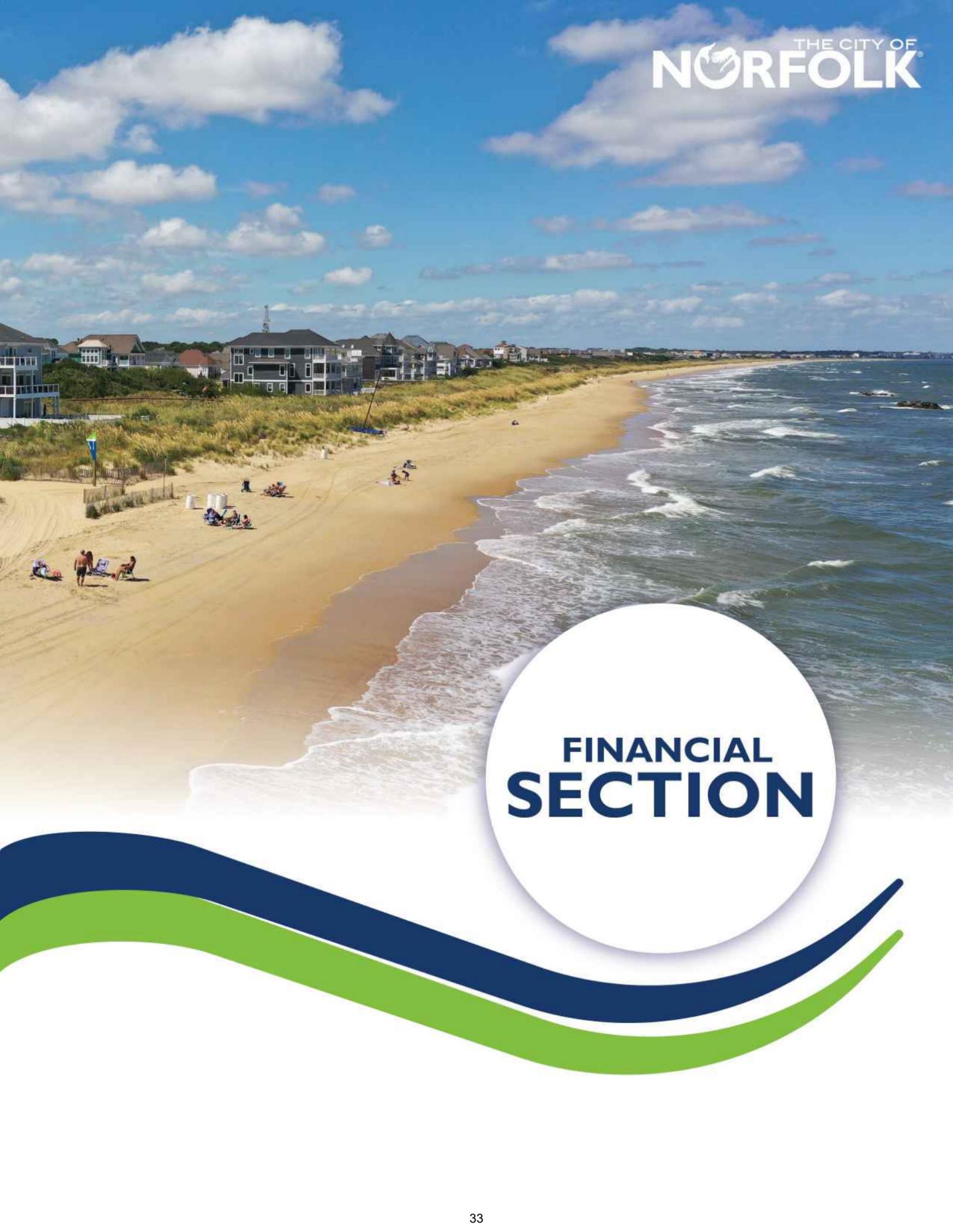
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Executive Director/CEO



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**FINANCIAL
SECTION**



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FINANCIAL SECTION

~ Independent Auditors' Report ~

**~ Management's Discussion and Analysis ~
(Unaudited)**

~ Basic Financial Statements ~

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information (Unaudited)

Other Supplementary Information





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INDEPENDENT AUDITORS' REPORT





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INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Norfolk, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications). Our responsibilities under those standards and specifications are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note IX L to the financial statements, effective July 1, 2022, the City adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires lessees to recognize a right-to-use software asset and corresponding SBITA liability for all SBITAs with terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section, as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Honorable Members of City Council
City of Norfolk, Virginia

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
December 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)



MANAGEMENT’S DISCUSSION AND ANALYSIS

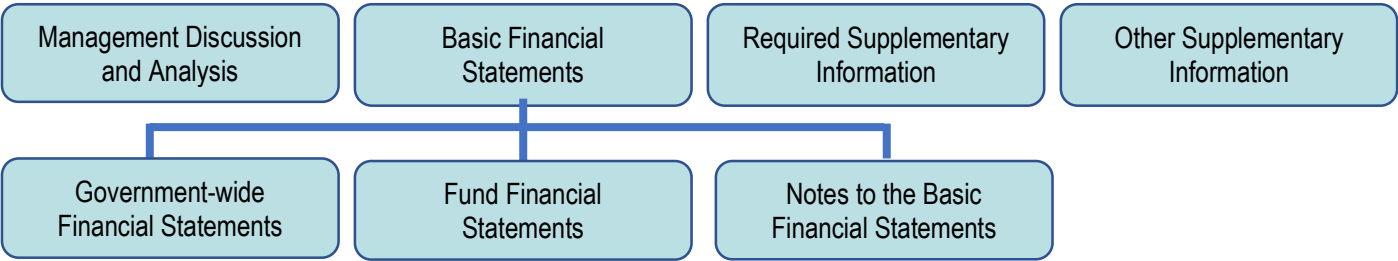
(Unaudited)

The management of the City of Norfolk (the “City”) provides this narrative overview and analysis of the City’s financial performance during the fiscal year that ended June 30, 2023. Readers are encouraged to read the information presented here in conjunction with the transmittal letter at the front of this report and the City’s financial statements that follows this section. The intent of this discussion and analysis is to provide a summarized view of the City’s financial performance as a whole; readers should also review the basic financial statements and supporting notes to enhance their understanding of the City’s financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the City, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$1,256,845,462 (net position). Of this amount, there is an unrestricted net position of \$164,862,937. Total net position increased by \$232,022,261 and unrestricted net position increased by \$84,739,971 from the prior fiscal year end.
- As of the close of the current fiscal year, the City’s governmental activities reported a combined ending net position of \$540,117,692 an increase of \$184,609,822 in comparison with the prior year. The increase is attributed to the use of the American Rescue Plan Act (ARPA) funding. In addition, the City coordinated a debt issuance of general obligation bonds.
- At the end of the current fiscal year, the total unassigned fund balance for the General fund was \$81,843,527 or 8.1 percent of the original General fund budget.
- The City’s total outstanding bonded indebtedness increased by \$25,059,405 during the current fiscal year primarily due to the issuance of debt.

Components of the Financial Section



Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements and related notes themselves.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the government's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. The *government-wide financial statements* are comprised of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include activities such as general government, judicial administration, public safety, public works, health and public assistance, culture and recreation, and community development. The business-type activities of the City include Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and the Norfolk Economic Development Authority ("EDA"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 72 - 73 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR 2023

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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 financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, grant, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combined statements elsewhere in this report.

The City adopts an annual budget for certain funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report. (Reference Exhibits E-1 and E-2.)

The basic governmental fund financial statements can be found in pages 63 - 66 of this report.

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds: Fleet Management and Healthcare. The internal service funds are allocated to governmental activities at the entity-wide level.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities, the Parking Facilities and the Storm Water Utility operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in

the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 67 – 69 of this report.

Fiduciary funds – Are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the pension trust fund, the pension funding trust, the Commonwealth of Virginia custodial fund and other custodial funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are dedicated for specific non-City programs. The accounting for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found on pages 70 - 71 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 80.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General fund, the City’s net pension liability and other post-employment benefits to its employees. Required supplementary information can be found on pages 175 – 200 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 207 - 208 and 213 - 215, respectively, of this report.

Government-Wide Financial Analysis

Over time, net position may serve as a useful indicator of the City’s financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,256,845,462 at the close of fiscal year 2023.

By far, the largest portion of the City’s net position, \$1,039,816,360 or 82.7 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City’s net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, approximately 4.2 percent represent resources that are subject to external restrictions on how they may be used. The balance of \$164,862,937 of unrestricted net position is primarily due to the use of ARPA funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR 2023

Summary of the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 845,573,208	\$ 692,290,764	\$ 186,314,486	\$ 185,288,590	\$ 1,031,887,694	\$ 877,579,354
Capital Assets	1,215,243,601	1,185,672,063	1,146,246,921	1,122,409,357	2,361,490,522	2,308,081,420
Total Assets	2,060,816,809	1,877,962,827	1,332,561,407	1,307,697,947	3,393,378,216	3,185,660,774
Deferred Outflows of Resources	232,461,726	121,391,789	52,496,234	40,548,129	284,957,960	161,939,918
Total Assets and Deferred Outflows of Resources	2,293,278,535	1,999,354,616	1,385,057,641	1,348,246,076	3,678,336,176	3,347,600,692
Long-Term Liabilities	1,514,991,613	1,208,309,474	646,292,921	619,765,177	2,161,284,534	1,828,074,651
Other Liabilities	195,063,541	272,996,710	17,729,873	41,129,991	212,793,414	314,126,701
Total Liabilities	1,710,055,154	1,481,306,184	664,022,794	660,895,168	2,374,077,948	2,142,201,352
Deferred Inflows of Resources	43,105,689	162,540,562	4,307,077	18,035,577	47,412,766	180,576,139
Total Liabilities and Deferred Inflows of Resources	1,753,160,843	1,643,846,746	668,329,871	678,930,745	2,421,490,714	2,322,777,491
Net Position:						
Net Investment in Capital Assets	448,924,433	372,138,564	590,891,927	535,599,107	1,039,816,360	907,737,671
Restricted	18,776,764	8,048,225	33,389,401	28,914,339	52,166,165	36,962,564
Unrestricted	72,416,495	(24,678,919)	92,446,442	104,801,885	164,862,937	80,122,966
Total Net Position	\$ 540,117,692	\$ 355,507,870	\$ 716,727,770	\$ 669,315,331	\$ 1,256,845,462	\$ 1,024,823,201

For governmental activities, total net position increased by \$184,609,822 or 51.9 percent overall during the fiscal year. The primary factor that contributed to the change in total governmental net position was the use of ARPA funding and the issuance of debt.

For business-type activities, net position increased by \$47,412,439 or 7.1 percent during the fiscal year. Of this amount, increases of \$27,917,337, \$14,364,659, \$4,974,287, and \$156,156 are changes attributed to the Water Utility, Wastewater Utility, Storm Water Utility, and Parking Facilities funds respectively. Overall revenues increased by \$5,299,181 compared to the prior year due primarily to approved annual rate increases, increase in consumption, and improvement in investment returns.

The following presents key programmatic and functional elements of changes in government-wide net position:

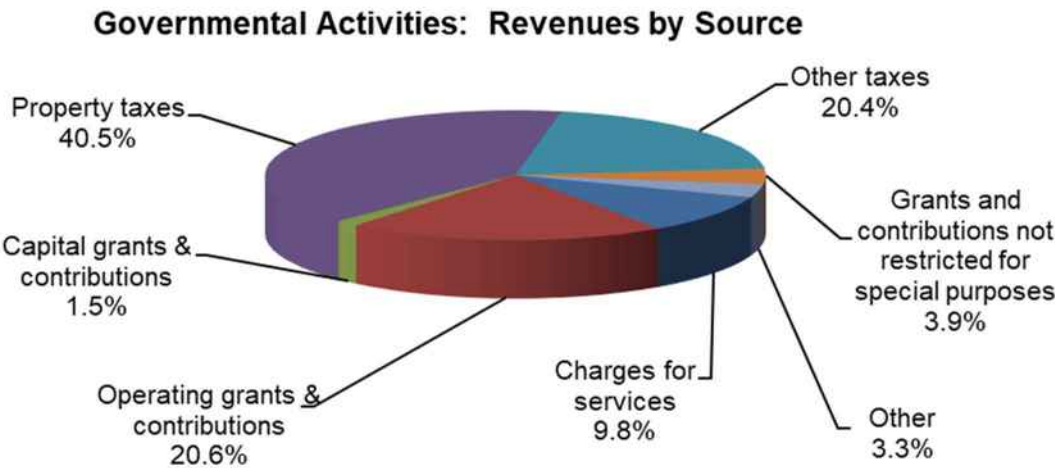
Changes in the City of Norfolk's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 95,710,121	\$ 84,204,497	\$ 186,768,133	\$ 178,665,490	\$ 282,478,254	\$ 262,869,987
Operating Grants & Contributions	201,095,425	233,841,799	-	-	201,095,425	233,841,799
Capital Grants & Contributions	14,507,612	(4,788)	6,812,429	-	21,320,041	(4,788)
General Revenues:						
Property Taxes	395,914,526	357,257,211	-	-	395,914,526	357,257,211
Other Taxes	200,201,555	185,001,440	-	-	200,201,555	185,001,440
Grants and Contributions not restricted for specific purposes	38,583,643	39,719,848	-	-	38,583,643	39,719,848
Capital Contributions from Norfolk Public Schools					-	-
Other	32,043,797	3,611,293	3,189,665	12,805,556	35,233,462	16,416,849
Total Revenues	978,056,679	903,631,300	196,770,227	191,471,046	1,174,826,906	1,095,102,346
Expenses:						
General Government	163,078,726	142,588,555	-	-	163,078,726	142,588,555
Judicial Administration	61,730,007	47,384,436	-	-	61,730,007	47,384,436
Public Safety	135,118,042	135,155,626	-	-	135,118,042	135,155,626
Public Works	85,372,658	58,040,675	-	-	85,372,658	58,040,675
Health and Public Assistance	96,769,724	90,165,347	-	-	96,769,724	90,165,347
Culture and Recreation	64,618,422	54,751,290	-	-	64,618,422	54,751,290
Community Development	45,021,559	71,342,476	-	-	45,021,559	71,342,476
Education	118,262,832	138,901,682	-	-	118,262,832	138,901,682
Interest on Long-Term Debt	30,084,375	25,473,700	-	-	30,084,375	25,473,700
Water Utility	-	-	74,370,318	57,826,975	74,370,318	57,826,975
Wastewater Utility	-	-	23,191,209	18,658,063	23,191,209	18,658,063
Parking Facilities	-	-	21,813,638	16,309,662	21,813,638	16,309,662
Storm Water Utility	-	-	20,144,889	15,960,244	20,144,889	15,960,244
Total Expenses	800,056,345	763,803,787	139,520,054	108,754,944	939,576,399	872,558,731
Increase (decrease) in Net Position before Special Items and Transfers	178,000,334	139,827,513	57,250,173	82,716,102	235,250,507	222,543,615
Special Items	(3,228,246)	-	-	-	(3,228,246)	-
Transfers	9,837,734	10,500,000	(9,837,734)	(10,500,000)	-	-
Increase (decrease) in Net Position	184,609,822	150,327,513	47,412,439	72,216,102	232,022,261	222,543,615
Net Position Beginning of Year	355,507,870	205,180,357	669,315,331	597,099,229	1,024,823,201	802,279,586
Net Position End of Year	\$ 540,117,692	\$ 355,507,870	\$ 716,727,770	\$ 669,315,331	\$ 1,256,845,462	\$ 1,024,823,201

Governmental Activities – The City's total revenues from governmental activities were \$978,056,679 for the fiscal year that ended June 30, 2023. The largest sources of revenue for the City are property taxes and other taxes, which comprise 61.0 percent of total governmental revenues. Revenues from property taxes, which are comprised of personal and real estate taxes, increased by \$38,657,315 compared to the prior year. The real estate (general tax) tax rate for fiscal year 2023 was \$1.25 per \$100 of assessed value which had previously changed to set aside \$0.02 for school construction technology and infrastructure spending.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR 2023

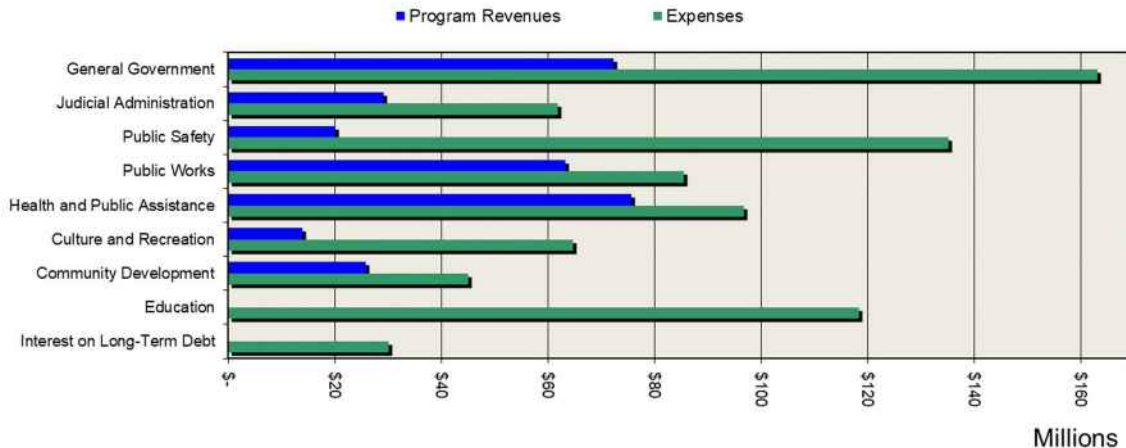
Revenues from other taxes increased by \$15,200,115 or 8.2 percent in comparison to the prior year. Other taxes include sales and use, consumption utility, restaurant food, business licenses, cigarette, motor vehicle licenses, and hotel/motel taxes.



Operating grants and contributions for governmental activities ended the fiscal year at \$201,095,425 that represents a decrease of approximately 14.0 percent from the prior year. For the 2023 fiscal year, there was \$38,583,643 in grants and contributions not restricted for specific programs that represents a decrease of approximately 2.9 percent from the prior year. Other revenue increased by \$28,432,504 in comparison to the prior year.

The City’s expenses for governmental activities cover a wide array of services, with \$163,078,726 or 20.4 percent related to general government, \$135,118,042 or 16.9 percent related to public safety, and \$118,262,832 or 14.8 percent for education (including payments to the School Board, a component unit). Expenses for governmental activities increased by 4.7 percent largely due to increased General Government, Public Works and Education expenses.

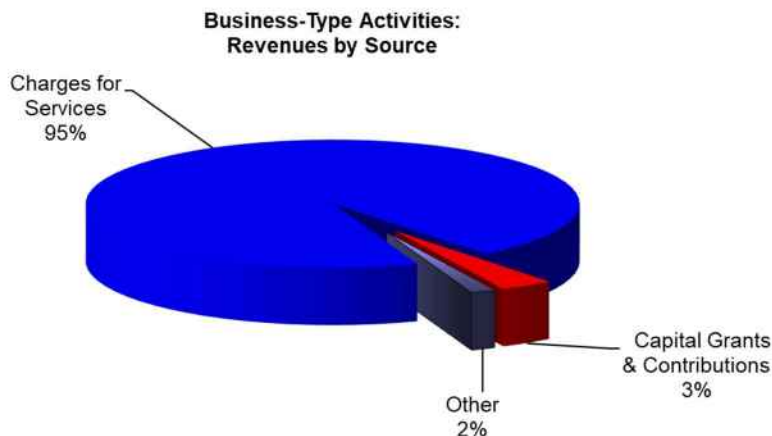
Governmental Activities Expenses and Program Revenues



Depreciation and amortization expense for governmental activities of \$58,626,668 was recorded.

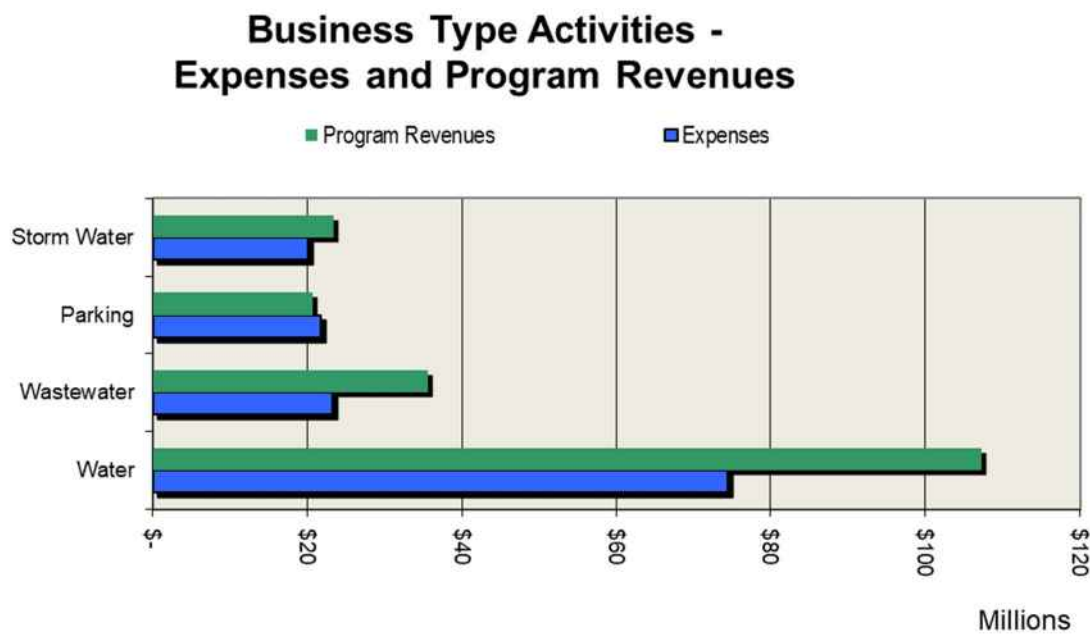
Business-type Activities – Business-type activities increased the City's net position by \$47,412,439. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities increased by 4.5 percent.
 - Water Utility charges for services increased \$5,332,828 or 5.2 percent.
 - Wastewater Utility charges for services increased \$251,113 or 0.7 percent.
 - Parking Facilities revenues increased \$1,454,796 or 7.6 percent from the prior year.
 - Storm Water Utility charges for services increased by \$1,063,906 or 4.8 percent in fiscal year 2023.



MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR 2023

Total expenses for business-type activities increased overall by \$30,765,110 or 28.3 percent. The Water Utility fund’s expenses increased by \$16,543,343. The Wastewater Utility fund’s expenses increased by \$4,533,146. The Storm Water Utility fund’s operating expense increased by \$4,184,645 in fiscal year 2023. The Parking Facilities fund’s expenses increased by \$5,503,976.



Financial Analysis of the Government’s Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The City’s classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is reported in the following categories: nonspendable, restricted, committed, assigned and unassigned.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balance of \$559,872,542, a net change in fund balance of \$200,099,844 primarily due to the issuance of \$96,990,000 in general obligation bonds and an increase in revenue. Restricted fund balance is \$15,644,648 of the total fund balance and is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$117,270,746 of total ending fund balance and represents amounts within fund balance that have been designated for a specific

purpose by City Council. Included in this classification are amounts designated by City Council for the City's self-insured workers' compensation and general liability programs. Assigned fund balance is \$345,113,621 of the total ending fund balance and represents funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining \$81,843,527 of the ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its General fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than ten percent of the combination of general fund operation expenditures and transfers out, which was \$70,267,297 for fiscal year 2023.

For the General fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues over projections by \$74,642,556. Total expenditures were less than appropriations by \$89,229,019.

The General fund revenues increased by \$69,958,491 from the prior year. Overall expenditures increased by \$25,783,616 or 4.8 percent from fiscal year 2022. General fund financial and budget highlights of fiscal year 2023 include:

- General property tax revenues increased by \$26,731,386 or 7.7 percent; due to an increase in assessed value.
- Other local tax revenues increased by \$14,281,254 or 8.2 percent; due to an increase in Admission, restaurant food, and hotel, which can be contributed to the continued economic recovery from the Covid Pandemic.
- Charges for services increased by \$4,300,638 or 21.8 percent; primarily due to an increase in Paramedic Rescue Services.
- Education expenditures were less than the budget by approximately \$58,149,812 or 15.2 percent; due to relief funding for eligible expenses, and high vacancy savings.

The Grants fund began being reported as a major fund for fiscal year 2021 due primarily to receipt of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act of 2021 funding. In fiscal year 2023, revenues decreased 17.1 percent, Expenditures decreased 24.7 percent, Assets decreased 81.3 percent and Liabilities increased 56.5 percent.

The City spent \$66,263,224 from the Capital Projects fund to support major capital projects, repairs to City and School buildings, infrastructure and neighborhood improvements. The fund had a total fund surplus of \$88,770,989. In fiscal year 2023, the City issued general obligation bonds, but also used cash on hand and a line of credit to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year-end. Additionally, a net \$50,000,000 was drawn on the line of credit established for flexible, interim financing for the management of capital projects for governmental and business-type activities.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net position

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR 2023

of these funds to finance continuing operations of the enterprise operations. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City's net investment in capital assets for its governmental and business-type activities as presented on the Statement of Net Position as of June 30, 2023, totaled \$1,039,816,360. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/wastewater systems, etc.), machinery, equipment, intangibles and construction in progress, net of the debt outstanding that was used to finance the assets. Leased assets net of the lease liability is also included in the investment in capital assets. Infrastructure assets represent 14.2 percent of total general governmental assets.

Major capital projects spending during the fiscal year included the following:

- \$11.9 million in improvements to various community developments including the St. Paul's area.
- \$10.7 million in improvements to various civic facilities including the movement of the data center and improvements at City Hall.
- \$8.8 million for bridge and streets improvements.
- \$8.7 million to construct a Downtown Flood Wall and control Beach Erosion.
- \$7.8 million to acquire city property.

Construction in progress totaled \$103.7 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$120.5 million for business-type activities, which includes Water Utility, Wastewater Utility, Parking Facilities and Storm Water Utility projects.

Summary of the City of Norfolk's Capital Assets
(net of accumulated depreciation / amortization)

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 123,664,100	\$ 120,100,032	\$ 45,050,591	\$ 44,829,051	\$ 168,714,691	\$ 164,929,083
Buildings, equipment and vehicles	680,498,412	703,137,871	918,467,047	906,600,727	1,598,965,459	1,609,738,598
Improvements other than buildings	101,629,968	86,529,686	54,273,281	54,021,559	155,903,249	140,551,245
Construction in progress	103,748,388	79,122,865	120,489,068	109,991,732	224,237,456	189,114,597
Intangible assets	679,022	397,819	6,025,121	6,445,682	6,704,143	6,843,501
Infrastructure	172,599,679	173,265,580	-	-	172,599,679	173,265,580
Leased Building	25,197,307	22,007,838	1,933,048	505,116	27,130,355	22,512,954
Leased equipment and vehicles	1,129,463	1,110,372	8,765	15,490	1,138,228	1,125,862
Subscription based information technology arrangements	6,097,262	-	-	-	6,097,262	-
Total	\$ 1,215,243,601	\$ 1,185,672,063	\$ 1,146,246,921	\$ 1,122,409,357	\$ 2,361,490,522	\$ 2,308,081,420

Additional information on the City's capital assets can be found in Note VI on pages 104 - 105 of this report.

Long-term Debt – On June 30, 2023, the City (including the enterprise funds) had total bonded debt outstanding of \$1,556,764,748. Of this amount, \$1,245,816,707 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

A summary of the City's outstanding bonded debt is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 950,481,682	\$ 922,252,298	\$ 245,335,025	\$ 228,217,085	\$ 1,195,816,707	\$ 1,150,469,383
Line of Credit	50,000,000	52,762,400	-	-	50,000,000	52,762,400
Revenue Bonds	-	-	310,948,041	331,235,960	310,948,041	331,235,960
Total	\$ 1,000,481,682	\$ 975,014,698	\$ 556,283,066	\$ 559,453,045	\$ 1,556,764,748	\$ 1,534,467,743

The City's total debt outstanding increase by \$22,297,005 or 1.5 percent during the fiscal year.

The development of the Capital Improvement Plan for General Capital (projects funded with bonds not supported by self-supporting user fees) is guided by two adopted measures of affordability. The measures or debt limits are based on the approved Capital Improvement Plan are as follows:

- Debt service as a percent of the General Fund Budget will not exceed 10.0 percent; and
- Net debt as a percent of taxable property will not exceed 3.5 percent.

Business-type activities debt practices are governed by revenue bond indentures in addition to various City Council financial policies governing affordability.

The latest credit ratings for the City's general obligation and water revenue bond programs as of the date of this report are as follows:

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR 2023

Bonding Program	Moody’s Investors Service	S&P Global Ratings	Fitch Ratings
General Obligation	Aa2	AAA	AA+
Water Revenue	Aa2	AA+	AA+

The City’s Wastewater and Stormwater Revenue Bonds do not maintain an underlying or stand-alone unenhanced credit rating.

The Commonwealth of Virginia imposes a constitutional statutes limit for the amount of general obligation debt the City may issue which is limited to 10 percent of its total assessed valuation. The City’s general obligation debt outstanding is significantly below the City’s current debt limitation of \$2,529,525,988.

Additional information on the City’s long-term debt can be found in Note IX on pages 107 - 121 of this report.

Economic Factors and Fiscal Year 2024 Budget and Rates

- We continue to recover from the pandemic with strong revenue growth. The fiscal year 2023 revenues driven by consumption-based and real estate taxes outperformed the budget. The strong revenue growth is juxtaposed with economic challenges due to inflation, a tight labor market, and higher interest rates on municipal bonds. The adopted FY 2024 budget emphasizes providing the right services at the right scale. By focusing on strategic resource allocation based on data and resident feedback, the city is expanding or right-sizing services where appropriate.
- Taxable real estate assessments are projected to rise in fiscal year 2024 by 6.8 percent.
- Other local taxes, which are comprised of consumer and business-based taxes, are expected to be most impacted by the economic effects of COVID-19 as this revenue category has been sensitive to changes in economic conditions. These taxes are expected to be 5.3 percent above the fiscal year 2023 budget.
- The following reflects other tax change projections in the fiscal year 2024 budget:
 - Hotel taxes – 9.2 percent increase;
 - Restaurant food taxes – 14.4 percent increase; and
 - Personal property taxes – 7.6 percent increase.
- Rate increases for the Water Utility, the Wastewater Utility, and the Storm Water Utility funds and continue to provide necessary funding to finance capital improvements and operations.

All of these factors were considered in preparing the City’s budget for fiscal year 2024. The fiscal year 2024 operating budget includes transfers in from non-general funds of approximately \$20.5 million and carrying forward prior year unspent appropriations totaling approximately \$35.1 million.

The following table represents the Water Utility, Wastewater Utility, Storm Water Utility, and the Waste Management fees implemented with the City’s fiscal year 2024 budget.

Description	FY 2024 Approved	FY 2023 Approved
Storm Water Fees – Residential	\$13.57/month	\$13.05/month
Storm Water Fees – Commercial	\$13.57/month per 2,000 sq. ft.	\$13.05/month per 2,000 sq. ft.
Wastewater Fees	\$5.23/100 cubic feet	\$5.03/100 cubic feet
Water Fees	\$6.08/100 cubic feet	\$5.87/100 cubic feet
Refuse Disposal – Residential Single or Multiple Units (4 or less)	\$28.51/unit/month	\$27.01/unit/month
Refuse Disposal – Residential Multiple Units (5 or more)	\$47.44/container/month	\$45.94/container/month
Refuse Disposal – Commercial Business once per week	\$61.18/unit/month	\$61.18/unit/month
Refuse Disposal – Commercial Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Refuse Disposal – Commercial Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 810 Union Street, Suite 600, Norfolk, Virginia, 23510 or the City's website at www.norfolk.gov.



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Basic Financial Statements



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Statement of Net Position
June 30, 2023

Exhibit 1

	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
ASSETS				
Cash and short-term investments	\$ 622,130,941	\$ 115,742,889	\$ 737,873,830	\$ 88,917,173
Receivables, net:				
Taxes	62,993,635	-	62,993,635	-
Accounts	25,696,463	26,851,758	52,548,221	749,466
Leases	11,577,659	951,374	12,529,033	-
Notes	-	-	-	1,087,750
Accrued investment income	40,698	170,949	211,647	125,833
Internal balances	14,046,777	(14,046,777)	-	-
Due from other governments	64,581,070	3,674,690	68,255,760	67,304,481
Due from component unit	42,803,901	-	42,803,901	-
Inventories	-	4,996,968	4,996,968	2,028,677
Property held for resale	-	-	-	932,952
Prepaid items	-	52,075	52,075	51,715
Restricted cash and investments	-	47,881,420	47,881,420	1,528,288
Net pension asset	1,702,064	39,140	1,741,204	-
Non-depreciable capital assets	227,509,502	170,155,704	397,665,206	8,163,935
Depreciable capital assets, net	955,310,067	974,149,404	1,929,459,471	18,562,302
Amortizable right to use assets, net	32,424,032	1,941,813	34,365,845	6,382,964
Total assets	2,060,816,809	1,332,561,407	3,393,378,216	195,899,760
Deferred outflows of resources				
Related to pensions	171,737,990	19,948,609	191,686,599	52,113,571
Related to OPEB	23,902,989	2,616,861	26,519,850	20,198,474
Loss on defeasance of bonds	36,820,747	29,930,764	66,751,511	-
Total deferred outflow of resources	232,461,726	52,496,234	284,957,960	72,312,045
LIABILITIES				
Vouchers payable	45,602,959	7,979,020	53,581,979	12,007,710
Employees withholdings	5,887	-	5,887	-
Contract retainage	1,891,315	2,783,543	4,674,858	-
Accrued interest	8,823,146	3,603,679	12,426,825	-
Accrued payroll	11,309,845	1,162,273	12,472,118	30,292,882
Due to other governments	36,253	-	36,253	6,103,791
Due to primary government	-	-	-	42,983,802
Other payables	-	-	-	183,516
Unearned revenue	66,626,108	821,241	67,447,349	27,355
Other current liabilities	10,768,028	1,380,117	12,148,145	602,724
Line of credit	50,000,000	-	50,000,000	-
Long-term liabilities:				
Due within one year	97,761,518	40,878,381	138,639,899	12,660,078
Due in more than one year	1,012,646,425	562,435,388	1,575,081,813	1,687,406
Net pension liability	297,295,147	34,656,853	331,952,000	195,512,717
Total OPEB liability	107,288,523	8,322,299	115,610,822	98,675,653
Other	-	-	-	9,943,518
Total liabilities	1,710,055,154	664,022,794	2,374,077,948	410,681,152
Deferred inflows of resources				
Related to pensions	14,879,035	1,595,910	16,474,945	57,621,781
Related to OPEB	16,589,938	1,161,489	17,751,427	21,514,622
Related to leases	11,577,659	949,420	12,527,079	114,363
Gain on defeasance of bonds	59,057	600,258	659,315	-
Total deferred inflows of resources	43,105,689	4,307,077	47,412,766	79,250,766
NET POSITION				
Net investment in capital assets	448,924,433	590,891,927	1,039,816,360	11,953,350
Restricted for:				
Endowed care - nonexpendable	6,904,295	-	6,904,295	-
General government	2,637,452	-	2,637,452	-
Judicial administration	177,208	-	177,208	-
Public safety	44,959	-	44,959	-
Health and public assistance	8,155,947	-	8,155,947	-
Community development	856,903	-	856,903	-
Water utility	-	27,044,148	27,044,148	-
Wastewater utility	-	2,288,950	2,288,950	-
Parking fund	-	3,521,229	3,521,229	-
Storm Water utility	-	535,074	535,074	-
Other Programs	-	-	-	10,242,197
Unrestricted	72,416,495	92,446,442	164,862,937	(243,915,660)
Total net position (deficit)	540,117,692	716,727,770	1,256,845,462	(221,720,113)
Total liabilities, deferred inflows of resources and net position	\$ 2,293,278,535	\$ 1,385,057,641	\$ 3,678,336,176	\$ 268,211,805

The accompanying notes are an integral part of the basic financial statements.

Statement of Activities
For the Year Ending June 30, 2023

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
Expenses		Charges for Services			Governmental Activities	Business-Type Activities	Total	Component Units
Primary government:								
Governmental activities:								
General government	\$ 163,078,726	\$ 8,007,927	\$ 64,267,884	\$ 36,626	\$ (90,766,289)	\$ -	\$ (90,766,289)	\$ -
Judicial administration	61,730,007	25,000,196	4,189,939	-	(32,539,872)	-	(32,539,872)	-
Public safety	135,118,042	15,769,655	4,285,444	-	(115,062,943)	-	(115,062,943)	-
Public works	85,372,658	25,629,038	37,545,101	-	(22,198,519)	-	(22,198,519)	-
Health and public assistance	96,769,724	7,445,198	64,954,800	-	(24,369,726)	-	(24,369,726)	-
Culture and recreation	64,618,422	9,540,759	4,321,250	-	(50,756,413)	-	(50,756,413)	-
Community development	45,021,559	4,317,348	21,531,007	-	(19,173,204)	-	(19,173,204)	-
Education	118,262,832	-	-	14,470,986	(103,791,846)	-	(103,791,846)	-
Interest on long-term debt	30,084,375	-	-	-	(30,084,375)	-	(30,084,375)	-
Total governmental activities	800,056,345	95,710,121	201,095,425	14,507,612	(488,743,187)	-	(488,743,187)	-
Business-type activities:								
Water utility	74,370,318	107,264,132	-	2,435,147	-	35,328,961	35,328,961	-
Wastewater utility	23,191,209	35,520,672	-	2,745,103	-	15,074,566	15,074,566	-
Parking facilities	21,813,638	20,617,924	-	-	-	(1,195,714)	(1,195,714)	-
Storm Water utility	20,144,889	23,365,405	-	1,632,179	-	4,852,695	4,852,695	-
Total business-type activities	139,520,054	186,768,133	-	6,812,429	-	54,060,508	54,060,508	-
Total primary government	\$ 939,576,399	\$ 282,478,254	\$ 201,095,425	\$ 21,320,041	(488,743,187)	54,060,508	(434,682,679)	-
Component units:								
Norfolk Public Schools	\$ 438,195,118	\$ 1,109,208	\$ 323,840,822	\$ 3,551,207				(109,693,881)
Norfolk Economic Development Authority	4,716,769	380,829	-	-				(4,335,940)
Total component units	\$ 442,911,887	\$ 1,490,037	\$ 323,840,822	\$ 3,551,207				(114,029,821)
General revenues:								
Taxes:								
General property taxes - real estate and personal property					395,914,526	-	395,914,526	-
Consumption utility taxes					37,133,539	-	37,133,539	-
Sales and use taxes					44,954,999	-	44,954,999	-
Restaurant food taxes					48,331,649	-	48,331,649	-
Business license taxes					34,436,208	-	34,436,208	-
Hotel/Motel taxes					16,154,063	-	16,154,063	-
Cigarette taxes					6,372,495	-	6,372,495	-
Admissions taxes					5,118,543	-	5,118,543	-
Motor vehicle licenses					813,325	-	813,325	-
Franchise, recordation and other miscellaneous local taxes					6,886,734	-	6,886,734	-
Use of money and property					40,566	-	40,566	2,388,686
Gain (loss) on Investment					11,598,444	2,576,930	14,175,374	-
Grants and contributions not restricted to specific programs					38,583,643	-	38,583,643	-
Miscellaneous					20,404,787	-	20,404,787	4,877,838
Intergovernmental revenue - Commonwealth of Virginia					-	612,735	612,735	43,808,526
Payment from Primary Government					-	-	-	108,369,195
Capital asset transfers					(3,228,246)	-	(3,228,246)	-
Transfers					9,837,734	(9,837,734)	-	-
Total general revenues and transfers					673,353,009	(6,648,069)	666,704,940	159,444,245
Changes in net position					184,609,822	47,412,439	232,022,261	45,414,424
Net position (deficit) - beginning					355,507,870	669,315,331	1,024,823,201	(267,134,537)
Net position (deficit) - ending					\$ 540,117,692	\$ 716,727,770	\$ 1,256,845,462	\$ (221,720,113)

The accompanying notes are an integral part of the basic financial statements.

Balance Sheet
Governmental Funds
June 30, 2023

Exhibit A-1

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Grants	Capital Projects	Debt Service		
ASSETS:						
Cash and short-term investments	\$ 383,075,651	\$ 50,128,953	\$ 119,929,816	\$ -	\$ 17,743,460	\$ 570,877,880
Receivables, net:						
Taxes	61,985,580	-	-	-	-	61,985,580
Accounts	8,342,175	7,435,362	1,850,000	-	4,839,568	22,467,105
Accrued investment income	-	-	40,698	-	-	40,698
Due from other funds	3,050,564	-	13,750,000	-	-	16,800,564
Due from other governments	38,331,038	21,324,605	-	-	4,334,592	63,990,235
Due from Component units	32,970,830	-	13,142,400	-	-	46,113,230
Leases receivable	11,577,659	-	-	-	-	11,577,659
Total assets	\$ 539,333,497	\$ 78,888,920	\$ 148,712,914	\$ -	\$ 26,917,620	\$ 793,852,951
LIABILITIES:						
Vouchers payable	\$ 18,178,910	\$ 3,007,042	\$ 6,197,650	\$ -	\$ 1,441,750	\$ 28,825,352
Employee withholdings	5,887	-	-	-	-	5,887
Contract retainage	-	-	499,170	-	1,392,145	1,891,315
Accrued payroll	10,583,857	170,184	-	-	423,093	11,177,134
Line of credit	-	-	50,000,000	-	-	50,000,000
Due to other funds	-	-	-	-	1,867,488	1,867,488
Due to other governments	36,253	-	-	-	-	36,253
Due to component unit	-	64,224	3,245,105	-	-	3,309,329
Unearned revenue	-	55,633,070	-	-	-	55,633,070
Other liabilities	4,642,477	776,200	-	-	78,751	5,497,428
Total liabilities	33,447,384	59,650,720	59,941,925	-	5,203,227	158,243,256
Deferred inflows of resources:						
Unavailable revenue	57,588,561	3,132,116	-	-	3,438,817	64,159,494
Deferred lease revenue	11,577,659	-	-	-	-	11,577,659
Total deferred inflows of resources	69,166,220	3,132,116	-	-	3,438,817	75,737,153
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	115,000	8,625,353	-	-	6,904,295	15,644,648
Committed	21,552,645	6,783,193	88,770,989	-	163,919	117,270,746
Assigned	333,208,721	697,538	-	-	11,207,362	345,113,621
Unassigned	81,843,527	-	-	-	-	81,843,527
Total fund balances (deficit)	436,719,893	16,106,084	88,770,989	-	18,275,576	559,872,542
Total liabilities, deferred inflows of resources and fund balances	\$ 539,333,497	\$ 78,888,920	\$ 148,712,914	\$ -	\$ 26,917,620	\$ 793,852,951

The accompanying notes are an integral part of the basic financial statements.

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**
June 30, 2023

Exhibit A-2

Fund balances - total governmental funds	\$ 559,872,542
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds:

Gross capital assets at historical cost	2,976,245,692	
Accumulated depreciation / amortization	<u>(1,764,205,664)</u>	1,212,040,028

Recognition of deferred inflows as revenue in government wide statements	61,027,378
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Other long-term assets are not available to pay for
current-period expenditures and therefore are
deferred in the funds:

Deferred inflows related to pensions	(14,611,961)	
Deferred outflows related to pensions	169,922,779	
Deferred inflows related to OPEB	(16,436,508)	
Deferred outflows related to OPEB	23,643,274	
Net pension asset	1,698,871	
Loss on defeasance	36,820,747	
Gain on defeasance	(59,057)	
		200,978,145

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

Lease liability	(27,472,620)	
Subscription-based information technology arrangements liability	(6,256,993)	
Bonds payable - including premium	(1,012,069,460)	
Net pension liability	(293,987,779)	
Other post-employment benefits	(106,494,319)	
Compensated absences	(23,955,914)	
Workers' compensation and claims liability	(37,151,537)	
Other	(3,169,267)	
Build America Bonds Liability	<u>(8,823,146)</u>	(1,519,381,035)

Internal service funds	24,989,799
Receivable for Build America Bonds - interest rate subsidy	590,835

Net position of governmental activities	<u>\$ 540,117,692</u>
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The accompanying notes are an integral part of the basic financial statements.

