

Comprehensive Annual Financial Report

School Board of the City of Norfolk



Norfolk Public Schools
NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

(A Component Unit of the City of Norfolk, Virginia)
Fiscal Year Ended June 30, 2012 • Prepared by the Accounting Department

School Board for the City of Norfolk
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(A Component Unit of the City of Norfolk, Virginia)
Fiscal Year Ended June 30, 2012

Prepared by:
Division of Business and Finance Accounting Department

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2012
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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INTRODUCTORY SECTION

School Board for the City of Norfolk

Dr. Kirk T. Houston
Chair

Mrs. Suzan M. Kaufman
Vice Chair

Mr. James T. Driggers
Member

Dr. Linda Horsey
Member

Dr. Linda B. McCluney
Member

Dr. Brad N. Robinson
Member

Dr. Stephen W. Tonelson
Member

Dr. Richard Bentley
Superintendent

Members of Norfolk City Council

Mr. Paul D. Fraim
Mayor

Mr. Anthony L. Burfoot
Vice Mayor

Mr. Andrew A. Protogyrou
Council Member

Mr. Paul R. Riddick
Council Member

Mr. Thomas R. Smigiel
Council Member

Mr. Barclay C. Winn
Council Member

Ms. Angelia M. Williams
Council Member

Dr. Theresa W. Whibley
Council Member

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board of the City
of Norfolk, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Enew

Executive Director

Association of School Business Officials International



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

School Board of the City of Norfolk

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

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



Brian L. Mee, SFO, RSBA
President

John D. Musso, CAE, RSBA
Executive Director

CLERK OF THE BOARD
 Junelle Banks

EXECUTIVE ASSISTANT
 Vicki Larson

SUPERINTENDENT OF SCHOOLS
 Dr. Samuel T. King

**DEPUTY SUPERINTENDENT
 OPERATIONS AND SCHOOL
 LEADERSHIP DEVELOPMENT**
 Anthony Smith, EdD

**DEPUTY SUPERINTENDENT
 TEACHING AND LEARNING**
 Linda Seivigny, EdD

EXECUTIVE ASSISTANT
 VACANT

**ASSOCIATE SUPERINTENDENT
 ACADEMICS**
 Christine Harris, PhD

**ASSOCIATE SUPERINTENDENT
 BUSINESS AND FINANCE**
 John Manscalco

EXECUTIVE DIRECTOR
 STRATEGIC EVALUATION
 ASSESSMENT
 Karen Bailey

EXECUTIVE DIRECTOR
 NORFOLK EDUCATION
 FOUNDATION
 Carlos Clanton

SENIOR DIRECTOR
 COMMUNICATIONS AND MEDIA
 RELATIONS
 Elizabeth Malher

COORDINATOR
 PUBLIC RELATIONS
 Karen Tanner

MANAGER
 MEDIA RELATIONS
 Brian McHyre

SENIOR COORDINATOR
 WEB MANAGEMENT
 Brian Beauchamp

WEB DESIGNER
 Gary Cordon

SENIOR COORDINATOR
 HEALTH AND P.E.
 Deborah God Arvise

SENIOR DIRECTOR
 GUIDANCE
 Janette Martin, EdD

SENIOR COORDINATOR
 STAFF DEVELOPMENT
 Veletha Ford

SPECIALIST
 TEACHER SUPPORT
 Laura Malachuk

SPECIALIST
 ADVANCED CURRICULUM
 Bruce Brink

CORE CONTENT TEACHER
 SPECIALISTS
 K-6

INSTRUCTIONAL
 TECHNOLOGY SPECIALIST
 Ed

SECONDARY ENGLISH
 SPECIALIST
 Ed

SENIOR COORDINATOR
 ENGLISH
 Marlene Robinson

SENIOR COORDINATOR
 MATH
 VACANT

SENIOR COORDINATOR
 SCIENCE
 VACANT

SENIOR COORDINATOR
 HISTORY
 Christy Brink

SENIOR COORDINATOR
 MUSIC
 Deborah Wiley

SENIOR COORDINATOR
 ART
 Barbara Lewis, EdD

SENIOR COORDINATOR
 FOREIGN LANGUAGE/ESL
 VACANT

SENIOR COORDINATOR
 MEDIA SERVICES
 Laura Malachuk

SENIOR COORDINATOR
 GIFTED EDUCATION
 Dorie Banks

SENIOR DIRECTOR
 CURRICULUM AND
 PROFESSIONAL DEVELOPMENT
 Lisa Corbin, EdD

SENIOR DIRECTOR
 COMPENSATORY EDUCATION
 Gale Lee, EdD

SENIOR DIRECTOR
 SPECIAL EDUCATION
 Sandra Wilcher, EdD

SENIOR DIRECTOR
 CAREER AND TECHNICAL
 EDUCATION
 Denise Wiggins (Interim - PT)