**Statement of Revenues, Expenditures
and Changes in Fund Balances**
Governmental Funds
Period Ended June 30, 2023

Exhibit A-3

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Grants	Capital Projects	Debt Service		
REVENUES:						
General property taxes	\$ 372,610,808	\$ -	\$ -	\$ -	\$ 7,200,700	\$ 379,811,508
Other local taxes	187,618,447	-	-	-	12,583,108	200,201,555
Permits and licenses	5,017,579	-	-	-	-	5,017,579
Fines and forfeitures	1,097,691	-	-	-	-	1,097,691
Use of money and property	16,296,262	4,493,288	942,372	-	127,573	21,859,495
Charges for services	23,993,699	190,288	-	-	25,195,192	49,379,179
Miscellaneous	13,721,045	2,765,641	2,300,000	-	2,067,323	20,854,009
Intergovernmental	151,209,592	96,023,780	-	-	16,209,914	263,443,286
Total revenues	771,565,123	103,472,997	3,242,372	-	63,383,810	941,664,302
EXPENDITURES:						
Current operating:						
General government	158,106,229	1,298	-	-	386,268	158,493,795
Judicial administration	51,739,346	3,637,450	-	-	-	55,376,796
Public safety	69,881,288	66,936,513	-	-	5,919,842	142,737,643
Public works	16,110,056	1,682,872	-	-	23,790,125	41,583,053
Health and public assistance	75,911,405	20,590,073	-	-	747,296	97,248,774
Culture and recreation	49,898,368	560,985	-	-	2,034,718	52,494,071
Community development	15,811,230	7,526,041	-	-	15,948,738	39,286,009
Education	107,319,295	-	-	-	-	107,319,295
Debt service:						
Principal	7,284,994	-	-	68,760,616	-	76,045,610
Interest and other charges	789,827	-	-	28,879,010	-	29,668,837
Debt issuance costs	1,092,326	-	858,555	-	-	1,950,881
Capital outlay	10,941,723	-	66,263,224	-	-	77,204,947
Total expenditures	564,886,087	100,935,232	67,121,779	97,639,626	48,826,987	879,409,711
Excess (deficiency) of revenues over expenditures	206,679,036	2,537,765	(63,879,407)	(97,639,626)	14,556,823	62,254,591
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	-	96,990,000	-	-	96,990,000
Leases / subscription based information technology arrangements proceeds	16,609,493	-	-	-	-	16,609,493
Proceeds sale of capital assets	764,489	-	-	-	-	764,489
Payment to bond refunding escrow agent	-	-	-	-	-	-
Premium on bonds	-	-	13,540,065	-	-	13,540,065
Unrealized gain on investments	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-
Transfers in	20,669,395	6,668,538	38,165,879	97,639,626	1,719,021	164,862,459
Transfers out	(137,786,881)	-	(1,163,014)	-	(15,971,358)	(154,921,253)
Total other financing sources (uses)	(99,743,504)	6,668,538	147,532,930	97,639,626	(14,252,337)	137,845,253
Net changes in fund balances	106,935,532	9,206,303	83,653,523	-	304,486	200,099,844
NET POSITION:						
Beginning	329,784,361	6,899,781	5,117,466	-	17,971,090	359,772,698
Net position - end of year	\$ 436,719,893	\$ 16,106,084	\$ 88,770,989	\$ -	\$ 18,275,576	\$ 559,872,542

The accompanying notes are an integral part of the basic financial statements.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities**
Period Ended June 30, 2023

Exhibit A-4

Net change in fund balances - total governmental funds		\$	200,099,844
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.			
	Add capital acquisitions	111,233,386	
	Subtract disposals	(23,109,982)	
	Subtract depreciation / amortization expense	<u>(58,262,550)</u>	
			29,860,854
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.			
			19,762,461
Bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
	Less debt issued	(96,990,000)	
	Add debt repayment	68,760,616	
	Premium on bond sale	(13,540,065)	
	Loss on defeasance of debt	(3,819,467)	
	Gain on defeasance of debt	26,618	
	Line of Credit	-	
	Amortization of premiums	<u>7,064,213</u>	
			(38,498,085)
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.			
	Lease liability	(3,067,506)	
	Subscription-based information technology arrangements liability	<u>(6,256,993)</u>	
			(9,324,499)
Change in non-capital long-term liabilities (Note VIII):			
	Compensated absences	(1,268,046)	
	Total OPEB liability, net of changes in deferred inflows and outflows	(8,214,690)	
	Workers' compensation unpaid claims	791,847	
	Landfill closure	(201,477)	
	Net pension liability, net of changes in deferred inflows and outflows	(17,876,583)	
	Accrued interest payable	<u>(603,712)</u>	
			(27,372,661)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the Internal Service funds is reported with governmental activity.			
			10,120,085
Adjustment for Build America Bonds - interest rate subsidy			
			(38,177)
Change in net position of governmental activities		<u>\$</u>	<u>184,609,822</u>

The accompanying notes are an integral part of the basic financial statements.

Statement of Fund Net Position
Proprietary Funds
June 30, 2023

Exhibit B-1

	Business-Type Activities					Governmental Activities
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
ASSETS:						
Current assets:						
Cash and short-term investments	\$ 31,070,610	\$ 14,443,598	\$ 33,413,111	\$ 36,815,570	\$ 115,742,889	\$ 51,253,061
Receivables, net						
Accounts	10,018,548	4,187,734	1,633,124	2,727,266	18,566,672	4,237,413
Unbilled accounts	5,437,927	1,472,878	164,023	1,210,258	8,285,086	-
Accrued investment income	151,065	19,884	-	-	170,949	-
Leases receivable	-	-	432,632	-	432,632	-
Due from other governments	2,060,014	1,524,169	-	90,507	3,674,690	-
Inventories	4,974,143	22,351	-	474	4,996,968	-
Prepaid expenses	52,075	-	-	-	52,075	-
Restricted cash and investments	27,044,148	8,047,326	9,854,212	2,935,734	47,881,420	-
Total current assets	80,808,530	29,717,940	45,497,102	43,779,809	199,803,381	55,490,474
Noncurrent assets:						
Net pension asset	23,954	4,241	3,959	6,986	39,140	3,193
Leases receivable, noncurrent	-	-	518,742	-	518,742	-
Capital assets:						
Non-depreciable capital assets	80,326,489	45,158,215	34,880,874	9,790,126	170,155,704	415,000
Depreciable capital assets	860,372,897	405,503,420	215,697,531	89,103,048	1,570,676,896	12,378,765
Accumulated depreciation	(324,149,477)	(128,100,334)	(112,475,900)	(31,801,781)	(596,527,492)	(9,590,192)
Amortizable right to use assets	2,159,736	-	22,295	-	2,182,031	-
Accumulated amortization	(226,688)	-	(13,530)	-	(240,218)	-
Capital assets, net	618,482,957	322,561,301	138,111,270	67,091,393	1,146,246,921	3,203,573
Total noncurrent assets	618,506,911	322,565,542	138,633,971	67,098,379	1,146,804,803	3,206,766
Total assets	699,315,441	352,283,482	184,131,073	110,878,188	1,346,608,184	58,697,240
DEFERRED OUTFLOWS OF RESOURCES:						
Related to pensions	11,331,357	2,862,742	1,700,753	4,053,757	19,948,609	1,815,211
Related to OPEB	1,446,237	416,061	241,847	512,716	2,616,861	259,715
Loss on defeasance of bonds	8,634,456	3,268,423	16,861,644	1,166,241	29,930,764	-
Total deferred outflows of resources	21,412,050	6,547,226	18,804,244	5,732,714	52,496,234	2,074,926
Total assets and deferred outflows of resources	720,727,491	358,830,708	202,935,317	116,610,902	1,399,104,418	60,772,166
LIABILITIES:						
Current liabilities:						
Vouchers payable	\$ 3,381,127	\$ 1,415,093	\$ 2,239,435	\$ 943,365	\$ 7,979,020	\$ 16,777,607
Contract retainage	1,830,074	839,224	12,260	101,985	2,783,543	-
Accrued interest	1,890,416	682,542	768,488	262,233	3,603,679	-
Accrued payroll	624,520	186,871	118,866	232,016	1,162,273	132,711
Due to other funds	296,777	-	13,750,000	-	14,046,777	886,299
Unearned Revenue	-	-	821,241	-	821,241	7,860,922
Current portion of bonds payable	19,195,000	14,178,371	2,277,946	3,605,367	39,256,684	-
Current compensated absences	727,610	178,300	111,235	237,244	1,254,389	173,266
Other current liabilities	843,454	287,584	616,075	312	1,747,425	5,270,600
Total current liabilities	28,788,978	17,767,985	20,715,546	5,382,522	72,655,031	31,101,405
Noncurrent liabilities:						
General obligation bonds payable	-	67,632,589	132,777,062	48,632,015	249,041,666	-
Revenue bonds payable	232,947,874	77,742,258	-	244,477	310,934,609	-
Net pension liability	19,825,867	5,216,958	2,839,286	6,774,742	34,656,853	3,307,368
Total OPEB liability	4,760,884	1,252,748	681,822	1,626,845	8,322,299	794,204
Compensated absences	482,965	110,246	74,156	173,093	840,460	158,886
Lease liabilities	1,615,648	-	3,005	-	1,618,653	-
Total noncurrent liabilities	259,633,238	151,954,799	136,375,331	57,451,172	605,414,541	4,260,458
Total liabilities	288,422,216	169,722,784	157,090,877	62,833,694	678,069,571	35,361,863
DEFERRED INFLOWS OF RESOURCES:						
Related to Pensions	663,958	169,085	449,015	313,852	1,595,910	267,074
Related to OPEB	541,056	252,522	195,184	172,727	1,161,489	153,430
Related to leases	-	-	949,420	-	949,420	-
Gain on defeasance of bonds	-	4,433	456,553	139,272	600,258	-
Total deferred inflows of resources	1,205,014	426,040	2,050,172	625,851	4,307,077	420,504
Total liabilities and deferred inflows of resources	289,627,230	170,148,824	159,141,049	63,459,545	682,376,648	35,782,367
NET POSITION:						
Net investment in capital assets	369,286,620	170,184,683	19,461,352	31,959,272	590,891,927	3,203,573
Restricted for:						
Water Utility fund operations	27,044,148	-	-	-	27,044,148	-
Wastewater Utility fund operations	-	2,288,950	-	-	2,288,950	-
Storm Water Utility fund operations	-	-	-	535,074	535,074	-
Parking Facilities fund operations	-	-	3,521,229	-	3,521,229	-
Unrestricted	34,769,493	16,208,251	20,811,687	20,657,011	92,446,442	21,786,226
Total net position	431,100,261	188,681,884	43,794,268	53,151,357	716,727,770	24,989,799
Total liabilities and net position	\$ 720,727,491	\$ 358,830,708	\$ 202,935,317	\$ 116,610,902	\$ 1,399,104,418	\$ 60,772,166

The accompanying notes are an integral part of the basic financial statements.

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Period Ended June 30, 2023

Exhibit B-2

	Business-Type Activities					Governmental Activities
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 105,224,282	\$ 34,537,886	\$ 20,590,131	\$ 23,252,475	\$ 183,604,774	\$ 99,270,533
Miscellaneous	2,039,850	982,786	27,793	112,930	3,163,359	67,319
Total operating revenues	107,264,132	35,520,672	20,617,924	23,365,405	186,768,133	99,337,852
OPERATING EXPENSES:						
Personal services	17,942,628	5,659,639	3,305,982	7,249,929	34,158,178	3,948,862
Healthcare costs	-	-	-	-	-	73,829,531
Cost of goods sold	-	-	-	64,464	64,464	5,286,393
Plant operations	8,005,486	2,434,332	802,177	2,514,879	13,756,874	4,822,543
Chemicals	6,756,622	-	17	2,140	6,758,779	-
Depreciation and amortization	16,139,943	7,793,143	6,266,862	1,630,074	31,830,022	364,117
Pension and OPEB expense	4,427,583	1,046,578	395,582	1,491,847	7,361,590	692,851
Administrative expenses	2,261,557	1,144,279	-	534,414	3,940,250	-
Other	9,882,970	2,862,737	6,972,092	5,570,304	25,288,103	244,801
Total operating expenses	65,416,789	20,940,708	17,742,712	19,058,051	123,158,260	89,189,098
Operating income (loss), net	41,847,343	14,579,964	2,875,212	4,307,354	63,609,873	10,148,754
NONOPERATING REVENUES(EXPENSES):						
Interest income	1,653,195	385,544	279,591	168,005	2,486,335	-
Intergovernmental revenue	2,060,014	2,079,042	-	57,862	4,196,918	-
Interest expense and fiscal charges	(8,844,194)	(2,055,316)	(4,070,926)	(1,065,790)	(16,036,226)	-
Gain (loss) on sale or disposal of capital assets	(109,335)	(195,185)	-	90,595	(213,925)	-
Gain (loss) on investments	-	-	-	(16,559)	(16,559)	-
Miscellaneous revenue (expense)	-	-	-	(4,489)	(4,489)	-
Total nonoperating revenues (expenses)	(5,240,320)	214,085	(3,791,335)	(770,376)	(9,587,946)	-
Net income (loss) before contributions and transfers	36,607,023	14,794,049	(916,123)	3,536,978	54,021,927	10,148,754
Capital contribution	375,133	1,220,934	-	1,632,179	3,228,246	74,803
Transfer in	-	-	1,163,014	-	1,163,014	-
Transfers out	(9,064,819)	(1,650,324)	(90,735)	(194,870)	(11,000,748)	(103,472)
Changes in net position	27,917,337	14,364,659	156,156	4,974,287	47,412,439	10,120,085
Net position - beginning of year	403,182,924	174,317,225	43,638,112	48,177,070	669,315,331	14,869,714
Net position - end of year	\$ 431,100,261	\$ 188,681,884	\$ 43,794,268	\$ 53,151,357	\$ 716,727,770	\$ 24,989,799

The accompanying notes are an integral part of the basic financial statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ending June 30, 2023

Exhibit B-3

	Business-Type Activities				Governmental Activities	
	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 104,810,235	\$ 34,580,343	\$ 20,887,416	\$ 23,907,425	\$ 184,185,419	\$ 103,580,276
Payments to suppliers	(15,746,797)	(3,150,880)	(793,598)	(8,524,212)	(28,215,487)	(4,239,333)
Payments to employees	(15,769,750)	(6,203,845)	(3,254,571)	(8,001,491)	(33,229,657)	(82,776,833)
Other payments	(15,091,408)	(3,260,057)	(6,819,330)	(674,643)	(25,845,438)	1,019,900
Net cash and short-term investments provided by (used in) operating activities	<u>58,202,280</u>	<u>21,965,561</u>	<u>10,019,917</u>	<u>6,707,079</u>	<u>96,894,837</u>	<u>17,584,010</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Internal activity	(151,553)	-	(384,810)	-	(536,363)	(103,472)
Intergovernmental revenues	-	2,079,042	-	-	2,079,042	-
Operating subsidies and transfers to other funds	(9,064,819)	(1,650,324)	-	(199,359)	(10,914,502)	-
Net cash provided by (used in) noncapital financing activities	<u>(9,216,372)</u>	<u>428,718</u>	<u>(384,810)</u>	<u>(199,359)</u>	<u>(9,371,823)</u>	<u>(103,472)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from issuance of debt	-	12,626,169	3,010,000	17,680,000	33,316,169	-
Capital grants / contributions	2,060,014	-	-	-	2,060,014	-
Purchases / leases of capital assets	(32,472,853)	(17,257,528)	(4,670,582)	(7,162,208)	(61,563,171)	-
Lease liability payments made	(182,706)	-	(5,926)	-	(188,632)	-
Proceeds from sale of capital assets	(109,335)	(195,186)	-	90,595	(213,926)	-
Principal paid on capital debt	(18,090,000)	(14,474,513)	(1,120,811)	(2,800,752)	(36,486,076)	-
Interest paid on capital debt	(11,866,137)	(1,530,593)	(3,256,510)	(1,130,886)	(17,784,126)	-
Net cash provided by (used in) capital and related financing activities	<u>(60,661,017)</u>	<u>(20,831,651)</u>	<u>(6,043,829)</u>	<u>6,676,749</u>	<u>(80,859,748)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments	29,749,350	4,380,133	-	2,417,854	36,547,337	-
Purchase of investments	(16,215,263)	(8,457,997)	(3,279,591)	(461,622)	(28,414,473)	-
Lease receivable payments received	-	-	392,184	-	392,184	-
Interest and dividends	1,578,515	759,100	279,590	127,320	2,744,525	-
Net cash provided by (used in) investing activities	<u>15,112,602</u>	<u>(3,318,764)</u>	<u>(2,607,817)</u>	<u>2,083,552</u>	<u>11,269,573</u>	<u>-</u>
Net increase (decrease) in cash and short-term investments	3,437,493	(1,756,136)	983,461	15,268,021	17,932,839	17,480,538
Cash and short-term investments - beginning of the year	27,633,117	16,199,734	32,429,650	21,547,549	97,810,050	33,772,523
Cash and short-term investments - end of the year	<u>\$ 31,070,610</u>	<u>\$ 14,443,598</u>	<u>\$ 33,413,111</u>	<u>\$ 36,815,570</u>	<u>\$ 115,742,889</u>	<u>\$ 51,253,061</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:						
Operating income (loss)	\$ 41,847,343	\$ 14,579,964	\$ 2,875,212	\$ 4,307,354	\$ 63,609,873	\$ 10,148,754
Adjustments to reconcile operating income (loss) to net cash and short-term investments provided by (used in) operating activities:						
Depreciation expense and amortization	16,139,943	7,793,143	6,266,862	1,630,074	31,830,022	364,117
Effect of changes in assets, deferred outflows and liabilities, deferred inflows:						
Receivables, net	(2,453,897)	(940,329)	297,291	542,020	(2,554,915)	4,169,397
Lease receivables	-	-	-	-	-	886,299
Inventories	(957,370)	1,185	-	-	(956,185)	-
Prepays	-	-	-	-	-	-
Vouchers payable	(55,783)	1,968	8,595	(512,655)	(557,875)	1,540,034
Accrued payroll	271,225	53,807	55,092	68,734	448,858	61,270
Net pension liability	1,480,302	299,279	(71,982)	5,991,574	7,699,173	341,110
OPEB liability	4,848,935	149,288	68,301	296,534	5,363,058	-
Other liabilities	(2,918,418)	27,256	520,546	(5,616,556)	(7,987,172)	73,029
Net cash and short-term investments provided by (used in) operating activities	<u>\$ 58,202,280</u>	<u>\$ 21,965,561</u>	<u>\$ 10,019,917</u>	<u>\$ 6,707,079</u>	<u>\$ 96,894,837</u>	<u>\$ 17,584,010</u>
Noncash investing, capital and financing activities:						
Unrealized gain / (loss) on investments	\$ (660,665)	\$ -	\$ -	\$ -	\$ (660,665)	\$ -
Loss on sale or disposal of capital assets	\$ -	\$ -	\$ -	\$ 90,595	\$ -	\$ -
Capital contribution	<u>375,133.00</u>	<u>1,220,934.00</u>	<u>-</u>	<u>1,632,179.00</u>	<u>3,228,246.00</u>	<u>74,803</u>
Acquisition of capital assets through change in contract retainage	\$ 439,080	\$ 240,245	\$ (1,404)	\$ 95,725	\$ 773,646	\$ -
Acquisition of capital assets through vouchers payable	\$ (6,252,210)	\$ (5,287,199)	\$ -	\$ 224,552	\$ (11,314,857)	\$ -
Deferred inflow of resources	<u>\$ (7,439,726)</u>	<u>\$ (2,064,492)</u>	<u>\$ 449,015</u>	<u>\$ (187,829)</u>	<u>\$ (9,243,032)</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Exhibit C-1

	Trust Funds	Custodial Funds
ASSETS:		
Cash and short-term investments	\$ 13,261,798	\$ 12,419,608
Investments, fair value:		
United States Treasury securities	-	-
Fixed income securities	19,300,282	-
Equity securities	45,784,370	-
Future/options/swaps	-	-
Balanced commingled funds:		
Equity	739,240,000	-
Fixed income	350,878,000	-
Real estate	90,644,000	-
Hedge Funds	64,443,000	-
Total investments	<u>1,310,289,652</u>	<u>-</u>
Receivables:		
Accrued investment income	584,000	-
Other	3,000	-
Total assets	<u>1,324,138,450</u>	<u>12,419,608</u>
LIABILITIES:		
Vouchers payable	5,251,000	204,952
Other liabilities	-	12,214,656
Total liabilities	<u>5,251,000</u>	<u>12,419,608</u>
NET POSITION:		
Restricted for pension	1,318,887,450	-
Restricted for individuals, organizations and others	-	-
Total net position	<u>\$ 1,318,887,450</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Exhibit C-2

	Trust Funds	Custodial Funds
CHANGES TO NET POSITION ATTRIBUTED TO:		
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ 112,793,381	\$ -
Interest	4,186,626	-
Dividends	8,416,943	-
Other	1,297,011	-
	<u>126,693,961</u>	<u>-</u>
Less investment expense	(17,471,120)	-
Net investment income	109,222,841	-
Employer contributions	40,134,000	-
Employee contributions	7,601,000	-
Purchase of service	495,000	-
Custodial fund additions	-	1,769,694
Total Additions	157,452,841	1,769,694
Deductions:		
Benefit payments and expenses:		
Refunds of contributions	4,410,000	-
Benefits paid to plan members and beneficiaries	103,551,000	-
Administrative costs	1,015,577	-
Custodial fund deductions	8,716,323	1,769,694
Total Deductions	117,692,900	1,769,694
Net increase in net position	39,759,941	-
NET POSITION:		
Net position - beginning	1,279,127,509	-
Net Position - ending	\$ 1,318,887,450	\$ -

The accompanying notes are an integral part of the basic financial statements.

Statement of Net Position
Component Units
June 30, 2023

Exhibit D-1

	Norfolk Public Schools	Norfolk Economic Development Authority	Total
ASSETS:			
Cash and cash equivalents	\$ 80,879,974	\$ 8,037,199	\$ 88,917,173
Accounts receivable, net of allowance for uncollectible accounts			
uncollectible accounts	569,943	179,523	749,466
MUCIPP program receivables	-	-	-
Leases receivable	-	125,833	125,833
Loan receivable	-	1,087,750	1,087,750
Due from primary government	-	64,224	64,224
Due from other governments	67,304,481	-	67,304,481
Inventories	2,028,677	-	2,028,677
Property held for sale	-	932,952	932,952
Prepaid expenses	-	51,715	51,715
Restricted cash	-	1,528,288	1,528,288
Non-depreciable capital assets	487,500	7,676,435	8,163,935
Depreciable capital assets, net	9,226,500	9,335,802	18,562,302
Amortizable right to use assets, net	6,382,964	-	6,382,964
Total assets	166,880,039	29,019,721	195,899,760
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	52,113,571	-	52,113,571
Deferred outflows related to OPEB	20,198,474	-	20,198,474
Total deferred outflows	72,312,045	-	72,312,045
LIABILITIES:			
Vouchers payable	11,771,542	236,168	12,007,710
Accrued payroll	30,292,882	-	30,292,882
Unearned revenues	-	27,355	27,355
Due to primary government	29,725,725	13,258,077	42,983,802
Revolving loan program	-	602,724	602,724
Due to other government agencies	6,103,791	-	6,103,791
Other payable	-	183,516	183,516
Current portion of long-term liabilities	12,660,078	-	12,660,078
Long-term notes payable	-	1,687,406	1,687,406
Net pension liability	195,512,717	-	195,512,717
Other post-employment benefits liability	98,675,653	-	98,675,653
Other long-term liabilities	9,943,518	-	9,943,518
Total liabilities	394,685,906	15,995,246	410,681,152
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to leases	-	114,363	114,363
Deferred inflows related to pensions	57,621,781	-	57,621,781
Deferred inflows related to OPEB	21,514,622	-	21,514,622
Total deferred inflows	79,136,403	114,363	79,250,766
NET POSITION:			
Net investment in capital assets	9,886,596	2,066,754	11,953,350
Restricted for:			
Child nutrition	8,420,466	-	8,420,466
Other programs	1,821,731	-	1,821,731
Unrestricted	(254,759,018)	10,843,358	(243,915,660)
Total net position (deficit)	\$ (234,630,225)	\$ 12,910,112	\$ (221,720,113)

The accompanying notes are an integral part of the basic financial statements.

Statement of Activities
Component Units
For the Year Ending June 30, 2023

Exhibit D-2

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Norfolk Economic Development Authority	Totals
Norfolk Public Schools:							
Instructional	\$ 295,366,474	\$ 1,091,354	\$ 301,465,178	\$ -	\$ 7,190,058	\$ -	\$ 7,190,058
Administration, attendance and health	21,809,872	-	-	-	(21,809,872)	-	(21,809,872)
Pupil transportation	14,859,084	-	-	-	(14,859,084)	-	(14,859,084)
Operation and maintenance	38,795,279	-	-	-	(38,795,279)	-	(38,795,279)
Information technology	16,770,823	-	-	-	(16,770,823)	-	(16,770,823)
School facilities	30,030,991	-	-	3,551,207	(26,479,784)	-	(26,479,784)
Food services	20,533,031	17,854	22,375,644	-	1,860,467	-	1,860,467
Interest on long-term debt	29,564	-	-	-	(29,564)	-	(29,564)
Total Norfolk Public Schools	438,195,118	1,109,208	323,840,822	3,551,207	(109,693,881)	-	(109,693,881)
Norfolk Economic Development Authority:							
Economic development	4,703,926	380,829	-	-	-	(4,323,097)	(4,323,097)
Interest expense	12,843	-	-	-	-	(12,843)	(12,843)
Total Norfolk Economic Development Authority	4,716,769	380,829	-	-	-	(4,335,940)	(4,335,940)
Total Component Units	\$ 442,911,887	\$ 1,490,037	\$ 323,840,822	\$ 3,551,207	(109,693,881)	(4,335,940)	(114,029,821)
General revenues:							
Use of money and property					1,052,828	1,335,858	2,388,686
Payment from Primary Government					107,319,294	1,049,901	108,369,195
Miscellaneous					2,743,481	2,134,357	4,877,838
Intergovernmental revenue - Commonwealth of Virginia					43,808,526	-	43,808,526
Total general revenues					154,924,129	4,520,116	159,444,245
Changes in net position					45,230,248	184,176	45,414,424
Net position (deficit) - beginning					(279,860,473)	12,725,936	(267,134,537)
Net position (deficit) - ending					\$ (234,630,225)	\$ 12,910,112	\$ (221,720,113)

The accompanying notes are an integral part of the basic financial statements.



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NOTES
TO THE BASIC
FINANCIAL
STATEMENTS



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I. Summary of Significant Accounting Policies

A. Financial Reporting Entity Information

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 238,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, solid waste management, cultural and parking facilities, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries, general administration, environmental storm water management, water production and quality and wastewater treatment.

Blended Component Unit: *The Employees' Retirement System of the City of Norfolk (ERS)* has a ten-member Board of Trustees. Eight members are appointed by City Council. The City Manager and the Director of Finance are ex-officio members. The ERS is the administrator of a single-employer contributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees and certain employees of the Constitutional Officers covered by the Virginia Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings and certain employee contributions, to provide the funding for pension benefits and administrative costs. The financial data for the operation of the ERS are combined with that of the City and reported in the General fund.

Discretely Presented Component Units: Although these legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board), Norfolk Public Schools is an elected body. The School Board is a corporate body and in its corporate capacity is vested with the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs that meet the standards of quality prescribed by law. Categorical aid from the *Commonwealth of Virginia (the Commonwealth)* and the federal government designated for educational purposes is included in the City's General fund budgetary revenue. This categorical aid, plus moneys derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system. The School Board presently operates three Pre-Schools, one Pre-K – elementary school, twenty-six elementary schools, five K – 8 school, six middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs.

The Economic Development Authority (EDA), a political subdivision of the Commonwealth, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act. The EDA is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize and issue industrial development bonds. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, maintains its own books of account, and receives revenue from administrative fees charged to borrowers and sale of property. Additionally, there is the potential of financial benefit to the City.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Office
810 Union Street
City Hall Building, Suite 309
Norfolk, Virginia 23510
www.norfolk.gov/retirement

The School Board for the City of Norfolk
800 East City Hall Avenue
P.O. Box 1357
Norfolk, Virginia 23510
www.nps.k12.va.us

The Norfolk Economic Development Authority
999 Waterside Drive, Suite 2430
Norfolk, Virginia 23510
www.norfolkdevelopment.com

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the non-fiduciary activities of the Primary Government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate *component units* for which the *Primary Government* is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly

identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not meet the criteria for classification as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

The City reports the following major governmental funds:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Grants fund* is a special revenue fund. It accounts for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.
- The *Debt Service fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds.
- The *Capital Projects fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board and other agencies.

The City reports the following major proprietary funds:

- The *Water Utility fund* accounts for the activities of the City's water system, treatment plant, and distribution systems.
- The *Wastewater Utility fund* accounts for the activities of the City's sewage pumping stations, and collection systems.
- The *Parking Facilities fund* accounts for the activities of City-owned or operated parking facilities.
- The *Storm Water Utility fund* accounts for the activities of the City's environmental storm water management system including maintenance of storm water drainage facilities.

Additionally, the City reports the following other fund types:

- *Special Revenue funds* account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. Examples include community development, public amenities, cemetery operations, golf operations, emergency operations center/911, tax increment financing districts, towing and recovery operations, waste management and individual grant programs.
- *Internal Service funds* account for the City's self-insured healthcare program and fleet management services whose services are provided to other departments or agencies of the City on a cost reimbursement basis. The Healthcare Fund is described in Note XX.
- The *Pension Trust fund* accounts for the activities of the Employees' Retirement System of the City of Norfolk (ERS), which accumulates resources for pension benefit payments to qualified employees and is a fiduciary fund.
- The *Pension Funding Trust fund* was established in fiscal year 2021 for the sole benefit of ERS to help offset potential volatility in the City's annual pension contribution.
- The *Endowed Care fund* is used to report resources that are restricted by the City Code to be used for perpetual and endowed care at certain City-owned cemeteries. Both the investment earnings and the principal may be used to support maintenance of City-owned cemeteries.
- The *Custodial funds* are used to account for the assets held by the City for individuals, private organizations, other governmental units and/or other funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to

be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two (2) months of the transaction. In accordance with United States generally accepted accounting principles (U.S. GAAP) property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred inflows. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of reimbursable federal, state, and other grants for the purpose of funding specific expenditures, is recognized at the time expenditures occur. Revenue from general purpose grants is recognized when earned throughout the life of the grant.

Major sources of governmental fund revenue susceptible to accrual include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Revenue from the Commonwealth
 - Shared Expenses
 - Categorical aid
- Revenue from the federal government

Amounts reported as *program revenues* include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues*, rather than as program revenues. Therefore, all taxes are general revenue.

Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net position as shown on the *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position* is presented in Exhibit A-2. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of governmental activities as shown on the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities* is presented in Exhibit A-4.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water Utility, Wastewater Utility, Parking

Facilities and Storm Water Utility enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, as well as depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, less restrictive resources next – committed, assigned, and finally unassigned resources.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility enterprise fund, Wastewater Utility enterprise fund, Parking Facilities enterprise fund, Storm Water Utility enterprise fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations Center/911 special revenue fund, Golf special revenue fund, Towing and Recovery Operations special revenue fund, Tax Increment Financing special revenue fund, Waste Management special revenue fund, and internal service funds. The General fund budget includes the budgets for Norfolk Public Schools, Maritime Center and the Community Services Board. Project length budgets are appropriated for the Capital Projects fund, Community Development special revenue fund and Grants special revenue fund. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of funding them. Prior to the adoption of the budget, a public hearing is conducted, then on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups) such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all-purpose appropriations, as well as on a line-item basis over individual objects (budgetary accounts). The City Manager is authorized to transfer funds between departments and funds without further approval by City Council. The legal level of budgetary control is at the fund level.

The School Board manages and controls all funds made available for public school purposes by the City Council with the exception funds for construction of new school buildings. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. Consistent with the enabling ordinance, the Schedules of Revenue and Expenditures – Budget and Actual of the General fund presented in Exhibits E-1 and E-2 include the revenues and expenditures of the School Board.

A reconciliation of revenues and expenditures reported in accordance with U.S. generally accepted accounting principles (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the General fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. GAAP.

Except for capital projects and certain special revenue funds' appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short-term investments with maturities of one year or less from the date of acquisition.

Investment statutes authorize the City and 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 Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by S & P Global Ratings or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, Virginia State Non-Arbitrage Program (SNAP) and the State Treasurer's Local Government Investment Pool (LGIP). SNAP and LGIP investments are valued at amortized cost and qualify as external investment pools per GASB 79, *Certain External Investment Pools and Pool Participants*. The LGIP and SNAP are not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their monthly meetings.

The City has formal investment policy that addresses credit risk, interest rate risk, concentration of credit risk and custodial credit risk. The City's fixed income investments as of June 30, 2023, were rated by S&P Global Ratings and the ratings are presented in Note II. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by statutes of the Commonwealth.

Investments, except for external investment pools and real estate that are reported at amortized cost or net asset value, are reported at fair value as established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See additional disclosure within Note II.

The City uses the pooled cash investment method, and as a result individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments, with a maturity of 90 days or less, and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as debt covenants, grantors or laws or regulations of other governments.

G. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal Service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the Internal Service funds as operating expenditures or expenses. The Fleet Management fund, and the Healthcare fund primarily support governmental activities and are therefore included with governmental funds in the government-wide financial statements. A distinct presentation of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal

service funds and as expense reimbursements by the General fund in the fund financial statements.

H. Inventories

Inventories are stated at cost, using either the first-in, first-out or the moving average method. Proprietary funds expense inventories when consumed.

I. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at historical cost less accumulated depreciation and amortization in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets owned by the City with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the *Government-wide Statement of Net Position* if they meet the criteria for capitalization in the City's financial statements. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated capital assets are recorded at their acquisition value on the date received. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated, and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received because of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

NOTES TO THE FINANCIAL STATEMENTS

Capital assets of the City, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives (in years):

	Governmental Funds	Enterprise Funds	Internal Service Funds
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and utilities' equipment	-	10-30	-
Vehicles and garage equipment	4-20	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures, and equipment	3-25	3-25	3-20
Infrastructure	5-100	-	-
Intangibles	5-10	5-10	5-10

J. Land and Land Improvement Held for Resale

Land and land improvements held for resale are recorded at the lower of cost or estimated acquisition value. Cost is determined by acquisition price, if purchased, or at estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements held for sale.

K. Compensated Absences

It is the City and the School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Accumulated vacation leave cannot exceed certain limits as codified in Section 2-49 in the City Code of Ordinances. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the City does not pay it when the employee separates from service. The additional retirement benefit is reflected in the actuarial liability of the ERS. The entire unpaid liability for vacation leave is recorded in the government-wide financial statements. For members of the Virginia Retirement System (VRS), the unused sick leave is forfeited at termination.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave. 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. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

L. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements may be classified as net investment in capital assets; restricted; and unrestricted. Restricted net position has constraints on resources that are either externally imposed by creditors, grantors, contributors, laws, and regulations of other governments or imposed by law through state statutes.

Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by a third party or through enabling legislation. Committed fund balance includes amounts that can be used only for specific purposes as determined by City Council through formal action (ordinance). Committed amounts cannot be used for any other purpose unless approved by City Council by taking the same type of formal action. In the General fund, assigned fund balance includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the governmental funds, except for the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assignment authority has been given to the City Manager by the City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 may result that is classified as a negative unassigned fund balance in the applicable governmental fund.

M. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. Bond Premiums, Discounts, Issuance Costs and Loss on Defeasance

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds

payables are reported with the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred. Refer to Note IX for details on the amounts reported in Long-term Obligations.

Gains and losses on defeasance from refunding bonds are reported in the government-wide and proprietary fund financial statements as deferred inflows and outflows of resources and are amortized using the straight-line method over the term of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Deferred Inflows and Outflows of Resources

The City reports deferred inflows and outflows on its fund level balance sheets and government-wide statement of net position. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. They arise in governmental funds when potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Certain intergovernmental receivables such as uncollected property tax not meeting the availability criteria have been deferred and will be realized in a subsequent period in governmental funds. Deferred outflows of resources represent a consumption of net assets that apply to future periods. The City reports the gains and losses on defeasance from debt refundings and certain components of the net pension liability as deferred inflows and outflows in governmental and business-type activities.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and the additions and deductions there to, of each of the plans that the City and its component units participate in, which include the Virginia Retirement System (VRS) City of Norfolk Political Subdivision Retirement Plan, the VRS Norfolk Public Schools Teacher Retirement Plan, the VRS Norfolk Public Schools Political Subdivision Retirement Plan and the Employees’ Retirement System of the City of Norfolk Plan (ERS) have been determined on the same basis as they were reported by each respective plan. Except for deferred outflows related to employer contributions made after the measurement date, deferred inflows and outflows are amortized over a closed five-year period or the average remaining service life of the effected employees. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The allocation of

proportionate shares of the ERS net pension liability and other pension amounts to participating funds is based on employer contributions.

Q. Other Post-employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of each of the plans that the City and its component units participate in have been determined on the same basis as they were reported by each respective plan. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The allocation of proportionate shares of the total OPEB liability and other OPEB amounts to participating funds is based on employer contributions.

R. Right To Use Lease Liability

The City has recorded right to use leased assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement period of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Intangible right-to-use lease assets are recognized for leases with a total value equal to or exceeding \$100,000. The right to use leased assets are amortized on a straight-line basis over the shorter of lease term or useful life of the underlying asset.

S. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

T. Right To Use Subscription Assets

The City has recorded right to use subscription assets in response to the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs). The subscription asset is measured as the sum of the initial subscription liability amount, payments made to the vendor at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term. SBITAs are recognized for arrangements with a total value equal to or exceeding \$125,000. The amortization of the subscription asset is recognized as an outflow of resources over the term of the subscription on a straight-line basis.

U. Right to Use Subscription Liabilities

The City's right to use subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term.

V. Conduit Debt Obligations

The Economic Development Authority (the Authority) is authorized to issue revenue bonds for the purpose of acquiring and constructing facilities. Liability under the bonds is assumed by the enterprises for which facilities are constructed. The revenue bonds are not deemed to constitute a debt or pledge of faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City. The bonds are payable solely from revenues generated from the sale or lease of the facilities constructed or acquired. Although the Authority provides a conduit to execute such transactions, it retains neither the benefits of asset ownership, nor the liability for bond liquidation. Accordingly, the Authority does not recognize in its financial statements associated assets, liabilities, rental income or interest expense associated with the bond issuances. The Authority has issued eight bonds that remain outstanding as of June 30, 2023, with a total balance of \$396,397,169 maturing through fiscal year 2036. All of these bonds are tax-exempt and are issued for the benefit of nonprofit organizations, manufacturing companies or enterprise-zone businesses (as defined in Sections 1397(c) and 1394(b)(3) of the Internal Revenue Code of 1986, as amended). There are no commitments that need to be disclosed.

II. Deposits and Investments

Custodial Credit Risk – Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and Endowed Care funds. Each fund's portion of the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short-term investments. The cash and investments of the Pension Trust and Endowed Care funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units 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 federal depository insurance. Under the Act, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (that became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits held, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating 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. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit

of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105 percent to 130 percent of all public deposits held by the bank, based on a rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City's primary banking institution has elected to be governed by the Dedicated Method.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank and Principal Custody Solutions as custodians. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The policy for the Pension Trust fund (System) and the City is that all securities purchased by or for the System and City be properly and clearly labeled as an asset of the System or City and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City's other component units have no formal policy regarding custodial credit risk for investments.

Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The City's investment policy establishes a maximum maturity requirement for an individual security to effectively manage interest rate risk. The City's investment policy also establishes a maximum weighted average maturity. The City's other discretely presented component units do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City uses the segmented time distribution method to evaluate interest rate risks as disclosed below as of June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS

Primary Government and Fiduciary Funds

Investment Type	Total Investments	Investment Maturities					N/A
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +	
Corporate Bonds	\$ 35,633,722	\$ 370,168	\$ 15,963,272	\$ -	\$ -	\$ -	\$ 19,300,282
Futures/Options/Swaps	-	-	-	-	-	-	-
Asset Backed Securities	-	-	-	-	-	-	-
Bank Loans	-	-	-	-	-	-	-
U.S. Government Securities	88,319,812	36,790,334	51,529,478	-	-	-	-
Mortgage-Backed Securities	-	-	-	-	-	-	-
Equity Funds	785,024,370	-	-	-	-	-	785,024,370
Common Stock	-	-	-	-	-	-	-
Master Limited Partnerships	-	-	-	-	-	-	-
Municipal Bonds	1,883,796	722,489	749,221	412,086	-	-	-
Commercial Paper	22,778,456	22,778,456	-	-	-	-	-
Certificates of Deposit	18,800,023	17,635,255	1,164,768	-	-	-	-
Federal Agencies	5,130,532	3,235,512	1,895,020	-	-	-	-
Fixed Income Funds	350,878,000	-	75,478,000	38,137,000	67,078,000	144,821,000	25,364,000
Real Estate Funds	90,644,000	-	-	-	-	-	90,644,000
Money Market Fund	3,725,073	3,725,073	-	-	-	-	-
Hedge Funds	64,443,000	-	-	-	-	-	64,443,000
External Investment Pools	473,052,594	473,052,594	-	-	-	-	-
Total	<u>\$ 1,940,313,378</u>	<u>\$ 558,309,881</u>	<u>\$ 146,779,759</u>	<u>\$ 38,549,086</u>	<u>\$ 67,078,000</u>	<u>\$ 144,821,000</u>	<u>\$ 984,775,652</u>

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Position (Primary Government) and the Statement of Fiduciary Net Position for the City is as follows:

Per Exhibit 1 (Primary Government):

Cash and unrestricted short-term investments	\$ 737,873,830
Restricted cash and investments	47,881,420
Total Primary Government	<u>\$ 785,755,250</u>

Per Exhibit C-1 (Fiduciary):

Cash and short-term investments	\$ 25,681,406
Investments	1,310,289,652
Total Fiduciary funds	<u>\$ 1,335,971,058</u>

Total Primary Government and Fiduciary funds	<u>\$ 2,121,726,308</u>
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Less cash	181,412,930
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Carrying value of deposits and investments	<u><u>\$ 1,940,313,378</u></u>
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Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Based on the current asset allocation policy, the City's Pension Trust fund has adopted a 4% target allocation to below investment grade bonds but will allow a range of up to 9%. The City's Pension Trust fund defines this as securities rated below investment grade by two of the three primary rating agencies, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings ("Fitch"), and S&P Global Ratings ("S&P"). The City's Pension Trust fund invests in certain derivatives including futures, swaps, and options. Those securities are included in reported investments in the ERS's financial statements. For accounting purposes, all derivative instruments are considered to be investments and not hedges. ERS primarily enters into derivative transactions to manage risks from various exposures including, but not limited to, exposure to foreign currency rate fluctuation and to duration within the fixed income investment portfolio. The City's rated debt investments as of June 30, 2023, were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

NOTES TO THE FINANCIAL STATEMENTS

Ratings (S&P)	Rated Debt Investments											
	Corporate Bonds	Federal Agencies	U.S. Government Securities	Equity Funds	Commercial Paper	Certificates of Deposit	Municipal Bonds	Fixed Income Funds	Real Estate Funds	Money Market Funds	Hedge Funds	External Investment Pools
AAA	\$ 784,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 626,256	\$ -	\$ -	\$ -	\$ -	\$ -
AAAm	-	-	-	-	-	-	-	-	-	3,725,073	-	473,052,594
AA+	1,538,969	5,130,532	88,319,812	-	-	-	-	-	-	-	-	-
AA	4,102,707	-	-	-	-	-	739,464	-	-	-	-	-
AA-	9,907,632	-	-	-	-	1,164,768	518,076	-	-	-	-	-
AAm-	-	-	-	-	-	-	-	-	-	-	-	-
A+	-	-	-	-	-	-	-	-	-	-	-	-
A	-	-	-	-	-	-	-	-	-	-	-	-
A-	-	-	-	-	22,778,456	17,635,255	-	-	-	-	-	-
BBB+	-	-	-	-	-	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	-	-	-	-	-
BBB-	-	-	-	-	-	-	-	-	-	-	-	-
BB+	-	-	-	-	-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and Below	-	-	-	-	-	-	-	-	-	-	-	-
Not Rated	19,300,282	-	-	785,024,370	-	-	-	350,878,000	90,644,000	-	64,443,000	-
Total	\$35,633,722	\$ 5,130,532	\$ 88,319,812	\$785,024,370	\$ 22,778,456	\$ 18,800,023	\$ 1,883,796	\$350,878,000	\$90,644,000	\$ 3,725,073	\$64,443,000	\$ 473,052,594

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust fund investment, no more than 20 percent of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Baa (1, 2 and 3) or BBB (+ or -). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20 percent in these ratings and the purchase of bonds rated below Baa3 or BBB-.

The following table represents the fair value of investments that represent 5 percent or more of the System's net position at June 30, 2023:

	Market Value	% of Portfolio
SSGA Russell 3000 Index	\$ 168,051,190	13.5%
First Eagle Global Equity	\$ 100,792,992	8.1%
Artisan Global Opportunities	\$ 98,990,303	7.9%
SSGA MSCI EAFE	\$ 97,633,829	7.8%
SSGA MSCI ACWI IMI Index Fund	\$ 80,534,783	6.4%
Vanguard Short-Term TIPS Index	\$ 75,477,780	6.1%
Wellington Core Bond	\$ 74,963,612	6.0%
SSGA US Aggregate Bond	\$ 67,078,173	5.4%

Fair Value Measurement

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the funds disclose the fair values of their investments in a hierarchy that prioritize the inputs to valuation techniques used to measure fair value. U.S. GAAP requires that investments be measured and reported at fair value and the disclosure of inputs used in the valuation process. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets. Equity securities are priced using an exchange traded price or a broker quote in an active market.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and alike factors. The United States treasury and fixed income securities are priced using pricing models based on a compilation of primarily observable market information or a broker quote in a non-active market for an identical or similar security. The certificate of deposit is valued based on discounted cash flows using current interest rates at the stated maturity. The short-term investment trades daily without restriction at \$100 per unit.

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Level 3 – Unobservable inputs for the assets, including the fund’s own assumptions for determining fair value.

Portfolio investments are assigned a level based upon the observability of the inputs that are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the inputs used to determine the fair value on June 30, 2023.

	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	(Level 3)
Investments Measured at Fair Value				
Fixed Income Securities				
U.S. Government Securities	88,319,812	-	88,319,812	-
Corporate Bonds	35,633,722	-	35,633,722	-
Commercial Paper	22,778,456	-	22,778,456	-
Certificates of Deposit	18,800,023	-	18,800,023	-
Municipal Bonds	1,883,796	-	1,883,796	-
Money Market Fund	3,725,073	-	-	-
Federal Agencies	5,130,532	-	5,130,532	-
Total Fixed Income Securities	176,271,414	-	172,546,341	-
Equity Securities				
Common Stock	45,784,370	45,784,370	-	-
Total Equity Securities	45,784,370	45,784,370	-	-
Total Investments by Fair Value Level	\$ 222,055,784	\$ 45,784,370	\$ 172,546,341	\$ -
Investments Measured at the Net Asset Value (NAV)				
Commingled Funds				
Equity Funds	\$ 739,240,000			
Fixed Income Funds	350,878,000			
Real Estate Funds	90,644,000			
Hedge Funds	64,443,000			
Total Investments Measured at NAV	1,245,205,000			
Investments Measured at Amortized Costs				
External Investment Pools	473,052,594			
Total Investments	\$ 1,940,313,378			

External investment pools include the LGIP, SNAP and PFMAM. These investments are reported at amortized cost in accordance with Rule 2a-7, and qualify as external investment pools per GASB No. 79, *Certain External Investment Pools and Pool Participants*. The City held \$347,207,599 in LGIP funds and \$125,844,995 in SNAP funds at June 30, 2023.

The remaining commingled funds are reported at net asset value (NAV) as a practical expedient, based on the fair market values of the underlying securities in the respective fund. There are no unfunded commitments for these types of investments.

1. Equity Funds. This type includes an investment in an equity fund with an investment object to track the performance of the MSCI ACWI IMI index over the long-term. These investments can be redeemed semi-monthly with semi-monthly notice.
2. Fixed Income Funds. This type includes 2 investments in fixed income funds. An investment in a liquid short-term fund that invest approximately 65 percent of its total assets in a diversified portfolio of fixed income instruments. This investment can be redeemed within 3-7 business days with 1-day notice. An investment in a fund with an

investment objective to track the performance of the Barclay's U.S. Aggregate Bond Index over the long-term. This investment can be redeemed within 1-15 days, depending on trade size, with 1-day notice.

3. Real Estate Funds. This type includes 2 investments in real estate funds that invest in U.S. real estate. These funds compare themselves to the NCREIF Property Index – Open End Diversified Core Equity (NFI-ODCE) Index. These investments can be redeemed quarterly with a 45–60-day notice.
4. Hedge Funds. This type of investment has an investment objective to diversify the portfolio and provide downside protection. These investments can utilize options, derivatives, and leverage and invest across all asset classes (equity, rates, currencies, etc.). The liquidity varies by strategy ranging from daily liquid to monthly. Some strategies have a soft lock up (e.g., illiquid for a year but then monthly thereafter). There are four hedge funds as of June 30, 2023.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When considering fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. Fair value of the certificate of deposit is determined based on a discounted cash flow analysis using prevailing rates over the stated term, which are Level 2 Inputs. Fair value approximates cost due to the short-term nature of the instrument.

School Board

At June 30, 2023, the School Board had cash of approximately \$96.4 million, including \$15.6 million held in custodial funds that are excluded from amounts reported in Exhibit D-1.

Economic Development Authority (EDA)

Cash includes cash on hand and cash deposited with financial institutions. At June 30, 2023, there was \$9,565,487 in cash and cash equivalents (\$1,528,288 that is considered restricted), including \$2,577,780 held in the LGIP, which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*.

III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2023, on each \$100 of assessed value, were \$1.25 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$4.33 for business furniture, fixtures, and equipment, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.25 for mobile homes, \$2.40 for airplanes and \$1.50 for business boats. The City has a Real Estate Tax Relief/ Tax Deferral Program for Norfolk homeowners who are 65 and older or completely disabled and meet certain eligibility requirements. The property tax calendar is as follows

	Real Property	Other than Real Property
Lien Date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction, or newly acquired property	October 1, January 1, and April 1	Date of Acquisition
Due Dates	September 30, December 5, March 31, and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installments of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code of Ordinances.

IV. Accounts Receivable

A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2023:

Water Utility fund	\$ 5,437,927
Wastewater Utility fund	1,472,878
Parking Facilities fund	164,023
Storm Water Utility fund	1,210,258
	<u>\$ 8,285,086</u>

The associated revenue is included in charges for services. All amounts were billed in July 2023.

B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2023, are as follows:

Primary Government:

General Fund:	
Taxes	\$ 11,639,879
Accounts	30,018,049
Community Services Board	786,269
Total General Fund	<u>42,444,197</u>
Waste Management special revenue fund	1,950,799
Water Utility fund	27,455,810
Wastewater Utility fund	2,000,000
Parking Facilities fund	26,706,985
Storm Water Utility fund	1,153,400
Total Primary Government	<u>\$ 101,711,191</u>

C. Lease Receivable

The City, acting as lessor, leases buildings under long-term, non-cancelable lease agreements. The leases expire at various dates through 2069 and provide for renewal options ranging from zero to five years. During the year ended June 30, 2023, the governmental activities recognized \$718,477 and \$223,760 in lease revenue and interest revenue, respectively, pursuant to these contracts. The business-type activities recognized \$531,977 and \$22,033 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTES TO THE FINANCIAL STATEMENTS

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 572,683	\$ 212,203	\$ 432,632	\$ 13,434	\$ 1,230,952
2025	432,750	202,648	273,525	6,531	915,454
2026	405,732	194,303	130,292	2,987	733,314
2027	366,884	186,376	31,014	1,827	586,101
2028	357,276	178,897	21,368	1,308	558,849
2029-2033	593,787	850,751	62,543	2,764	1,509,845
2034-2038	652,744	790,705	-	-	1,443,449
2039-2043	676,199	725,350	-	-	1,401,549
2044-2048	827,703	655,875	-	-	1,483,578
2049-2053	1,087,060	564,684	-	-	1,651,744
2054-2058	1,393,365	446,794	-	-	1,840,159
2059-2063	1,664,087	301,626	-	-	1,965,713
2064-2068	2,076,401	124,385	-	-	2,200,786
2069-2073	470,988	-	-	-	470,988
	<u>\$ 11,577,659</u>	<u>\$ 5,434,597</u>	<u>\$ 951,374</u>	<u>\$ 28,851</u>	<u>\$ 17,992,481</u>

V. Due From Other Governments

Amounts due from other governments, at June 30, 2023, are as follows:

	General Fund	Grants Fund	Special Revenue Funds	Total Governmental Funds	Component Unit School Board
Commonwealth of Virginia:					
Non-categorical aid	\$ 38,149,186	\$ 3,810,422	\$ -	\$ 41,959,608	\$ -
Nonmajor governmental funds grants	-	-	-	-	19,209,432
Total - Commonwealth of Virginia	<u>38,149,186</u>	<u>3,810,422</u>	<u>-</u>	<u>41,959,608</u>	<u>19,209,432</u>
Federal Government:					
Major governmental funds	181,852	17,514,183	-	17,696,035	-
Nonmajor governmental funds grants	-	-	4,334,592	4,334,592	48,095,049
Total - Federal Government	<u>181,852</u>	<u>17,514,183</u>	<u>4,334,592</u>	<u>22,030,627</u>	<u>48,095,049</u>
Total - Due from other governments	<u>\$ 38,331,038</u>	<u>\$ 21,324,605</u>	<u>\$ 4,334,592</u>	<u>\$ 63,990,235</u>	<u>\$ 67,304,481</u>

VI. Capital Assets

A summary of changes in capital assets at June 30, 2023, follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 120,100,032	\$ 4,141,425	\$ (577,357)	\$ 123,664,100
Intangible assets	97,014	-	-	97,014
Construction in progress	79,122,865	43,795,988	(19,170,465)	103,748,388
Total non-depreciable assets	199,319,911	47,937,413	(19,747,822)	227,509,502
Depreciable assets:				
Buildings	1,179,881,451	2,284,106	-	1,182,165,557
Improvements other than buildings	152,888,409	20,281,148	-	177,128,456
Equipment and vehicles	142,568,132	8,229,668	(7,137,662)	143,660,138
Intangible assets	5,238,251	475,848	-	5,714,099
Infrastructure	1,209,652,402	15,490,511	(8,569,064)	1,209,087,362
Leased building	26,601,070	6,669,469	(881,860)	32,388,679
Leased equipment and vehicles	1,490,127	417,310	(44,488)	1,862,949
Subscription-Based Information Technology Agreements (SBITAs)	-	9,522,714	-	9,522,714
Total depreciable assets	2,718,319,842	63,370,774	(16,633,074)	2,761,529,954
Less accumulated depreciation / amortization:				
Buildings depreciation	(514,339,408)	(25,962,655)	-	(540,302,063)
Improvements other than buildings depreciation	(66,358,723)	(9,139,765)	-	(75,498,488)
Equipment and vehicles depreciation	(104,972,304)	(7,090,743)	7,037,827	(105,025,220)
Intangible assets depreciation	(4,937,446)	(194,645)	-	(5,132,091)
Infrastructure depreciation	(1,036,386,822)	(8,969,265)	8,569,064	(1,036,487,683)
Leased building amortization	(4,593,232)	(3,479,219)	881,079	(7,191,372)
Leased equipment and vehicles amortization	(379,755)	(364,924)	11,193	(733,486)
SBITA amortization	-	(3,425,452)	-	(3,425,452)
Total accumulated depreciation / amortization	(1,731,967,690)	(58,626,668)	16,499,163	(1,773,795,855)
Depreciable assets, net	986,352,152	4,744,106	(133,911)	987,734,099
Total governmental activities capital assets, net	\$ 1,185,672,063	\$ 52,681,519	\$ (19,881,733)	\$ 1,215,243,601
Business-Type activities:				
Non-depreciable capital assets:				
Land	\$ 44,829,051	\$ 221,540	\$ -	\$ 45,050,591
Intangible assets	4,616,045	-	-	4,616,045
Construction in progress	109,991,732	47,150,869	(36,653,533)	120,489,068
Total non-depreciable assets	159,436,828	47,372,409	(36,653,533)	170,155,704
Depreciable assets:				
Land improvements	79,220,353	2,486,685	-	81,707,038
Buildings	511,816,777	4,231,698	(211,255)	515,837,220
Building improvements	210,629	1,210,286	-	3,169,679
Equipment and vehicles	932,423,205	32,619,333	(6,383,312)	960,438,050
Intangible assets amortizable	9,593,159	1	(68,250)	9,524,910
Leased building	505,116	1,654,620	-	2,159,736
Leased equipment and vehicles depreciation	22,295	-	-	22,295
Subscription-Based Information Technology Agreements (SBITAs)	-	-	-	-
Totals depreciable assets	1,533,791,534	42,202,623	(6,662,817)	1,572,858,928
Less accumulated depreciation / amortization:				
Land improvements depreciation	(25,198,795)	(2,234,963)	-	(27,433,758)
Buildings depreciation	(187,551,626)	(9,918,944)	33,517	(197,437,053)
Building improvements depreciation	(2,258)	(25,444)	-	(144,286)
Equipment and vehicles depreciation	(350,295,999)	(18,996,697)	6,078,890	(363,396,563)
Intangible assets amortization	(7,763,522)	(420,561)	68,250	(8,115,833)
Leased building amortization	-	(226,688)	-	(226,688)
Leased equipment and vehicles amortization	(6,805)	(6,725)	-	(13,530)
SBITA amortization	-	-	-	-
Total accumulated depreciation / amortization	(570,819,005)	(31,830,022)	6,180,657	(596,767,711)
Depreciable assets, net	962,972,529	10,372,601	(482,160)	976,091,217
Business-Type activities capital assets, net	\$ 1,122,409,357	\$ 57,745,010	\$ (37,135,693)	\$ 1,146,246,921

NOTES TO THE FINANCIAL STATEMENTS

Component units:

Non-depreciable capital assets:

Land	\$ 8,163,935	-	\$ -	\$ -	\$ 8,163,935
Construction in progress	-	-	-	-	-
Total non-depreciable assets	<u>8,163,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,163,935</u>

Depreciable assets:

Buildings and mobile classrooms	5,316,406	737,148	-	-	6,053,554
Improvements other than buildings	-	-	-	-	-
Building improvements	10,198,899	-	-	-	10,198,899
Equipment and vehicles	37,811,293	3,347,533	(2,006,495)	-	39,152,331
Intangible assets	1,323,387	-	-	-	1,323,387
Leased building	851,293	-	-	-	851,293
Leased equipment and vehicles	-	-	-	-	-
Subscription-Based Information Technology Agreements (SBITAs)	-	7,618,471	-	-	7,618,471
Total depreciable assets	<u>55,501,278</u>	<u>11,703,152</u>	<u>(2,006,495)</u>	<u>-</u>	<u>65,197,935</u>
Less accumulated depreciation / amortization:					
Buildings and mobile classrooms	(4,960,689)	(54,751)	-	-	(5,015,440)
Improvements other than buildings	-	-	-	-	-
Building improvements	(1,142,289)	(522,248)	-	-	(1,664,537)
Equipment and vehicles	(29,443,089)	(2,235,811)	1,516,394	-	(30,162,506)
Intangible assets	(1,323,386)	-	-	-	(1,323,386)
Leased building amortization	(51,651)	(51,651)	-	-	(103,302)
Leased equipment and vehicles amortization	-	-	-	-	-
SBITA amortization	-	(1,983,498)	-	-	(1,983,498)
Total accumulated depreciation / amortization	<u>(36,921,104)</u>	<u>(4,847,959)</u>	<u>1,516,394</u>	<u>-</u>	<u>(40,252,669)</u>
Depreciable assets, net	<u>18,580,174</u>	<u>6,855,193</u>	<u>(490,101)</u>	<u>-</u>	<u>24,945,266</u>
Component units					
capital assets, net	<u>\$ 26,744,109</u>	<u>6,855,193</u>	<u>\$ (490,101)</u>	<u>\$ -</u>	<u>\$ 33,109,201</u>

Depreciation and amortization expense was charged to governmental and business type activities as follows:

Governmental activities:

General government	\$ 11,080,692
Judicial administration	521,082
Public safety	3,968,755
Public works, which includes the depreciation of infrastructure assets	13,744,295
Health and sanitation	1,129,096
Culture and recreation	15,678,975
Community development	636,777
Education	11,502,878
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	364,118
Total depreciation / amortization expense	<u>\$ 58,626,668</u>

Business-type activities:

Water Utility fund	\$ 16,139,943
Wastewater Utility fund	7,793,143
Parking Facilities fund	6,266,862
Storm Water fund	1,630,074
Total depreciation / amortization expense	<u>\$ 31,830,022</u>

Component unit activities

School Board	\$ 4,325,711
Norfolk Economic Development Authority	522,248
Total depreciation / amortization expense	<u>\$ 4,847,959</u>

VII. Property Held for Resale

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres of the remaining Lake Wright Golf Course property to Northampton Development, LLC. 4.41 acres of Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at \$602,952 that represents the cost basis of 4.41 acres at approximately \$136,724 per acre.

In addition, land and land improvements held for resale also includes two acres located at 935 Denison Avenue that are recorded at approximately \$115,000 per acre totaling \$230,000 and 7.5 acres on Prime Outlets Boulevard with a total value of \$100,000 net of easements.

VIII. Short-term Obligations

On December 17, 2014, the City established a revolving line of credit agreement with Bank of America, N.A. ("BANA") for up to \$125,000,000 that was later amended in May 2016, to increase the maximum available credit to \$200,000,000. On June 4, 2019, the City amended the credit agreement to reduce the maximum available credit to \$125,000,000 with authorization to increase the amount to \$200,000,000. On April 24, 2020, the City amended the credit agreement to increase the maximum available credit to \$200,000,000. This line of credit has been used to provide flexible interim financing for capital improvement projects, including school construction. Further, the City maintains discretion over future increases and decreases to the line of credit maximum available amount dependent upon future cash flow needs of capital improvement projects. Borrowings under the line of credit bear interest payable semi-annually in February and August. The full faith and credit pledge of the City secures the line of credit that will be repaid through the issuance of general obligation bonds or other City sources. There is no minimum advance amount, and each advance shall be made on three days' notice given by the City to BANA.

In April 2020, the City amended the credit agreement with BANA to authorize draws on the City's existing revolving line of credit for up to \$50,000,000 to fund operating expenses caused by a significant emergency event. To date, the line of credit has not been used to fund emergency expenditures.

On November 21, 2019, the City amended its existing credit agreement with BANA to extend the termination date of the line of credit from December 17, 2019 to December 17, 2021.

On November 18, 2021, the City amended its existing credit agreement with Bank of America Merrill Lynch ("BAML") to extend the termination date of the Line of Credit from December 17, 2021 to November 18, 2023. The amendment also includes a change to the interest rate index to the Bloomberg Short-Term Bank Yield Index rate ("BSBY") administered by Bloomberg Index Services Limited and published on the applicable Reuters screen page. The amended tax-exempt borrowing rate is 79 percent of BSBY, plus 25 basis points. The amended taxable borrowing rate is 100 percent of BSBY, plus 32 basis points. If the BSBY Rate is not available at such time for any reason or the Bank makes the determination to incorporate or adopt a new interest rate to replace the BSBY Rate

NOTES TO THE FINANCIAL STATEMENTS

in credit agreements, then the bank shall replace the BSBY Rate with the daily Secured Overnight Financing Rate ("SOFR"). There is no commitment fee on the unutilized portion of the Line of Credit.

As of June 30, 2023, there is an outstanding drawn amount on the line of \$50 million for capital expenditures.

Activity for the year ended June 30, 2023, is as follows:

	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023
Capital Projects Fund	\$ 52,762,400	\$ 80,000,000	\$ 82,762,400	\$ 50,000,000

IX. Long-term Obligations

A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 2008, the City established Water revenue and Wastewater revenue bond programs, respectively. Additionally, in 2019, the City established a Storm Water revenue bond program.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2023, follows:

	Governmental Activities - General Obligation Bonds	Enterprise Funds				Total Enterprise Funds
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	Storm Water Bonds	
General obligation bonds outstanding at July 1, 2022	\$ 922,252,298	\$ -	\$ 67,910,612	\$ 127,869,095	\$ 32,437,378	\$ 228,217,085
Bonds retired	(68,760,616)	-	(5,874,988)	(1,120,811)	(2,766,261)	(9,762,060)
Bonds issued	96,990,000	-	6,190,000	3,010,000	17,680,000	26,880,000
Bonds outstanding at June 30, 2023	950,481,682	-	68,225,624	129,758,284	47,351,117	245,335,025
Unamortized (discount) premium	61,587,778	-	5,558,608	5,296,724	4,851,687	15,707,019
General obligation bonds outstanding at June 30, 2022, adjusted for unamortized (discount) premium	\$ 1,012,069,460	\$ -	\$ 73,784,232	\$ 135,055,008	\$ 52,202,804	\$ 261,042,044
Revenue bonds outstanding at July 1, 2022		\$ 242,990,000	\$ 87,932,414	\$ -	313,546	331,235,959
Bonds retired		(18,090,000)	(8,599,601)	-	(34,490)	(26,724,093)
Bonds issued		-	6,436,174	-	-	6,436,174
Revenue Bonds outstanding at June 30, 2023		224,900,000	85,768,986	-	279,055	310,948,040
Unamortized (discount) premium		27,242,874	-	-	-	27,242,874
Revenue bonds outstanding at June 30, 2023, adjusted for unamortized (discount) premium		\$ 252,142,874	\$ 85,768,985	\$ -	279,055	\$ 338,190,914
Total bonds outstanding at June 30, 2023, adjusted for unamortized (discount)/premium	\$ 1,012,069,460	\$ 252,142,874	\$ 159,553,218	\$ 135,055,008	\$ 52,481,859	\$ 599,232,959

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General obligation and revenue bonds outstanding at June 30, 2023, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Governmental Activities	Business-type Activities			Balance Outstanding
				Public Improvement	Wastewater Utility	Parking Facilities	Storm Water Utility	
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.375%	3,400,000	-	-	-	3,400,000
			Variable - June 30, 2023, rate					
Series 2007 VRDB	3/29/2007	32,365,000	of 3.97%	19,770,000	-	-	-	19,770,000
Series 2010B Capital Improvement	1/21/2010	117,650,000	5.200 - 5.962%	56,192,159	4,697,143	-	2,775,698	63,665,000
Series 2010F Capital Improvement	2/25/2010	5,000,000	4.95 - 5.60%	2,000,000	-	-	-	2,000,000
Series 2012D Capital Improvement	6/28/2012	7,350,000	4.35%	7,350,000	-	-	-	7,350,000
Series 2013A Capital Improvements and Refunding	11/7/2013	130,990,000	5.00%	4,040,000	380,000	-	315,000	4,735,000
Series 2013B Capital Improvements and Refunding	11/7/2013	81,715,000	3.565%	3,810,000	-	-	-	3,810,000
Series 2013C QECB	11/7/2013	2,470,000	4.86%	2,470,000	-	-	-	2,470,000
Series 2014 Refunding	4/2/2014	65,155,000	3.00 - 5.00%	12,696,054	3,314,075	-	714,871	16,725,000
Series 2014B Refunding	10/1/2014	9,900,000	3.29%	2,425,680	176,310	-	98,010	2,700,000
Series 2014C Refunding	9/30/2014	58,510,000	4.00 - 5.00%	31,426,506	5,375,343	-	1,493,151	38,295,000
Series 2015 Refunding	3/2/2015	16,320,000	3.32%	1,978,399	259,048	-	77,553	2,315,000
Series 2016A	10/19/2016	106,680,000	5.00%	17,745,000	4,110,000	-	1,980,000	23,835,000
Series 2016B Refunding	10/19/2016	69,870,000	3.50 - 5.00%	40,585,346	5,118,860	12,303,233	2,202,560	60,209,999
Series 2016C	10/19/2016	10,500,000	3.00 - 3.050%	10,500,000	-	-	-	10,500,000
Series 2017 GO Storm Water VRA	5/31/2017	2,405,791	0.00%	-	-	-	1,601,664	1,601,664
Series 2017A GO Capital Improvement	12/5/2017	103,520,000	5.00%	11,020,000	-	-	-	11,020,000
Series 2017B GO Capital Improvement	12/5/2017	3,590,000	3.793%	-	-	3,590,000	-	3,590,000
Series 2017C GO Refunding	12/5/2017	59,275,000	2.50 - 5.00%	4,335,588	426,074	1,743,827	354,511	6,860,000
Series 2018 SW VRA Brownfield	9/27/2018	1,117,725	0.25%	-	-	-	610,043	610,043
Series 2018 Refunding	12/21/2018	11,710,000	3.54%	880,000	-	8,820,000	-	9,700,000
Series 2019 GO Capital Improvement	2/7/2019	133,695,000	5.00%	49,405,000	-	-	-	49,405,000
Series 2019B GO Refunding	8/15/2019	159,305,000	1.933 - 3.346%	89,233,688	10,609,489	49,756,740	1,995,082	151,594,999
Series 2019C GO Refunding	8/15/2019	28,905,000	1.831 - 3.186%	21,507,922	3,466,334	3,275,451	205,294	28,455,001
Series 2019D GO Refunding	9/19/2019	89,025,009	1.840 - 2.920%	63,788,163	2,896,235	16,984,825	1,760,778	85,430,001
Series 2020A GO Capital Improvement	4/2/2020	37,275,000	4.00 - 5.00%	17,313,380	8,749,226	-	8,572,394	34,635,000
Series 2020B GO Refunding	4/2/2020	45,630,000	1.30 - 2.50%	32,400,100	2,011,134	8,232,202	391,564	43,035,000
Series 2020C GO Refunding	10/15/2020	77,825,000	0.429 - 1.514%	52,992,340	7,883,829	13,008,408	2,015,423	75,900,000
Series 2021 GO	6/29/2021	210,800,000	0.265 - 2.434%	204,955,000	-	-	-	204,955,000
Series 2021A GO Capital Improvement	8/12/2021	74,220,000	5.00%	59,821,346	2,357,246	7,271,321	1,570,087	71,020,000
Series 2021B GO Refunding	8/12/2021	36,895,000	0.300 - 1.420%	29,450,011	205,278	1,762,277	937,434	32,355,000
Series 2023A	5/17/2023	108,800,000	5.00%	84,930,000	6,190,000	-	17,680,000	108,800,000
Series 2023B	5/17/2023	15,070,000	4.066%	12,060,000	-	3,010,000	-	15,070,000
Total General Obligation Bonds				\$ 950,481,682	\$ 68,225,624	\$ 129,758,284	\$ 47,351,117	\$ 1,195,816,707

The Series 2007 General Obligation Variable Rate Demand Bonds (VRDBs), utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 397 basis points (3.97 percent) as June 30, 2023 (see Note VIII).

Bond Issue/Purpose	Dated	Interest Rate	Business-type Activities			Balance Outstanding
			Water Utility	Wastewater Utility	Storm Water Utility	
Series 2007 Wastewater Revenue	11/9/2007	0.00%	-	5,525,000	-	5,525,000
Series 2009 Wastewater Revenue	11/17/2009	0.00%	-	3,000,000	-	3,000,000
Series 2010 Wastewater Revenue	10/19/2010	0.00%	-	4,500,000	-	4,500,000
Series 2011 Wastewater Revenue	10/21/2011	0.00%	-	4,882,500	-	4,882,500
Series 2012 Wastewater Revenue	12/18/2012	0.00%	-	6,669,620	-	6,669,620
Series 2013 Wastewater Revenue	12/12/2013	0.00%	-	6,250,000	-	6,250,000
Series 2015 Wastewater Revenue	3/2/2015	0.00%	-	5,898,858	-	5,898,858
Series 2015A Water Revenue	4/16/2015	5.25%	29,660,000	-	-	29,660,000
Series 2015B Water Revenue Refunding	4/16/2015	5.00 - 5.25%	50,760,000	-	-	50,760,000
Series 2016 Wastewater Revenue	4/21/2016	0.00%	-	4,085,579	-	4,085,579
Series 2017 Wastewater Revenue	5/31/2017	0.00%	-	4,987,045	-	4,987,045
Series 2017 Water Revenue Refunding	12/18/2017	5.00%	117,780,000	-	-	117,780,000
Series 2018 Water Revenue	3/26/2018	2.50 - 5.00%	26,700,000	-	-	26,700,000
Series 2018 Wastewater Revenue	6/22/2018	0.00%	-	6,136,913	-	6,136,913
Series 2019A Wastewater Revenue	5/16/2019	2.00%	-	604,494	-	604,494
Series 2019B Wastewater Revenue	5/16/2019	1.00%	-	2,115,102	-	2,115,102
Series 2019C Wastewater Revenue	5/16/2019	1.00%	-	2,702,183	-	2,702,183
Series 2019D Wastewater Revenue	5/16/2019	0.00%	-	3,562,500	-	3,562,500
Series 2019E Wastewater Revenue	11/21/2019	0.00%	-	9,250,000	-	9,250,000
Series 2020 Wastewater Revenue	11/19/2020	0.00%	-	8,930,000	-	8,930,000
Series 2020 Storm Water Revenue	11/19/2020	0.25%	-	-	279,055	279,055
Series 2022A Wastewater Revenue	1/28/2022	0.50%	-	5,305,623	-	5,305,623
Series 2022B Wastewater Revenue	7/28/2022	0.50%	-	1,363,569	-	1,363,569
Total Revenue Bonds			\$ 224,900,000	\$ 85,768,986	\$ 279,055	\$ 310,948,041

B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities					Business-type Activities				
	Bonds		Direct Borrowings and Direct Placements			Bonds		Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest	
2024	\$ 69,245,343	\$ 28,991,675	\$ 1,602,248	\$ 350,019		\$ 10,964,657	\$ 6,916,798	\$ 1,035,721	\$ 322,153	
2025	66,677,125	27,277,932	2,177,975	297,008		15,122,875	7,218,580	475,289	293,808	
2026	68,509,534	25,588,813	751,928	223,311		15,160,466	6,401,482	761,631	285,681	
2027	69,270,138	23,462,594	751,928	198,066		15,144,862	6,045,947	791,927	266,639	
2028	69,029,880	21,236,394	-	182,750		15,410,120	5,651,357	899,151	247,716	
2029-2033	284,052,992	76,778,065	3,400,000	761,459		69,337,008	20,849,089	4,235,140	862,633	
2034-2038	208,219,908	35,682,999	-	-		60,900,092	9,684,987	2,513,768	428,783	
2039-2043	78,002,323	9,535,106	-	-		22,022,677	3,746,194	930,000	16,461	
2044-2048	25,930,360	2,050,637	-	-		9,629,640	1,147,397	-	-	
2049-2053	2,860,000	45,560	-	-		-	-	-	-	
Total	\$ 941,797,603	\$ 250,649,775	\$ 8,684,079	\$ 2,012,613		\$ 233,692,397	\$ 67,661,831	\$ 11,642,628	\$ 2,723,872	

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The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

Year Ending June 30,	Wastewater Utility Fund*		Parking Facilities Fund*		Storm Water Utility Fund*	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	6,151,643	2,281,991	2,277,946	3,204,316	3,570,789	1,752,644
2025	6,220,515	2,142,856	5,906,215	3,590,689	3,471,434	1,778,842
2026	6,071,616	1,969,963	6,469,831	3,047,476	3,380,649	1,669,724
2027	6,087,355	1,806,246	6,492,965	2,956,240	3,356,470	1,550,100
2028	6,087,283	1,598,393	6,799,779	2,879,741	3,422,209	1,420,938
2029-2033	20,031,465	4,977,357	39,180,023	11,589,447	14,360,661	5,144,918
2034-2038	8,660,666	2,384,935	45,347,812	5,091,384	9,405,382	2,637,451
2039-2043	6,380,018	1,555,453	10,189,135	1,529,904	6,383,523	677,298
2044-2048	2,535,063	317,946	7,094,578	829,451	-	-
2049-2053	-	-	-	-	-	-
	\$ 68,225,624	\$ 19,035,140	\$ 129,758,284	\$ 34,718,648	\$ 47,351,117	\$ 16,631,915

*Includes direct borrowings and direct placements.

General Obligation Capital Improvement Bonds, Series 2023A (Tax-Exempt)

On April 25, 2023, the City sold \$108,800,000 in tax-exempt General Obligation Bonds to partially finance the City's capital improvement program. The true interest cost on the bonds was 3.17 percent.

General Obligation Capital Improvement Bonds, Series 2023B (Federally Taxable)

On April 25, 2023, the City sold \$15,070,000 in federally taxable General Obligation Bonds to partially finance the City's capital improvement program. The true interest cost on the bonds was 4.22 percent.

General Obligation Direct Borrowings and Direct Placements

General Obligation Refunding Bonds, Series 2018 (the "Series 2018 Bonds")

As of June 30, 2023, the total outstanding on the Series 2018 Bonds is \$9,700,000. The City's Series 2018 Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

General Obligation Forward Refunding Bonds, Series 2014B and 2015 (the "Forward Refunding Bonds")

As of June 30, 2023, the total outstanding on the Forward Refunding Bonds was \$5,015,000. The Forward Refunding Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

General Obligation Variable Rate Demand Bonds, Series 2007

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Cruise & Celebration Center. As of June

30, 2023, \$19,770,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

The Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium-Term Rate Period and (vii) a Fixed Rate Period. All Series 2007 Bonds must be in the same Interest Rate Period at any one time. Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate.

A portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 are subject to mandatory redemption. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

The City maintains a Standby Bond Purchase Agreement dated as of March 1, 2019 (the "Liquidity Facility") among the City, the Trustee and Bank of America, N.A. (the "Bank"). The annual Liquidity Facility fee is 38 basis points (0.38 percent) for a five-year term. Additionally, the Bank also serves as the Remarketing Agent for the 2007 bonds for a fee of 8 basis points (0.08 percent). During the fiscal year ended June 30, 2023, the average weekly interest rate on the Series 2007 Bonds was 257 basis points (2.57 percent).

Under the Liquidity Facility, un-remarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate and have interest payable to the Bank in accordance with the Liquidity Facility. Through June 30, 2023, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

General Obligation Property Acquisition Bond, Series 2002 (the "Series 2002 Bonds")

As of June 30, 2023, the total outstanding on the Series 2002 Bonds is \$3,400,000. The City issued the Series 2002 Bonds to finance a portion of the purchase price of property, located within the boundaries of Shore Drive and Little Creek Road.

Storm Water General Obligation Bonds

As of June 30, 2023, the City has two separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the Virginia Resources Authority (VRA). The total outstanding Storm Water General Obligation Bonds at June 30, 2023, was \$2,211,707. The Storm Water General Obligation Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable.

C. Revenue Bonds

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the *Statement of Net Position* because their use is limited by applicable bond covenants.

The Wastewater Revenue Bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Wastewater Revenue Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under U.S. GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the *Statement of Net Position* because their use is limited by applicable bond covenants.

The Storm Water Revenue Bond covenants require that each year's Storm Water Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the Storm Water Revenue Bonds, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases that are treated as capital leases under U.S. GAAP, but excluding any general obligation bonds issued to finance storm water system property. These resources are classified as restricted investments on the *Statement of Net Position* because their use is limited by applicable bond covenants.

The detailed requirements to amortize Water, Wastewater and Storm Water revenue bonds are as follows:

Ending June 30,	Water Revenue ¹		Wastewater Revenue ²		Storm Water Revenue ²	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	19,195,000	10,934,013	8,029,252	59,840	34,578	676
2025	17,880,000	10,014,638	8,175,768	55,504	34,664	590
2026	18,965,000	9,101,013	8,083,151	86,592	34,751	503
2027	11,915,000	8,325,813	7,379,516	70,946	34,838	416
2028	12,600,000	7,706,363	6,695,475	62,286	34,924	329
2029-2033	45,600,000	30,568,581	25,714,850	258,123	105,300	461
2034-2038	37,785,000	20,169,513	14,915,012	167,631	-	-
2039-2043	35,000,000	11,549,963	6,381,460	74,851	-	-
2044-2048	25,960,000	2,029,850	394,502	4,014	-	-
Total	\$224,900,000	\$110,399,747	\$ 85,768,986	\$839,787	\$ 279,055	\$ 2,975

1. Water revenue bonds consist of publicly sold debt.

2. Wastewater and Storm Water revenue bonds include direct borrowing and direct placement debt.

Revenue Bond Direct Borrowing and Direct Placement Debt

Included in the City's Revenue Bond portfolio are several direct borrowing and direct placement issuances that include:

Storm Water Revenue Bonds

As of June 30, 2023, the City has one bond series that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding Storm Water Revenue Bond at June 30, 2023, was \$279,055. The Storm Water Revenue Bond contains a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bond immediately due and payable. Debt service on the Storm Water Revenue Bond is secured by a revenue pledge of the Storm Water Utility fees.

Wastewater Revenue Bonds

As of June 30, 2023, the City has seventeen separate series of bonds that it has borrowed through the Virginia Clean Water Revolving Loan Fund, administered by the VRA. The total outstanding Wastewater Revenue Bonds at June 30, 2023, were \$85,768,986. The Wastewater Revenue Bonds contain a provision that in the event of a default the lender can exercise its option to declare all amounts outstanding under the bonds immediately due and payable. Debt service on the Wastewater Revenue Bonds is secured by a revenue pledge of the Wastewater Utility fees.

As of June 30, 2023, Wastewater Utility fund draws for project expenses were \$1,212,214, \$3,860,390, and \$1,363,569 from bond issuances in fiscal year 2020, 2021 and 2022, respectively, that resulted in total VRA drawdowns of \$6,436,174 for fiscal year 2023. In conjunction with the State Water Control Board, the VRA administers and manages the Virginia Water Facilities Revolving Fund.

D. Current and Advanced Refundings

The City defeases certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

At June 30, 2023, the following defeased bonds from advance refunding are still outstanding:

General Obligation Bonds			
Defeased In	Original Issue	Amount	Redemption
2017	2013A	\$ 31,540,000	8/1/2023
2018	2013A	53,815,000	8/1/2023
2020	2013B	42,605,000	8/1/2023
2020	2014	8,845,000	8/1/2024
2020	2016A	36,395,000	10/1/2026
2020	2016B	2,970,000	10/1/2026
2020	2017A	64,945,000	9/1/2024
2020	2017C	19,300,000	3/1/2027
2020	2019	61,045,000	8/1/2028
2021	2013B	7,770,000	8/1/2023
2021	2014	17,600,000	8/1/2024
2021	2016A	4,220,000	10/1/2026
2021	2016B	3,885,000	10/1/2026
2021	2017A	5,510,000	9/1/2024
2021	2017C	12,150,000	3/1/2027
2021	2019	5,570,000	8/1/2028
2022	2016B	975,000	10/1/2026
2022	2017C	18,635,000	3/1/2027
2022	2019	10,180,000	8/1/2028
		<u>407,955,000</u>	

Water Revenue Bonds			
Defeased In	Original Issue	Amount	Redemption
2022	2010	18,050,000	11/1/2031
2022	2012	1,275,000	11/1/2039
		<u>\$ 19,325,000</u>	

E. Economic Development Authority

The City has agreed to finance a project on behalf of the EDA in the amount of \$12,762,400. The City reasonably expects to be repaid by the EDA for this project. As of the end of the fiscal year, the balance outstanding is \$12,878,077 including interest. Further a separate cooperative agreement from May 23, 2017, for another economic development project has a balance of \$380,000. There are no set repayment terms.

In the past, the Economic Development Authority has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the third-party entity served by the bond issuance. Neither the EDA nor the City of Norfolk is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were eight series of limited commitment conduit bonds outstanding, with an aggregate unpaid principal amount of \$396,397,169.

F. Lease Obligations

The City leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035 and provide for renewal options ranging from one year to five years.

A summary of the Governmental Activities' long-term leases are as follows:

Buildings are leased for multiple departments within the City, as of June 30, 2023, the lease obligations for buildings are \$26,430,494. Multiple vehicles are leased for the Community Services Board. As of June 30, 2023, the lease obligations for vehicles are \$403,193. The City has a lease agreement with Ricoh for printers through 2027, and as of June 30, 2023, the lease obligations for equipment are \$638,933.

A summary of the Business-Type Activities' long-term leases are as follows:

The Department of Utilities leases building spaces for its call-center and offices, as of June 30, 2023, the lease obligations are \$1,977,030. The Parking Facilities fund has a lease agreement with Ricoh for Printers through 2025, and as of June 30, 2023, the lease obligations for equipment are \$8,931.

NOTES TO THE FINANCIAL STATEMENTS

Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 3,925,308	\$ 605,848	\$ 367,308	\$ 41,578	\$ 4,940,042
2025	3,445,008	522,371	383,752	34,202	4,385,333
2026	3,057,249	440,110	400,870	26,515	3,924,744
2027	2,807,583	368,393	421,779	18,428	3,616,183
2028	2,131,812	305,230	248,890	9,914	2,695,846
2029-2033	10,326,937	769,312	163,362	7,775	11,267,386
2034-2038	1,778,723	18,341	-	-	1,797,064
	<u>\$27,472,620</u>	<u>\$ 3,029,605</u>	<u>\$ 1,985,961</u>	<u>\$ 138,412</u>	<u>\$ 32,626,598</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

	Governmental Activities	Business-type Activities
Buildings	\$32,388,679	\$ 2,159,736
Equipment	1,862,949	22,295
Less accumulated depreciation	(7,924,858)	(240,218)
	<u>\$26,326,770</u>	<u>\$ 1,941,813</u>

G. Landfill Liability

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983, to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for ten years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and years of post-close care costs beyond December 31, 2010. The \$3,054,267 reported as an obligation for closure and post-closure costs at June 30, 2023, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella Landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$2,305,226 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

H. Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government		
Governmental Activities:		
General Fund	\$	22,665,604
Grants Fund		332,765
Nonmajor governmental funds		957,545
Internal service funds		332,152
Total Governmental Activities	\$	<u>24,288,066</u>
Business-type Activities:		
Water Utility fund	\$	1,210,575
Wastewater Utility fund		288,546
Parking Facilities fund		185,391
Storm Water Utility fund		410,337
Total Business-type Activities	\$	<u>2,094,849</u>
Component Unit - School Board	\$	<u>10,166,458</u>

I. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2023, the City's debt limit is \$2,529,525,988 of which \$1,230,229,281 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

J. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2023, are as follows:

Projects	Total
General Obligation Bonds Authorized and Unissued:	
General Capital Improvement Projects	\$ 118,202,205
Maritime Center Capital Improvement Projects	4,664,813
Waste Management Capital Improvement Projects	1,757,223
Storm Water Utility Fund Improvement Projects	62,993,506
Parking Facilities Fund Projects	14,800,000
Wastewater Utility Fund Projects	20,195,424
G.O. Bonds Authorized and Unissued:	<u>222,613,171</u>
Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects	<u>112,441,821</u>
Revenue Bonds Authorized and Unissued:	<u>112,441,821</u>
Total Bonds Authorized and Unissued:	<u>\$ 335,054,992</u>

K. Changes in Long-Term Obligations

A summary of fiscal year 2023 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>GOVERNMENTAL ACTIVITIES:</u>					
Bonds, Direct Borrowing and Direct Placements:					
General obligation bonds	\$ 911,750,793	\$ 96,990,000	\$ (66,943,190)	\$ 941,797,603	\$ 69,245,343
Direct borrowings and direct placements	10,501,505	-	(1,817,426)	8,684,079	1,602,248
Net Premiums	55,111,926	13,540,065	(7,064,213)	61,587,778	-
Total Bonds	977,364,224	110,530,065	(75,824,829)	1,012,069,460	70,847,591
Other Liabilities:					
Vested compensated absences	22,687,868	12,781,184	(11,513,138)	23,955,914	12,496,533
Other post-employment benefits	108,116,892	14,171,172	(15,793,745)	106,494,319	-
Retiree's life insurance	115,000	-	-	115,000	-
Self-insurance	37,943,384	4,924,913	(5,716,760)	37,151,537	5,716,760
Net pension liability	33,344,811	307,051,863	(46,408,895)	293,987,779	-
Landfill closure and post-closure costs	2,852,790	201,477	-	3,054,267	-
Lease/subscription-based information technology arrangements	24,405,114	16,609,493	(7,284,994)	33,729,613	8,527,368
Total Other Liabilities	229,465,859	355,740,102	(86,717,532)	498,488,429	26,740,661
Internal Service Funds:					
Net pension liability	431,163	3,403,298	(527,093)	3,307,368	-
Other post-employment benefits	738,977	114,812	(59,585)	794,204	-
Vested compensated absences	309,251	184,925	(162,024)	332,152	173,266
Total Internal Service Funds	1,479,391	3,703,035	(748,702)	4,433,724	173,266
Total Governmental Activities	1,208,309,474	469,973,202	(163,291,063)	1,514,991,613	97,761,518
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Bonds, Direct Borrowing and Direct Placements:					
Water Utility	242,990,000	-	(18,090,000)	224,900,000	19,195,000
Wastewater Utility	155,842,949	12,626,250	(14,474,589)	153,994,610	14,178,371
Parking Facilities	127,869,095	3,010,000	(1,120,811)	129,758,284	2,277,946
Storm Water	32,750,924	17,680,000	(2,800,752)	47,630,172	3,605,367
Net Premiums	44,887,479	3,373,790	(5,311,376)	42,949,893	-
Total Bonds Payable	604,340,447	36,690,040	(41,797,528)	599,232,959	39,256,684
Other Liabilities:					
Vested compensated absences	1,943,428	1,365,630	(1,214,209)	2,094,849	1,254,389
Net pension liability	4,332,820	35,662,045	(5,338,012)	34,656,853	-
Other post-employment benefits	7,426,030	1,526,720	(630,451)	8,322,299	-
Lease/subscription-based information technology arrangements	520,753	1,654,620	(189,412)	1,985,961	367,308
Total Other Liabilities	14,223,031	40,209,015	(7,372,084)	47,059,962	1,621,697
Total Business-Type Activities	618,563,478	76,899,055	(49,169,612)	646,292,921	40,878,381

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS:					
Other Liabilities:					
Vested compensated absences	9,720,342	14,084,292	(13,638,176)	10,166,458	7,624,844
Other post-employment benefits	103,193,187	20,538,581	(22,815,880)	100,915,888	-
Net pension liability	160,586,303	34,926,414	-	195,512,717	-
Workers' compensation claims	3,684,687	1,177,394	(981,147)	3,880,934	741,079
Long-term notes payable	14,462,773	-	(12,775,367)	1,687,406	-
Claims liability	171,807	45,208	(111,414)	105,601	53,796
Lease/subscription-based information technology arrangements	806,747	7,618,470	(2,214,849)	6,210,368	2,000,124
Total Component Units Activities	<u>\$ 292,625,846</u>	<u>\$ 78,390,359</u>	<u>\$ (52,536,833)</u>	<u>\$ 318,479,372</u>	<u>\$ 10,419,843</u>

L. Subscription-Based Information Technology Arrangements (SBITAs) Obligations

As of June 30, 2023, the City established multiple subscription-based technology arrangements with vendors for diverse purposes. All SBITAs were subject to a discounted rate, specifically calculated at the borrowing rate of 4.074%. For the fiscal year ended June 30, 2023, there was principal reduction of \$3,265,721. Notably, the total expenditures paid under these subscriptions were \$3,510,710 for the fiscal year ended June 30, 2023.

Total future minimum SBITA payments under agreements are as follows:

Year Ending June 30,	Principal Reduction	Interest	Total
2024 \$	3,397,813	\$ 111,950	\$ 3,509,763
2025	1,224,446	64,007	1,288,453
2026	907,386	28,479	935,865
2027	320,981	15,911	336,892
2028	92,525	12,288	104,813
2029-2033	313,842	17,164	331,006
	<u>\$ 6,256,993</u>	<u>\$ 249,799</u>	<u>\$ 6,506,792</u>

X. Pension Plans

The City and its component units participate in four defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (Note X.A); a Virginia Retirement System (VRS) agent multiple-employer plan for the benefit of City of Norfolk employees (Note X.B); a Virginia Retirement System (VRS) cost sharing plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (Note X.B); and a VRS agent multiple-employer plan for the benefit of Norfolk School Board Political Subdivision employees (Note X.B). As of the year ended June 30, 2023, the four plans had the following balances reported in the government-wide financial statements with the measurement date of June 30, 2022:

City of Norfolk Retirement Plans	Governmental Activities	Business-type Activities	Component Unit Norfolk Public Schools
Norfolk ERS			
Total Pension Liability	\$ (1,374,396,274)	\$ (160,218,726)	\$ -
Net Pension Liability	(297,295,147)	(34,656,853)	-
Deferred Outflows	158,610,736	18,917,219	-
Deferred Inflows	(8,257,119)	(1,478,082)	-
Pension Expense	(65,299,399)	(7,175,024)	-
VRS - Political Subdivision			
Total Pension Liability	\$ (141,251,691)	\$ -	\$ (100,797,363)
Net Pension Asset	1,702,064	39,140	-
Net Pension Liability	-	-	(2,049,457)
Deferred Outflows	13,127,254	1,031,390	1,734,549
Deferred Inflows	(6,621,916)	(117,828)	(3,888,712)
Pension Revenue	821,894	26,273	569,826
VRS - Teachers			
Total Pension Liability	\$ -	\$ -	\$ (1,112,189,274)
Net Pension Liability	-	-	(193,463,260)
Deferred Outflows	-	-	50,379,066
Deferred Inflows	-	-	(53,733,100)
Pension Expense	-	-	(1,069,158)

A. Employees' Retirement System of the City of Norfolk (ERS):

Plan Description

The ERS is the administrator of a single-employer contributory, defined benefit plan (the System or the Plan) that covers eligible employees of the City, excluding School Board employees and Constitutional Officers' employees who are covered by the VRS. The ERS provides retirement benefits, as well as death and disability benefits. Cost-of-living adjustments (COLAs) are not required, are not regularly instituted and are available solely at the discretion of the City Council. The ERS and its benefits are established by Chapter 37 of the Code of the City of Norfolk, Virginia, as amended. ERS pension expenses and liabilities are allocated based on members' individual benefit calculations. The ERS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information. The report may be downloaded from the City of Norfolk website at www.norfolk.gov/retirement or obtained by writing the Employees' Retirement System of the City of Norfolk, 810 Union Street, Suite 309, Norfolk, Virginia 23510.

Plan Closure

The City of Norfolk, a political subdivision of the Commonwealth of Virginia, acting through the Council of the City elected to join the Virginia Retirement System (VRS) and provide VRS

NOTES TO THE FINANCIAL STATEMENTS

retirement benefits for its eligible employees effective January 1, 2022. The System was closed to new membership effective January 1, 2022.

Plan Membership

As of June 30, 2022, the actuarial valuation and net pension liability measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries receiving benefits:	
General	2,956
Public Safety	1,395
Vested Former Members:	
General	1,138
Public Safety	395
Active Plan Members:	
General	2,022
Public Safety	944
	<hr/>
	8,850
	<hr/>

Plan Benefits

The ERS provides retirement benefits, as well as death and disability benefits. All benefits vest after five years of creditable service. Employee eligibility requirements are as follows:

Retirement (for employees who became members prior to July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and the earlier of age 55 or after the completion of 25 years of creditable service for public safety employees. General employees normal service retirement benefit per annum is equal to 2.0 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees normal service retirement benefit per annum is equal to 2.5 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Retirement (for employees who became members on or after July 1, 1980): Normal retirement is the earlier of age 60 or after completion of 30 years of credited service for general employees, and age 55 or after the completion of 25 years of creditable service for public safety employees. General employees normal service retirement benefit per annum is equal to 1.75 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees normal service retirement benefit per annum is equal to 2.5 percent of average final compensation (average of the three highest years of compensation) times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Retirement (for employees who became members on or after July 1, 2018): Normal retirement is the earlier of the retirement age as defined under the Social Security Act (42 U.S.C §416) or the age at which the combination of a participant's age and service sums to at least 90 for general employees, and the earlier of age 60 or age 50 with 25 years of creditable service for public safety employees. The normal service retirement benefit per annum for general employees is equal to 1.75 percent of average final compensation (average of the five highest consecutive years of compensation) times years of creditable service, with service limited to 35 years. Public safety employees accrue benefits at 2.5 percent of average final compensation (average of the five highest consecutive years of compensation) times years of creditable service, not to exceed 65 percent of average final compensation. Mandatory retirement is age 65 for public safety employees. There is no mandatory retirement age for general employees.

Effective December 13, 2011, all employees hired on or after December 2011 are required to meet the vesting requirement of five years to be eligible to receive benefits under the Plan except for Norfolk Community Services Board employees. The aforementioned had their prior service with the Norfolk Community Services Board counted towards the five-year vesting requirement without this service being deemed creditable service in the Plan.

Effective January 1, 2015, the City Council adopted Ordinance Number 45,566 that established a Deferred Retirement Option Program (DROP) for police officers and fire fighters eligible for normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of 70 percent while continuing employment with the City without loss of any other employee benefits.

Effective January 1, 2023, any active member of the ERS eligible for normal service retirement may elect to participate in DROP. Prior to this change, only sworn police and firefighters were eligible to participate.

Upon the member's election to participate in the DROP; the amount of creditable service and the average final compensation becomes frozen for purposes of determining pension benefits. The participant is considered retired for all purposes related to the Plan and does not accrue additional retirement benefits, except for ad hoc COLAs, if applicable. The DROP participant's reduced monthly pension is held in lieu of being paid to the participant. Upon termination of employment, the participant will receive the DROP balance and will begin receiving the full monthly pension benefit. The participant's DROP balance is not credited with investment gains or losses.

Contributions

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. Effective January 8, 2015, all Plan members pay contribution on a salary reduction basis in the amount of 5 percent of earnable compensation, except for the City Council members hired before October 5, 2010. Employees of the Norfolk Community Services Board at June 30, 2012, who became City employees on July 1, 2012, were also required to pay member contributions effective

NOTES TO THE FINANCIAL STATEMENTS

January 8, 2015. Total employer contributions to the ERS plan were \$40,133,754 and \$41,457,423 for the years ended June 30, 2023 and 2022, respectively. The fiscal year 2023 contribution included an additional contribution of \$8,716,323 representing a portion of the \$210,800,800 in taxable general obligation proceeds that were issued on June 29, 2021, to increase the funding of ERS. These contributions combined with employee contributions of \$7,600,887 and \$9,364,336 for the year ended June 30, 2023 and June 30, 2022, respectively were expected to cover the actuarially determined liabilities.

Actuarial Assumptions

The actuarial assumptions below are based on the presumption that the ERS will continue indefinitely. Were the ERS to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial accrued liability.

For the June 30, 2022, actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	3-Year Smoothed Value
Amortization Method	Level Percent Closed, 20-Years Layers
Discount Rate	6.75 percent
Investment Rate of Return	7.00 percent
Amortization Growth Rate	3.00 percent
Inflation Rate	3.00 percent
Salary Increases - General Employees	Average of 5.12 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Salary Increases - Public Safety Employees	Average of 6.19 percent over a 30-year career; based on rates that vary by year of service and are compounded annually
Mortality	<u>Pre-Retirement</u> 108% of RP-2014 adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter. <u>Disableds</u> 100% of RP-2014 Disability Mortality adjusted back to 2006 using MP-2014 and brought forward to 2016 using MP-2016 and generational improvements of 0.75% per year (ages < 86) thereafter.

The long-term expected rate of return on the ERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	30-year 2022 Long-term Expected Real Rate of Return	Target Allocations
Private Core Real Estate	4.75%	7.50%
Master Limited Partnerships	6.50%	7.50%
Core Fixed Income	1.00%	30.00%
Core Plus Income	1.50%	0.00%
Equity (ACWI IMI)	5.15%	55.00%
		<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The GASB 67 depletion schedule, as prepared by the actuary based on those assumptions was presented for 99 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make projected future payments and pay administrative expenses. Projected benefit payments are discounted at the long-term expected return of 6.75 percent (net of investment expenses). The single equivalent rate used, for purposed of GASB 67, to determine the total pension liability as of the measurement date of June 30, 2022, was 6.75 percent.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, with an actuarial valuation date of June 30, 2022. Pension expense and liability are allocated to governmental and enterprise funds based on the actual employer contributions. Governmental funds typically used to liquidate the pension liability include the General fund, Towing and Recovery Operations, Waste Management, Grants, Community Development, Cemeteries, EOC/911 and Resiliency special revenue funds. The employer contributions made in fiscal year 2023 of \$35,900,639 for governmental activities and \$4,233,115 for business-type activities are included as deferred outflows. As of June 30, 2023, the City reported a net pension liability of \$297,295,147 in governmental activities and \$34,656,853 in business-type activities. The net pension liability is allocated based on employer's contributions during the measurement period.

NOTES TO THE FINANCIAL STATEMENTS

The percentage for governmental activities and business-type activities for 2022 was 89.45 percent and 10.55 percent, respectively. Changes to the ERS net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 1,431,515,000	\$ 1,388,869,000	\$ 42,646,000
Service cost	25,972,000	-	25,972,000
Interest	98,454,000	-	98,454,000
Changes of benefits	(880,000)	-	(880,000)
Contributions - employer	-	41,457,000	(41,457,000)
Contributions - employee	-	9,937,000	(9,937,000)
Net investment income (loss)	-	(134,727,000)	134,727,000
Benefits payments, including refunds of member contributions	(102,025,000)	(102,025,000)	-
Difference between expected and actual experience	4,369,000	-	4,369,000
Change in assumptions	77,210,000	-	77,210,000
Administrative expense	-	(848,000)	848,000
Balance at June 30, 2022	\$ 1,534,615,000	\$ 1,202,663,000	\$ 331,952,000

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

The following presents the net pension liability, calculated using the discount rate of 6.75 percent, as well as what the City's ERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
ERS Net Pension Liability	\$ 504,105,000	\$ 331,952,000	\$ 187,418,000

Pension Expense and Deferred Inflows and Outflows of Resources Related to the ERS Pension

Total pension expense included for the City is \$65,299,399 for governmental activities and \$7,175,024 for business-type activities or \$72,474,423 combined for the City.

At June 30, 2023, deferred inflows and outflows reported in the City's financial statements are as follows:

Deferred Inflows of Resources			
	Governmental Activities	Business-type Activities	Total
Net change in proportionate share (Governmental Funds)	\$ -	\$ -	\$ -
Net change in proportionate share (Water Utility)	-	78,202	78,202
Net change in proportionate share (Wastewater Utility)	-	-	-
Net change in proportionate share (Parking Facilities)	-	354,583	354,583
Net change in proportionate share (Storm Water Utility)	-	132,639	132,639
Net change in proportionate share (Internal Service Funds)	164,777	-	164,777
Differences between expected and actual experience	8,092,342	912,658	9,005,000
Net difference between projected and actual earnings on plan investments	-	-	-
Change in assumptions	-	-	-
	<u>\$ 8,257,119</u>	<u>\$ 1,478,082</u>	<u>\$ 9,735,201</u>

Deferred Outflows of Resources			
	Governmental Activities	Business-type Activities	Total
Net change in proportionate share (Governmental Funds)	\$ 638,929	\$ -	\$ 638,929
Net change in proportionate share (Water Utility)	-	-	-
Net change in proportionate share (Wastewater Utility)	-	91,273	91,273
Net change in proportionate share (Parking Facilities)	-	-	-
Net change in proportionate share (Storm Water Utility)	-	-	-
Net change in proportionate share (Internal Service Funds)	-	-	-
Differences between expected and actual experience	-	-	-
Net difference between projected and actual earnings on plan investments	87,496,168	10,562,832	98,059,000
Change in assumptions	34,575,000	4,029,999	38,604,999
	<u>\$ 122,710,097</u>	<u>\$ 14,684,104</u>	<u>\$ 137,394,201</u>

Deferred outflows related to pension contributions made after the measurement date of \$35,900,639 for governmental activities and \$4,233,115 for business-type activities, but before the end of the City's contributing reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts related to deferred inflows and outflows of resources will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS

Amortization of Deferred (Inflows) and Outflows			
Year Ended:	Governmental Activities	Business-type Activities	Total
2024	\$ (52,746,980)	\$ (6,008,020)	\$ (58,755,000)
2025	(14,214,336)	(1,534,664)	(15,749,000)
2026	(6,010,662)	(823,338)	(6,834,000)
2027	(41,481,000)	(4,840,000)	(46,321,000)
	<u>\$ (114,452,978)</u>	<u>\$ (13,206,022)</u>	<u>\$ (127,659,000)</u>

B. Virginia Retirement System (VRS)

Plan Description – Virginia Retirement System

The School Board and the City of Norfolk both participate in pensions offered by the Virginia Retirement System (VRS), which include multiple employers, agent (for school employee political subdivision and City of Norfolk political subdivision) and a multiple employer, cost-sharing (for teachers) defined benefit pension plan as well as a hybrid plan containing both defined benefit and defined contribution aspects. All full-time, salaried permanent employees of the School Board, the City of Norfolk, and other members of the School Board must participate in the VRS and are automatically covered by the respective VRS Plans upon employment. Members earn one month of service credit for each month they are eligible and for which the City or the School Board and member pay contributions to VRS. Benefits vest after five years of service. Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Members hired on or after January 1, 2014, are covered under the Hybrid Retirement Plan (Hybrid Plan), as well as Plan 1 and 2 members who are eligible and opted in during the January 1, 2014, to April 30, 2014, election window. 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 retirement multiplier, 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 Plan 1 (nonhazardous duty) members is 1.7 percent. The retirement multiplier for Plan 2 (nonhazardous duty) members with service accrued prior to January 1, 2013, is 1.7 percent and subsequently reduced to 1.65 percent effective January 1, 2013. The retirement multiplier for Plan 1 and Plan 2 (hazardous duty) members is 1.85 percent. The retirement multiplier for the Hybrid Plan is 1.0 percent. The 2014 valuation included hybrid retirement plan members for the first time.

The VRS provides annual cost-of-living adjustments (COLA) to eligible retirees. Retirees receiving an unreduced benefit or reduced benefit with at least 20 years of service credit are entitled to a COLA effective July 1 after one full calendar year (January 1 – December 31) from

the effective retirement date. Retirees receiving a reduced benefit with fewer than 20 years of service credit, are entitled to a COLA effective July 1 after one full calendar year (January 1 – December 31) from the date the retiree would have become eligible for an unreduced benefit. Under Plan 1, the COLA cannot exceed 5.0 percent; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.0 percent. 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.

Plan Membership

As of June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan for the measurement date June 30, 2022:

Agent Multiple-Employer Plans		
	City of Norfolk Political Subdivisions	School Board Political Subdivisions
Inactive member or their beneficiaries		
currently receiving benefits	397	613
Inactive members:		
Vested	107	93
Non-vested	291	320
Active elsewhere in the VRS	290	101
Total inactive members	688	514
Long-term disability members	3	1
Active members	1,150	556
Total	2,238	1,684

Contributions

The contribution requirement for active employees governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their annual reported compensation to the VRS. The City and Norfolk Public Schools' actuarially determined contribution rates as of June 30, 2023, were 12.84 percent of covered payroll for the City employees, 6.31 percent of the annual covered payroll for School Board professional employees and 16.62 percent of annual covered payroll for the other school employees based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rates, after considering projected investment earnings and employee contributions, were expected to finance the costs of benefits earned by employees during the year, as well as any unfunded liability accrued.

The School Board's contributions to the VRS for the fiscal years ended June 30, 2023, and 2022 for professional employees were \$32,135,000 and \$31,263,000, respectively. The School Board's contributions to the VRS for political subdivisions for the years ended June 30, 2023, and 2022 were \$1,154,904 and \$1,164,717, respectively. The City contributions to the VRS for the fiscal years ended June 30, 2023, and 2022 were \$11,700,979 and \$4,574,478, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liabilities for the Political Subdivisions and Teachers plans were based on an actuarial valuation as of June 30, 2021, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining amortization period	2 - 24 years
Asset Valuation Method	5-year Smoothed Market
Inflation	2.50%
Projected Salary Increases	3.50 - 5.35% - <i>General</i> 3.50 - 4.75% - <i>Public Safety</i> 3.50 - 5.95% - <i>Teachers</i>
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates	
Pre-Retirement	<p><i>General</i> - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years</p> <p><i>Public Safety</i> - Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale: 95% of rates for males; 105% of rates for females set forward 2 years</p> <p><i>Teachers</i> - Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males</p>
Post-Retirement	<p><i>General</i> - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years</p> <p><i>Public Safety</i> - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale: 110% of rates for males; 105% of rates for females set forward 3 years</p> <p><i>Teachers</i> - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females</p>
Post-Disablement	<p><i>General</i> - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years</p> <p><i>Public Safety</i> - Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale: 95% of rates for males set back 3 years; 90% of rates for females set back 3 years</p> <p><i>Teachers</i> - Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females</p>

Beneficiaries and Survivors	<i>General</i> - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
	<i>Public Safety</i> – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years
	<i>Teachers</i> – Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement	<i>General/Public Safety/Teachers</i> - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	<i>General/Public Safety/Teachers</i> – Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	<i>General</i> – Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
	<i>Public Safety</i> – Adjusted rates to better fit experience and changed final retirement age from 65 to 70
	<i>Teachers</i> – Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	<i>General/Teachers</i> – Adjusted rates to better fit experience at each year age and service though 9 years of service <i>Public Safety</i> – Decrease rates
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change
Line of Duty Disability	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
Multi-Asset Public Strategies (MAPS)	6.00%	3.73%	0.22%
Private Investment Partnership (PIP)	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72 percent, including expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11 percent, including expected inflation of 2.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100 percent of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments

of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

The net pension liability (asset) represents the total pension liability determined in accordance with GASB Statement No. 68, less the fiduciary net position. The net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. Below are the schedules of changes in net pension liability (asset) for each of the agent multiple-employer plans:

City of Norfolk Political Subdivision

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2021	\$ 136,786,873	\$ 141,324,079	\$ (4,537,206)
Service cost	3,822,562	-	3,822,562
Interest	9,300,295	-	9,300,295
Change of benefit terms	-	-	-
Change in assumptions	-	-	-
Difference between expected and actual experience	(3,003,466)	-	(3,003,466)
Contributions - employer	-	4,153,369	(4,153,369)
Contributions - employee	-	3,492,481	(3,492,481)
Net investment income	-	(241,055)	241,055
Benefits payments, including refunds of employee contributions	(5,654,573)	(5,654,573)	-
Administrative expense	-	(84,767)	84,767
Other changes	-	3,361	(3,361)
Balance at June 30, 2022	\$ 141,251,691	\$ 142,992,895	\$ (1,741,204)

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School Board Political Subdivision

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2021	\$ 99,726,092	\$ 103,009,275	\$ (3,283,183)
Service cost	1,367,688	-	1,367,688
Interest	6,621,248	-	6,621,248
Change of benefit terms	-	-	-
Change in assumptions	-	-	-
Difference between expected and actual experience	(915,217)	-	(915,217)
Contributions - employer	-	1,065,659	(1,065,659)
Contributions - employee	-	782,267	(782,267)
Net investment income	-	(44,070)	44,070
Benefits payments, including refunds of employee contributions	(6,002,448)	(6,002,448)	-
Administrative expense	-	(65,097)	65,097
Other changes	-	2,320	(2,320)
Balance at June 30, 2022	\$ 100,797,363	\$ 98,747,906	\$ 2,049,457

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

The following presents the proportionate share of the net pension liability (asset) using the discount rate of (6.75 percent), as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City of Norfolk - Political Subdivisions - Net Pension Liability (Asset)	\$ 17,769,072	\$ (1,741,204)	\$ (17,659,910)
School Board - Political Subdivisions - Net Pension Liability (Asset)	\$ 13,775,371	\$ 2,049,457	\$ (7,637,889)
School Board - Teachers - Net Pension Liability	\$ 345,540,192	\$ 193,463,260	\$ 69,639,194

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2023, the City for Norfolk, recognized pension expense (revenue) of \$(821,894) for governmental activities and \$(26,273) for business-type activities or \$(848,167) in total. The School Board Political Subdivision and School Board Teachers recognized pension expense (revenue) of \$(569,826) and \$1,069,152 respectively. At June 30, 2023, the reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

Deferred Inflows of Resources

	Governmental Activities	Business-type Activities		
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ 20,223	\$ 70,897	\$ -	\$ 15,169,421
Differences between expected and actual experience	2,623,745	46,931	824,301	13,340,073
Net difference between projected and actual earnings on plan investments	3,977,948	-	3,064,411	25,223,575
	<u>\$ 6,621,916</u>	<u>\$ 117,828</u>	<u>\$ 3,888,712</u>	<u>\$ 53,733,069</u>

Deferred Outflows of Resources

	Governmental Activities	Business-type Activities		
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
Change in proportion and difference between contribution and proportionate rate	\$ 91,120	\$ -	\$ -	\$ 4,345
Change in assumptions	2,128,927	-	579,645	18,239,686
Differences between expected and actual experience	60,575	-	-	-
Net difference between projected and actual earnings on plan investments	-	177,043	-	-
	<u>\$ 2,280,622</u>	<u>\$ 177,043</u>	<u>\$ 579,645</u>	<u>\$ 18,244,031</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The City of Norfolk, the School Board Political Subdivision and the School Board Teachers contributed \$11,700,979 (\$10,846,632 for governmental activities and \$854,347 for business-type activities), \$1,154,904 and \$32,135,171 respectively for the year ended June 30, 2023. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

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Amortization of Deferred Inflows and Outflows

	Governmental Activities	Business-type Activities		
	City of Norfolk Political Subdivisions	City of Norfolk Political Subdivisions	School Board Political Subdivisions	School Board Teachers
Year Ended:				
2024	\$ (1,398,411)	\$ (7,418)	\$ (1,268,883)	\$ (12,638,420)
2025	(1,930,646)	(7,418)	(1,370,932)	(13,149,700)
2026	(2,936,953)	29,791	(2,040,226)	(19,382,754)
2027	1,924,716	44,260	1,370,974	9,681,836
	<u>\$ (4,341,294)</u>	<u>\$ 59,215</u>	<u>\$ (3,309,067)</u>	<u>\$ (35,489,038)</u>

Pension Plan Data

Detailed information about the VRS Political Subdivision and Teachers Retirement Plans is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 ACFR may be requested by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or can be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>.

Payables to the Pension Plan

As of June 30, 2023, no outstanding amounts are payable to the Political Subdivision pension plan for the fiscal year ended June 30, 2023.

As of June 30, 2023, no outstanding amounts are payable to the Teachers pension plan for the fiscal year ended June 30, 2023.

XI. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral amount can be up to the IRS's annual maximum allowable contribution, with increases to the annual contribution limit for catch-up contributions for participants over age 50 or for participants for three years prior to normal retirement age. The maximum contributions for calendar years 2022 and 2023, excluding catch up contributions, were \$20,500 and \$22,500 respectively. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

XII. Other Post-Employment Benefits (OPEB)

A. City of Norfolk Sponsored Other Post-Employment Benefits

Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement healthcare benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase healthcare coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the School Boards' benefits offices based on the participation guidelines established by the Norfolk City Council and the Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis and a separate financial report of the OPEB Plan is not issued. No assets are accumulated in a trust that meets the criteria established in paragraph 4 of Governmental Accounting Standards Board Statement No. 75. Therefore, rather than a net OPEB liability, the City and School Board report a total OPEB liability. The Plan is considered a single-employer plan. As of July 1, 2012, the City became responsible for payment of the Line of Duty Act benefits (LODA). These benefits, which cover certain hazardous duty personnel who are paid or who volunteer, are included as part of the total OPEB liability in the City's financial statements.

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the Plan:

	<u>City</u>	<u>Line of Duty</u>	<u>School Board</u>
Inactive member or their beneficiaries currently receiving benefits	74	70	107
Active members	4,082	1,147	3,554
Total	<u>4,156</u>	<u>1,217</u>	<u>3,661</u>

Contributions

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. The City and the School Board committed to a set contribution amount as an explicit subsidy of \$25 or \$35 per month for the City and \$75 per month for the School Boards per participating retiree. Effective January 1, 2014, the City and the School Boards eliminated

healthcare coverage for post 65 retirees (e.g., retirees eligible for Medicare) along with the \$25 or \$35 and \$75 monthly subsidy, respectively. The pre-65 retirees will continue to receive the subsidy and will participate in the consortium with the active employees. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

Total OPEB Liability

The City's and the School Boards' total OPEB liability was measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions applied to all periods included in the measurement.

Actuarial Assumptions

For the June 30, 2022, actuarial valuation, the actuarial assumptions included the following:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining amortization period	30 years rolling
Asset Valuation Method	Not Applicable
Investment Rate of Return	3.54 percent
Rate of Salary Increase for Amortization	3.00 percent
Rate of Medical Inflation	7.50 percent (Pre-Medicare) grading to 4.04 percent over 19 years
Mortality (City - ERS members)	
Pre-Retirement	<i>General</i> - Pub-2010(B) General Employee Below-Median Table (5.00 percent of deaths assumed accidental) <i>Public Safety</i> - Pub-2010 Safety Employee Table (60.00 percent of deaths assumed accidental)
Healthy Annuitants	<i>General</i> - Pub-2010(B) General Healthy Annuitant Below-Median Table <i>Public Safety</i> - Pub-2010 Safety Healthy Annuitant Table
Disabled	<i>General</i> - Pub-2010 General Disabled Annuitant Table (25.00 percent of disabilities assumed accidental) <i>Public Safety</i> - Pub-2010 Safety Disabled Annuitant Table (70.00 percent of disabilities assumed accidental)
Mortality Projection Scale	Rates projected generationally from the base year using the MP-2021 projection scale
Mortality (City & School Board - VRS members)	
Pre-Retirement	<i>City General</i> - Pub-2010 Amount Weighted General Employee Rates; males set forward 2 years; 105.00 percent rates for females set forward 3 years

	<i>School Board</i> - Pub-2010 Amount Weighted Teachers Employee Rates; 110.00 percent of rates for males
Healthy Annuitants	<i>City General</i> - Pub-2010 Amount Weighted General Healthy Retiree Rates; 95.00 percent of rates for males set forward 2 years; 95.00 percent of rates for females set forward 1 year <i>School Board</i> - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates; males set forward 1 year; 105.00 percent of rates for females
Disabled	<i>City General</i> - Pub-2010 Amount Weighted General Disabled Rates; 110.00 percent of rates for males set forward 3 years; 110.00 percent of rates for females set forward 2 years <i>School Board</i> - Pub-2010 Amount Weighted Teachers Disabled Rates; 110.00 percent of rates for males and females
Beneficiaries & Survivors	<i>City General</i> - Pub-2010 Amount Weighted General Healthy Contingent Annuitant Rates <i>School Board</i> - Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates
Mortality Projection Scale	Rates projected generationally from the base year using the Modified MP-2020 Improvement Scale that is 75.00 percent of the MP-2020 rates

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, was 3.54 percent. Since the Plan utilizes a pay-as-you-go contribution policy, the discount rate used at the June 30, 2022, measurement date was based on the BondBuyer 20-Bond General Obligation Index.

Changes in Total OPEB Liability

The total OPEB liability was measured as of June 30, 2022, with an actuarial valuation date of June 30, 2021. The City OPEB expense and liability are allocated to governmental and enterprise funds. As of June 30, 2022, the City (including Line of Duty) and the School Board reported a total OPEB liability of \$115,610,822 (\$107,288,523 in governmental activities and

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\$8,322,299 in business-type activities) and \$62,277,163 respectively. Changes to the total OPEB liability are as follows:

	<u>City</u>	<u>Line of Duty</u>	<u>School Board</u>	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 73,091,023	\$ 43,190,877	\$ 62,639,695	\$ 178,921,595
Service cost	8,049,381	1,787,336	4,402,612	14,239,329
Interest	1,642,734	939,071	1,374,480	3,956,285
Change in benefits	-	-	-	-
Difference between expected and actual experience	1,831,400	1,239,154	(6,259,620)	(3,189,066)
Assumption changes	(2,806,920)	(10,043,665)	2,524,658	(10,325,927)
Benefits payments	(2,094,590)	(1,214,979)	(2,404,662)	(5,714,231)
Balance at June 30, 2022	\$ 79,713,028	\$ 35,897,794	\$ 62,277,163	\$ 177,887,985

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability using the discount rate of 3.54 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54 percent) or one percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
City	\$ 88,308,667	\$ 79,713,028	\$ 72,244,517
Line of Duty	\$ 39,768,736	\$ 35,897,794	\$ 32,534,441
School Board	\$ 68,992,653	\$ 62,277,163	\$ 56,442,262

Sensitivity of the Total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Healthcare Cost Trend Rates (3.54%)</u>	<u>1% Increase (4.54%)</u>
City	\$ 70,204,310	\$ 79,713,028	\$ 91,126,589
Line of Duty	\$ 31,615,659	\$ 35,897,794	\$ 41,037,752
School Board	\$ 54,848,314	\$ 62,277,163	\$ 71,194,202

OPEB Expense and Deferred Inflows and Outflows of Resources

OPEB expense reported for the fiscal year ended June 30, 2023, for the City (including Line of Duty) and the School Board was \$12,817,986 and \$3,355,640 respectively. At June 30, 2023, the reported deferred inflows of resources and deferred outflows of resources related to the OPEB Plan from the following sources:

Deferred Inflows of Resources				
	Governmental Activities	Business-type Activities	Governmental Activities	
	City	City	Line of Duty	School Board
Change in assumptions	\$ -	\$ -	\$ 8,097,387	\$ 2,028,959
Net change in proportionate share (Governmental Fund)	-	-	-	-
Net change in proportionate share (Water Utility)	-	-	-	-
Net change in proportionate share (Wastewater Utility)	-	92,308	-	-
Net change in proportionate share (Parking Facilities)	-	104,411	-	-
Net change in proportionate share (Storm Water Utility)	-	-	-	-
Net change in proportionate share (Internal Services Fund)	52,527	-	-	-
Differences between expected and actual experience	8,440,024	964,770	-	12,230,636
	<u>\$ 8,492,551</u>	<u>\$ 1,161,489</u>	<u>\$ 8,097,387</u>	<u>\$ 14,259,595</u>

Deferred Outflows of Resources				
	Governmental Activities	Business-type Activities	Governmental Activities	
	City	City	Line of Duty	School Board
Change in assumptions	\$ 19,108,766	\$ 2,216,227	\$ -	\$ 9,388,826
Net change in proportionate share (Governmental Fund)	74,185	-	-	-
Net change in proportionate share (Water Utility)	-	78,399	-	-
Net change in proportionate share (Wastewater Utility)	-	18,768	-	-
Net change in proportionate share (Parking Facilities)	-	-	-	-
Net change in proportionate share (Storm Water Utility)	-	77,894	-	-
Net change in proportionate share (Internal Services Fund)	-	-	-	-
Differences between expected and actual experience	-	-	1,532,374	1,036,403
	<u>\$ 19,182,951</u>	<u>\$ 2,391,288</u>	<u>\$ 1,532,374</u>	<u>\$ 10,425,229</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2023. The City and the School Board contributed \$3,413,237 (\$3,187,664 for governmental activities and \$225,573 for business-type activities) and \$2,240,235, respectively in fiscal year 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Inflows and Outflows				
	Governmental Activities	Business-type Activities	Governmental Activities	
Year Ended:	City	City	Line of Duty	School Board
2024	\$ 2,703,676	\$ 305,598	\$ (2,609,816)	\$ (2,421,444)
2025	2,655,796	296,005	(1,802,526.00)	(457,077.00)
2026	2,428,126	281,196	(596,775)	(718,931)
2027	2,902,802	347,000	(1,555,986)	(236,914.00)
	<u>\$ 10,690,400</u>	<u>\$ 1,229,799</u>	<u>\$ (6,565,103)</u>	<u>\$ (3,834,366)</u>

Other OPEB Plans

The City provides supplemental life insurance benefits through General fund appropriation to the state employees of its constitutional offices. The respective costs and related net OPEB liability of these benefits are not significant.

B. Virginia Retirement System Post-Employment Benefits Trust Funds

The VRS is an independent agency of the Commonwealth of Virginia. VRS administers several post-employment benefit trust funds. The School Board participates in two of those funds, the Group Life Insurance (GLI) Plan and the Health Insurance Credit (HIC) Plan. The VRS Board of Trustees is responsible for the general administration and operation of the pension plans and other employee benefit plans. VRS issues an Annual Comprehensive Financial Report containing the financial statements and required supplementary information for the System's pension and other employee benefit trust funds, which is publicly available on the VRS website at www.varetire.org. The pension and other trust funds administered by VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Group Life Insurance (GLI)

The Virginia Retirement System Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivision. The GLI program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and that provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

Plan Description

The VRS GLI Program upon employment automatically covers all full-time salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions. This plan is administered along with the pensions and other OPEB plans for public employer groups in the Commonwealth of Virginia.

In addition to the basic GLI benefits, members are also eligible to elect additional coverage for themselves, as well as spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate of the GLI Program was 1.34 percent of covered employee compensation. While covered employees are responsible for 60 percent of the program costs, employers may choose to pay the entire cost. The School Board has elected to pay all program costs. The contribution rate was based on an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year.

In June 2022, the Commonwealth of Virginia made a special contribution of approximately \$30.4 million to the GLI plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation Rate	2.5 percent
Salary Increases, including inflation	3.50 percent - 5.35 percent - <i>Non-Hazardous Duty</i> 3.50 percent - 5.75 percent - <i>Hazardous Duty</i> 3.50 percent – 5.95 percent - <i>Teachers</i>
Investment Rate of Return	6.75 percent, net of investment expenses, including inflation
Mortality Rates	
Pre-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105 percent of rates for females set forward 3 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95 percent of rates for males; 105 percent of rates for females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110 percent of rates for males
Post-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95 percent of rates for males set forward; 95 percent of rates for females set forward 1 year
Hazardous Duty	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 percent of rates for males; 105 percent of rates for females set forward 3 years
Teachers	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105 percent of rates for females
Post-Disablement	
General Employees	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110 percent of rates for males set forward 3 years; 110 percent of rates for females set forward 2 years
Hazardous Duty	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 percent of rates for males set back 3 years; 90 percent of rates for females set back 3 years
Teachers	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110 percent of rates for males and females
Beneficiaries and Survivors	
General Employees	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
Hazardous Duty	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110 percent of rates for males; females set forward 2 years

NOTES TO THE FINANCIAL STATEMENTS

Teachers	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75 percent of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates	
General Employees/Teachers	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Hazardous Duty	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	
General Employees/Teachers	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Hazardous Duty	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	
General Employees\Teachers	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Hazardous Duty	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability for the GLI Program represents the program's total OPEB liability determined by VRS in accordance with GASB Statement No. 74, less the School Board's associated fiduciary net position. As of the measurement date of June 30, 2022, the net OPEB liability amounts for the GLI program are as follows:

	School Board Political Subdivisions	School Board Teachers	Total
Total GLI OPEB Liability	\$ 2,911,596	\$ 32,070,860	\$ 34,982,456
Plan Fiduciary Net Position	1,956,868	21,554,654	23,511,522
Net GLI OPEB Liability	<u>\$ 954,728</u>	<u>\$ 10,516,206</u>	<u>\$ 11,470,934</u>

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the school divisions for the VRS GLI OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly. From July 1, 2022, on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
Multi-Asset Public Strategies (MAPS)	6.00%	3.73%	0.22%
Private Investment Partnership (PIP)	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72 percent, including expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11 percent, including expected inflation of 2.50 percent.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the net GLI OPEB liability using the discount rate of 6.75 percent, as well as what the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLI OPEB Liability - Teachers	\$ 15,302,312	\$ 10,516,206	\$ 6,648,379
Net GLI OPEB Liability - Political Subdivision	\$ 1,389,241	\$ 954,728	\$ 603,582

GLI OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2023, the School Board reported a liability to the OPEB Group Life Insurance expense of \$463,727. The School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

Deferred Inflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ 131,081	\$ 993,761	\$ 1,124,842
Change in assumptions	92,994	1,024,320	1,117,314
Differences between expected and actual experience	38,301	421,884	460,185
Net difference between projected and actual earnings on Plan investments	59,656	657,107	716,763
	<u>\$ 322,032</u>	<u>\$ 3,097,072</u>	<u>\$ 3,419,104</u>

Deferred Outflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ 4,228	\$ 5,372	\$ 9,600
Change in assumptions	35,610	392,238	427,848
Differences between expected and actual experience	75,602	832,750	908,352
Net difference between projected and actual earnings on Plan investments	-	-	-
	<u>\$ 115,440</u>	<u>\$ 1,230,360</u>	<u>\$ 1,345,800</u>

The School Board reported \$2,864,320 (\$2,619,063 for Teachers and \$245,257 political subdivision) as deferred outflows related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Amortization of Deferred Inflows and Outflows

Year Ended:	School Board		
	Political Subdivisions	School Board Teachers	Total
2024	\$ (46,725)	\$ (556,896)	\$ (603,621)
2025	(45,784)	(415,995)	(461,779)
2026	(79,093)	(711,681)	(790,774)
2027	(15,605)	(25,314)	(40,919)
2028	(19,385)	(156,826)	(176,211)
	<u>\$ (206,592)</u>	<u>\$ (1,866,712)</u>	<u>\$ (2,073,304)</u>

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution efforts are contributions for adjustments to prior periods. The School Board's total employer contribution into the GLI program for the years ended June 30, 2023 and June 30, 2022 were approximately \$2,864,320 and \$3,012,133 respectively.

Health Insurance Credit (HIC) Plans

Plan Description

The School Board contributes to the VRS Health Insurance Credit Program (HIC), a multiple-employer, cost-sharing defined benefit plan that provides a credit toward the cost of health insurance coverage for eligible retired teachers and professionals. The Health Insurance Credit Program was established pursuant to § 51.1-1400 et. seq. of the Code of Virginia, as amended, and that provides the authority under which benefit terms are established or may be amended. All full-time, personnel participate and are automatically enrolled upon employment in either the VRS Teacher Health Insurance Credit Program (THICP), (teachers and professionals) or the VRS Health Insurance Credit Program (HICP) for political subdivisions (non-professionals). This plan is administered by the Virginia Retirement System along with other pension and OPEB plans. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service

credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and end upon the retiree's death.

Teacher Health Insurance Credit Program (THICP)

The THICP was established for retired teachers and professional employees of public school divisions covered under VRS. The THICP provides eligible employees with the following benefits:

- At retirement (for teachers and other professional school employees who retire with at least 15 years of service credit):
 - \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement (for teachers and other professional school employee who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP)):
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program (HICP)

The School Board began contributing to the HICP July 1, 2020, for retired non-professional employees covered under VRS. This separate plan covers employees working in maintenance, custodial, nutritional, and transportation services. The HICP provides eligible employees with the following benefits:

- At retirement (for non-professional school employees who retire with at least 15 years of service credit):
 - \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- Disability Retirement (for employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP)):
 - \$45.00 per month.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023, was 1.21 percent of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Programs. This rate was based on an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

Actuarial Assumptions

The HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation Rate	2.5 percent
Salary Increases, including inflation	3.50 percent - 5.35 percent - <i>Non-Hazardous Duty</i> 3.50 percent - 5.75 percent - <i>Hazardous Duty</i> 3.50 percent - 5.95 percent - <i>Teachers</i>
Investment Rate of Return	6.75 percent, net of investment expenses, including inflation
Mortality Rates	
Pre-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105 percent of rates for females set forward 3 years
Hazardous Duty	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95 percent of rates for males; 105 percent of rates for females set forward 2 years
Teachers	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110 percent of rates for males
Post-Retirement	
General Employees	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95 percent of rates for males set forward; 95 percent of rates for females set forward 1 year
Hazardous Duty	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 percent of rates for males; 105 percent of rates for females set forward 3 years
Teachers	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105 percent of rates for females
Post-Disablement	
General Employees	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110 percent of rates for males set forward 3 years; 110 percent of rates for females set forward 2 years
Hazardous Duty	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95 percent of rates for males set back 3 years; 90 percent of rates for females set back 3 years
Teachers	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110 percent of rates for males and females
Beneficiaries and Survivors	
General Employees	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
Hazardous Duty	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110 percent of rates for males; females set forward 2 years

NOTES TO THE FINANCIAL STATEMENTS

Teachers	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75 percent of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	
General Employees/Teachers	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Hazardous Duty	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	
General Employees/Teachers	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Hazardous Duty	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	
General Employees\Teachers	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Hazardous Duty	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

The HIC OPEB liabilities were determined in accordance with GASB Statement No. 74. As of June 30, 2023, the net OPEB liability portions applicable to the School Board are as follows:

	School Board Political Subdivisions	School Board Teachers	Total
Total HIC OPEB Liability	\$ 2,204,573	\$ 29,685,915	\$ 31,890,488
Plan Fiduciary Net Position	245,395	4,477,326	4,722,721
Net HIC OPEB Liability	<u>\$ 1,959,178</u>	<u>\$ 25,208,589</u>	<u>\$ 27,167,767</u>

Plan fiduciary net position as a percentage of the total THICP and HICP liabilities were 15.08 percent and 11.13 percent, respectively. The total HIC OPEB liabilities are calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75 percent. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the school divisions for the VRS HIC OPEB plan will be subject to the portion of the VRS Board certified rates that are funded by the General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2022 on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
Multi-Asset Public Strategies (MAPS)	6.00%	3.73%	0.22%
Private Investment Partnership (PIP)	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72 percent, including expected inflation of 2.50 percent. The VRS Board elected a long-term rate of 6.75 percent which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11 percent, including expected inflation of 2.50 percent.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net HIC OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net THICP OPEB Liability - Teachers	\$ 28,410,370	\$ 25,208,589	\$ 22,494,521
Net HICP OPEB Liability - Political Subdivision	\$ 2,153,726	\$ 1,959,178	\$ 1,791,495

HIC OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2023, the School Board recognized THICP and HICP OPEB expenses of \$1,283,928 and \$143,643 respectively. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB as follows:

Deferred Inflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ 2,614,864	\$ 2,614,864
Change in assumptions	-	64,375	64,375
Differences between expected and actual experience	103,841	1,027,541	1,131,382
Net difference between projected and actual earnings on Plan investments	-	25,302	25,302
	<u>\$ 103,841</u>	<u>\$ 3,732,082</u>	<u>\$ 3,835,923</u>

Deferred Outflows of Resources			
	School Board Political Subdivisions	School Board Teachers	Total
Change in proportion and difference between contribution and proportionate rate	\$ -	\$ -	\$ -
Change in assumptions	56,025	-	56,025
Differences between expected and actual experience	-	736,470	736,470
Net difference between projected and actual earnings on Plan investments	4,327	-	4,327
	<u>\$ 60,352</u>	<u>\$ 736,470</u>	<u>\$ 796,822</u>

The School Board reported \$2,526,068 (\$2,339,380 for Teachers and \$186,688 political subdivision) as deferred outflows related to the HIC OPEB resulting from the employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net HIC OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Amortization of Deferred Inflows and Outflows			
Year Ended:	School Board		Total
	Political Subdivisions	School Board Teachers	
2024	\$ (11,292)	\$ (807,630)	\$ (818,922)
2025	(11,292)	(735,197)	(746,489)
2026	(21,147)	(542,526)	(563,673)
2027	242	(335,176)	(334,934)
2028	-	(307,183)	(307,183)
Thereafter	-	(267,900)	(267,900)
	<u>\$ (43,489)</u>	<u>\$ (2,995,612)</u>	<u>\$ (3,039,101)</u>

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the other post-employment benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS HIC OPEB Plans that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares. The School Board's total employer contribution into the teachers HIC program for the years ended June 30, 2023 and June 30, 2022 were approximately \$2,339,380 and \$2,276,037, respectively. The School Board's total employer contribution into the political subdivision HIC program for the years ended June 30, 2023 and June 30, 2022 were \$186,688 and \$145,624 respectively.

Other OPEB Plans

The City provides supplemental life insurance benefits through General fund appropriation to City employees. The respective costs and related net OPEB liability of these benefits are not significant.

NOTES TO THE FINANCIAL STATEMENTS

XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as June 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor Governmental funds	\$ 1,867,488
	Water Utility fund	296,777
	Internal Services Funds	886,299
	Total General fund	3,050,564
Capital Projects fund	Parking Facilities fund	13,750,000
	Total Capital Projects fund	13,750,000
	Total Governmental funds - Receivable	16,800,564
	Total Due from Other funds	\$ 16,800,564
<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Nonmajor Governmental funds	General fund	\$ 1,867,488
	Total Governmental funds - Payable	1,867,488
Water Utility fund	General fund	296,777
Parking Facilities fund	Capital Projects fund	13,750,000
Internal Services Funds	General fund	886,299
	Total Enterprise and Internal Service funds	14,933,076
	Total Due to Other funds	\$ 16,800,564

XIV. Interfund Transfers

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system and (3) payment between funds is made.

The following interfund transfers occurred during fiscal year 2023:

Fund	Transfers In	Transfers Out
General	\$ 20,669,395	\$ 137,786,881
Grants	6,668,538	-
Capital Projects	38,165,879	1,163,014
Debt Service	97,639,626	-
Nonmajor Governmental	1,719,021	15,971,358
Internal Services Fund	-	103,472
Water Utility	-	9,064,819
Wastewater Utility	-	1,650,324
Parking Facilities	1,163,014	90,735
Storm Water Utility	-	194,870
	<u>\$ 166,025,473</u>	<u>\$ 166,025,473</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$20,669,395 includes \$1,468,695 to transfer in pension debt obligation from various funds, in addition to \$8,500,000 from the Water Utility fund, \$1,500,000 from the Wastewater Utility fund, \$5,700,700 from the Tax Increment Financing special revenue fund, and \$3,500,000 from the Public Amenities special revenue fund.

The General fund transfers out of \$137,786,881 represent a transfer of \$92,733,443 to the Debt Service fund to fund general obligation debt, \$6,668,538 to the Grants special revenue fund in support of grant projects, \$36,665,879 to the Capital Projects fund as a contribution for the annual capital improvement plan budget, \$631,944 to the Cemeteries fund and \$1,087,077 to the Emergency Operations Center/911 special revenue fund.

The Grants special revenue fund received transfers in of \$6,668,538 as support of grant projects transferred from the General fund.

The Capital Projects fund transfers in of \$38,165,879 includes \$1,500,000 from the Tax Increment Financing special revenue fund, and \$36,665,879 from the General fund.

Debt service transfers in of \$97,639,626 include \$4,652,216 from the Public Amenities special revenue fund, \$165,234 from the Towing and Recovery Operations special revenue fund, \$88,733 from the Waste Management special revenue fund, and \$92,733,443 from the General fund to fund the current fiscal year's debt service payments.

NOTES TO THE FINANCIAL STATEMENTS

The Public Amenities special revenue fund transferred \$3,500,000 to the General fund and \$4,652,216 to the Debt Service fund to cover its general obligation debt service cost.

The Towing and Recovery Operations special revenue fund transferred \$165,234 to the Debt Service fund to cover its general obligation debt service cost and \$13,438 to the General fund for pension debt obligations.

The Tax Increment Financing special revenue fund transferred \$5,700,700 to the General fund and \$1,500,000 to the Capital Projects fund.

The Water and Wastewater Utility funds transferred \$9,064,819 and \$1,650,324 to the General fund, respectively. These amounts include the transfer for pension debt obligations of \$564,819 and \$150,324, respectively.

The Storm Water Utility, Parking Facilities, Fleet Management, Healthcare, Waste Management, Cemeteries, and Emergency Operations Center/911 funds transferred \$194,870, \$90,735, \$81,206, \$22,266, \$174,074, \$39,706, and \$137,257 for pension debt obligations to the General fund, respectively.

XV. Fund Balance by Functional Category (GASB 54)

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General fund	Grants fund	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
FUND BALANCES					
Nonspendable					
Inventory and Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Total Nonspendable	-	-	-	-	-
Restricted					
General government	115,000	2,522,452	-	-	2,637,452
Judicial administration	-	177,208	-	-	177,208
Public safety	-	44,959	-	-	44,959
Public works	-	-	-	-	-
Health and public assistance	-	5,023,831	-	-	5,023,831
Culture and recreation	-	-	-	6,904,295	6,904,295
Community development	-	856,903	-	-	856,903
Total Restricted	115,000	8,625,353	-	6,904,295	15,644,648
Committed					
General government	8,000,000	-	35,711,587	-	43,711,587
Judicial administration	-	-	1,449,549	-	1,449,549
Public safety	-	-	710,790	-	710,790
Public works	-	5,816,002	16,766,552	-	22,582,554
Health and public assistance	11,552,645	210	33,977	-	11,586,832
Culture and recreation	-	870,612	8,327,146	163,919	9,361,677
Community development	2,000,000	96,369	7,872,031	-	9,968,400
Education	-	-	17,899,357	-	17,899,357
Total Committed	21,552,645	6,783,193	88,770,989	163,919	117,270,746
Assigned					
General government	195,970,294	-	-	-	195,970,294
Judicial administration	-	-	-	-	-
Public safety	-	92,167	-	-	92,167
Public works	11,112,689	-	-	3,250,053	14,362,742
Health and public assistance	2,893,539	157,248	-	7,741,976	10,792,763
Culture and recreation	2,410,167	222,762	-	215,333	2,848,262
Community development	13,346,415	225,361	-	-	13,571,776
Education	53,984,583	-	-	-	53,984,583
(FY-2024 Budget appropriation)	53,491,034	-	-	-	53,491,034
Total Assigned	333,208,721	697,538	-	11,207,362	345,113,621
Unassigned					
Other	81,843,527	-	-	-	81,843,527
Total Unassigned	81,843,527	-	-	-	81,843,527
Total fund balances	\$ 436,719,893	\$ 16,106,084	\$ 88,770,989	\$ 18,275,576	\$ 559,872,542

XVI. Deferred Inflows and Outflows of Resources

Deferred inflows and deferred outflows of resources, as represented in the entity-wide and fund financial statements at June 30, 2023, are comprised of the following:

A. Unavailable Revenues

Deferred inflows in the General fund, Special Revenue Grants and nonmajor governmental funds, representing uncollected tax billings and other accounts receivable not available for funding of current expenditures, were \$57,588,561, \$3,132,116 and \$3,438,817 respectively as of June 30, 2023.

B. Deferred Inflows and Outflows from Refunding Transactions

Refunding transactions for the City of Norfolk have resulted in a Loss on Defeasance on the entity-wide financial statements of \$36,820,747 for governmental activities and \$29,930,764 for business-type activities that consists of a loss of \$8,634,456 for the Water Utility fund, \$3,268,423 for the Wastewater Utility fund, \$16,861,644 for the Parking Facilities fund and \$1,166,241 for the Storm Water Utility fund. Gains on the defeasance of debt are reported on the financial statements as deferred inflows of resources and were \$59,057 for governmental activities and \$600,258 for business-type activities, specifically \$4,433 for the Wastewater Utility fund, \$456,553 for the Parking Facilities fund and \$139,272 for the Storm Water Utility fund.

C. Deferred Inflows and Outflows Related to Pensions

Deferred inflows from pension-related items represent the difference between actual and estimated experience and is amortized over a five-year period or estimated remaining service life. As June 30, 2023, the amount reported as governmental activities was \$14,879,035 (which includes \$267,074 in the Fleet Management fund), and the amounts reported in business-type activities were \$663,958 for the Water Utility fund, \$169,085 for the Wastewater Utility fund, \$449,015 for the Parking Facilities fund and \$313,852 for the Storm Water Utility fund.

Deferred outflows from pension-related items represent the difference between projected and actual investment earnings as well as contributions made in fiscal year 2023 that will not be reflected in the pension liabilities because they were made after the measurement date. As June 30, 2023, the amount reported as governmental activities was \$171,737,990 (which includes \$1,815,211 in the Fleet Management fund), and the amounts reported in business-type activities were \$11,331,357 for the Water Utility fund, \$2,862,742 for the Wastewater Utility fund, \$1,700,753 for the Parking Facilities fund and \$4,053,757 for the Storm Water Utility fund.

Deferred inflows and outflows related to pensions are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-type Activities
ERS:								
Deferred Outflows	\$ 156,878,284	\$ 1,732,452	\$ 158,610,736	\$ 10,788,740	\$ 2,733,300	\$ 1,585,759	\$ 3,809,420	\$ 18,917,219
Deferred Inflows	(7,999,656)	(257,463)	(8,257,119)	(591,846)	(156,317)	(437,099)	(292,820)	(1,478,082)
	<u>\$ 148,878,628</u>	<u>\$ 1,474,989</u>	<u>\$ 150,353,617</u>	<u>\$ 10,196,894</u>	<u>\$ 2,576,983</u>	<u>\$ 1,148,660</u>	<u>\$ 3,516,600</u>	<u>\$ 17,439,137</u>
VRS:								
Deferred Outflows	\$ 13,044,495	\$ 82,759	\$ 13,127,254	\$ 542,617	\$ 129,442	\$ 114,994	\$ 244,337	\$ 1,031,390
Deferred Inflows	(6,612,305)	(9,611)	(6,621,916)	(72,112)	(12,768)	(11,916)	(21,032)	(117,828)
	<u>\$ 6,432,190</u>	<u>\$ 73,148</u>	<u>\$ 6,505,338</u>	<u>\$ 470,505</u>	<u>\$ 116,674</u>	<u>\$ 103,078</u>	<u>\$ 223,305</u>	<u>\$ 913,562</u>
Total Deferred Outflows	\$ 169,922,779	\$ 1,815,211	\$ 171,737,990	\$ 11,331,357	\$ 2,862,742	\$ 1,700,753	\$ 4,053,757	\$ 19,948,609
Total Deferred Inflows	<u>\$ (14,611,961)</u>	<u>\$ (267,074)</u>	<u>\$ (14,879,035)</u>	<u>\$ (663,958)</u>	<u>\$ (169,085)</u>	<u>\$ (449,015)</u>	<u>\$ (313,852)</u>	<u>\$ (1,595,910)</u>

D. Deferred Inflows and Outflows Related to OPEB

Deferred inflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions and are amortized over the average remaining service. As June 30, 2023, the amount reported as governmental activities was \$16,589,938 (which includes the Fleet Management fund of \$153,430), and the amounts reported in business-type activities were \$541,056 for the Water Utility fund, \$252,522 for the Wastewater Utility fund, \$195,184 for the Parking Facilities fund and \$172,727 for the Storm Water Utility fund.

Deferred outflows from OPEB-related items represent the difference between actual and estimated experience and changes in assumptions as well as contributions made in fiscal year 2023 that will not be reflected in the OPEB liabilities because they were made after the measurement date. The amounts included as deferred outflows of resources in the June 30, 2023, financial statements are \$23,902,989 for governmental activities (which includes \$259,715 in the Fleet Management fund), \$1,446,237 for the Water Utility fund, \$416,061 for the Wastewater Utility fund, \$241,847 for the Parking Facilities fund and \$512,716 for the Storm Water Utility fund.

Deferred inflows and outflows related to pensions are summarized as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Water Utility	Wastewater Utility	Parking Facilities	Storm Water Utility	Business-type Activities
City:								
Deferred Outflows	\$ 20,836,296	\$ 259,715	\$ 21,096,011	\$ 1,446,237	\$ 416,061	\$ 241,847	\$ 512,716	\$ 2,616,861
Deferred Inflows	(8,339,121)	(153,430)	(8,492,551)	(541,056)	(252,522)	(195,184)	(172,727)	(1,161,489)
	<u>\$ 12,497,175</u>	<u>\$ 106,285</u>	<u>\$ 12,603,460</u>	<u>\$ 905,181</u>	<u>\$ 163,539</u>	<u>\$ 46,663</u>	<u>\$ 339,989</u>	<u>\$ 1,455,372</u>
Line of Duty:								
Deferred Outflows	\$ 2,806,978	\$ -	\$ 2,806,978	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows	(8,097,387)	-	(8,097,387)	-	-	-	-	-
	<u>\$ (5,290,409)</u>	<u>\$ -</u>	<u>\$ (5,290,409)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deferred Outflows	\$ 23,643,274	\$ 259,715	\$ 23,902,989	\$ 1,446,237	\$ 416,061	\$ 241,847	\$ 512,716	\$ 2,616,861
Total Deferred Inflows	<u>\$ (16,436,508)</u>	<u>\$ (153,430)</u>	<u>\$ (16,589,938)</u>	<u>\$ (541,056)</u>	<u>\$ (252,522)</u>	<u>\$ (195,184)</u>	<u>\$ (172,727)</u>	<u>\$ (1,161,489)</u>

E. Deferred Inflows Related to Leases

Deferred inflows in the Governmental activities and Business-type activities, representing future lease revenue, were \$11,577,659 and \$949,420, respectively as of June 30, 2023. See section IV paragraph C Lease Receivable for the lease revenue schedules.

XVII. Commitments and Contingencies

A. Capital Projects

Commitments for completion of capital projects in the Business-type activities, authorized at June 30, 2023, are as follows:

Water Utility fund projects	\$ 25,310,225
Wastewater Utility fund projects	15,924,746
Parking Facilities fund projects	6,200,030
Storm Water Utility fund projects	12,972,609
Total	<u>\$ 60,407,610</u>

See Exhibit J-3 Schedule of Expenditures – Budget and Actual for listing of capital projects in the governmental activities, authorized at June 30, 2023.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Litigation

From time to time the City and its component units are defendants in several lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City Attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

D. Pollution Remediation Obligation

GASB Statement No. 49, *Accounting and Financial Reporting or Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean-up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

At June 30, 2023, no significant liabilities existed for pollution remediation.

E. Encumbrances

Encumbrances as of June 30, 2023, in the General fund, Grant fund and Capital Projects fund totaled \$26,960,695, \$24,373,290, and \$121,752,891, respectively. Encumbrances as of June 30, 2023, for nonmajor governmental funds in the aggregate totaled \$8,413,087.

XVIII. Surety Bonds and Insurance

The Commonwealth of Virginia has secured a blanket bond for the City Treasurer (\$1,500,000), Commissioner of Revenue (\$3,000), Sheriff (\$30,000) and Clerk of the Circuit Court (\$2,235,000) that covers the bonds required by law or agreement for the position held. The Commonwealth of Virginia also provides a performance duty bond in the amount of \$500,000 for these constitutional officers.

All non-bonded City employees, including employees of elected constitutional officers, are covered by an insurance policy that provides up to \$10,000,000 in coverage which is provided by Travelers Insurance Company.

NOTES TO THE FINANCIAL STATEMENTS

XIX. Tax Abatements

As of June 30, 2023, the City provides tax abatements through five programs – the Tax Abatement Program, Technology Zone, New Business License Incentive Program, Local Utility Tax Relief and the Economic Development Program. The details of these programs for the fiscal year ended June 30, 2023, are as follows:

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
1	Purpose of the program	Encourages significant improvement of residential, commercial and industrial properties throughout the City, that is of the highest construction quality and architectural design complementing the surrounding area.	Intended to reduce business, professional and occupational license tax for technology-related businesses up to 5 years if they are established in the "Technology Zone."	A temporary exemption in business license tax is available to new businesses that locate in Norfolk after January 1, 2016.	Intended to reduce business utility taxes for a five-year period if they are located in the "Enterprise Zone (EZ)."	To incentive businesses to locate to the City of Norfolk
2	Type of tax abatement	Property Tax	Business, professional and occupational license tax	Business License Tax	Utility Tax	Personal Property, Real Estate and Business Tangible Property
3	Authority for program	Norfolk Code Section 24-203 & Section 27-76	Norfolk Code 45.6	Norfolk Code 24-25.9 and 24-25.2	Norfolk Code 45.5-5	City Council, designated to the City Manager
4	Administering department	Office of the Real Estate Assessor	Department of Development	Commissioner of the Revenue	Department of Development	Department of Development
5	Criteria to be eligible to receive abatement	A. Residential structure must be at least 15 years old, and improvements will increase assessed value by at least 20 percent. B. Multi-family, commercial or industrial structure must be at least 40 years old, and improvements will increase assessed value by at least 40 percent.	Applicants must meet criteria of establishing their technology related business according to certain criteria mention in the above-mentioned ordinance.	The business must apply and meet several criteria. Below is a list of the top 3 requirements: 1) Must be locating to Norfolk for the first time (name change, merger or acquisition are disqualifiers). 2) Must not file a consolidated financial statement with a parent or other affiliated entity with combined taxable gross receipts of more than \$1 million. 3) Cannot be considered an affiliated group or have a franchisee relationship.	Existing EZ businesses must make a \$100,000 taxable investment within the Enterprise Zone. New EZ businesses must make a \$500,000 taxable investment within the Enterprise Zone.	The City evaluates all economic development opportunities on an individual basis. The economic development agreements are specific to each developer and generally constitute a significant economic development opportunity for the City and have a positive factor in achieving the objectives of the City and are worthy of inducement.
6	"How recipients' taxes are reduced"	Through a reduction of the property's assessed value recipients will not pay full taxes on those improvements for 14 years. The increase in assessed value due to the improvements will not be recognized for tax purposes for the first 10 years following the commencement of the	Through a reduction in business, professional and occupational license.	Reduction in business license tax.	Reduction in utility tax.	Taxes are reduced through performance grant payments that are provided to the recipient in the subsequent year.

continued on next page

		Tax Abatement Program	Technology Zone	New Business License Incentive Program	Local Utility Tax Relief	Economic Development Program
7	How the amount of abatement is determined	<p>The increase in assessed value due to the improvements will be recognized for tax purposes on a sliding scale in the 11th year through 15th year following the start of the tax abatement as soon:</p> <ul style="list-style-type: none"> • 11th year – 20% • 12th year – 40% • 13th year – 60% • 14th year – 80% • 15th year – 100% 	<p>Below is the schedule for the reduction of tax:</p> <ul style="list-style-type: none"> • Year 1 - 2 = 100% • Year 3 - 4 = 50% 	<p>Receives a \$50 per tax class reduction for the first two years. The abatement eligibility is determined by a qualification process. The taxpayer must answer 25 questions to qualify.</p>	<p>Below is the schedule for the reduction of tax:</p> <ul style="list-style-type: none"> • 1st year - 50% • 2nd year - 40% • 3rd year - 30% • 4th year - 20% • 5th year - 10% 	<p>Specific percentages are identified in each agreement that apply to various items (i.e., assessed value, value of business personal property, etc.). Percentages are not uniform and are independently determined during negotiation of agreement.</p>
8	Terms for recapture if conditions unmet	<p>Because taxes are not abated until after the improvements have been made, there is no provisions for recapturing abated taxes</p>	<p>Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes</p>	<p>If the business estimates its gross receipts will exceed \$1 million, but the actual gross receipts are less than \$1 million, the benefits of the program are not available unless the business completes the qualification process. Likewise, if the qualifying business estimated less than \$1 million and the actual gross receipts were more than \$1 million the business is responsible for the entire tax amount and will be removed from the program.</p>	<p>Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes</p>	<p>Because taxes are not abated until after the requirements have been made, there is no provisions for recapturing abated taxes</p>
9	Types of commitments made by the City, other than to reduce taxes	N/A	N/A	N/A	N/A	<p>There are some, but they vary by contract. These include percentage back for gross receipts and utility charges.</p>
10	Gross dollar amount, on accrual basis, by which the tax revenues were reduced due to the abatement	<p><u>2023</u></p> <p>\$4,023,575</p>	<p><u>2023</u></p> <p>\$8,310</p>	<p><u>2023</u></p> <p>\$0</p>	<p><u>2023</u></p> <p>\$1,632</p>	<p><u>2023</u></p> <p>\$1,317,760</p>

XX. Self and Purchased Insurance Programs

The City is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims (including workers' compensation), and related expense payments made during fiscal year 2023 was \$15,504,056.

The City currently reports of all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates but excluded in the liability estimates. At June 30, 2023, these liabilities were estimated at \$37,151,537 with \$5,716,760 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2023 were determined by an independent actuary.

Effective January 1, 2014, the Norfolk Healthcare Consortium (Consortium) began participating in a City-administered health insurance fund, which is reflected as an internal service fund. The Consortium is comprised of the City, the Norfolk Public Schools and the Norfolk Redevelopment and Housing Authority. Each participating employee and employer deposit their respective premium into the fund. Medical claims, administrative costs, wellness programs costs, fees related to the Affordable Healthcare Act and benefit consultant costs are expended from the fund. Employee premiums from City departments are netted against related expenses as a recovered cost. The City has recorded \$5,270,600 as a current liability for medical and pharmacy claims incurred, but not reported as of June 30, 2023. Payments from the Norfolk Public Schools are made in 10 payments per year instead of 12, so there is a portion recognized in the financial statements as unearned income. The unearned income as of June 30, 2023 was \$7,860,922. The City is responsible for deficit conditions that may exist when liabilities exceed assets and may make additional assessments to Consortium members as needed.

Changes in the City's claims liability amount in the fiscal years 2023 and 2022 are as follows:

	Workers' Compensation and Risk Management		Health Insurance		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Estimated Outstanding Claims at the Beginning of Year	\$ 37,943,384	\$ 36,098,411	\$ 4,892,200	\$ 7,540,700	\$ 42,835,584	\$ 43,639,111
Additional Incurred Claims or Changes in Estimates	4,924,913	7,803,623	75,398,369	72,862,963	80,323,282	80,666,586
Claims Paid	(5,716,760)	(5,958,650)	(75,019,969)	(75,511,463)	(80,736,729)	(81,470,113)
Estimated Outstanding Claims at the End of Year	<u>\$ 37,151,537</u>	<u>\$ 37,943,384</u>	<u>\$ 5,270,600</u>	<u>\$ 4,892,200</u>	<u>\$ 42,422,137</u>	<u>\$ 42,835,584</u>

The City in its General fund has committed \$8,000,000 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage and settled claims have not required the City to utilize its reserves in any of the past three fiscal years.

Norfolk Public Schools (NPS) also self-insures its workers' compensation and general liability and its future expected self-insured losses as of June 30, 2023, projected at \$3,986,535 of which \$794,875 is the current portion and a longer-term projection of \$3,191,660. The NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the NPS operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Estimated Outstanding Claims at the Beginning of Year	\$ 3,856,494	\$ 3,628,010
Additional Incurred Claims or Changes in Estimates	1,222,602	1,320,819
Claims Paid	(1,092,561)	(1,092,335)
Estimated Outstanding Claims at the End of Year	<u>\$ 3,986,535</u>	<u>\$ 3,856,494</u>

XXI. Jointly Governed Organizations

A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization that includes the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve-member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial

matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2023. Complete financial statements of HRRJA can be obtained from HRRJA. In November 2023, the HRRJA's Board of Directors voted unanimously to close the facility by April 1, 2024. The Board is currently exploring plans for the disposition of the facility's assets.

B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from member contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2023. Complete financial statements of the Commission can be obtained from the Commission.

C. Transportation District Commission of Hampton Roads (TDC)

TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. TDC was established in accordance with Chapter 45 of Title 15.2 of the Code of Virginia. TDC provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all the participating localities through their designated representatives. Responsibility for the day-to-day operations of TDC rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) that constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2023. Complete financial statements of TDC can be obtained from TDC.

XXII. Joint Ventures

A. Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of

providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act and is governed by a Board of Directors consisting of eight member representatives appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2023. Complete financial statements of the SPSA can be obtained from SPSA.

B. The Slover Library Foundation (The Foundation)

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a central library for the City. The central library was named the Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, were joined by an architecturally significant structure to create a new technologically advanced library. Funding provided by the Foundation in the future will be used for purchase and maintenance of technology used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from third parties.

C. Norfolk Botanical Garden Society (The Society)

The City of Norfolk has an agreement with the Norfolk Botanical Garden Society to operate the Norfolk Botanical Garden that is owned by the City. This agreement expires on June 30, 2023. The Society receives annual funding from the City of Norfolk for improvements and operating costs.

XXIII. Related Organizations

A. Norfolk Redevelopment and Housing Authority (NRHA)

The *Norfolk Redevelopment and Housing Authority (NRHA)*, a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not exercise a significant degree of oversight responsibility. The NRHA develops its own operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own financial matters as it maintains its own book of accounts, is audited annually by independent accountants

it engages, and has authority over earnings, deficits, and moneys other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

B. Norfolk Airport Authority (The Authority)

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the *Norfolk International Airport (the Airport)*. Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases that provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council, but the Authority designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

C. The Chrysler Museum, Inc. (The Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from facility rental fees, patron membership, planned giving and from other independent grants. The City owns the museum building and provides support for its maintenance.

D. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

XXIV. Subsequent Events

On July 17, 2023, the City purchased MacArthur Center Mall for \$15,376,788. On September 25, 2023, the City purchased the Dillard's property for an additional \$3,990,466.

On October 24, 2023, the City sold \$51,515,000 in tax-exempt Water Revenue Bonds to partially finance the water system's capital improvement program. The true interest cost on the bonds was 4.29 percent.

On November 17, 2023, the City extended its Line of Credit termination date with Bank of America Merrill Lynch to November 17, 2025. The amendment also changed the interest rate index to SOFR. New tax-exempt and taxable borrowing rates were established based on SOFR, with adjustments for note term, and the commitment fee on the unused portion of the Line of Credit was waived.

XXV. Adoption of New Accounting Pronouncements

The City adopted the following GASB pronouncements in fiscal year 2023:

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement provides accounting and financial reporting requirements for those public-private and public-public partnerships that do not meet the definition of a service concession arrangement or are not within the scope of GASB Statement No. 87, as amended. This Statement also requires a government that engages in an availability payment arrangement that contains multiple components to recognize each component as a separate arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

XXVI. Accounting Pronouncements Issued, But Not Yet Implemented

The GASB has issued the following pronouncements that will impact future financial presentations.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial

guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Earlier application of these statements is encouraged. Management has not determined what, if any, impact implementation of the following statements will have on the City. For the original pronouncements, please visit the GASB's website, www.gasb.org.



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REQUIRED SUPPLEMENTARY INFORMATION

(Other than Management Discussion
and Analysis)
(Unaudited)



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Employees' Retirement System of the City of Norfolk
Schedule of Proportionate Share of Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Costs	\$ 25,972,000	\$ 27,208,000	\$ 26,978,000	\$ 26,372,000	\$ 25,146,000	\$ 26,310,000	\$ 25,919,058	\$ 25,467,399	\$ 24,578,759
Interest	98,454,000	98,032,000	96,458,000	94,853,000	92,517,000	86,974,000	84,710,490	82,839,251	80,203,196
Changes of benefit terms	(880,000)	-	-	-	11,698,000	590,000	568,480	352,800	20,689,842
Difference between expected and actual experience	4,369,000	-	(6,398,000)	(8,189,000)	(1,598,000)	(2,543,000)	(2,665,615)	(2,471,392)	(10,654,079)
Changes in assumptions	77,210,000	(19,181,000)	-	(7,031,000)	16,606,000	53,197,000	(6,508,735)	-	-
Benefits payments, including refunds of member contributions	(102,025,000)	(95,572,000)	(93,998,000)	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,490)	(77,065,376)
Net Change in Total Pension Liability	103,100,000	10,487,000	23,040,000	13,139,000	58,436,000	80,551,000	21,239,703	27,156,568	37,752,342
Total Pension Liability - Beginning of year	1,431,515,000	1,421,028,000	1,397,988,000	1,384,849,000	1,326,413,000	1,245,862,000	1,224,622,781	1,197,466,213	1,159,713,871
Total Pension Liability - Ending of year	<u>\$ 1,534,615,000</u>	<u>\$ 1,431,515,000</u>	<u>\$ 1,421,028,000</u>	<u>\$ 1,397,988,000</u>	<u>\$ 1,384,849,000</u>	<u>\$ 1,326,413,000</u>	<u>\$ 1,245,862,484</u>	<u>\$ 1,224,622,781</u>	<u>\$ 1,197,466,213</u>
Plan Fiduciary Net Position									
Employer contributions	\$ 41,457,000	\$ 160,252,000	\$ 38,494,000	\$ 37,079,000	\$ 35,494,000	\$ 33,457,000	\$ 30,761,340	\$ 34,932,005	\$ 42,330,492
Employee contributions	9,937,000	10,367,000	10,209,000	10,009,000	9,859,000	9,450,000	8,733,481	4,914,726	1,671,644
Net investment income	(134,727,000)	270,352,000	5,737,000	55,313,000	72,662,000	111,228,000	3,278,018	16,596,553	157,291,834
Benefit payments, including refunds of member contributions	(102,025,000)	(95,572,000)	(93,998,000)	(92,866,000)	(85,933,000)	(83,977,000)	(80,783,975)	(79,031,489)	(77,065,376)
Administrative expense	(848,000)	(620,000)	(600,000)	(617,000)	(764,000)	(668,000)	(671,568)	(386,495)	(412,809)
Net Change in Fiduciary Net position	(186,206,000)	344,779,000	(40,158,000)	8,918,000	31,318,000	69,490,000	(38,682,704)	(22,974,700)	123,815,785
Total Net Position - Beginning of year	1,388,869,000	1,044,090,000	1,084,248,000	1,075,330,000	1,044,012,000	974,522,000	1,013,204,260	1,036,178,960	912,363,175
Total Net Position - Ending of year	<u>\$ 1,202,663,000</u>	<u>\$ 1,388,869,000</u>	<u>\$ 1,044,090,000</u>	<u>\$ 1,084,248,000</u>	<u>\$ 1,075,330,000</u>	<u>\$ 1,044,012,000</u>	<u>\$ 974,521,556</u>	<u>\$ 1,013,204,260</u>	<u>\$ 1,036,178,960</u>
Net Pension Liability	<u>\$ 331,952,000</u>	<u>\$ 42,646,000</u>	<u>\$ 376,938,000</u>	<u>\$ 313,740,000</u>	<u>\$ 309,519,000</u>	<u>\$ 282,401,000</u>	<u>\$ 271,340,928</u>	<u>\$ 211,418,521</u>	<u>\$ 161,287,253</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.37%	97.02%	73.47%	77.56%	77.65%	78.71%	78.22%	82.74%	86.53%
Covered Payroll	\$ 195,554,000	\$ 200,484,000	\$ 197,405,000	\$ 195,358,000	\$ 191,549,000	\$ 188,068,000	\$ 175,678,692	\$ 178,467,817	\$ 177,560,789
Net Pension Liability as a percentage of covered payroll	169.75%	21.27%	190.95%	160.60%	161.59%	150.16%	154.45%	118.46%	90.83%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2014 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

Employees' Retirement System of the City of Norfolk
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Required Contributions	Employer Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 31,417,000	\$ 40,134,000	\$ (8,717,000)	\$ 199,856,000	20.08%
2022	41,457,000	41,457,000	-	195,554,000	21.20%
2021	40,698,000	160,232,000	(119,534,000)	200,484,000	79.92%
2020	38,494,000	38,494,000	-	197,405,000	19.50%
2019	37,079,000	37,079,000	-	195,358,000	18.98%
2018	35,494,000	35,494,000	-	191,549,000	18.53%
2017	33,457,000	33,457,000	-	188,068,000	17.79%
2016	30,761,000	30,761,000	-	175,679,000	17.51%
2015	38,263,000	34,932,000	3,331,000	178,468,000	19.57%
2014	42,330,000	42,330,000	-	177,561,000	23.84%

* The actuarial determination of the ADC is based on the projection of covered payroll for the period for which the ADC will apply. The covered payroll was provided by the actuary. For the years 2014 through 2023, the balances exclude payroll for active employees participating in DROP in which contributions are not made.

City of Norfolk
VRS Political Subdivisions Plan
Schedule of Proportionate Share of Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service costs	\$ 3,822,562	\$ 3,903,237	\$ 3,744,655	\$ 3,476,583	\$ 3,318,884	\$ 3,487,288	\$ 3,496,157	\$ 3,531,000	\$ 3,600,000
Interest	9,300,295	8,170,060	7,692,139	7,340,551	6,992,769	6,689,417	6,370,584	6,001,000	5,574,000
Changes of benefit terms	-	2,862,884	-	-	-	-	-	-	-
Difference between expected and actual experience	(3,003,466)	(1,320,751)	628,451	(668,598)	(887,137)	(599,933)	(1,331,914)	(763,000)	-
Changes in assumptions	-	4,823,773	-	3,533,431	-	(893,223)	-	-	-
Benefits payments, including refunds of member contributions	(5,654,573)	(5,380,511)	(4,589,364)	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Net Change in Total Pension Liability	4,464,818	13,058,692	7,475,881	9,092,603	5,101,464	4,306,706	4,949,527	5,392,000	6,376,000
Total Pension Liability - Beginning of year	136,786,873	123,728,181	116,252,300	107,159,697	102,058,233	97,751,527	92,802,000	87,410,000	81,034,000
Total Pension Liability - Ending of year	<u>\$ 141,251,691</u>	<u>\$ 136,786,873</u>	<u>\$ 123,728,181</u>	<u>\$ 116,252,300</u>	<u>\$ 107,159,697</u>	<u>\$ 102,058,233</u>	<u>\$ 97,751,527</u>	<u>\$ 92,802,000</u>	<u>\$ 87,410,000</u>
Plan Fiduciary Net Position									
Employer contributions	\$ 4,153,369	\$ 3,215,071	\$ 2,582,271	\$ 2,538,585	\$ 2,394,595	\$ 2,355,587	\$ 2,804,570	\$ 2,830,000	\$ 3,167,000
Employee contributions	3,492,481	1,399,418	1,379,532	1,365,984	1,316,482	1,362,997	1,357,832	1,373,000	1,422,000
Projected earnings on plan investments	(241,055)	30,602,780	2,111,228	6,951,171	7,206,612	10,677,625	1,525,201	3,742,000	10,933,000
Benefit payments, including refunds of member contributions	(5,654,573)	(5,380,511)	(4,589,364)	(4,589,364)	(4,323,052)	(4,376,843)	(3,585,300)	(3,377,000)	(2,798,000)
Administrative expense	(84,767)	(74,847)	(70,713)	(67,621)	(61,420)	(61,057)	(52,120)	(50,000)	(57,000)
Other	3,361	(58,742)	(2,517)	(4,399)	(6,456)	(9,527)	391	(3,000)	1,000
Net Change in Fiduciary Net Position	1,668,816	29,703,169	1,410,437	6,194,356	6,526,761	9,948,782	2,050,574	4,515,000	12,668,000
Total Net Position - Beginning of year	141,324,079	111,620,910	110,210,473	104,016,117	97,489,356	87,540,574	85,490,000	80,975,000	68,307,000
Total Net Position - Ending of year	<u>\$ 142,992,895</u>	<u>\$ 141,324,079</u>	<u>\$ 111,620,910</u>	<u>\$ 110,210,473</u>	<u>\$ 104,016,117</u>	<u>\$ 97,489,356</u>	<u>\$ 87,540,574</u>	<u>\$ 85,490,000</u>	<u>\$ 80,975,000</u>
Net Pension Liability (Asset)	<u>\$ (1,741,204)</u>	<u>\$ (4,537,206)</u>	<u>\$ 12,107,271</u>	<u>\$ 6,041,827</u>	<u>\$ 3,143,580</u>	<u>\$ 4,568,877</u>	<u>\$ 10,210,953</u>	<u>\$ 7,312,000</u>	<u>\$ 6,435,000</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	101.23%	103.32%	90.21%	94.80%	97.07%	95.52%	89.55%	92.12%	92.64%
Covered Payroll	\$ 36,741,402	\$ 28,045,990	\$ 28,310,269	\$ 27,660,906	\$ 27,469,101	\$ 26,351,750	\$ 27,083,985	\$ 26,861,778	\$ 26,952,068
Net Pension Liability (Asset) as a percentage of covered payroll	(4.74%)	(16.18%)	42.77%	21.84%	11.44%	17.34%	37.70%	27.22%	23.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2014 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

City of Norfolk
VRS Political Subdivisions Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 11,701,000	\$ 11,701,000	\$ -	\$ 88,049,000	13.29%
2022	4,335,000	4,335,000	-	36,741,000	11.80%
2021	3,309,000	3,309,000	-	28,046,000	11.80%
2020	2,667,000	2,667,000	-	28,310,000	9.42%
2019	2,606,000	2,606,000	-	27,661,000	9.42%
2018	2,394,000	2,394,000	-	27,470,000	8.71%
2017	2,356,000	2,356,000	-	26,352,000	8.94%
2016	2,805,000	2,805,000	-	27,084,000	10.36%
2015	2,830,000	2,830,000	-	26,862,000	10.54%
2014	3,167,000	3,167,000	-	26,952,000	11.75%

See accompanying independent auditors' report

School Board of the City of Norfolk

VRS Teachers Plan

Schedule of Proportionate Share of the Net Pension Liability (unaudited)

For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School Board's proportion of the Net Pension Liability	2.35%	2.43%	2.45%	2.55%	2.57%	2.70%	2.40%	2.43%	2.47%
School Board's proportionate share of the Net Pension Liability	\$ 193,463,000	\$ 163,869,000	\$ 309,003,000	\$ 290,090,000	\$ 260,983,000	\$ 283,848,000	\$ 336,787,000	\$ 305,901,000	\$ 298,089,000
Covered Payroll	\$ 188,102,000	\$ 185,754,000	\$ 185,400,000	\$ 195,455,000	\$ 188,385,000	\$ 192,822,000	\$ 194,172,000	\$ 189,624,000	\$ 189,067,000
School Board's proportionate of the Net Pension Liability as a percentage of its covered payroll	102.85%	88.22%	166.67%	148.42%	138.54%	147.21%	173.45%	161.32%	157.66%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.61%	81.27%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2014 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Teachers Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 32,135,000	\$ 32,135,000	\$ -	\$ 193,352,000	16.62%
2022	31,263,000	31,263,000	-	188,102,000	16.62%
2021	30,900,000	30,900,000	-	185,754,000	16.63%
2020	29,075,000	29,075,000	-	185,400,000	15.68%
2019	28,775,000	28,775,000	-	195,455,000	14.72%
2018	29,028,000	29,028,000	-	188,385,000	15.41%
2017	26,582,000	26,582,000	-	192,822,000	13.79%
2016	25,755,000	25,755,000	-	194,172,000	13.26%
2015	26,206,000	26,206,000	-	189,624,000	13.82%
2014	21,056,000	21,056,000	-	189,067,000	11.14%

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivisions Plan
Schedule of Proportionate Share of the Net Pension Liability (unaudited)
For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service costs	\$ 1,368,000	\$ 1,500,000	\$ 1,548,000	\$ 1,498,000	\$ 1,504,000	\$ 1,552,000	\$ 1,527,000	\$ 1,563,000	\$ 1,530,000
Interest	6,621,000	6,308,000	6,173,000	6,129,000	6,054,000	5,976,000	5,891,000	5,770,000	5,586,000
Changes in assumptions	-	3,100,000	-	2,361,000	-	(850,000)	-	-	-
Difference between expected and actual experience	(915,000)	(1,570,000)	(135,000)	(1,066,000)	(2,076,000)	(646,000)	(1,511,000)	(1,027,000)	-
Benefits payments, including refunds of member contributions	(6,002,000)	(6,120,000)	(5,063,000)	(4,992,000)	(5,155,000)	(4,706,000)	(4,814,000)	(4,343,000)	(4,659,000)
Change in proportionate share	-	-	-	658,000	9,000	76,000	1,000	21,000	-
Net Change in Total Pension Liability	1,072,000	3,218,000	2,523,000	4,588,000	336,000	1,402,000	1,094,000	1,984,000	2,457,000
Total Pension Liability - Beginning of year	99,727,000	96,509,000	93,986,000	89,398,000	89,062,000	87,660,000	86,566,000	84,582,000	82,125,000
Total Pension Liability - Ending of year	\$ 100,799,000	\$ 99,727,000	\$ 96,509,000	\$ 93,986,000	\$ 89,398,000	\$ 89,062,000	\$ 87,660,000	\$ 86,566,000	\$ 84,582,000
Plan Fiduciary Net Position									
Employer contributions	\$ 1,066,000	\$ 1,077,000	\$ 1,125,000	\$ 1,151,000	\$ 1,435,000	\$ 1,408,000	\$ 1,794,000	\$ 1,768,000	\$ 1,722,000
Employee contributions	782,000	795,000	832,000	845,000	814,000	807,000	800,000	785,000	775,000
Projected earnings on plan investments	(44,000)	22,627,000	1,636,000	5,486,000	5,851,000	8,877,000	1,248,000	3,321,000	10,151,000
Benefit payments, including refunds of member contributions	(6,002,000)	(6,120,000)	(5,063,000)	(4,994,000)	(5,155,000)	(4,706,000)	(4,814,000)	(4,343,000)	(4,659,000)
Administrative expense	(65,000)	(59,000)	(57,000)	(56,000)	(52,000)	(52,000)	(47,000)	(47,000)	(56,000)
Change in proportionate share	-	-	-	612,000	(2,000)	41,000	1,000	18,000	-
Other	2,000	2,000	(2,000)	(3,000)	(36,000)	(17,000)	(17,000)	(11,000)	1,000
Net Change in Fiduciary Net Position	(4,261,000)	18,322,000	(1,529,000)	3,041,000	2,855,000	6,358,000	(1,035,000)	1,491,000	7,934,000
Total Net Position - Beginning of year	103,010,000	84,688,000	86,217,000	83,176,000	80,321,000	73,963,000	74,998,000	73,507,000	65,573,000
Total Net Position - Ending of year	\$ 98,749,000	\$ 103,010,000	\$ 84,688,000	\$ 86,217,000	\$ 83,176,000	\$ 80,321,000	\$ 73,963,000	\$ 74,998,000	\$ 73,507,000
Net Pension Liability (Asset)	\$ 2,050,000	\$ (3,283,000)	\$ 11,821,000	\$ 7,769,000	\$ 6,222,000	\$ 8,741,000	\$ 13,697,000	\$ 11,568,000	\$ 11,075,000
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.97%	103.29%	87.75%	91.73%	93.04%	90.19%	84.37%	86.64%	86.91%
Covered Payroll	\$ 16,904,000	\$ 17,140,000	\$ 17,819,000	\$ 22,848,000	\$ 22,292,000	\$ 23,756,000	\$ 22,219,000	\$ 22,224,000	\$ 21,766,000
Net Pension Liability (Asset) as a percentage of covered payroll	12.13%	(19.15%)	66.34%	34.00%	27.91%	36.79%	61.65%	52.05%	50.88%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2014 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivisions Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 1,155,000	\$ 1,155,000	\$ -	\$ 18,303,000	6.31%
2022	1,165,000	1,165,000	-	16,904,000	6.89%
2021	1,178,000	1,178,000	-	17,140,000	6.87%
2020	1,212,000	1,212,000	-	17,819,000	6.80%
2019	1,195,000	1,195,000	-	22,848,000	5.23%
2018	1,435,000	1,435,000	-	22,292,000	6.44%
2017	1,408,000	1,408,000	-	23,756,000	5.93%
2016	1,794,000	1,794,000	-	22,219,000	8.07%
2015	1,768,000	1,768,000	-	22,224,000	7.96%
2014	1,722,000	1,722,000	-	21,766,000	7.91%

See accompanying independent auditors' report

City of Norfolk

Other Postemployment Benefits

Schedule of Proportionate Share of Total OPEB Liability (unaudited)

For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service costs	\$ 8,049,381	\$ 8,084,842	\$ 3,409,119	\$ 4,029,985	\$ 2,485,855	\$ 2,638,578
Interest	1,642,734	1,705,737	1,323,007	1,461,628	1,178,923	864,633
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	1,831,400	(8,935,659)	(3,450,033)	(5,055,352)	(2,005,011)	(1,413,447)
Changes in assumptions	(2,806,920)	280,846	37,661,645	1,272,010	3,702,351	1,815,771
Benefits payments, including refunds of member contributions	(2,094,590)	(2,401,000)	(1,383,661)	(1,355,887)	(1,223,511)	(1,247,913)
Net Change in Total OPEB Liability	6,622,005	(1,265,234)	37,560,077	352,384	4,138,607	2,657,622
Total OPEB Liability - Beginning of year	73,091,023	74,356,257	36,796,180	36,443,796	32,305,189	29,647,567
Total OPEB Liability - Ending of year	<u>\$ 79,713,028</u>	<u>\$ 73,091,023</u>	<u>\$ 74,356,257</u>	<u>\$ 36,796,180</u>	<u>\$ 36,443,796</u>	<u>\$ 32,305,189</u>
 Covered Payroll	 \$ 235,148,147	 \$ 194,653,151	 \$ 201,420,320	 \$ 198,510,945	 \$ 199,097,008	 \$ 196,905,143
 Total OPEB Liability as a percentage of covered payroll	 33.90%	 37.55%	 36.92%	 18.54%	 18.30%	 16.41%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

City of Norfolk

Other Postemployment Benefits - Line of Duty

Schedule of Proportionate Share of Total OPEB Liability (unaudited)

For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service costs	\$ 1,787,336	\$ 1,762,063	\$ 1,517,526	\$ 1,454,436	\$ 1,517,002	\$ 991,486
Interest	939,071	889,866	1,364,547	1,187,989	1,336,572	637,503
Changes of benefit terms	-	-	-	-	-	19,652,972
Difference between expected and actual experience	1,239,154	1,299,665	(1,985,552)	4,206,413	(3,476,174)	(2,397)
Changes in assumptions	(10,043,665)	416,582	1,418,301	2,507,435	(4,964,076)	(5,648,603)
Benefits payments, including refunds of member contributions	(1,214,979)	(1,126,835)	(1,189,977)	(1,007,750)	(1,030,394)	(822,158)
Net Change in Total OPEB Liability (Asset)	(7,293,083)	3,241,341	1,124,845	8,348,523	(6,617,070)	14,808,803
Total OPEB Liability - Beginning of year	43,190,877	39,949,536	38,824,691	30,476,168	37,093,238	22,284,435
Total OPEB Liability - Ending of year	<u>\$ 35,897,794</u>	<u>\$ 43,190,877</u>	<u>\$ 39,949,536</u>	<u>\$ 38,824,691</u>	<u>\$ 30,476,168</u>	<u>\$ 37,093,238</u>
 Covered Payroll	 \$ 74,507,824	 \$ 67,982,090	 \$ 71,415,407	 \$ 70,942,265	 \$ 66,183,480	 \$ 68,244,678
 Total OPEB Liability as a percentage of covered payroll	 48.18%	 63.53%	 55.94%	 54.73%	 46.05%	 54.35%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
Other Postemployment Benefits
Schedule of Proportionate Share of Total OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service costs	\$ 4,402,612	\$ 4,412,775	\$ 2,947,665	\$ 625,247	\$ 1,381,764	\$ 1,468,830
Interest	1,374,480	1,257,459	1,644,140	1,896,670	1,673,986	1,702,533
Changes of benefit terms	-	6,316,408	-	-	-	-
Difference between expected and actual experience	(6,259,620)	(2,835,101)	(5,024,887)	(4,651,923)	3,627,408	(3,274,812)
Changes in assumptions	2,524,658	(29,571)	11,937,594	1,277,781	(1,794,422)	(10,475,847)
Benefits payments, including refunds of member contributions	(2,404,662)	(2,360,257)	(2,262,170)	(2,401,320)	(2,129,544)	(2,580,746)
Net Change in Total OPEB Liability (Asset)	(362,532)	6,761,713	9,242,342	(3,253,545)	2,759,192	(13,160,042)
Total OPEB Liability - Beginning of year	62,639,695	55,877,982	46,635,640	49,889,185	47,129,993	60,290,035
Total OPEB Liability - Ending of year	<u>\$ 62,277,163</u>	<u>\$ 62,639,695</u>	<u>\$ 55,877,982</u>	<u>\$ 46,635,640</u>	<u>\$ 49,889,185</u>	<u>\$ 47,129,993</u>
 Covered Payroll	 \$ 191,402,722	 \$ 185,123,319	 \$ 185,408,346	 \$ 193,251,731	 \$ 202,324,943	 \$ 202,324,943
 Total OPEB Liability as a percentage of covered payroll	 32.54%	 33.84%	 30.14%	 24.13%	 24.66%	 23.29%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk**VRS Teachers HIC Plan****Schedule of Proportionate Share of Net HIC OPEB Liability (unaudited)****For the Measurement Dates of June 30, 2017 through 2022**

	2022	2021	2020	2019	2018	2017
School Board's proportion of contributions of the Net HIC OPEB Liability	2.33%	2.10%	2.12%	2.20%	2.57%	2.70%
School Board's proportionate share of the Net HIC OPEB Liability	\$ 25,209,000	\$ 26,974,000	\$ 29,588,000	\$ 28,801,987	\$ 28,146,329	\$ 29,295,697
Covered Payroll	\$ 188,093,000	\$ 185,754,000	\$ 185,400,000	\$ 184,851,000	\$ 182,652,676	\$ 182,244,255
School Board's proportionate share of the Net HIC OPEB Liability as a percentage of its covered payroll	13.40%	14.52%	15.96%	15.58%	15.41%	16.07%
Plan Fiduciary Net Position as a percentage of the Total HIC OPEB Liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Teachers HIC Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 2,339,380	\$ 2,339,380	\$ -	\$ 193,337,136	1.21%
2022	2,276,037	2,276,037	-	188,093,526	1.21%
2021	2,249,621	2,249,621	-	185,753,972	1.21%
2020	2,225,202	2,225,202	-	185,399,785	1.20%
2019	2,181,192	2,181,192	-	184,851,346	1.18%
2018	2,218,572	2,181,192	37,380	182,652,676	1.21%
2017	2,241,605	2,022,912	218,693	182,244,255	1.23%
2016	2,162,812	1,942,866	219,946	183,289,209	1.18%
2015	2,118,850	1,903,373	215,477	179,563,539	1.18%
2014	2,096,027	1,988,538	107,489	179,147,604	1.17%

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivisions HIC Plan
Schedule of Proportionate Share of Net HIC OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2021 through 2022

	2022	2021
Total HIC OPEB Liability		
Service costs	\$ 21,604	\$ 23,828
Interest	147,635	134,222
Difference between expected and actual experience	(137,123)	-
Changes in assumptions	38,794	50,981
Changes of benefit terms	-	-
Benefits payments, including refunds of member contributions	(63,829)	(38)
Net Change in Total HIC OPEB Liability	7,081	208,993
Total HIC OPEB Liability - Beginning of year	2,197,492	1,988,499
Total HIC OPEB Liability - Ending of year	<u>\$ 2,204,573</u>	<u>\$ 2,197,492</u>

Plan Fiduciary Net Position

Employer contributions	\$ 145,655	\$ 147,042
Net investment income	(1,643)	18,451
Benefit payments, including refunds of member contributions	(63,829)	(38)
Administrative expense	(460)	(647)
Other	864	-
Net Change in Fiduciary Net Position	80,587	164,808
Total Net Position - Beginning of year	164,808	-
Total Net Position - Ending of year	<u>\$ 245,395</u>	<u>\$ 164,808</u>

Net HIC OPEB Liability	<u>\$ 1,959,178</u>	<u>\$ 2,032,684</u>
Plan Fiduciary Net Position as a percentage of the Total HIC OPEB Liability	11.13%	7.50%
Covered Payroll	\$ 16,904,462	\$ 17,097,830
Total OPEB Liability as a percentage of covered payroll	11.59%	11.89%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2021 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivisions HIC Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 186,688	\$ 186,688	\$ -	\$ 18,302,756	1.02%
2022	145,624	145,624	-	16,904,462	0.86%
2021	147,041	147,041	-	17,097,830	0.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2021 was the first year for presentation, no older data is available. Additional years will be included as they become available.

School Board of the City of Norfolk

VRS Teachers GLI Plan

Schedule of Proportionate Share of Net GLI OPEB Liability (unaudited)

For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
School Board's proportion of contributions of the Net GLI OPEB Liability	0.95%	0.99%	0.91%	0.95%	1.10%	1.16%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 10,516,000	\$ 11,546,000	\$ 16,592,000	\$ 15,421,000	\$ 16,679,000	\$ 14,976,000
Covered Payroll	\$ 188,093,526	\$ 185,753,972	\$ 185,408,346	\$ 185,314,756	\$ 183,561,479	\$ 183,561,479
School Board's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	5.59%	6.22%	8.95%	8.32%	9.09%	8.16%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Teachers GLI Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)		
2023	\$ 2,619,063	\$ 2,619,063	\$ -	\$ 193,337,136	1.35%
2022	2,760,597	2,760,597	-	188,093,526	1.47%
2021	2,508,948	2,508,948	-	185,753,972	1.35%
2020	1,115,191	1,115,191	-	185,408,346	0.60%
2019	967,651	967,651	-	185,314,756	0.52%
2018	928,060	928,060	-	183,561,479	0.51%
2017	713,913	713,913	-	183,561,479	0.39%
2016	980,737	888,214	92,523	185,044,583	0.53%
2015	957,946	867,574	90,372	180,744,568	0.53%
2014	956,581	866,338	90,243	180,486,956	0.53%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40 percent for the employer and 60 percent for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40 percent of the total premiums paid by the Norfolk School Board.

School Board of the City of Norfolk
VRS Political Subdivisions GLI Plan
Schedule of Proportionate Share of Net GLI OPEB Liability (unaudited)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
School Board's proportion of contributions of the Net GLI OPEB Liability	0.08%	0.08%	0.09%	0.09%	0.09%	0.09%
School Board's proportionate share of the Net GLI OPEB Liability	\$ 955,000	\$ 984,000	\$ 1,462,000	\$ 1,503,000	\$ 1,392,000	\$ 1,185,000
Covered Payroll	\$ 16,904,462	\$ 17,140,227	\$ 17,819,139	\$ 18,647,166	\$ 17,508,534	\$ 16,998,577
School Board's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	5.65%	5.74%	8.20%	8.06%	7.95%	6.97%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	67.20%	67.45%	52.60%	52.00%	51.22%	48.86%

*The schedule is intended to illustrate the requirement to show information for 10 years. Since 2017 was the first year for presentation, no older data is available. Additional years will be included as they become available.

See accompanying independent auditors' report

School Board of the City of Norfolk
VRS Political Subdivisions GLI Plan
Schedule of Employer Contributions (unaudited)
Last 10 Fiscal Years

Fiscal Year	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)		
2023	\$ 245,257	\$ 245,257	\$ -	\$ 18,636,047	1.32%
2022	251,536	251,536	-	16,904,462	1.49%
2021	233,914	233,914	-	17,140,227	1.36%
2020	94,141	94,141	-	17,819,139	0.53%
2019	94,141	94,141	-	18,647,166	0.50%
2018	90,630	90,630	-	17,508,534	0.52%
2017	88,330	88,330	-	16,998,577	0.52%
2016	87,509	79,253	8,256	16,511,056	0.53%
2015	85,773	77,681	8,092	16,183,507	0.53%
2014	84,332	76,376	7,956	15,911,617	0.53%

*The amounts shown here represent the employer share of group life insurance contributions and exclude the employee portion of group life insurance costs. The statewide cost sharing for group life insurance is 40 percent for the employer and 60 percent for employees. VRS permits school boards to pay both the employee and employer share of contributions, and the Norfolk School Board has elected to do that. The contributions noted above represent 40 percent of the total premiums paid by the Norfolk School Board.

See accompanying independent auditors' report

Notes to Required Supplementary Information

For the Year Ended June 30, 2023

A. VRS Teacher Retirement Plan

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

B. VRS Retirement Plan for Political Subdivisions

Changes of benefit terms and assumptions

There have been some changes to the benefits provided to members in hazardous duty positions. In aggregate, the impact of these changes is not significant.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 <i>Hazardous Duty:</i> Changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service <i>Hazardous Duty:</i> Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Notes to Required Supplementary Information

For the Year Ended June 30, 2023

C. VRS Post-employment Benefit Plan – Group Life Insurance (GLI) Program

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 <i>Hazardous Duty:</i> Changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service <i>Hazardous Duty:</i> Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No Change

D. VRS Post-employment Benefit Plan – Health Insurance Credit (HIC) Plan

Changes of benefit terms and assumptions

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the VRS Board action are as follows:

Mortality Rates	Updated to PUB2010 public sector mortality tables. Replaced load with MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 <i>Hazardous Duty:</i> Changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service <i>Hazardous Duty:</i> Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
Period Ended June 30, 2023

Exhibit E-1

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
General property taxes	\$ 355,118,800	\$ 355,118,800	\$ 372,610,808	\$ 17,492,008
Other local taxes	171,966,025	171,966,025	187,618,447	15,652,422
Permits, privilege fees and licenses	3,965,900	3,965,900	5,017,579	1,051,679
Fines and forfeitures	1,340,000	1,340,000	1,097,691	(242,309)
Use of money and property	8,884,620	8,884,620	15,262,609	6,377,989
Charges for services	25,511,731	25,511,731	34,555,928	9,044,197
Miscellaneous revenue	9,227,966	9,227,966	14,694,706	5,466,740
Recovered costs	12,167,130	12,167,130	11,169,192	(997,938)
Non-categorical aid - Virginia	38,682,200	38,682,200	40,477,709	1,795,509
Shared expense - Virginia	23,544,200	23,544,200	24,409,443	865,243
Categorical aid - Virginia	306,286,328	308,399,629	286,019,398	(22,380,231)
Categorical aid - Federal	8,420,256	8,420,256	33,415,506	24,995,250
Other sources and transfers	43,440,468	59,855,468	75,377,465	15,521,997
Total General Fund revenue budget	\$ 1,008,555,624	\$ 1,027,083,925	\$ 1,101,726,481	\$ 74,642,556

Exhibit E-1 for GASB 54 includes the General Fund, the Land Acquisition Fund, the Nauticus Fund, and the Community Services Board.

Schedule of Expenditures, Budget and Actual (Unaudited)
General Fund
For the Year Ending June 30, 2023

Exhibit E-2

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 5,765,596	\$ 5,918,970	\$ 5,671,155	\$ 247,815
Executive	3,233,643	3,406,271	3,656,488	(250,217)
Department of Law	5,509,385	5,625,873	5,689,552	(63,679)
Finance, City Treasurer, Commissioner of Revenue	13,808,474	13,882,041	13,086,041	796,000
Department of Human Resources	4,255,590	4,318,231	4,141,216	177,015
Courts, Sheriff and Detention	53,596,223	54,341,885	51,705,759	2,636,126
Department of Public Health	3,243,521	3,261,636	6,152,956	(2,891,320)
Department of Human Services	81,333,002	82,092,138	71,319,504	10,772,634
Department of Public Works	22,366,099	22,288,389	13,782,407	8,505,982
Recreation Parks and Open Space, Maritime Center	22,263,607	23,378,943	25,454,627	(2,075,684)
Education	385,180,630	383,293,931	325,144,119	58,149,812
Norfolk Public Libraries	12,422,609	12,764,143	12,123,312	640,831
Elections	1,031,721	1,309,144	1,296,257	12,887
Department of Planning & Community Development	11,853,275	17,052,812	12,671,602	4,381,210
Department of Neighborhood Development	5,145,703	5,204,357	4,661,568	542,789
Department of Cultural Facilities, Arts & Entertainment	6,553,328	6,644,002	7,295,232	(651,230)
Departmental Support	23,109,632	91,121,032	62,778,607	28,342,425
Outside Agencies	53,143,731	57,516,388	51,739,916	5,776,472
Department of Police	80,254,980	46,529,192	45,598,959	930,233
Department of Fire - Rescue	53,197,406	22,279,414	25,791,494	(3,512,080)
Debt Service	87,696,721	88,756,721	110,373,419	(21,616,698)
Office of Budget and Strategic Planning	2,587,555	2,903,490	3,076,828	(173,338)
Office of Resilience	695,818	712,974	861,353	(148,379)
Department of General Services	31,220,517	32,501,896	35,749,713	(3,247,817)
Department of Economic Development	2,945,437	3,016,834	2,974,863	41,971
Department of Information Technology	20,010,250	20,382,306	18,253,032	2,129,274
Virginia Zoological Park	4,566,764	4,837,845	5,195,602	(357,757)
Transportation	11,564,407	11,743,067	11,609,325	133,742
Total General Fund expenditure budget	\$ 1,008,555,624	\$ 1,027,083,925	\$ 937,854,906	\$ 89,229,019

Exhibit E-2 for GASB 54 includes the General Fund, the Land Acquisition Fund, the Nauticus Fund, and the Community Services Board.

Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)
For the Year-Ending June 30, 2023

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 1,101,726,481
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(242,850,212)
The effects of accounting for transfer from fund balance	(38,098,577)
General fund transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(20,669,395)
The effects of reclassification of recovered costs	(11,169,192)
Gross proceeds from other financing sources	(17,373,982)
Total revenues as reported on the Statement of Revenues, Expenditure and Changes in Fund Balances - Governmental Funds	\$ 771,565,123
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 937,854,906
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	\$ (217,824,824)
The effects of reclassification of recovered costs	\$ (11,169,192)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	\$ (6,187,922)
General fund transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	\$ (137,786,881)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 564,886,087



Other Supplementary Information

COMBINING FINANCIAL STATEMENTS

~ Nonmajor Governmental Funds ~
~ Internal Service Funds ~
~ Custodial Funds ~

OTHER SCHEDULES

~ Schedule of Revenues and Expenditures – Budget and Actual – Special Revenue Funds ~
~ Schedule of Revenues and Expenditures – Budget and Actual – Internal Service Funds ~
~ Schedule of Expenditures – Budget and Actual – Capital Improvement Program ~
~ Schedule of Expenditures – Budget and Actual – Grants Fund ~



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects.



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Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue funds are used to account for proceeds of specific resources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The individual special revenue funds are:

Towing and Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Waste Management Fund: To account for the costs and revenues associated with the City's solid waste and environmental management programs.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

Cemeteries Fund: To account for the operation of the City's cemeteries.

Golf Fund: To account for the operation of the City's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Emergency Operations Center (EOC)/911 Fund: To account for the operation of the City's emergency operations center/911.

Tax Increment Financing Fund: To account for debt service requirements for the general obligation bonds and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.

Resiliency Fund: To account for the receipt and disbursement of revenue from the National Disaster Resilience Grant.

Endowed Care Fund: The Endowed Care fund is used to report resources that are restricted by City Code. The City's Endowed Care fund is used to account for the perpetual care and endowed care at certain City-owned cemeteries. Both the earnings and principal are used for purposes that support the maintenance of City-owned cemeteries.





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Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

Exhibit F-1

	Towing	Waste Management	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	Total Nonmajor Governmental Funds
ASSETS:												
Cash and short-term investments	\$ 1,790,618	\$ 1,592,230	\$ -	\$ 153,395	\$ 379,252	\$ 6,733,921	\$ 191,309	\$ -	\$ -	\$ 10,840,725	\$ 6,902,735	\$ 17,743,460
Receivables, net	18,958	3,355,598	415,597	39,800	-	1,008,055	-	-	-	4,838,008	1,560	4,839,568
Due from other governments	-	-	863,840	-	-	-	-	-	3,470,752	4,334,592	-	4,334,592
Total assets	1,809,576	4,947,828	1,279,437	193,195	379,252	7,741,976	191,309	-	3,470,752	20,013,325	6,904,295	26,917,620
LIABILITIES:												
Vouchers payable	\$ 47,939	\$ 842,026	\$ 32,937	\$ 17,510	\$ -	\$ -	\$ 48,654	\$ -	\$ 452,684	\$ 1,441,750	\$ -	\$ 1,441,750
Contract retainage	-	-	38,250	-	-	-	-	-	1,353,895	1,392,145	-	1,392,145
Accrued payroll	17,199	214,197	-	49,042	-	-	142,655	-	-	423,093	-	423,093
Due to other funds	-	-	214,741	-	-	-	-	-	1,652,747	1,867,488	-	1,867,488
Other liabilities	78,751	-	-	-	-	-	-	-	-	78,751	-	78,751
Total liabilities	143,889	1,056,223	285,928	66,552	-	-	191,309	-	3,459,326	5,203,227	-	5,203,227
DEFERRED INFLOWS OF RESOURCES:												
Revenue not available for current obligations	-	2,307,239	993,509	126,643	-	-	-	-	11,426	3,438,817	-	3,438,817
FUND BALANCES:												
Restricted	-	-	-	-	-	-	-	-	-	-	6,904,295	6,904,295
Committed	-	-	-	-	163,919	-	-	-	-	163,919	-	163,919
Assigned	1,665,687	1,584,366	-	-	215,333	7,741,976	-	-	-	11,207,362	-	11,207,362
Total fund balances	1,665,687	1,584,366	-	-	379,252	7,741,976	-	-	-	11,371,281	6,904,295	18,275,576
Total liabilities, deferred inflows of resources and fund balances	\$ 1,809,576	\$ 4,947,828	\$ 1,279,437	\$ 193,195	\$ 379,252	\$ 7,741,976	\$ 191,309	\$ -	\$ 3,470,752	\$ 20,013,325	\$ 6,904,295	\$ 26,917,620

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Period Ended June 30, 2023

Exhibit F-2

	Towing	Waste Management	Community Development	Cemeteries	Golf	Public Amenities	EOC/ 911	Tax Increment	Resiliency	Total Special Revenue	Endowed Care Fund	Total Nonmajor Governmental Funds
REVENUES:												
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,200,700	\$ -	\$ 7,200,700	\$ -	\$ 7,200,700
Other local taxes	-	-	-	-	-	9,011,512	3,571,596	-	-	12,583,108	-	12,583,108
Use of money and property	-	10,179	-	-	46,790	-	-	-	-	56,969	70,604	127,573
Charges for services	2,307,607	21,235,730	-	1,420,625	-	-	-	-	-	24,963,962	231,230	25,195,192
Miscellaneous	-	20,528	1,850,614	12,855	-	-	-	-	183,326	2,067,323	-	2,067,323
Intergovernmental:												
Commonwealth of Virginia	-	-	-	-	-	145,489	1,398,426	-	-	1,543,915	-	1,543,915
Federal government	3,905	-	3,589,050	-	-	-	-	-	11,073,044	14,665,999	-	14,665,999
Total revenue	2,311,512	21,266,437	5,439,664	1,433,480	46,790	9,157,001	4,970,022	7,200,700	11,256,370	63,081,976	301,834	63,383,810
EXPENDITURES:												
General government	-	-	-	-	-	386,268	-	-	-	386,268	-	386,268
Public safety	-	-	-	-	-	-	5,919,842	-	-	5,919,842	-	5,919,842
Public works	1,281,978	22,508,147	-	-	-	-	-	-	-	23,790,125	-	23,790,125
Health and public assistance	-	-	747,296	-	-	-	-	-	-	747,296	-	747,296
Cultural and recreation	-	-	-	2,025,718	9,000	-	-	-	-	2,034,718	-	2,034,718
Community Development	-	-	4,692,368	-	-	-	-	-	11,256,370	15,948,738	-	15,948,738
Total expenditures	1,281,978	22,508,147	5,439,664	2,025,718	9,000	386,268	5,919,842	-	11,256,370	48,826,987	-	48,826,987
Operating income (loss), net	1,029,534	(1,241,710)	-	(592,238)	37,790	8,770,733	(949,820)	7,200,700	-	14,254,989	301,834	14,556,823
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	631,944	-	-	1,087,077	-	-	1,719,021	-	1,719,021
Transfers out	(178,672)	(262,807)	-	(39,706)	-	(8,152,216)	(137,257)	(7,200,700)	-	(15,971,358)	-	(15,971,358)
Total other financing sources and (uses)	(178,672)	(262,807)	-	592,238	-	(8,152,216)	949,820	(7,200,700)	-	(14,252,337)	-	(14,252,337)
Changes in fund balances	850,862	(1,504,517)	-	-	37,790	618,517	-	-	-	2,652	301,834	304,486
Fund balances - beginning of year	814,825	3,088,883	-	-	341,462	7,123,459	-	-	-	11,368,629	6,602,461	17,971,090
Fund balances - end of year	\$ 1,665,687	\$ 1,584,366	\$ -	\$ -	\$ 379,252	\$ 7,741,976	\$ -	\$ -	\$ -	\$ 11,371,281	\$ 6,904,295	\$ 18,275,576



INTERNAL SERVICE FUNDS

The Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The Healthcare Fund is to provide for the self-insured healthcare costs for the City of Norfolk, Norfolk Public Schools, Norfolk Redevelopment and Housing Authority (NRHA) and Pre-65 (retirees under age 65). The City's health care provider is Anthem Health Plans of Virginia, Inc.

The Fleet Management Fund is used to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.



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Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Fleet Management Fund: To provide the operating departments with maintenance, repair, and service for the City's fleet of vehicles, heavy equipment, and miscellaneous machinery.

Healthcare Fund: To provide for the self-insured healthcare costs for the City of Norfolk, Norfolk Public Schools, NRHA (Norfolk Redevelopment and Housing Authority) and Pre-65 (retirees under 65).





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Combining Statement of Cash Flows
Internal Service Funds
For the Year Ending June 30, 2023

Exhibit G-1

	Healthcare	Fleet Management	Total
ASSETS:			
Current assets:			
Cash and short-term investments	\$ 51,253,061	\$ -	\$ 51,253,061
Receivables, net	4,090,153	147,260	4,237,413
Total current assets	55,343,214	147,260	55,490,474
Noncurrent assets:			
Net pension asset	-	3,193	3,193
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	-	12,378,765	12,378,765
Accumulated depreciation	-	(9,590,192)	(9,590,192)
Total noncurrent assets	-	3,206,766	3,206,766
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	-	1,815,211	\$ 1,815,211
Related to OPEB	-	259,715	259,715
Total deferred outflows of resources	-	2,074,926	2,074,926
Total assets and deferred outflows of resources	\$ 55,343,214	\$ 5,428,952	\$ 60,772,166
LIABILITIES:			
Current liabilities:			
Vouchers payable	\$ 15,441,248	\$ 1,336,359	\$ 16,777,607
Unearned revenue	7,860,922	-	7,860,922
Compensated absences	45,825	127,441	173,266
Accrued payroll	37,886	94,825	132,711
Internal balances	-	886,299	886,299
Other liabilities	5,270,600	-	5,270,600
Total current liabilities	28,656,481	2,444,924	31,101,405
Noncurrent liabilities:			
Compensated absences	42,022	116,864	158,886
Net pension liability	-	3,307,368	3,307,368
Total OPEB liability	-	794,204	794,204
Total noncurrent liabilities	42,022	4,218,436	4,260,458
Total liabilities	28,698,503	6,663,360	35,361,863
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	-	267,074	267,074
Related to OPEB	-	153,430	153,430
Total deferred inflows	-	420,504	420,504
Total liabilities and deferred inflows of resources	\$ 28,698,503	\$ 7,083,864	\$ 35,782,367
NET POSITION:			
Net investment in capital assets	\$ -	\$ 3,203,573	\$ 3,203,573
Unrestricted	26,644,711	(4,858,485)	21,786,226
Total net position	26,644,711	(1,654,912)	24,989,799
Total liabilities, deferred inflows of resources and net position	\$ 55,343,214	\$ 5,428,952	\$ 60,772,166

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ending June 30, 2023

Exhibit G-2

	Healthcare	Fleet Management	Total
OPERATING REVENUES:			
Charges for services	\$ 87,725,863	\$ 11,544,670	\$ 99,270,533
Miscellaneous	-	67,319	67,319
Total operating revenues	87,725,863	11,611,989	99,337,852
OPERATING EXPENSES:			
Personal services	1,096,279	2,852,583	3,948,862
Healthcare costs	73,829,531	-	73,829,531
Cost of goods sold	-	5,286,393	5,286,393
Plant operations	-	4,822,543	4,822,543
Depreciation and amortization	-	364,117	364,117
Retirement and OPEB expense	73,969	618,882	692,851
Other	20,189	224,612	244,801
Total operating expenses	75,019,968	14,169,130	89,189,098
Operating income (loss), net	12,705,895	(2,557,141)	10,148,754
NONOPERATING REVENUE / (EXPENSE):			
Capital contributions	-	74,803	74,803
Transfers out	(22,266)	(81,206)	(103,472)
Total Nonoperating Revenue (Expense)	(22,266)	(6,403)	(28,669)
Changes in net position	12,683,629	(2,563,544)	10,120,085
Net position - beginning of year	13,961,082	908,632	14,869,714
Net position - end of year	\$ 26,644,711	\$ (1,654,912)	\$ 24,989,799

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ending June 30, 2023

Exhibit G-3

	Healthcare	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 91,780,524	\$ 11,799,752	\$ 103,580,276
Payments to employees	(1,143,585)	(3,095,748)	(4,239,333)
Payments to suppliers	(72,556,943)	(10,219,890)	(82,776,833)
Other payments	358,211	661,689	1,019,900
Net cash provided by (used in) operating activities	18,438,207	(854,197)	17,584,010
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund activity	(22,266)	(81,206)	(103,472)
Net increase (decrease) in cash and short-term investments	18,415,941	(935,403)	17,480,538
Cash and short-term investments - beginning of year	32,837,120	935,403	33,772,523
Cash and short-term investments - end of year	\$ 51,253,061	\$ -	\$ 51,253,061
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities			
Operating income (loss)	\$ 12,705,895	\$ (2,557,141)	\$ 10,148,754
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	364,117	364,117
Effect of changes in assets, deferred outflows and liabilities and deferred inflows:			
Receivables, net	3,981,632	187,765	4,169,397
Due from other funds	-	886,299	886,299
Vouchers payable	1,650,988	(110,954)	1,540,034
Accrued payroll	26,663	34,607	61,270
Net pension liability	-	341,110	341,110
Unearned revenue	73,029	-	73,029
Net cash provided by (used in) operating activities	\$ 18,438,207	\$ (854,197)	\$ 17,584,010
Noncash investing, capital, and financing activities:			
Capital contributions	\$ -	\$ 74,803	\$ 74,803



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Trust Funds and Custodial Funds

Trust funds and Custodial funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

The City has the following Trust Funds:

Pension Trust Fund: To account for the activities of the Employees' Retirement System (ERS) of the City, which accumulates resources for pension benefit payments to qualified employees and is a fiduciary fund.

Pension Funding Trust Fund: Established in fiscal year 2021 for the sole benefit of ERS to help offset potential volatility in the City's annual pension contribution.

The City has the following Custodial Funds:

Other Custodial Fund: To account for other monies held for private organizations and other funds including Sheriff's inmate funds and funds held on behalf of employees.

Commonwealth of Virginia: To account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.





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Combining Statement of Fiduciary Net Position (Unaudited)

Fiduciary Funds

June 30, 2023

Exhibit H-1

	Pension Trust For Employees' Retirement System	Pension Funding Trust	Total Trusts	Other Custodial	Commonwealth of Virginia	Total Custodial	Total
ASSETS:							
Cash and short-term investments	\$ 4,369,000	\$ 8,892,798	\$ 13,261,798	\$ 12,200,839	\$ 218,769	\$ 12,419,608	\$ 25,681,406
Investments, fair value:							
United States Treasury securities	-	-	-	-	-	-	-
Fixed income securities	-	19,300,282	19,300,282	-	-	-	19,300,282
Equity securities	-	45,784,370	45,784,370	-	-	-	45,784,370
Future/options/swaps	-	-	-	-	-	-	-
Balanced commingled funds:							
Equity	739,240,000	-	739,240,000	-	-	-	739,240,000
Fixed income	350,878,000	-	350,878,000	-	-	-	350,878,000
Real estate	90,644,000	-	90,644,000	-	-	-	90,644,000
Hedge	64,443,000	-	64,443,000	-	-	-	64,443,000
Total investments, fair value	1,245,205,000	65,084,652	1,310,289,652	-	-	-	1,310,289,652
Receivables:							
Accrued investment income	584,000	-	584,000	-	-	-	584,000
Due from broker for securities sold	-	-	-	-	-	-	-
Other	3,000	-	3,000	-	-	-	3,000
Total assets	\$ 1,250,161,000	\$ 73,977,450	\$ 1,324,138,450	\$ 12,200,839	\$ 218,769	\$ 12,419,608	\$ 1,336,558,058
LIABILITIES:							
Vouchers payable	\$ 5,251,000	\$ -	\$ 5,251,000	\$ 204,952	\$ -	\$ 204,952	\$ 5,455,952
Due to brokers for securities purchased	-	-	-	-	-	-	-
Due to other agencies	-	-	-	11,995,887	218,769	12,214,656	12,214,656
Total liabilities	\$ 5,251,000	\$ -	\$ 5,251,000	\$ 12,200,839	\$ 218,769	\$ 12,419,608	\$ 17,670,608
NET POSITION	\$ 1,244,910,000	\$ 73,977,450	\$ 1,318,887,450	\$ -	\$ -	\$ -	\$ 1,318,887,450

Combining Statement of Changes in Fiduciary Net Position (Unaudited)
Fiduciary Funds
Period Ended June 30, 2023

Exhibit H-2

	Pension Trust For Employees' Retirement System	Pension Funding Trust	Total Trust	Other Custodial	Commonwealth of Virginia	Total Custodial	Total
CHANGES TO NET POSITION ATTRIBUTED TO:							
Additions:							
Investment income:							
Net appreciation in fair value of investments	\$ 108,129,000	\$ 4,664,381	\$ 112,793,381	\$ -	\$ -	\$ -	\$ 112,793,381
Interest	4,142,000	44,626	4,186,626	-	-	-	4,186,626
Dividends	6,917,000	1,499,943	8,416,943	-	-	-	8,416,943
Other	1,235,000	62,011	1,297,011	-	-	-	1,297,011
	<u>120,423,000</u>	<u>6,270,961</u>	<u>126,693,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,693,961</u>
Less investment expense	(17,440,000)	(31,120)	(17,471,120)	-	-	-	(17,471,120)
Less other	-	-	-	-	-	-	-
Net investment income	<u>102,983,000</u>	<u>6,239,841</u>	<u>109,222,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,222,841</u>
Employer contributions	40,134,000	-	40,134,000	-	-	-	40,134,000
Employee contributions	7,601,000	-	7,601,000	-	-	-	7,601,000
Purchase of service	495,000	-	495,000	-	-	-	495,000
Custodial fund additions	-	-	-	-	1,769,694	1,769,694	1,769,694
Total Additions	<u>151,213,000</u>	<u>6,239,841</u>	<u>157,452,841</u>	<u>-</u>	<u>1,769,694</u>	<u>1,769,694</u>	<u>159,222,535</u>
Deductions:							
Benefit payments and expenses:							
Refunds of contributions	4,410,000.00	-	4,410,000	-	-	-	4,410,000
Benefits paid to plan members and beneficiaries	103,551,000	-	103,551,000	-	-	-	103,551,000
Administrative costs	1,005,000	10,577	1,015,577	-	-	-	1,015,577
Custodial fund deductions	-	8,716,323	8,716,323	-	1,769,694	1,769,694	10,486,017
Total Deductions	<u>108,966,000</u>	<u>8,726,900</u>	<u>117,692,900</u>	<u>-</u>	<u>1,769,694</u>	<u>1,769,694</u>	<u>119,462,594</u>
Net decrease in net position	<u>42,247,000</u>	<u>(2,487,059)</u>	<u>39,759,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,759,941</u>
NET POSITION RESTRICTED FOR PENSIONS:							
Net position - beginning of year	1,202,663,000	76,464,509	1,279,127,509	-	-	-	1,279,127,509
Net Position - end of year	<u>\$ 1,244,910,000</u>	<u>\$ 73,977,450</u>	<u>\$ 1,318,887,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,318,887,450</u>

SCHEDULE OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

**SPECIAL REVENUE FUND
INTERNAL SERVICE FUND
CAPITAL PROJECTS FUND
GRANTS FUND**





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Towing and Recovery Operations Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Use of money and property	\$ 900,335	\$ -	\$ (900,335)
Charges for services	755,000	2,307,607	1,552,607
Intergovernmental federal	-	3,905	3,905
Miscellaneous	100	-	(100)
Rollover from last year*	98,312	98,312	-
Total revenue	\$ 1,753,747	\$ 2,409,824	\$ 656,077
EXPENDITURES AND TRANSFERS:			
Towing and recovery	\$ 1,576,948	\$ 1,281,978	\$ 294,970
Transfer out	176,799	178,672	(1,873)
Total expenditures	\$ 1,753,747	\$ 1,460,650	\$ 293,097

*Not considered as revenue on a U.S. GAAP basis

Golf Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Charges for services	\$ 15,000	\$ 46,790	\$ 31,790
Total revenue	\$ 15,000	\$ 46,790	\$ 31,790
EXPENDITURES:			
Golf operations	\$ 15,000	\$ 9,000	\$ 6,000
Total expenditures	\$ 15,000	\$ 9,000	\$ 6,000

Emergency Operations Center (EOC) / 911 Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Other local taxes	\$ 3,571,596	\$ 3,571,596	\$ -
Charges for services	100	-	(100)
Recovered cost	1,476,393	1,398,426	(77,967)
Commonwealth of Virginia	113,617	-	(113,617)
Transfer in	1,148,659	1,087,077	(61,582)
Total revenue	\$ 6,310,365	\$ 6,057,099	\$ (253,266)
EXPENDITURES:			
EOC Operations	6,173,108	5,919,842	253,266
Transfer out (Debt Service)	137,257	137,257	-
Total expenditures	\$ 6,310,365	\$ 6,057,099	\$ 253,266

Schedule of Revenues and Expenditures - Budget and Actual
Nonmajor Funds
For the Year Ending June 30, 2023

Exhibit J-1

Cemeteries Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Charges for services	\$ 1,023,600	\$ 1,420,625	\$ 397,025
Miscellaneous	561,575	12,855	(548,720)
Transfer in	436,952	631,944	194,992
Total revenue	\$ 2,022,127	\$ 2,065,424	\$ 43,297
EXPENDITURES:			
Cemetery operations	\$ 1,982,421	\$ 2,025,718	\$ (43,297)
Transfer out (Debt Service)	39,706	39,706	-
Total Expenditures	\$ 2,022,127	\$ 2,065,424	\$ (43,297)

Public Amenities Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Taxes - Hotel & Restaurant	\$ 7,498,180	\$ 9,011,512	\$ 1,513,332
Intergovernmental - state	136,000	145,489	9,489
Rollover from last year*	1,005,036	1,005,036	-
Total revenue	\$ 8,639,216	\$ 10,162,037	\$ 1,522,821
EXPENDITURES AND TRANSFERS:			
Transfer out (Debt Service)	\$ 4,652,216	\$ 4,652,216	\$ -
Transfer out (General fund)	3,500,000	3,500,000	-
All purpose	487,000	386,268	100,732
Total expenditures	\$ 8,639,216	\$ 8,538,484	\$ 100,732

*Not considered as revenue on a U.S. GAAP basis

Tax Increment Financing Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Taxes - real property	\$ 7,200,700	\$ 7,200,700	\$ -
Total revenue	\$ 7,200,700	\$ 7,200,700	\$ -
EXPENDITURES AND TRANSFERS:			
Transfer out (Debt Service)	\$ 1,500,000	\$ 1,500,000	\$ -
Transfer out (General fund)	5,700,700	5,700,700	-
Total expenditures	\$ 7,200,700	\$ 7,200,700	\$ -

Schedule of Revenues and Expenditures - Budget and Actual
Nonmajor Funds
For the Year Ending June 30, 2023

Exhibit J-1

Community Development Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Intergovernmental Federal	\$ 4,589,454	\$ 3,589,050	\$ (1,000,404)
Miscellaneous	-	1,850,614	1,850,614
Total revenue	\$ 4,589,454	\$ 5,439,664	\$ 850,210
EXPENDITURES:			
Operations	\$ 4,589,454	\$ 5,439,664	\$ (850,210)
Total expenditures	\$ 4,589,454	\$ 5,439,664	\$ (850,210)

Note: Budget for the Community Development fund are from the current year annual plan and can be expensed over multiple years

Waste Management Special Revenue Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Fines and forfeitures	\$ 11,000	\$ -	\$ (11,000)
Use of money and property	10,000	10,179	179
Charges for services	22,196,492	20,803,665	(1,392,827)
Recovered costs	443,201	432,065	(11,136)
Miscellaneous	100	20,528	20,428
Rollover from last year*	2,326,646	2,326,646	-
Total revenue	\$ 24,987,439	\$ 23,593,083	\$ (1,394,356)
EXPENDITURES AND TRANSFERS:			
Public works	\$ 24,745,365	\$ 22,508,147	\$ 2,237,218
Transfer out	242,074	262,807	(20,733)
Total expenditures	\$ 24,987,439	\$ 22,770,954	\$ 2,216,485

*Not considered as revenue on a U.S. GAAP basis

Schedule of Revenues and Expenditures - Budget and Actual
Internal Service Funds
For the Year Ending June 30, 2023

Exhibit J-2

Fleet Internal Service Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Charges for services	\$ 11,015,437	\$ 11,544,670	\$ 529,233
Miscellaneous & capital contributions	70,365	142,122	71,757
Rollover from last year*	587,763	587,763	-
Total revenue	\$ 11,673,565	\$ 12,274,555	\$ 600,990
EXPENDITURES:			
Fleet	11,592,359	14,169,130	(2,576,771)
Transfer out	81,206	81,206	-
Total expenditures	\$ 11,673,565	\$ 14,250,336	\$ (2,576,771)

*Not considered as revenue on a U.S. GAAP basis

Healthcare Management Internal Service Fund

	Budget	Actual Budgetary Basis	Positive (Negative) Variance
REVENUES:			
Charges for services	\$ 105,700,538	\$ 87,725,863	\$ (17,974,675)
Total revenue	\$ 105,700,538	\$ 87,725,863	\$ (17,974,675)
EXPENDITURES AND TRANSFERS:			
Healthcare	\$ 105,678,272	\$ 75,019,968	\$ 30,658,304
Transfer out (Debt Service)	22,266	22,266	-
Total expenditures	\$ 105,700,538	\$ 75,042,234	\$ 30,658,304

Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Period Ended June 30, 2023

Exhibit J-3

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Community Development					
Neighborhood Project Development	\$ 23,935,000	\$ 2,201,882	\$ 2,248,248	\$ 4,450,130	\$ 19,484,870
Neighborhood Conservation Revitalization	46,590,203	49,031,645	(242,213)	48,789,432	(2,199,229)
Broad Creek Renaissance	32,631,300	28,156,998	-	28,156,998	4,474,302
Neighborhood commercial Improvements	80,998,695	80,518,993	573,554	81,092,547	(93,852)
Create Special Service Areas	744,950	493,585	-	493,585	251,365
Convert Street Lights to LED	5,175,000	165,729	201,736	367,465	4,807,535
Improve Emerging Districts	10,975,000	2,477,091	2,715,437	5,192,528	5,782,472
Improve Road Infrastructure in St. Paul's Area	16,000,000	(3,693,428)	6,436,166	2,742,738	13,257,262
Maintain Sidewalks Citywide	1,300,000	1,150,289	-	1,150,289	149,711
Improve Infrastructure at Moton Circle	750,000	3,000	-	3,000	747,000
Support Blue/Greenway Amenities in St. Paul's Area	2,000,000	-	-	-	2,000,000
Design Berkley Square Complex	1,000,000	-	-	-	1,000,000
Other	974,774	974,774	-	974,774	-
Community Development Total	223,074,922	161,480,558	11,932,928	173,413,486	49,661,436
Cultural Facilities					
Attucks Theatre Renovations	2,550,629	2,558,762	-	2,558,762	(8,133)
Scope and Chrysler Hall Improvements	34,737,779	26,263,245	194,028	26,457,273	8,280,506
Chrysler Museum Improvements	15,208,912	15,066,111	-	15,066,111	142,801
Civic Building Improvements	1,278,681	1,217,017	-	1,217,017	61,664
Conference Center	68,911,437	65,619,457	-	65,619,457	3,291,980
Harrison Opera House Improvements	404,856	404,856	-	404,856	-
MacArthur Memorial Improvements	2,658,969	2,658,969	-	2,658,969	-
Nauticus/Maritime Center Improvements	7,837,500	824,619	3,500,000	4,324,619	3,512,881
Fund Nauticus Capital Campaign	1,000,000	-	-	-	1,000,000
USS Wisconsin Improvements	14,524,974	11,815,319	1,588,117	13,403,436	1,121,538
Replace Cruise Terminal Passenger Boarding Bridge	700,000	2,907,484	192,187	3,099,671	(2,399,671)
Maintain Wells Theatre	750,000	750,000	-	750,000	-
Other	8,907,578	5,862,035	-	5,862,035	3,045,543
Cultural Facilities Total	159,471,315	135,947,874	5,474,332	141,422,206	18,049,109
Economic Development					
Acquire/Dispose/Upgrade City Properties	107,740,463	83,170,833	7,768,819	90,939,652	16,800,811
Nauticus/Cruise Terminal Development	38,550,000	37,329,327	-	37,329,327	1,220,673
Huntersville Redevelopment	1,000,000	924,423	-	924,423	75,577
Wachovia Center Development	3,553,101	3,553,101	-	3,553,101	-
Kroc Center Development	4,000,000	3,994,779	-	3,994,779	5,221
Support CHKD Pediatric Mental Health Hospital	3,000,000	-	3,000,000	3,000,000	-
Improve Former Greenies Site	1,500,000	-	107,782	107,782	1,392,218
Renovate Selden Market	1,500,000	-	-	-	1,500,000
Implement Norfolk Green Fund	300,000	-	60,398	60,398	239,602
Other	16,553,258	16,065,758	-	16,065,758	487,500
Economic Development Total	177,696,822	145,038,221	10,936,999	155,975,220	21,721,602

Capital Improvement Program

Exhibit J-3

Schedule of Expenditures - Budget and Actual From Inception and for the Period Ended June 30, 2023

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
General/Other					
Campostella Landfill Closure	6,500,000	3,964,913	316,685	4,281,598	2,218,402
Control Beach Erosion	40,909,700	34,084,787	6,744,076	40,828,863	80,837
Transfer to Debt Service	1,600,000	6,814,713	-	6,814,713	(5,214,713)
Integrated Financial Management System Implementation	5,900,224	5,900,407	-	5,900,407	(184)
Waterway Dredging Projects	7,309,487	6,763,711	1,766	6,765,477	544,010
Conservation and Green Vision Implementation	5,377,373	4,877,374	-	4,877,374	499,999
Public Safety Radio Communication System Upgrade	4,703,668	4,703,668	-	4,703,668	-
Upgrade and Expand Broadband Infrastructure	2,000,000	612,751	-	612,751	1,387,249
Acquire Technology	15,425,000	9,479,415	2,270,251	11,749,666	3,675,334
Support Major Demolitions	1,500,000	247,245	463,902	711,147	788,853
Construct a Downtown Flood Wall	35,000,000	-	1,961,007	1,961,007	33,038,993
Other	34,358,367	19,103,359	-	19,103,357	15,255,010
General/Other Total	160,583,819	96,552,341	11,757,687	108,310,028	52,273,790
Public Buildings and Facilities					
Fire Station Emergency Generation Program	14,850,188	9,918,359	1,447,183	11,365,542	3,484,646
Infrastructure Improvements	46,460,473	12,060,831	681,935	12,742,766	33,717,707
Annual Roof Maintenance	9,678,652	159,567	20,826	180,393	9,498,259
Library Facilities - Anchor Branch	20,476,238	20,096,375	-	20,096,375	379,863
Police Precinct Replacement	20,328,986	-	-	-	20,328,986
Courts Replacement and Renovations	122,620,168	115,704,530	-	115,704,530	6,915,637
Jail Renovations	14,612,510	210,385	762,853	973,238	13,639,272
Selden Arcade Renovations	8,400,543	-	-	-	8,400,543
City Hall Building Renovations	37,736,839	24,414,916	4,039,077	28,453,993	9,282,846
Tow Yard Acquisition	697,045	-	-	-	697,045
Fire Facilities Replacement/Improvements	13,259,541	13,505,356	249,847	13,755,203	(495,662)
Police Training Facilities	656,000	-	-	-	656,000
Main Library Construction	69,727,997	67,466,575	-	67,466,575	2,261,422
Design/Construct Government Center Plaza	4,749,980	-	-	-	4,749,980
Construct Southside Library	7,100,000	4,904,187	-	4,904,187	2,195,813
Acquire Equipment and Technology	11,191,100	3,441,561	-	3,441,561	7,749,539
Create Gender-Neutral Restroom in City Hall	42,000	-	20,613	20,613	21,387
Improve Cemeteries Infrastructure	750,000	464,090	-	464,090	285,910
Improve Marriott Waterside Conference Center (PA)	6,500,000	131,491	-	131,491	6,368,509
Improve Waste Management Facilities	1,000,000	189,748	-	189,748	810,252
Renovate the School Administration Building	3,900,000	1,455,894	220,719	1,676,613	2,223,387
Upgrade Security at City Facilities	2,110,000	569,723	268,826	838,549	1,271,451
Improve Animal Care Center Infrastructure	500,000	-	-	-	500,000
Renovate Magistrate's Office	550,000	419,276	37,102	456,378	93,622
Repair and Replace Underground Storage Tanks	100,000	-	-	-	100,000
Replace Fire Station 11	5,400,000	27,150	9,722	36,872	5,363,128
Relocate the City's Data Center	6,000,000	2,847,891	489,619	3,337,510	2,662,490
Replace Chiller at Central Energy Plant	800,000	300,520	386,915	687,435	112,565
Other	38,611,679	23,020,671	2,056,566	25,077,236	13,534,443
Public Buildings and Facilities Total	468,809,939	301,309,095	10,691,803	312,000,898	156,809,040

Capital Improvement Program

Exhibit J-3

Schedule of Expenditures - Budget and Actual From Inception and for the Period Ended June 30, 2023

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Parks/Recreational Facilities					
Zoo Master Plan	28,907,037	27,644,900	3,120	27,648,020	1,259,017
Titustown Recreation Center Improvements	3,550,000	3,000,000	-	3,000,000	550,000
Botanical Gardens	2,494,413	2,494,412	-	2,494,412	-
Existing Recreation Center Improvements	14,560,717	14,485,983	15,230	14,501,212	59,505
Norview Recreation Center	7,947,756	7,947,756	-	7,947,756	-
Lambert's Point Golf Course	9,050,000	9,050,000	-	9,050,000	-
Lambert's Point Community and Recreation Center	6,715,893	6,715,893	-	6,715,893	-
Harbor Park Improvements	6,624,747	3,814,253	2,733,669	6,547,923	76,825
Athletic Field Renovations	2,685,903	2,685,903	-	2,685,903	-
Norfolk Fitness & Wellness Center Renovations	1,803,669	1,803,669	-	1,803,669	-
Broadcreek & Westside Neighborhood Parks	2,610,062	2,610,012	-	2,610,012	50
TownPoint Park Improvements	11,478,749	11,478,749	-	11,478,749	-
Martin Luther King Park	116,020	116,019	-	116,020	-
Waterside Waterfront Renovations	8,671,789	8,391,626	-	8,391,626	280,163
Ingleside Gymnasium	1,695,874	1,695,874	-	1,695,874	-
Southside Boys & Girls Club Improvements	1,500,000	1,500,000	-	1,500,000	-
Construct Park along East Water Street	500,000	499,749	-	499,748	252
Design Combination Rec & Library Facility at NFWC	4,000,000	58,672	84,163	142,835	3,857,165
Improve Huntersville Park Site	700,000	-	25,622	25,622	674,378
Support Outdoor Athletic Field Lighting	2,000,000	-	288,969	288,969	1,711,031
Transform Northside Park	5,000,000	-	-	-	5,000,000
Construct Public Boat Ramp on Pretty Lake	3,000,000	-	1,350	1,350	2,998,650
Construct Wooden Fishing Pier at Granby Street Bridge	1,285,000	-	-	-	1,285,000
Other	14,192,410	13,855,320	-	13,855,320	337,090
Parks/Recreational Facilities Total	141,090,038	119,848,789	3,152,123	123,000,913	18,089,126
Schools					
Blair Middle School Replacement	7,071,710	7,071,710	-	7,071,710	-
Norfolk Public School Initiative	5,265,000	5,263,456	-	5,263,456	1,544
Norview High School Construction	29,865,659	29,865,659	-	29,865,659	-
Southside Middle School	1,535,212	1,313,413	-	1,313,413	221,799
High School Athletic Field	1,495,091	1,495,091	-	1,495,091	-
Coleman Place Elementary Replacement	20,293,970	20,293,970	-	20,293,970	-
Crossroads Elementary Replacement	34,108,313	31,673,981	-	31,673,981	2,434,332
Larchmont Elementary School	23,109,625	22,834,870	-	22,834,870	274,755
Ocean View Elementary School	22,847,436	21,809,362	-	21,809,362	1,038,074
Campostella STEM Academy	35,629,524	34,059,741	-	34,059,741	1,569,783
Broad Creek Elementary School	21,961,042	21,478,941	-	21,478,941	482,101
Camp Allen Elementary School	30,431,984	26,505,159	-	26,505,159	3,926,825
Construct Maury High School	10,000,000	-	-	-	10,000,000
Renovate Booker T. Washington High School	40,000,000	-	-	-	40,000,000
Schools Other	108,321,032	54,630,973	3,525,352	58,156,325	50,164,707
Schools Total	391,935,598	278,296,326	3,525,352	281,821,678	110,113,920

Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Period Ended June 30, 2023

Exhibit J-3

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Transportation					
Old Dominion University Master Plan	10,304,204	5,610,091	-	5,610,091	4,694,113
VDOT Urban Support	9,773,025	8,791,409	14,966	8,806,375	966,650
Bridge Maintenance & Repair Program	46,618,240	38,304,367	1,418,511	39,722,878	6,895,362
Signal & Intersection Enhancements	15,806,765	13,091,357	532,099	13,623,456	2,183,309
Citywide Soundwall Program	8,405,303	8,403,332	-	8,403,332	1,971
Neighborhood Streets Improvements	78,097,088	79,500,971	143,265	79,644,236	(1,547,148)
Atlantic City Development	14,356,810	13,899,027	-	13,899,027	457,783
Citywide Boat Ramp Improvements	3,288,822	2,490,963	323,965	2,814,928	473,894
Construct Light Rail	105,010,914	70,303,888	-	70,303,888	34,707,026
Develop Multi-Modal Transfer Station at Harbor Park	4,348,573	3,846,809	-	3,846,809	501,764
Install New Sidewalks	2,550,000	244,779	343,276	588,055	1,961,945
Rehabilitate Hampton Boulevard Bridge	7,700,000	507,436	4,204,816	4,712,251	2,987,749
Install ADA Ramps Citywide	1,500,000	10,520	753,174	763,694	736,306
Improve Colonial Avenue for Pedestrians	550,000	-	14,846	14,846	535,154
Reconstruct Westminster Avenue	1,000,000	-	-	-	1,000,000
Install Signals at Virginia Beach Blvd and Winburne Ln Intersection	800,000	-	-	-	800,000
Install Traffic Signals at Hampton Boulevard and Jamestown Crescent	930,000	-	61,134	61,134	868,866
Rehabilitate Shore Drive Bridge over Little Creek	1,500,000	-	26,268	26,268	1,473,732
Support Citywide Resurfacing	6,000,000	-	955,680	955,680	5,044,320
Other	33,598,348	26,633,856	-	26,633,856	6,964,492
Transportation Total	352,138,092	271,638,804	8,792,000	280,430,804	71,707,288
Grand Total	\$ 2,074,800,546	\$ 1,510,112,008	\$ 66,263,224	\$ 1,576,375,233	\$ 498,425,311

Schedule of Revenues and Expenditures, Budget and Actual
Grants Special Revenue Fund
From Inception through June 30, 2023

Exhibit J-4

	Original Budget	Final Budget	Actual Budgetary Basis	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4,493,288	\$ 4,493,288
Charges for services	-	-	190,288	190,288
Miscellaneous	-	-	2,765,641	2,765,641
Transfer in	-	-	6,668,538	6,668,538
Intergovernmental	48,106,958	72,120,005	96,023,780	23,903,775
Total revenues	\$ 48,106,958	\$ 72,120,005	\$ 110,141,535	\$ 38,021,530
EXPENDITURES:				
Current				
General government	\$ 247,000	\$ -	\$ 1,298	\$ (1,298)
Judicial administration	4,736,504	4,284,106	3,637,450	646,656
Public safety	5,551,354	16,314,299	66,936,513	(50,622,214)
Public works	10,500,000	12,593,458	1,682,872	10,910,586
Health and public assistance	26,774,600	28,568,420	20,590,073	7,978,347
Culture and recreation	297,500	188,962	560,985	(372,023)
Community development	-	10,170,760	7,526,041	2,644,719
Total expenditures	\$ 48,106,958	\$ 72,120,005	\$ 100,935,232	\$ (28,815,227)

Original Budget - Annual Grants Plan in Budget Book

Final Budget - budgets including active special revenue grant units that span multiple years



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STATISTICAL
SECTION
(unaudited)



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STATISTICAL SECTION

This section of the City of Norfolk's annual comprehensive financial report provides detailed historical and economic information for users of the financial statements, notes to the financial statements, and required supplementary information for the purpose of assessing and evaluating the City's economic condition.

Financial Trends Information – These schedules provide information on the City's net assets, changes to net assets and fund balance for assessing the changes in financial position over time.

Revenue Capacity Information – These schedules provide information on the City's ability to generate revenue, specifically property tax revenue (the major source of revenue for governmental activities).

Debt Capacity Information – These schedules provide information on the City's outstanding debt, debt limitations and the ability to leverage and pay future debt.

Demographic and Economic Information – These schedules provide information about the environment in which the City operates.

Operating Information – These schedules provide operating information related to the City's infrastructure, assets and services provided by function.

Sources: Unless otherwise noted, the information in these statistical schedules is from the annual comprehensive financial reports for the relevant years.





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Financial Trends Information

Net Position by Category Last Ten Fiscal Years

(Amounts in thousands)

Schedule 1

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:		restated ⁽¹⁾			restated ⁽¹⁾					
Net investment in capital assets	\$ 337,937	\$ 428,380	\$ 386,641	\$ 365,913	\$ 351,887	\$ 382,093	\$ 384,078	\$ 374,478	\$ 372,139	\$ 448,924
Restricted	22,062	10,485	12,412	12,042	6,485	6,690	9,094	8,217	8,048	18,777
Unrestricted	(149,763)	(217,542)	(153,467)	(124,543)	(108,368)	(109,199)	(148,756)	(177,514)	(24,679)	72,416
Subtotal governmental activities net position	210,236	221,323	245,586	253,412	250,004	279,584	244,416	205,180	355,508	540,118
Business-type activities: ⁽²⁾										
Net investment in capital assets	259,371	266,206	301,340	342,470	330,979	364,975	406,149	451,059	535,599	590,892
Restricted	32,495	29,610	31,766	35,237	36,017	28,501	29,946	32,588	28,914	33,389
Unrestricted	77,120	100,988	85,668	59,766	98,533	102,475	121,751	113,452	104,802	92,446
Subtotal business-type activities net position	368,986	396,804	418,774	437,473	465,529	495,951	557,846	597,099	669,315	716,728
Primary government:										
Net investment in capital assets	597,308	694,586	687,981	708,383	682,866	747,068	790,227	825,537	907,738	1,039,816
Restricted	54,557	40,095	44,178	47,279	42,502	35,191	39,040	40,805	36,963	52,166
Unrestricted	(72,643)	(116,554)	(67,799)	(64,777)	(9,835)	(6,724)	(27,005)	(64,062)	80,123	164,863
Total primary government net position	\$ 579,222	\$ 618,127	\$ 664,360	\$ 690,885	\$ 715,533	\$ 775,535	\$ 802,262	\$ 802,279	\$ 1,024,823	\$ 1,256,845

Notes:

(1) Restatements are due to implementation of new accounting pronouncements.

(2) Beginning in fiscal year 2020, the Storm Water Utility Special Revenue Fund was converted to an Enterprise Fund.

Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

Schedule 2

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenue										
Governmental activities:										
Charges for services										
General government	\$ 4,149	\$ 7,152	\$ 4,642	\$ 4,822	\$ 4,728	\$ 7,267	\$ 6,069	\$ 8,057	\$ 7,812	\$ 8,008
Judicial administration	3,142	2,938	2,729	2,688	2,507	2,396	1,896	22,659	23,772	25,000
Public safety	7,613	7,563	8,307	8,364	7,802	8,504	8,067	11,727	12,230	15,770
Public works	37,769	41,821	42,341	40,322	41,185	40,169	23,242	25,330	24,484	25,629
Health and public assistance	5,597	5,577	6,310	6,390	6,385	5,498	5,928	5,374	6,067	7,445
Culture and recreation	9,685	8,948	10,054	9,835	9,305	9,810	6,817	3,448	7,894	9,541
Community development	1,960	2,557	2,370	2,511	1,264	2,244	2,510	1,872	1,946	4,317
Capital grants and contributions ²	15,933	1,000	5,672	5,941	11,954	3,806	(25,255)	1,983	(5)	14,508
Operating grants and contributions	120,713	125,802	132,611	135,194	151,519	142,804	161,602	207,936	233,842	201,095
Total governmental activities program revenue	206,561	203,358	215,036	216,067	236,649	222,498	190,876	288,386	318,042	311,313
Business-type activities:										
Charges for services										
Water utility	79,097	82,996	80,749	84,529	86,942	111,546	91,377	95,239	103,716	107,264
Wastewater utility	27,119	28,144	27,823	29,065	30,201	31,222	31,705	32,120	35,334	35,521
Parking facilities	20,413	19,520	19,612	20,577	22,148	22,324	19,953	18,073	19,229	20,618
Storm Water utility	N/A	N/A	N/A	N/A	N/A	N/A	21,666	22,393	22,389	23,365
Capital grants and contributions ²	2,761	3,006	338	188	144	381	26,705	-	-	6,813
Total business-type activities program revenue	129,390	133,666	128,522	134,359	139,435	165,473	191,406	167,825	180,668	193,581
Total primary government program revenues	335,951	337,024	343,558	350,426	376,084	387,971	382,282	456,211	498,709	504,894
Expenses										
Governmental activities:										
General government	122,656	126,959	130,550	155,159	152,832	157,320	157,801	150,511	142,589	163,079
Judicial administration	55,062	49,056	51,926	55,547	57,118	46,124	48,443	47,505	47,384	61,730
Public safety	125,122	120,710	119,828	133,378	160,378	138,890	153,190	102,697	135,156	135,118
Public works	66,909	81,171	79,200	80,825	69,194	66,079	61,612	57,246	58,041	85,373
Health and public assistance	90,919	86,776	85,730	89,103	87,827	91,735	97,275	76,088	90,165	96,770
Culture and recreation	56,499	58,443	60,064	62,996	46,799	58,962	64,901	35,794	54,751	64,618
Community development	12,622	13,040	16,734	15,402	23,320	29,381	40,728	66,151	71,342	45,021
Education	109,467	117,722	114,769	114,972	131,137	136,660	135,699	112,363	138,902	118,263
Interest on long-term debt	25,187	22,060	22,950	19,326	24,965	28,817	24,998	29,876	25,474	30,084
Total government activities expenses	664,443	675,937	681,751	726,708	753,570	753,968	784,647	678,231	763,804	800,056
Business-type activities:										
Water utility	61,609	59,448	59,415	65,319	61,276	63,967	65,534	63,489	47,456	74,370
Wastewater utility	20,128	19,142	19,226	22,072	21,012	20,201	21,082	21,087	16,424	23,191
Parking facilities	23,677	20,045	20,651	21,078	23,084	25,365	24,850	20,031	12,079	21,814
Storm Water utility ^{(1) (2)}	N/A	N/A	N/A	N/A	N/A	N/A	13,239	16,331	14,858	20,145
Total business-type activities expenses	105,414	98,635	99,292	108,469	105,372	109,533	124,705	120,938	90,818	139,520
Total primary government expenses	769,857	774,572	781,043	835,177	858,942	863,501	909,352	799,169	854,621	939,576
Net (Expense) Revenue										
Governmental activities	(457,882)	(472,579)	(466,715)	(510,641)	(516,921)	(531,470)	(593,771)	(389,845)	(445,762)	(488,743)
Business-type activities	23,976	35,031	29,230	25,890	34,063	55,940	66,701	46,887	89,850	54,061
Total primary government net expense	\$ (433,906)	\$ (437,548)	\$ (437,485)	\$ (484,751)	\$ (482,858)	\$ (475,530)	\$ (527,070)	\$ (342,958)	\$ (355,912)	\$ (434,682)

Notes:

(1) Beginning in fiscal year 2020, the Storm Water Utility Special Revenue Fund was converted to an Enterprise Fund.

(2) The contribution to the Storm Water Utility fund identified as a "special item" on the Statement of Activities is included in capital grants and contributions in fiscal year 2020.

Financial Trends Information

Changes in Net Position

Last Ten Fiscal Years

(Amounts in thousands)

Schedule 2-1

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenue and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 254,357	\$ 263,490	\$ 263,395	\$ 271,461	\$ 277,132	\$ 303,623	\$ 316,998	\$ 329,293	\$ 357,257	\$ 395,915
Consumption utility	43,055	42,961	41,849	41,452	41,292	39,947	38,890	36,767	31,207	37,134
Sales and use	29,436	29,981	30,330	31,185	32,799	33,259	35,395	39,525	42,726	44,955
Restaurant food	31,127	32,634	34,224	34,934	37,990	39,210	35,284	36,384	43,567	48,332
Business licenses	29,889	28,640	28,935	30,557	28,529	29,929	29,916	31,620	32,645	34,436
Cigarette	7,409	7,821	7,784	7,860	7,492	7,889	7,703	7,374	6,389	6,372
Motor vehicle licenses	3,966	3,953	4,488	4,642	4,760	4,903	4,963	5,039	2,121	813
Other	16,618	18,280	18,424	18,909	21,277	22,127	19,382	18,507	26,345	28,159
Interest and investment earnings	783	164	291	249	270	1,212	1,403	457	(222)	11,598
Grants and contributions not restricted to specific programs	33,788	33,793	34,863	36,440	28,158	35,965	36,316	39,500	39,720	38,584
Miscellaneous	14,563	11,916	16,404	30,778	31,189	12,677	17,377	244	3,833	20,445
Capital asset transfers	-	-	-	-	-	-	-	-	-	(3,228)
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	3,716	-	-	-
Debt proceeds to trust	-	-	-	-	-	-	-	(210,000)	-	-
Transfers between governmental and business-type activities	10,052	10,033	10,000	10,000	10,000	30,309	11,259	15,900	10,500	9,838
Total governmental activities	475,043	483,666	490,987	518,467	520,888	561,050	558,602	350,610	596,090	673,353
Business-type activities:										
Interest and investment earnings	496	112	295	432	671	2,507	3,383	130	-	2,577
Grants and contributions not restricted to specific programs	219	214	149	150	142	134	126	325	-	-
Unrealized gain (loss) on investments	-	-	-	-	(52)	-	45	5,069	(17,937)	-
Miscellaneous	3,162	2,506	2,295	2,228	2,059	2,151	2,899	2,742	10,803	613
Gain (Loss) on disposal of assets	(88)	(2)	-	-	-	-	-	-	-	-
Transfers between governmental and business-type activities	(10,052)	(10,033)	(10,000)	(10,000)	(10,000)	(30,309)	(11,259)	(15,900)	(10,500)	(9,838)
Total business-type activities	(6,263)	(7,203)	(7,261)	(7,190)	(7,180)	(25,517)	(4,806)	(7,635)	(17,634)	(6,648)
Total primary governmental activities	468,780	476,463	483,726	511,277	513,708	535,533	553,796	342,976	578,456	666,705
Change in Net Position										
Governmental activities	2,464	16,951	(19,654)	1,546	(10,582)	561,050	(35,168)	(39,235)	150,328	184,610
Business-type activities	28,768	22,027	18,629	26,873	48,760	(25,517)	61,895	39,253	72,216	47,413
Total Primary Government changes in net position	\$ 31,232	\$ 38,978	\$ (1,025)	\$ 28,419	\$ 38,178	\$ 535,533	\$ 26,726	\$ 18	\$ 222,544	\$ 232,023

Financial Trends Information
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in thousands)

Schedule 3

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Nonspendable	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619	\$ -
Restricted	265	2,100	3,015	165	145	135	130	120	115	115
Committed	3,000	4,000	5,000	8,698	9,347	10,032	13,051	16,404	18,884	21,553
Assigned	23,901	25,904	26,557	36,605	44,118	65,231	66,842	138,914	217,246	333,209
Unassigned	58,100	65,580	73,077	70,652	70,962	76,510	74,994	75,557	92,920	81,843
Total General Fund	85,266	97,584	107,788	116,120	124,572	151,908	155,017	230,995	329,784	436,720
Grants Fund:										
Nonspendable	-	-	-	-	-	-	-	1,374	-	-
Restricted	-	-	-	-	-	-	-	1,734	1,618	8,625
Committed	-	-	-	-	-	-	-	2,428	4,393	6,783
Assigned	-	-	-	-	-	-	-	738	889	698
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Grants Fund ⁽¹⁾	-	-	-	-	-	-	-	6,274	6,900	16,106
Capital Projects Fund:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	10,933	-	-	-	-	-	-	-	-	-
Committed	14,480	14,704	6,170	-	-	4,105	-	-	-	88,771
Assigned	4,052	-	-	-	-	-	-	-	-	-
Unassigned	-	(84,624)	(216,480)	(190,871)	(128,799)	-	(7,055)	(51,497)	5,117	-
Total Capital Projects Fund	29,465	(69,920)	(210,310)	(190,871)	(128,799)	4,105	(7,055)	(51,497)	5,117	88,771
All Other Governmental Funds:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	10,864	8,385	9,397	6,223	6,340	6,554	8,965	6,362	6,602	6,904
Committed	5,050	2,764	3,138	5,872	7,323	7,705	5,579	38	38	164
Assigned	22,144	17,843	26,554	20,345	21,501	22,339	14,148	12,719	11,331	11,207
Unassigned	(1,556)	(2,913)	(2,689)	(932)	(823)	(66)	(64)	-	-	-
Total Other Governmental Funds ⁽¹⁾	36,502	26,079	36,400	31,508	34,341	36,532	28,628	19,119	17,971	18,275
Total fund balance, governmental funds	\$ 151,233	\$ 53,743	\$ (66,122)	\$ (43,243)	\$ 30,114	\$ 192,545	\$ 176,590	\$ 204,891	\$ 359,773	\$ 559,872

Note:

(1) Prior to fiscal year 2021, Grants Fund was reported with the All Other Governmental Funds. Tested as a Major Fund for FY21 due to CARES and ARPA funding.

Financial Trends Information

Changes in Fund Balance, Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

Schedule 4

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue:										
General property taxes	\$ 256,979	\$ 262,433	\$ 265,943	\$ 269,816	\$ 277,559	\$ 303,370	\$ 311,961	\$ 327,739	\$ 352,648	\$ 379,812
Other local taxes	161,499	164,270	166,034	169,539	174,139	177,263	171,533	175,217	185,001	200,202
Licenses and permits	3,089	3,013	3,038	3,576	3,292	4,118	3,599	3,495	3,883	5,018
Fines and forfeitures	1,242	1,264	1,111	921	1,068	1,027	801	978	1,359	1,098
Use of money and property	6,329	9,668	7,354	7,786	7,504	11,098	9,861	6,438	8,663	21,859
Charges for services	60,040	59,983	62,709	62,315	62,383	60,905	41,335	43,250	44,161	49,379
Miscellaneous	29,133	10,142	11,325	12,080	11,311	11,287	11,743	11,105	12,226	20,854
Intergovernmental	153,782	158,840	166,686	176,784	193,289	182,023	198,634	267,558	298,592	263,443
Total revenues	672,093	669,613	684,200	702,817	730,545	751,091	749,467	835,780	906,534	941,665
Expenditures:										
Current										
General government	109,292	110,904	118,468	127,367	131,203	136,987	133,751	144,751	149,596	158,494
Judicial administration	51,673	51,360	50,513	50,767	52,012	45,914	47,359	47,296	49,664	55,377
Public safety	113,394	112,055	116,436	121,494	123,905	127,610	131,883	136,809	136,670	142,738
Public works	55,267	61,369	58,716	63,231	66,882	62,511	53,665	52,029	55,308	41,583
Health and public assistance	88,671	85,631	85,815	87,330	86,702	87,554	91,787	88,067	92,189	97,249
Culture and recreation	46,705	48,765	44,531	44,825	45,968	45,399	43,499	34,012	39,991	52,494
Community development	12,482	12,303	13,677	14,994	22,237	28,212	38,095	72,093	70,985	39,286
Education	111,854	117,722	114,769	114,972	120,972	122,972	124,711	120,973	129,622	107,319
Debt service:										
Principal retirement	48,135	49,255	46,175	50,663	52,583	49,122	61,128	63,782	53,852	76,045
Interest and other charges	28,682	26,896	26,955	27,150	27,317	32,212	29,448	27,612	27,161	29,669
Debt issuance costs	1,127	680	318	-	907	1,823	1,886	1,026	1,282	1,951
Capital outlay	100,709	103,113	140,093	98,492	67,938	49,790	49,490	44,918	47,952	77,205
Total expenditures	767,991	780,053	816,466	801,285	798,626	790,106	806,702	833,368	854,272	879,410
(Deficiency) of revenues (under) expenditures	(95,898)	(110,440)	(132,266)	(98,468)	(68,081)	(39,015)	(57,235)	2,412	52,262	62,255
Other financing sources (uses):										
Proceeds of refunding bonds	73,428	74,094	-	49,378	27,744	-	221,756	46,383	36,895	-
Proceeds from capital leases	-	-	2,400	-	-	-	-	-	-	-
Proceeds from line of credit	-	1,000	-	-	-	-	-	-	-	-
Cost of Issuance	1,127	811	-	(1,106)	-	-	-	(261)	-	-
Proceeds of debt (general obligation bonds and notes)	77,930	-	-	90,094	95,305	144,820	27,553	(5,688)	90,520	96,990
Payment to refunded bonds escrow agent	(79,964)	(81,267)	-	(55,684)	(31,799)	-	(220,838)	(46,122)	(36,693)	-
Premium on bonds issued	17,081	7,530	-	22,586	20,111	24,939	7,591	-	-	13,540
Leases / subscription based information technology arrangements proceeds	-	-	-	-	-	-	-	-	-	16,609
Proceeds from sale or disposal of fixed assets	-	-	-	6,080	20,077	1,378	3,716	15,678	1,397	765
Operating transfers in	107,633	102,604	107,953	106,474	108,550	128,910	120,991	125,961	114,611	164,862
Operating transfers (out)	(95,224)	(92,571)	(97,953)	(96,474)	(98,550)	(98,601)	(109,732)	(110,061)	(104,111)	(154,921)
Total other financing sources (uses)	102,011	12,201	12,400	121,348	141,438	201,446	51,037	25,890	102,619	137,845
Special items:										
Contribution to stormwater utility fund	-	-	-	-	-	-	(9,757)	-	-	-
Total special items	-	-	-	-	-	-	(9,757)	-	-	-
Net change in fund balances	\$ 6,113	\$ (98,239)	\$ (119,866)	\$ 22,880	\$ 73,357	\$ 162,431	\$ (15,955)	\$ 28,302	\$ 154,881	\$ 200,100
Debt service as a percentage of noncapital expenditures	11.22%	11.28%	10.91%	10.95%	10.77%	11.03%	11.89%	11.16%	11.01%	13.76%

Financial Trends Information
Program Revenue by Function
Last Ten Fiscal Years
(Amounts in thousands)

Schedule 5

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General government	\$ 5,077	\$ 12,739	\$ 7,798	\$ 6,725	\$ 7,570	\$ 10,376	\$ 6,069	\$ 8,057	\$ 7,812	\$ 8,008
Judicial administration	28,537	23,113	25,811	27,242	26,163	26,275	1,896	22,659	23,772	25,000
Public safety	11,116	14,226	11,662	12,606	14,991	11,762	8,067	11,727	12,230	15,770
Public works	63,124	76,359	69,609	77,639	98,084	74,029	23,242	25,330	24,484	25,629
Health and public assistance	62,224	57,059	72,181	70,931	60,539	60,707	5,928	5,374	6,067	7,445
Culture and recreation	25,837	9,947	17,301	10,020	9,489	10,050	6,817	3,448	7,894	9,541
Community development	7,626	7,498	8,255	8,360	17,316	27,018	2,510	1,872	1,946	4,317
Interest on long-term debt	3,021	2,417	2,419	2,544	2,497	2,281	-	-	-	-
Total governmental activities	<u>206,562</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>	<u>236,649</u>	<u>222,498</u>	<u>54,529</u>	<u>78,467</u>	<u>84,204</u>	<u>95,710</u>
Business-type activities:										
Water utility	81,757	85,925	81,087	84,718	86,944	111,927	91,377	95,239	103,716	107,264
Wastewater utility	27,219	28,144	27,823	29,065	30,342	31,222	31,705	32,120	35,334	35,521
Parking facilities	20,414	19,596	19,612	20,576	22,149	22,324	19,953	18,073	19,229	20,618
Storm Water utility ⁽¹⁾	-	-	-	-	-	-	21,666	22,393	22,389	23,365
Total business-type activities	<u>129,390</u>	<u>133,665</u>	<u>128,522</u>	<u>134,359</u>	<u>139,435</u>	<u>165,473</u>	<u>164,701</u>	<u>167,825</u>	<u>180,668</u>	<u>186,768</u>
Total primary government	<u>\$ 335,952</u>	<u>\$ 337,023</u>	<u>\$ 343,558</u>	<u>\$ 350,426</u>	<u>\$ 376,084</u>	<u>\$ 387,971</u>	<u>\$ 219,230</u>	<u>\$ 246,292</u>	<u>\$ 264,872</u>	<u>\$ 282,478</u>

Note:
(1) Beginning in fiscal year 2020, the Storm Water Utility Special Revenue Fund was converted to an Enterprise Fund.

Financial Trends Information

Total Revenue by Source, Governmental Funds

Last Ten Fiscal Years

(Amounts in Thousands)

Schedule 6

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Inter-governmental	Totals
2014	\$ 256,979	\$ 161,500	\$ 3,089	\$ 1,242	\$ 6,329	\$ 60,039	\$ 29,133	\$ 153,782	\$ 672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	193,289	730,545
2019	303,370	177,263	4,118	1,027	11,098	60,905	11,287	182,023	751,091
2020	311,961	171,533	3,599	801	9,861	41,335	11,743	198,634	749,467
2021	327,739	175,217	3,495	978	6,438	43,250	11,105	267,558	835,780
2022	352,648	185,001	3,883	1,359	8,663	44,161	12,226	298,592	906,534
2023	379,812	200,202	5,018	1,098	21,859	49,379	20,854	263,443	941,665
Change 2014-2023	47.8%	24.0%	62.4%	-11.6%	245.4%	-17.8%	-28.4%	71.3%	40.1%

Financial Trends Information

Other Local Tax Revenues by Source, Governmental Funds ⁽¹⁾

Last Ten Fiscal Years

(Amounts in Thousands)

Schedule 7

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2014	\$ 43,055	\$ 29,436	\$ 31,127	\$ 29,889	\$ 7,409	\$ 3,966	\$ 16,618	\$ 161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,488	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
2019	39,947	33,259	39,210	29,929	7,889	4,903	22,126	177,263
2020	38,890	35,395	35,284	29,916	7,703	4,963	19,382	171,533
2021	36,767	39,525	36,384	31,620	7,374	5,039	18,507	175,217
2022	31,207	42,726	43,567	32,645	6,389	2,121	26,345	185,001
2023	37,134	44,955	48,332	34,436	6,373	813	28,159	200,202
Change 2014-2023	-13.8%	52.7%	55.3%	15.2%	-14.0%	-79.5%	69.5%	24.0%

Note:

(1) Presents additional details on Other Local Taxes presented in Schedule 6 above.

Assessed Valuations and Estimated Actual Values of Taxable Property Last Ten Fiscal Years

Fiscal Year	Real Property ⁽¹⁾	Personal Property ⁽¹⁾	Other Property ⁽²⁾	Total Taxable Assessed Value	Estimated Actual Taxable Value ⁽³⁾
2014	\$ 18,421,412	\$ 1,512,332	\$ 258,302	\$ 20,192,046	\$ 20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700
2018	19,870,881	1,938,053	288,054	22,096,988	22,096,988
2019	20,345,182	2,006,838	281,245	22,633,265	22,633,265
2020	21,334,651	2,141,764	304,481	23,780,896	23,780,896
2021	22,154,798	2,207,130	275,805	24,637,733	24,637,733
2022	23,076,118	3,277,428	328,211	26,681,757	26,681,757
2023	25,294,182	2,394,576	308,907	27,997,665	27,997,665

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.

Revenue Capacity Information
Direct Property Rates
Last Ten Fiscal Years

Schedule 2

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property tax rate per \$100 of assessed value ⁽¹⁾ :										
Real property	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
Downtown improvement district	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	1.41
Personal property	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.15	1.11	1.15	1.15	1.15	1.25	1.25	1.25	1.25	1.25
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.00	0.00
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 ⁽²⁾	1.22	1.22	1.24	1.23	1.25	1.33	1.32	1.32	1.33	1.36
Assessed value of real property as a percent of fair market value ⁽³⁾ :										
As determined by the City Assessor	98%	100%	100%	100%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation ⁽⁴⁾	99%	100%	99%	97%	97%	98%	98%	98%	94%	87%

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 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.
- (3) 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 2014 through 2023.
- (4) The most recent Virginia Assessment/Sales ratio study is for 2021.

Revenue Capacity Information
Principal Property Taxpayers
Current Year and Nine Years Ago

Schedule 3

Taxpayer	2014			2023		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
MPB, Inc.				203,741,300	1	0.80%
ODU Real Estate Foundation	116,691,000	5	0.63%	146,456,600	2	0.58%
Fort Norfolk Retirement Community, Inc.				100,160,700	3	0.40%
Fort Norfolk Community, Inc.				94,442,100	4	0.37%
Ap Arlay Point LLC Et Al				91,861,400	5	0.36%
SLNWC Office Company, LLC				91,114,000	6	0.36%
Hertz Norfolk 999 Waterside, LLC				77,367,800	7	0.31%
Crown Point Owner, LLC				73,933,400	8	0.29%
Dominion Enterprises	61,618,200	8	0.33%	72,985,000	9	0.29%
Norfolk Outlets, LLC				72,255,300	10	0.29%
Virginia Power Co.	301,301,543	1	1.64%			
MacArthur Shopping Center	183,168,300	2	0.99%			
Norfolk Western Railway Company	128,937,516	3	0.70%			
Verizon Virginia, Inc.	98,558,756	4	0.54%			
Northern Southern	94,315,266	6	0.51%			
Virginia Natural Gas, Inc.	71,459,122	7	0.39%			
Wells Fargo Building	69,376,700	9	0.38%			
Military Circle, LLC	60,093,800	10	0.33%			
	<u>\$ 1,185,520,203</u>		<u>6.44%</u>	<u>\$ 1,024,317,600</u>		<u>4.05%</u>

Note:

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

Revenue Capacity Information

Property Tax Levy and Collections by Tax Year Last Ten Years

Schedule 4

Tax Year	Original Tax Levy	Adjusted Tax Levy ⁽¹⁾	Current Collections	Percent of Current Collections to Tax Levy ⁽²⁾	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy ⁽²⁾
2014	\$ 254,008	\$ 254,598	\$ 240,481	94.46%	\$ 13,980	\$ 254,458	99.94%
2015	256,040	260,734	245,803	94.27%	14,744	260,543	99.93%
2016	264,043	265,482	251,933	94.90%	13,239	265,164	99.88%
2017	268,718	269,672	255,712	94.82%	13,513	268,072	99.41%
2018	275,648	277,578	262,585	94.60%	11,886	274,263	98.81%
2019	300,270	300,270	285,588	95.11%	13,177	298,343	99.36%
2020	314,540	314,540	288,746	91.80%	23,609	311,238	98.95%
2021	327,530	327,530	308,016	94.04%	15,645	320,534	97.86%
2022	355,926	355,926	328,909	92.41%	-	328,909	92.41%
2023	381,434	381,434	353,120	92.58%	-	353,120	92.58%

Notes:

- (1) Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments. obtained from Office of the City Treasurer.
- (2) 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.

Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amount in Thousands)

Schedule 1

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Long Term Lease and SBITA ⁽²⁾ Liability	Total Outstanding Debt	Outstanding Debt per Capita ⁽¹⁾ (Actual)	% of Personal Income	Debt to Net Position Ratio
Governmental Activities								
2014	\$ 718,937	\$ -	\$ -	-	\$ 718,937	\$ 2,918	7.82%	0.52
2015	665,809	1,000	-	-	666,809	2,698	7.06%	0.33
2016	611,876	175,289	-	-	787,165	3,186	8.34%	0.31
2017	664,941	189,803	-	-	854,744	3,471	8.68%	0.30
2018	720,180	156,574	-	-	876,754	3,568	8.68%	0.29
2019	831,837	9,800	-	-	841,637	3,434	8.09%	0.33
2020	790,550	60,000	-	-	850,550	3,457	8.15%	0.29
2021	935,414	83,260	-	-	1,018,674	4,278	9.23%	0.20
2022	977,364	52,762	-	-	1,030,126	4,332	N/A	0.35
2023	1,012,070	50,000	-	33,730	1,095,800	N/A	N/A	0.50
Business-type Activities								
2014	259,717	-	410,401	-	670,118	2,720	7.29%	0.57
2015	247,490	-	443,911	-	691,401	2,797	7.32%	0.57
2016	236,084	16,711	436,720	-	689,515	2,791	7.31%	0.61
2017	258,922	10,089	424,459	-	693,470	2,816	7.04%	0.63
2018	261,164	10,000	442,381	-	713,545	2,904	7.06%	0.65
2019	217,515	9,220	443,646	-	670,381	2,736	6.44%	0.74
2020	262,378	3,000	424,304	-	689,682	2,751	6.61%	0.81
2021	258,887	-	377,953	-	636,840	2,675	5.77%	0.94
2022	242,450	-	362,492	-	604,942	2,544	N/A	1.11
2023	261,042	-	338,191	1,986	601,219	N/A	N/A	1.19
Total Primary Governmental Activities								
2014	978,654	-	410,401	-	1,389,055	5,638	15.11%	0.49
2015	913,299	1,000	443,911	-	1,358,210	5,495	14.39%	0.46
2016	847,960	192,000	436,720	-	1,476,680	5,976	15.65%	0.45
2017	923,863	199,892	424,459	-	1,548,214	6,287	15.72%	0.45
2018	981,344	166,574	442,381	-	1,590,299	6,471	15.74%	0.45
2019	1,049,352	19,020	443,646	-	1,512,018	6,170	14.53%	0.51
2020	1,052,928	63,000	424,304	-	1,540,232	6,953	14.75%	0.52
2021	1,194,301	83,260	377,953	-	1,655,514	6,953	15.01%	0.48
2022	1,219,814	52,762	362,492	-	1,635,068	6,877	N/A	0.63
2023	1,273,112	50,000	338,191	35,716	1,697,019	N/A	N/A	0.74

Note:

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

(2) Subscription-Based Information Technology Arrangements (SBITAs)

N/A - not available

Debt Capacity Information

Ratios of General Bonded Debt to Total Assessed Value and Bonded Debt Per Capita Last Ten Fiscal Years

Schedule 2

Fiscal Year	Gross Bonded Debt ⁽¹⁾ (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property ⁽²⁾ (in thousands)	Population ⁽³⁾	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2014	\$ 978,654	\$ 259,717	\$ 718,937	\$ 19,788,842	246,394	3.63%	\$ 2,918
2015	914,299	247,490	665,809	20,892,353	247,189	3.19%	2,694
2016	1,039,960	252,795	787,165	21,366,996	247,087	3.68%	3,186
2017	1,123,755	269,011	854,744	21,918,700	246,256	3.90%	3,471
2018	1,147,918	271,164	876,754	22,096,988	245,741	3.97%	3,568
2019	1,068,372	226,735	841,637	22,633,265	245,054	3.72%	3,434
2020	1,103,120	252,570	850,550	23,780,896	246,063	3.58%	3,457
2021	1,277,561	258,887	1,018,674	24,637,733	238,102	4.13%	4,278
2022	1,272,576	242,450	1,030,126	26,681,757	237,770	3.86%	4,332
2023	1,323,112	261,042	1,062,070	27,997,665	N/A	3.79%	N/A

Notes:

(1) Gross Bonded Debt includes unamortized premiums.

(2) Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.

(3) The source of 2014 through 2022 population estimates is the Weldon Cooper Center for Public Service, University of Virginia.

N/A - not available

Debt Capacity Information

Computation of Direct Bonded Debt As of June 30, 2023

Schedule 3

	Jurisdiction ⁽¹⁾	Gross Bonded Debt (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:	City of Norfolk	\$ 1,323,112	100%	\$ 1,323,112

Note:

(1) There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years

Schedule 4

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total assessed value of taxed real property	\$ 18,421,412,121	\$ 18,734,201,726	\$ 19,106,737,956	\$ 19,433,889,018	\$ 19,870,880,970	\$ 20,344,603,804	\$ 21,134,551,094	\$ 22,154,797,959	\$ 23,076,117,734	\$ 25,295,259,876
Debt Limit - 10% of total assessed valuation	1,842,141,212	1,873,420,173	1,910,673,796	1,943,388,902	1,987,088,097	2,034,460,380	2,113,455,109	2,215,479,796	2,307,611,773	2,529,525,988
Net debt applicable to debt limitation	912,700,343	914,299,379	988,381,839	1,065,983,734	1,079,595,115	988,038,371	1,086,293,856	1,267,408,068	1,253,606,782	1,299,296,707
Legal Debt Margin	\$ 929,440,869	\$ 959,120,794	\$ 922,291,955	\$ 877,405,167	\$ 907,492,982	\$ 1,046,422,009	\$ 1,027,161,253	\$ 948,071,728	\$ 1,054,004,991	\$ 1,230,229,281
Net debt percentage of debt limitation	49.55%	48.80%	51.73%	54.85%	54.33%	48.57%	51.40%	57.21%	54.32%	51.37%

Debt Capacity Information

Schedule 5

**Revenue Bonds Debt Service Coverage for 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	
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08
2015	85,490,793	36,882,803	48,607,990	7,805,000	13,905,866	21,710,866	2.24
2016	83,103,038	32,731,817	50,371,221	8,750,000	16,612,870	25,362,870	1.99
2017	86,970,065	37,735,743	49,234,322	10,090,000	15,988,725	26,078,725	1.89
2018	89,419,996	34,889,820	54,530,176	13,860,000	14,376,733	28,236,733	1.93
2019	115,557,713	36,530,929	79,026,784	14,200,000	15,858,467	30,058,467	2.63
2020	95,843,067	36,671,425	59,171,642	13,830,000	15,044,375	28,874,375	2.05
2021	97,628,276	36,700,664	60,927,612	15,965,000	14,311,275	30,276,275	2.01
2022	102,685,609	28,736,895	73,948,714	17,170,000	13,504,400	30,674,400	2.41
2023	108,973,861	42,198,815	66,775,046	18,090,000	11,866,138	29,956,138	2.23

Notes:

(1) Includes operating revenue, plus interest income not capitalized.

(2) Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

Debt Capacity Information
Revenue Bonds Debt Service Coverage for Wastewater Utility Fund
Last Ten Fiscal Years

Schedule 6

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	
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,581,959	17,659,762	2,490,000	-	2,490,000	7.09
2016	28,028,027	10,347,338	17,680,689	3,019,967	-	3,019,967	5.85
2017	29,246,659	12,826,121	16,420,538	3,488,443	-	3,488,443	4.71
2018	30,336,506	11,186,214	19,150,292	3,856,919	-	3,856,919	4.97
2019	31,582,034	11,291,981	20,290,053	4,525,669	-	4,525,669	4.48
2020	32,097,154	11,933,730	20,163,424	6,816,855	325,483	7,142,338	2.82
2021	32,531,015	11,805,718	20,725,297	7,393,268	241,212	7,634,480	2.71
2022	35,217,195	8,879,081	26,338,114	7,556,803	110,126	7,666,929	3.44
2023	35,906,216	10,452,416	25,453,800	8,301,763	85,166	8,386,929	3.03

Notes:

(1) Includes operating revenue, plus interest income not capitalized.

(2) Includes operating expenses, less depreciation/amortization and payment in lieu of taxes (PILOT).

Debt Capacity Information**Revenue Bonds Debt Service Coverage for Storm Water Fund
Last Ten Fiscal Years⁽¹⁾**

Fiscal Year	Revenue Available for Debt Service ⁽³⁾	Operating Expenses Less Depreciation & Amortization ⁽²⁾	Operating expenses less expensed CIP	Income Available for Debt Service	Debt Service			
					Principal	Interest	Total	Coverage
2020	21,796,074	10,820,892	9,257,249	10,975,182	-	-	-	-
2021	22,468,049	14,024,623	11,855,005	8,443,426	-	-	-	-
2022	22,399,627	13,289,530	10,066,601	9,110,097	34,232	1,022	35,254	258.42
2023	23,533,410	17,427,981	13,957,904	6,105,429	34,491	762	35,253	173.19

Notes:

(1) Storm Water became an Enterprise fund in 2020, therefore Debt Capacity is only reported from that time.

(2) Includes operating expenses, less depreciation, amortization and payment in lieu of taxes (PILOT).

(3) Includes operating revenue, plus interest income not capitalized.

Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt to Total General Expenditures Last Ten Years

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 ⁽¹⁾⁽²⁾	Ratio of Debt Service to Total General Expenditures
2014	\$ 48,400,297	\$ -	\$ 28,682,414	\$ -	\$ 77,082,711	\$ 588,506,007	13.10%
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745	12.82%
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904	12.25%
2017	50,663,318	-	27,149,634	-	77,812,952	618,253,753	12.59%
2018	52,583,233	-	27,316,523	-	79,899,756	644,120,067	12.40%
2019	49,121,542	-	32,211,611	-	81,333,153	661,339,027	12.30%
2020	53,737,152	-	29,710,170	-	83,447,322	664,623,252	12.56%
2021	63,781,523	-	27,612,204	-	91,393,726	629,115,874	14.53%
2022	53,852,387	-	27,160,898	-	81,013,285	620,318,236	13.06%
2023	68,760,616	-	28,879,010	-	97,639,626	662,525,713	14.74%

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.

Demographic and Economic Information
Population Statistics
Last Ten Calendar Years

Year	Population ⁽¹⁾	Personal Income (000's) ⁽²⁾	Per Capita Personal Income ⁽²⁾	Civilian Labor Force Estimates ⁽³⁾	% Unemployed ⁽³⁾
2013	246,392	8,842,338	36,066	112,742	7.0%
2014	246,394	9,122,284	37,052	112,175	6.4%
2015	247,189	9,529,615	38,676	111,318	5.6%
2016	247,087	9,433,045	35,940	110,644	5.2%
2017	246,256	9,811,229	40,094	113,166	4.9%
2018	245,741	10,207,860	41,822	112,100	3.9%
2019	245,054	10,407,518	42,875	112,364	3.5%
2020	246,063	10,439,462	42,996	111,825	3.5%
2021	238,102	11,031,039	46,923	107,879	5.7%
2022	237,770	11,159,969	47,898	109,445	3.9%

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 2023.
- (2) Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2023.
- (3) Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics as of July 2022.
- (4) All information on an average annual calendar year.

Demographic and Economic Information
Ten Largest Employers in Norfolk⁽¹⁾
Current Year and Nine Years Ago

Schedule 2

Employer	Rank	
	2014	2023
U.S. Department of Defense	1	1
Sentara Healthcare	2	2
Norfolk City School Board	3	3
City of Norfolk	4	4
Old Dominion University, Norfolk	5	5
Children's Hospital of The King's Daughters	6	6
BAE Systems Norfolk Ship Repair	7	
Sentara Health Management		7
Eastern Virginia Medical School	8	8
Anthem		9
Norfolk State University	9	10
Bank of America	10	
Total Employment ⁽²⁾	138,691	139,246

Notes:

- (1) The source of the City's top ten employers is the Virginia Employment Commission. The most current data available is the quarter ended December 2022. Each of the top 10 employers has 1,000+ employees. The actual number of employees for each employer was not available.
- (2) The source of the City's total employment is the Bureau of Labor Statistics quarter ended March 2013 and 4th Quarter 2022.

Demographic and Economic Information
New Construction and Property Values⁽¹⁾

Schedule 3

Fiscal Year	Residential Construction ⁽¹⁾			Non-Residential Construction ⁽¹⁾⁽²⁾	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2014	432	1,393	93,072	33	37,575
2015	399	729	59,018	36	233,824
2016	384	894	74,377	20	91,171
2017	459	1,193	68,571	25	82,443
2018	346	597	54,899	15	118,459
2019	274	1,125	83,245	31	238,513
2020	405	1,182	87,820	26	282,015
2021	410	1,194	125,073	25	120,380
2022	263	1,702	181,971	25	71,622
2023	268	1,104	142,403	36	107,622

Notes:

(1) The source of residential and nonresidential construction is the City's Department of Planning and Community Development.

(2) Non-residential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

Demographic and Economic Information
Annual Employment Average by Industry
(in thousands)

Schedule 4

	Calendar Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Goods-Producing Industries:										
Construction	3.8	3.8	4.2	4.1	4.6	4.5	4.2	4.0	4.4	4.9
Manufacturing	6.7	6.1	6.3	6.0	6.1	6.7	7.1	7.0	7.1	6.8
Service-Providing Industries:										
Wholesale trade	3.5	3.5	3.5	3.5	3.3	2.1	2.04	1.8	1.8	1.8
Retail trade	12.8	12.7	12.7	12.7	12.8	12.3	11.714	10.9	11.2	11.3
Transportation and warehousing	8.8	8.8	8.8	8.6	8.6	8.2	8.7	8.4	8.7	9.6
Information	2.9	2.8	2.9	3.0	2.9	2.4	2.3	2.1	2.0	1.7
Finance and insurance	5.3	5.6	5.2	5.3	5.1	5.2	5.3	5.2	5.0	5.3
Real estate and rental and leasing	2.7	2.6	2.6	2.5	2.6	2.4	2.4	2.2	2.2	2.7
Professional and technical services	11.4	11.0	10.5	10.4	10.7	10.9	11.2	11.3	11.4	11.4
Management of companies and enterprises	1.9	1.8	1.7	1.6	1.6	1.8	1.7	1.7	1.6	1.9
Administrative, support and waste services	7.6	7.7	7.7	7.3	8.3	9.3	8.9	8.2	8.5	10.1
Educational services	16.1	15.9	15.6	15.4	15.0	19.1	18.9	18.4	17.9	15.2
Healthcare and social assistance	22.4	21.8	22.0	22.8	23.1	21.8	20.0	19.5	19.0	19.8
Arts, entertainment and recreation	2.3	2.3	2.2	2.3	2.3	1.9	1.9	1.6	1.7	2.1
Accommodation and food services	10.6	10.5	10.9	11.2	11.5	11.3	11.7	9.1	9.7	10.4
Public administration	12.7	12.4	18.0	18.4	18.2	18.3	18.4	17.8	18.0	18.8
Other services	4.2	4.3	4.1	4.2	4.5	4.5	4.6	3.8	3.8	3.9
Total (adjusted for rounding)	136.4	134.4	139.7	140.2	141.9	142.7	141.0	132.8	133.9	137.7

- Notes:
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. This schedule includes data for the ten-year period 2014 - 2023 as calendar year.

Operating Information

Schedule 1

Full-Time Equivalent (FTE) Positions by Function/Program

Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
Governmental activities:										
General government	425	473	450	453	441	442	447	439	436	444
Judicial administration	12	10	10	10	10	11	12	15	12	11
Public safety										
Police	837	823	838	874	843	843	792	745	672	626
Fire	504	489	489	504	482	482	483	490	497	493
Other	76	76	74	70	65	65	61	57	58	57
Public works	388	369	383	387	379	379	274	270	263	268
Health and public assistance	697	697	715	710	686	686	642	633	624	603
Culture and recreational ⁽³⁾	456	429	442	446	455	455	434	389	379	438
Community development	96	103	128	132	131	131	130	137	147	160
Business-type activities:										
Water utility	273	265	262	259	258	258	250	249	244	242
Wastewater utility	99	95	94	92	91	91	90	86	81	80
Parking facilities	76	63	58	53	54	54	50	47	67	50
Storm Water utility ⁽²⁾	-	-	-	-	-	-	91	91	92	99
Total full-time equivalent positions	3,937	3,892	3,941	3,990	3,895	3,895	3,756	3,648	3,553	3,571

Note:

(1) Data obtained from PeopleSoft information system.

(2) In Fiscal Year 2020, Storm Water Utility transitioned to a proprietary fund. Employees in this fund were previously reported in Public Works.

Operating Information
Operating Indicators by Function/Program
Last Ten Fiscal Years

Schedule 2

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Police:										
Service calls	259,938	240,459	241,530	235,763	247,070	239,755	234,468	210,359	204,717	213,487
Arrests	25,850	21,404	19,364	17,938	19,382	19,499	17,276	9,961	8,512	5,342
Reports filed	26,060	26,039	27,322	27,287	24,168	23,286	23,082	21,807	24,369	13,428
Fire:										
Incidences (fires, EMS)	43,713	44,699	46,670	47,232	45,039	44,817	45,042	46,803	52,145	53,951
Highways and Streets:										
Streets resurfacing (miles)	76	26	41	78	77	74	72	72	82	29
Sanitation:										
Total solid waste collected and disposed (tons)	79,382	80,128	84,162	87,851	81,974	86,568	87,770	90,057	82,691	82,127
Water Utility:										
Water delivered to water mains (gallons in thousands)	21,147,530	21,530,000	21,349,210	21,920,310	21,498,500	21,364,650	20,642,560	21,156,180	21,385,500	21,686,940
Total water consumption (gallons in thousands)	20,241,312	20,054,780	19,282,870	19,649,330	19,548,271	19,178,839	18,930,786	19,384,252	19,881,856	19,520,685
Percent of unmetered water	4.29%	6.85%	9.68%	10.36%	9.07%	10.23%	8.29%	8.38%	7.03%	9.99%
Average daily delivery (gallons in thousands)	57,938	59,000	58,320	60,060	59,900	59,890	56,400	57,960	58,590	59,390
Maximum daily pumpage (gallons in thousands)	74,890	88,970	67,610	72,220	81,000	69,940	69,400	72,090	69,320	72,360
Minimum daily pumpage (gallons in thousands)	48,030	51,110	51,010	48,120	50,000	49,790	48,630	50,320	49,050	49,290

Operating Information
Capital Assets and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

Schedule 3

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety:										
Police										
Stations	3	3	3	3	3	3	3	3	2	2
Fire										
Fire stations	14	14	14	14	14	14	14	14	14	14
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	7	8	8	8	8	8	8	8	6
Elementary (PreK - 8)	33	33	33	33	33	33	33	33	33	32
Other educational facilities	6	7	10	10	10	10	10	10	10	6
Libraries	11	11	11	11	12	12	12	12	12	12
Public Recreation:										
Parks:										
Acreage	587	587	630	630	630	630	633	633	633	633
Regional parks	2	2	2	2	2	2	2	2	2	2
Neighborhood parks	71	71	72	72	72	72	73	73	73	73
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1
Playgrounds	105	106	106	106	106	106	106	106	107	107
Hiking trails (miles)	2	2	5	5	5	5	5	5	5	5
Recreation:										
Acreage	957	957	981	981	981	977	977	977	977	977
Recreational and senior centers	30	30	30	30	30	29	29	29	29	29
Swimming pools	6	6	6	6	6	6	5	5	5	5
Tennis courts	142	142	142	142	142	138	138	138	138	138
Baseball/softball diamonds	86	86	86	86	86	86	86	86	86	86
Football/soccer fields	49	49	49	49	49	49	49	49	49	49
Field hockey	3	3	3	3	3	3	3	3	3	3
Basketball courts	201	201	201	201	201	199	199	196	196	196
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	2	2	2	2	2	2	2	2	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,175	2,166	2,195	2,213	2,220	2,250	1,719	2,210	2,210	2,166
Sidewalks (miles)	887	887	902	902	906	909	895	900	900	894
Bridges	50	52	52	53	53	53	53	52	52	52
Signalized intersections	311	312	312	313	315	315	315	317	317	317
Streetlights	31,138	31,269	31,289	32,081	32,121	32,786	34,286	34,278	32,248	32,248
Utilities:										
Water customer accounts	64,856	65,687	65,426	65,673	65,984	66,151	66,964	67,514	67,500	67,360
Miles of water main in the system	828	828	821	822	821	822	823	821	821	821
Capital assets (in '000)										
Water fund	\$ 487,577	\$ 503,659	\$ 533,746	\$ 561,297	\$ 566,863	\$ 570,315	\$ 575,825	\$ 587,930	\$ 607,588	\$ 618,483
Wastewater fund	238,931	249,210	261,039	266,307	272,992	280,035	290,103	300,476	316,923	322,561
Total utilities assets (in '000)	\$ 726,508	\$ 752,869	\$ 794,785	\$ 827,604	\$ 839,855	\$ 850,350	\$ 865,928	\$ 888,406	\$ 924,511	\$ 941,044
Convention Center:										
Meeting rooms	8	8	8	58	58	58	58	68	68	73
Meeting/ballroom space/exhibit (square feet)	68,130	68,130	68,130	118,879	118,879	118,879	129,379	129,379	129,379	132,829
Parking Facilities:										
Parking lots/garages	24	24	25	27	27	27	26	26	26	24
Parking meters	752	676	643	643	643	643	659	625	625	546
Storm Water Management:										
Miles of storm sewers	386	386	404	385	385	385	399	407	475	397

Average Metered Consumption (million gallons per day)

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9
2017	15.7	31.5	4.6	2.1	53.9
2018	15.6	30.7	5.1	2.2	53.6
2019	15.5	30.2	4.9	2.0	52.6
2020	15.1	30.6	4.2	2.0	51.9
2021	15.3	31.6	4.2	2.0	53.1
2022	15.6	32.3	4.5	2.0	54.4
2023	15.3	32.0	4.5	2.1	53.9

Retail Customers' Average Annual Costs - Norfolk Retail

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 34,920,000	6,092,000	\$ 5.73
2015	35,846,000	6,136,000	5.84
2016	35,288,000	5,769,000	6.12
2017	36,213,000	5,717,000	6.33
2018	37,929,000	5,702,000	6.65
2019	38,776,000	5,659,000	6.85
2020	39,330,000	5,516,000	7.13
2021	40,810,000	5,585,000	7.31
2022	43,354,000	5,706,000	7.60
2023	43,101,000	5,526,000	7.80

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 23,188,000	11,614,000	\$ 1.99
2015	23,771,000	11,257,000	2.11
2016	23,731,000	11,263,000	2.11
2017	24,722,000	11,489,000	2.15
2018	23,548,000	11,200,000	2.10
2019	25,158,000	11,015,000	2.28
2020	22,771,000	11,157,000	2.04
2021	25,646,000	11,546,000	2.22
2022	25,812,000	11,788,000	2.19
2023	27,292,281	11,524,000	2.37

Wholesale Customers' Average Annual Costs -
U.S. Navy, including Norfolk and Virginia Beach Facilities

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 9,927,000	1,571,000	\$ 6.32
2015	12,017,000	1,838,000	6.54
2016	10,356,000	1,530,000	6.77
2017	11,710,000	1,662,000	7.05
2018	13,310,000	1,844,000	7.22
2019	13,315,000	1,774,000	7.51
2020	11,835,000	1,524,000	7.77
2021	12,305,000	1,532,000	8.03
2022	13,698,000	1,648,000	8.31
2023	15,501,000	1,801,000	8.61

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 4,912,000	835,300	\$ 5.88
2015	5,009,000	823,800	6.08
2016	4,718,000	720,000	6.55
2017	5,100,000	781,000	6.53
2018	5,471,000	802,000	6.82
2019	5,148,000	718,000	7.17
2020	5,384,000	734,000	7.34
2021	5,526,000	721,000	7.66
2022	5,848,000	739,168	7.91
2023	6,089,000	759,171	8.02

Operating Information
Water System Statistics
As of June 30, 2023

Raw Water Consumption (million gallons per day)

Fiscal Year	WTWA	Virginia Beach	Chesapeake	Total
2014	5.65	-	7.11	12.76
2015	6.00	-	7.08	13.08
2016	6.75	-	7.10	13.85
2017	6.75	-	7.11	13.86
2018	7.50	-	7.06	14.56
2019	7.50	10.00	7.01	24.51
2020	8.25	10.00	7.01	25.26
2021	8.25	10.00	7.00	25.25
2022	9.00	10.00	7.01	26.01
2023	9.00	10.00	7.02	26.02

Wholesale Customers' Average Annual Costs - Western Tidewater Water Authority (WTWA)

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 2,536,568	2,062,250	\$ 1.23
2015	2,737,500	2,190,000	1.25
2016	3,128,963	2,463,750	1.27
2017	3,128,963	2,463,750	1.27
2018	3,531,375	2,737,500	1.29
2019	3,586,125	2,737,500	1.31
2020	4,065,188	3,011,250	1.35
2021	4,125,413	3,011,250	1.37
2022	4,566,150	3,285,000	1.39
2023	4,763,250	3,285,000	1.45

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ -	-	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	2,371,100	1,825,000	1.31
2020	4,941,000	3,650,000	1.35
2021	5,000,500	3,650,000	1.37
2022	5,073,500	3,650,000	1.39
2023	5,292,500	3,650,000	1.45

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 3,191,564	2,595,150	\$ 1.23
2015	3,240,364	2,584,200	1.25
2016	3,302,111	2,591,500	1.27
2017	3,301,122	2,595,150	1.27
2018	3,330,149	2,576,900	1.29
2019	3,352,605	2,558,650	1.31
2020	3,465,383	2,558,650	1.35
2021	3,510,027	2,555,000	1.37
2022	3,580,444	2,558,650	1.40
2023	3,721,368	2,562,300	1.45

⁽¹⁾ "Mgal" means 1,000 gallons

Additional Information:

- 1) Water Utility Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.
 July 1, 2021 - June 30, 2022
 July 1, 2022 - June 30, 2023
- 2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Annual Comprehensive Financial Report.
- 3) Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Annual Comprehensive Financial Report.

The Wastewater System

The City owns and operates a sanitary sewer system (the "Wastewater System") that collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District.

Approximate population served	237,770 citizens
Total wastewater pumping stations	137 pump stations
Miles of gravity wastewater mains	677 miles
Miles of wastewater force mains	54 miles

Organization and Management

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

Rates

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

<u>Fiscal Year</u>	<u>Retail Rate</u>
2017	\$3.97 per 100 cubic feet
2021	\$4.65 per 100 cubic feet
2022	\$4.84 per 100 cubic feet
2023	\$5.03 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

Largest Users

<u>Rank</u>	<u>Entity</u>	<u>Usage (CCF)</u>
1	Norfolk Redevelopment and Housing Authority	338,070
2	Sentara Norfolk General	131,520
3	Old Dominion University	116,439
4	BAE Systems	114,583
5	Norfolk State University	112,392

Operating Income

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>
Total Operating Revenues	\$ 32,518,179	\$ 35,333,559	\$ 35,520,672
Total Operating Expenses	19,230,850	16,424,301	20,940,708
Total Operating Income	<u>\$ 13,287,329</u>	<u>\$ 18,909,258</u>	<u>\$ 14,579,964</u>

Operating Information

Parking System Statistics

As of June 30, 2023

Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$2.00	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	\$3.00	9 PM to 3 AM/Collect-On-Entry	\$5.00
2 to 3 Hours	\$5.00	Special Event Rate/Collect-On-Entry	\$5-\$10
3 to 4 Hours	\$6.00		
4 to 5 Hours	\$8.00		
5 to 6 Hours	\$9.00		
6 to 7 Hours	\$11.00		
7 to 8 Hours	\$12.00		
Maximum Daily Rate (up to 24 Hours)	\$13.00		
Lost Ticket/Per Day	\$13.00		

Short-term Parking Rates at the MacArthur Center Garages

Monday - Friday	Saturday & Sunday
\$1.00 for first hour - third hour	\$1.00 for entry prior to 6 PM
\$2.00 for each additional hour until 6 PM	\$2.00 for entry after 6 PM
\$2.00 for entry after 6 PM	\$3.00 for entry before 6 PM and stay less than 3 hours
Maximum of \$10.00 per 24-hour period	Maximum of \$10.00 per 24-hour period

Special Event Rates

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00-\$10.00 per vehicle. The MacArthur Center Garages special event

Metered Parking Rates

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and South, Waterside Drive and north, all streets east of Boush Street including Boush Street, and east side of St. Paul's Boulevard between	\$0.45 per 15 minutes
Tier 2	All streets west of St. Paul's Boulevard and east of Duke Street; north of City Hall Avenue and south of Charlotte Street; and All remaining downtown areas with meters, generally north of Charlotte	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.45 per 30 minutes
ODU Village and Spotswood Lot	Meters located on 41 st , 43 rd , 45 th , 46 th , 47 th Street and Monarch Way, and 800 Block of Spotswood Avenue between Colley Avenue and Core Avenue	\$0.50 per 30 minutes

Monthly Parking Rates at all City-Owned Facilities

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$128.80 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00

Parking Fines

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$35.00	No Parking - This Side	\$50.00
Overtime Parking - Time Zone	50.00	No Stopping Zone	50.00
Overtime Parking - Meter Feeding	50.00	Restricted City Lot	50.00
No Parking	50.00	Handicapped Parking	300.00
No Parking - Fire Hydrant	150.00	Taxi Stand	50.00
No Parking - Cross Walk	50.00	Blocking Driveway	50.00
No Parking - Loading Zone	50.00	Overnight Parking	50.00
No Parking - Here to Corner	50.00	Parking off of Roadway	50.00
No Parking - Facing Wrong Way	50.00	Blocking Fire Lane	150.00
No Parking - Bus Stop	50.00		
No Parking - Street Cleaning	60.00		

Parking Fines

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2019	35,582	1,481,645	76%
2020	29,142	1,207,960	73%
2021	30,664	1,841,044	71%
2022	32,705	1,950,728	61%
2023	16,741	1,117,440	49%

Additional Information

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2021 - June 30, 2022

July 1, 2022 - June 30, 2023

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Annual Comprehensive Financial

The Storm Water System

The City owns and operates activities of the City's environmental Storm Water Management System (the "Storm Water System") including maintenance of storm water drainage facilities. Effective July 1, 2019, the Storm Water Utility special revenue fund became an enterprise fund.

Approximate population served	237,770 citizens
Total storm water pumping stations	14 pump stations
Miles of gravity storm water pipes	452 miles
Miles of storm water ditches	203 miles
Number of storm water structures	35,338
Number of storm water outfalls	3,718

Rates

Owners of developed land, both residential and non-residential, are applied a monthly storm water fee based on an Equivalent Residential Unit (ERU). Fees cover services costs for the collection, treatment and discharge of

Fiscal Year	Retail Rate (Residential)	Retail Rate (Commercial)
2021	\$12.38/month	\$12.38/month per 2,000 sq. ft.
2022	\$12.72/month	\$12.72/month per 2,000 sq. ft.
2023	\$13.05/month	\$13.05/month per 2,000 sq. ft.

Largest Users

Rank	Entity	ERUs
1	Norfolk Airport Authority	390,725
2	Economic Development Authority of the City of Norfolk	217,455
3	WHLR-Janaf, LLC	117,388
4	Norfolk Outlets, LLC	111,684
5	Old Dominion University	84,774

Operating Income

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Total Operating Revenues	\$ 22,446,420	\$ 22,388,729	\$ 23,365,405
Total Operating Expenses	15,598,402	14,857,903	19,058,051
Total Operating Income	\$ 6,848,018	\$ 7,530,826	\$ 4,307,354

OTHER REPORTS OF INDEPENDENT AUDITORS





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**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 Honorable Members of the City Council
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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2023. The City's financial statement include the operations of the Norfolk Public Schools and Norfolk Economic Development Authority for the year ended June 30, 2023. This report does not include operations of these entities because these entities engaged for their own separate audit in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

The Honorable Members of the City Council
City of Norfolk, Virginia

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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CliftonLarsonAllen LLP

City of Norfolk, Virginia
December 14, 2023



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An aerial photograph of Norfolk, Virginia, taken at sunset. The sky is a vibrant orange and yellow, with the sun low on the horizon. The city's skyline is visible, featuring a mix of modern glass skyscrapers and older brick buildings. In the foreground, there's a waterfront area with a large, modern, blue and white building complex, possibly a convention center or museum, and a large green lawn area with many white tents set up, suggesting a large outdoor event. A body of water is visible in the lower left, with a few boats docked.

THE CITY OF **NORFOLK**

City of Norfolk
810 Union Street
Norfolk, VA 23510
www.Norfolk.gov

A publication of the City of Norfolk, Virginia

**REPORT ON
SINGLE AUDIT**

2023

**FISCAL YEAR ENDED
JUNE 30, 2023**

**CITY OF NORFOLK, VIRGINIA
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**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**

Honorable Members of the City Council
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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2023. The City's financial statements include the operations of the Norfolk Economic Development Authority for the year ended June 30, 2023. This report does not include operations of this entity because this entity engaged for their own separate audit in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

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

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

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

Honorable Members of City Council
City of Norfolk, Virginia

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Arlington, Virginia
December 14, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Members of the City Council
City of Norfolk, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Norfolk, Virginia's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated December 14, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
March 18, 2024

CITY OF NORFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
DEPARTMENT OF AGRICULTURE							
<u>Pass-through Payments:</u>							
Virginia Department of Education							
School Breakfast Program (Child Nutrition Cluster)	10.553		5,260,909				
National School Lunch Program (Child Nutrition Cluster)	10.555		13,506,426				
Special Milk Program for Children (Child Nutrition Cluster)	10.556		1,676,847				
Child and Adult Care Food Program	10.558		869,362				
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559		447,486				
Fresh Fruit and Vegetable Program (Child Nutrition Cluster)	10.582		755,927				
Virginia Department of Social Services							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010123, 0030123, 0040123, 0050123	5,850,107		5,850,107		
<i>Total for Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559 and 10.582)</i>					21,647,595		
Department of Commerce							
<u>Direct Payments:</u>							
Economic Adjustment Assistance (Economic Development Cluster)	11.307		534,048	448,541	534,048		534,048
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
<u>Direct Payments:</u>							
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218		5,464,759		5,464,759		725,724
Emergency Solutions Grant Program	14.231		445,930				268,855
Shelter Plus Care	14.238		577,625				
Home Investment Partnerships Program	14.239		1,189,014				864,534
Choice Neighborhoods Implementation Grants (HOPE VI Cluster)	14.889		1,868,620		1,868,620		
<u>Pass-through Payments:</u>							
Virginia Department of Housing and Community Development							
National Resilient Disaster Recovery Competition (CDBG - Disaster Recovery Grants-Pub. L. No. 113-2 Cluster)	14.272	B-13-DS-51-0001	11,073,044		11,073,044		
DEPARTMENT OF INTERIOR							
<u>Pass-through Payments:</u>							
National Fish and Wildlife Foundation (NFWF)							
NFWF-USFWS Conservation Partnership	15.663		203,342				
Virginia Department of Historic Resources							
Historic Preservation Fund Grants-In-Aid	15.904	120791, 117447	69,351				
DEPARTMENT OF JUSTICE							
<u>Direct Payments:</u>							
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528		10,757				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		62,676				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		166,131				
Second Chance Act Reentry Initiative	16.812		102,289				
Children of Incarcerated Parents	16.831		26,946				
Equitable Sharing Program	16.922		47,808				
<u>Pass-through Payments:</u>							
Virginia Department of Criminal Justice Services							
COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034	8825	7,774				
Community-Based Violence Prevention Program	16.123	22-A8700YG22	15,000				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	9041	51,653				
Crime Victim Assistance	16.575	22-C4071VP20, 23-O1185VW19	459,935				
Violence Against Women Formula Grants	16.588	22-Z9223VA21, 23-A9223VA21	76,625				
Residential Substance Abuse Treatment for State Prisoners	16.593	496848	147,600				
Office of the Attorney General							
Services for Trafficking Victims	16.320	OVC-2020-18392	651				
Virginia Association of Chiefs of Police							
Project Safe Neighborhoods	16.609		272				
DEPARTMENT OF TRANSPORTATION							
<u>Pass-through Payments:</u>							
Virginia Department of Transportation							
Highway Planning and Construction	20.205	UPC: 102950, 105592, 108797, 109568, 112758, 112759, 113509, 113465, 113866, 113748, 113746, 111023, 117038, 111021, 113750, 111019, 113751, 117320	3,711,679				

CITY OF NORFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub- Recipients (\$)
Virginia Department of Motor Vehicles							
State and Community Highway Safety (Highway Safety Cluster)	20.600	FOP-2022-52159-22159, FSC-2022-52152-22152 BOP-2023-53117-23117 BSC-2023-53123-23123	34,839		34,839		
Alcohol Open Container Requirements	20.607	154AL-2022-52023-22023, ENF AL-2023-53122-23122	13,207				
DEPARTMENT OF THE TREASURY							
<u>Direct Payments:</u>							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027		63,720,000				
<u>Pass-through Payments:</u>							
Virginia Department of Housing and Community Development							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027		15,193				
Virginia Department of Behavioral Health and Developmental Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027		90,978				
Virginia Department of Criminal Justice Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027	22-A4071ARRF, 504297, 494603	791,137				
Virginia Tourism Commission							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027		530,648				530,648
Virginia Department of Education							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027	SLFRP1026	2,892,286				
Virginia Department of Social Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 1	21.027	9122222	6,126				
1 - Total for Coronavirus State and Local Fiscal Recovery Funds (21.027)						68,046,368	
NATIONAL ENDOWMENT FOR THE HUMANITIES							
<u>Direct Payments:</u>							
Promotion of the Arts - Grants to Organizations and Individuals	45.024		2,222				
<u>Pass-through Payments:</u>							
Library of Virginia							
Grants to States	45.310	LS-250242-OLS-21	26,795				
ENVIRONMENTAL PROTECTION AGENCY							
<u>Direct Payments:</u>							
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		36,785				
<u>Pass-through Payments:</u>							
Virginia Department of Environmental Quality							
Congressionally Mandated Projects	66.202	CG-953112-01-0	3,584,183				
Virginia Resources Authority							
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)	66.458	C-515769, C-515646-01 C-515664-01, C-515679G C-515721	8,132,358		8,132,358		
National Fish and Wildlife Foundation							
Chesapeake Bay Program	66.466	0603.19.065939	73,435				
DEPARTMENT OF ENERGY							
<u>Pass-through Payments:</u>							
Southeastern Energy Efficiency Alliance							
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	2020-SEEA-126	12,451				
DEPARTMENT OF EDUCATION							
<u>Direct Payments:</u>							
Impact Aid	84.041		4,242,449				
<u>Pass-through Payments:</u>							
Virginia Department of Education							
Adult Education - Basic Grants to States	84.002	V002A210047	233,526				
Title I Grants to Local Educational Agencies	84.010	S010A210046	16,346,766				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A200046	242,623				
Special Education - Grants to States (Special Education Cluster)	84.027	H027A210107	7,921,600				
Career and Technical Education - Basic Grants to States	84.048	V048A210046	962,732				
Special Education - Preschool Grants (Special Education Cluster)	84.173	H173A210112, H027X210107	273,929				
Twenty-First Century Community Learning Centers	84.287	S287C210047	992,254				

CITY OF NORFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub- Recipients (\$)
English Language Acquisition State Grants	84.365	S365A200046	164,147				
Improving Teacher Quality State Grants	84.367	S365A210046	2,370,084				
School Improvement Grants	84.377	S377A160047	89,598				
Student Support and Academic Enrichment Program	84.424	S424A210048	452,897				
COVID-19: Education Stabilization Fund - ESSER I and II - 2	84.425D	S425D200008, S425D210008	28,181,324				
COVID-19: Education Stabilization Fund ARP ESSER - 2	84.425U	S425U210008	33,983,230				
<i>2 - Total for Education Stabilization Fund (84.425)</i>						62,164,554	
Virginia Department of Behavioral Health and Developmental Services							
Special Education - Grants for Infants and Families	84.181		400,493				
<i>Total for Special Education Cluster (84.027 and 84.173)</i>					8,195,529		
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
<u>Direct Payments:</u>							
HIV Emergency Relief Project Grants	93.914		5,594,924				4,729,818
<u>Pass-through Payments:</u>							
Virginia Department of Social Services							
Guardianship Assistance	93.090	1110123	1,404				
Title IV-E Prevention and Family Services and Programs (A)	93.472	1140123	50,815				
Promoting Safe and Stable Families	93.556	0950122, 0960122	165,189				
Temporary Assistance for Needy Families	93.558	400123	3,449,985				
Refugee and Entrant Assistance - State Administered Programs	93.566	500123	35,420				
Low-Income Home Energy Assistance	93.568	600423	670,945				
Child Care and Development Block Grant (CCD Fund Cluster)	93.575	0770121, 0773121	61,107				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCD Fund Cluster)	93.596	0760123	763,204				
Chafee Education and Training Vouchers Program (ETV)	93.599	9160122	4,639				
Adoption Incentive Payments	93.603	1130120	1,498				
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900122	5,255				
Foster Care - Title IV-E	93.658	1100123	2,112,903				
Adoption Assistance	93.659	1120123	3,231,532				
Social Services Block Grant	93.667	1000123	2,729,478				
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150122	57,488				
Elder Abuse Prevention Interventions Program	93.747	8000221, 80000321	65,088				
Children's Health Insurance Program	93.767	540123	30,245				
Medical Assistance Program (Medicaid Cluster)	93.778	1200123	3,086,485		3,086,485		
Virginia Department of Behavioral Health and Developmental Services							
Projects for Assistance in Transition from Homelessness (PATH)	93.150		102,011				
Opioid STR	93.788		532,407				
COVID-19: Block Grants for Community Mental Health Services	93.958		44,516				
Block Grants for Community Mental Health Services	93.958		96,214				
Block Grants for Prevention and Treatment of Substance Abuse	93.959		2,177,499				
<i>Total for CCDF Cluster (93.575 and 93.596)</i>					824,311		
DEPARTMENT OF HOMELAND SECURITY							
<u>Direct Payments:</u>							
Port Security Grant Program	97.056		296,362				
<u>Pass-through Payments:</u>							
Virginia Department of Emergency Management							
Flood Mitigation Assistance	97.029	FMA-PJ-03-VA-2016-005, FMA-PJ-03-VA-2018-001 FMA-PJ-03-VA-2018-003	339,573				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4512-DR-VA	291,361				
Emergency Management Performance Grants	97.042		117,114				
Homeland Security Grant Program	97.067	8544, 29, EMW-2021-SS-00034	136,197				
TOTAL FEDERAL EXPENDITURES			<u>\$ 257,751,746</u>	<u>\$ 448,541</u>		<u>\$ 7,653,627</u>	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

For the Year Ending June 30, 2023

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the Norfolk School Board component unit.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

3. Relationship to the Basic Financial Statements

Federal revenue is reported in the City's basic financial statements as follows:

Major governmental funds	\$ 109,820,705
Nonmajor governmental funds	14,665,999
Enterprise funds	4,196,918
Total revenues from federal government	<u>128,683,622</u>

Component Unit - School Board

Federal revenue	126,099,165
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Total federal financial assistance reported in basic financial statements

<u>\$ 254,782,787</u>

Federal awards not reported as federal revenue in
basic financial statements:

Enterprise - VRA Loan - Wastewater Fund & Storm Water Fund	8,132,358
CDBG	1,875,709
Shelter Plus Care	3,590
Special Education - Grants for Infants and Families	108,652
Revolving Loan Fund	534,048

Federal awards not reported on the SEFA:

Norfolk Public Schools Direct Payments	(1,147,192)
Build America Bond Interest Rate Subsidy	(1,890,161)
Enterprise Recovered Costs	(612,735)
Human Services - Youth Service Board - Detention	(124,923)
Other	(854,040)

Other reconciling items:

Norfolk Public Schools Indirect Costs	(3,056,347)
Total federal awards	<u><u>\$ 257,751,746</u></u>

CITY OF NORFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

4. Clusters

Clustered programs for the year ended June 30, 2023, were as follows:

Grant Program / Cluster	Number	Expenditures
School Breakfast Program	10.553	\$ 5,260,909
National School Lunch Program	10.555	13,506,426
Special Milk Program for Children	10.556	1,676,847
Summer Food Service Program for Children	10.559	447,486
Fresh Fruit and Vegetable Program	10.582	755,927
Total Child Nutrition Cluster		<u><u>\$ 21,647,595</u></u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 5,850,107
Total SNAP Cluster		<u><u>\$ 5,850,107</u></u>
Economic Adjustment Assistance	11.307	\$ 534,048
Total Economic Development Cluster		<u><u>\$ 534,048</u></u>
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	\$ 5,464,759
Total CDBG Entitlement Grants Cluster		<u><u>\$ 5,464,759</u></u>
National Disaster Resilience Competition	14.272	\$ 11,073,044
Total CDBG - Disaster Recovery Grants-Pub. L. No. 113-2 Cluster		<u><u>\$ 11,073,044</u></u>
Choice Neighborhoods Implementation Grants	14.889	\$ 1,868,620
Total HOPE VI Cluster		<u><u>\$ 1,868,620</u></u>
State and Community Highway Safety	20.600	\$ 34,839
Total Highway Safety Cluster		<u><u>\$ 34,839</u></u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 8,132,358
Total Clean Water State Revolving Fund Cluster		<u><u>\$ 8,132,358</u></u>
Special Education - Grants to States	84.027	\$ 7,921,600
Special Education - Preschool Grants	84.173	273,929
Total Special Education Cluster		<u><u>\$ 8,195,529</u></u>
Payments to States for Child Care Assistance	93.575	61,107
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)	93.596	763,204
Total CCDF Cluster		<u><u>\$ 824,311</u></u>
Medical Assistance Program - Administrative	93.778	\$ 3,086,485
Total Medicaid Cluster		<u><u>\$ 3,086,485</u></u>

CITY OF NORFOLK, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

5. Virginia Resources Authority (VRA) Loans

The City reports on the Schedule of Federal Awards, loan proceeds drawn from the VRA. The loans are a pass-through award from the U.S. Environmental Protection Agency and administered by the Virginia Department of Environmental Quality. The balances at June 30, 2023 are as follows:

	June 30, 2022	FY 2023 Disbursements		June 30, 2023 Balances		
	Loan Proceeds Remaining	Loans	Principal Forgiveness	Total Loan Proceeds	Principal Forgiveness	Loan Proceeds Remaining
C-515565GE-02	\$ 262,824	\$ -	\$ -	\$ 2,142,967	\$ -	\$ -
C-515646E-01	1,212,214	1,212,214	77,375	9,400,000	600,000	-
C-515664E	7,099,997	3,860,391	203,178	5,305,624	279,397	3,239,606
C-515711-01	-	1,363,569	72,568	1,363,569	72,568	4,333,251
TOTALS	\$ 8,575,035	\$ 6,436,174	\$ 353,121	\$ 28,212,160	\$ 951,965	\$ 7,572,857

6. Indirect Cost Rate

For the fiscal year 2023, the City did not use the 10 percent de minimis cost rate for indirect cost billings to federal grants where an indirect cost is permitted. The City develops an indirect cost rate with the cost allocation plan that is used by the Department of Human Services for indirect cost billings.

7. Economic Adjustment Assistance - Revolving Loan Funds (RLF)

The City was awarded an Economic Development Administration RLF in FY21 in the amount of \$549,900 to provide permanent resources to support economic resiliency. All loans were reported in FY23. The calculation for the federal awards expended is displayed in the tables below:

Federal Awards Expended at June 30, 2023

RLF loans outstanding	\$ 448,541
+ Cash and investment balance in RLF	85,507
+ Administrative expenses paid from RLF income during FY23	-
+ Unpaid principal of all loans written off during FY23	-
Total	\$ 534,048
x Federal Share of the RLF	1.00
Federal Awards Expended	\$ 534,048

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

1. Type of auditors’ report issued: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported

3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x _____ no

Identification of Major Federal Programs

AL Numbers

21.027

66.202

84.010

84.041

84.425

93.558

93.778

Name of Federal Program or Cluster

COVID 19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

EPA Community Grant

Title I Part A – Improving Basic Programs

Impact Aid

COVID 19 - Education Stabilization Fund

Temporary Assistance for Needy Families (TANF)

Medical Assistance Program (Medicaid Cluster)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ x _____ yes _____ no

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

SECTION IV – FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

Our audit did not disclose any matters required to be disclosed in accordance with *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

An aerial photograph of Norfolk, Virginia, taken at sunset. The sky is a vibrant orange and yellow, with the sun low on the horizon. The city skyline is visible, featuring a mix of modern glass skyscrapers and older brick buildings. In the foreground, there's a waterfront area with a large, modern, blue and white building complex, possibly a convention center or museum, and a large green lawn with many white tents set up, suggesting a festival or event. A body of water is in the bottom left, with a few boats docked.

THE CITY OF **NORFOLK**

City of Norfolk
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www.Norfolk.gov

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