SENIOR DIRECTOR
 ACCOUNTING
 Mary Deneen

SENIOR DIRECTOR
 BUDGET
 Rhonda Ingram

SENIOR DIRECTOR
 PURCHASING AND SUPPLY
 Christopher "Chris" Steele

ADMINISTRATOR
 PAYROLL
 Keith Bailey

COORDINATOR
 GRANTS
 VACANT

EXECUTIVE DIRECTOR
 HUMAN RESOURCES
 Pat Dillard, EdD (Interim - PT)

EXECUTIVE DIRECTOR
 SECONDARY SCHOOLS
 Sharon Byrdson, EdD

EXECUTIVE DIRECTOR
 ELEMENTARY SCHOOLS
 Lillian Thomas

EXECUTIVE DIRECTOR
 ELEMENTARY SCHOOLS
 Carolyn Taylor, EdD

PRINCIPALS

PRINCIPALS

PRINCIPALS

SENIOR DIRECTOR
 PUPIL PERSONNEL SERVICES
 Elsie Harold Lens, EdD

SENIOR DIRECTOR
 RISK MANAGEMENT
 Dan Hurley

SENIOR DIRECTOR
 PLANNING
 John Hazlett

SENIOR DIRECTOR
 FACILITIES
 Rex Gay

SENIOR DIRECTOR
 TRANSPORTATION
 Robert "Bob" Clinebell

SENIOR DIRECTOR
 SCHOOL NUTRITION
 Helen Phillips

SENIOR DIRECTOR
 INFORMATION TECHNOLOGY
 Andrea Sykora

NETWORK ENGINEER
 NETWORK MANAGER
 Paul Gaborde

SCHOOL-BASED
 NETWORK ENGINEERS
 NETWORK ENGINEER
 SUPERVISOR
 Megan Brinkley

BUSINESS SYSTEMS
 PROGRAMMING
 Jeff Anderson

HELP DESK
 Shelby Scott

DATA CENTER



Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

Mission

To educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities.

Vision

To provide a nationally recognized, globally competitive education for all Norfolk Public Schools students... and ALL means ALL!

Values

As a school system, we value:

- Equity & Excellence
- Personal Accountability
- Diversity

Operating Statement

Norfolk Public Schools will become a nationally recognized, globally competitive school system where:

- All students possess the habits of powerful literacy.
- All gaps close while achievement increases for all students.
- All schools exceed local, state, national and international standards.
- All students access productive options and opportunities upon graduation.

Operating Principles

Norfolk Public Schools promotes leadership at all levels that encourages stakeholders to:

Expect & Achieve Excellence

- Demonstrate high expectations for ALL
- Model pride & passion for the work

Be a Team Player

- Capitalize on individual strengths
- Communicate & compromise
- Build strong, positive relationships

Be Personally Accountable

- Accept responsibility for success
- Collaborate with stakeholders

Promote Diversity

- Celebrate diversity of people and thought
- Contribute to an environment that supports diversity

Be a Lifelong Teacher & Learner

- Create a community of learners

Improve Continuously

- Use Data
- Expect & anticipate success
- Involve stakeholders

Take Risks, Be Innovative, Have Fun

- Think creatively
- Reward success
- Learn from failure
- Never give up

Revised 06/09/2008



Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

January 15, 2013

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year that ended June 30, 2012. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and includes all disclosures necessary to understand the School Board's financial activities. The responsibility for the accuracy, completeness and fairness of the data presented, as well as all accompanying disclosures, rests with the School Board and its management.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions, and the School Board. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). The letter of transmittal is intended to complement the required MD&A. The MD&A can be found immediately following the report of the independent auditors.

The firm of KPMG LLP performed the audit of the School Board of the City of Norfolk. They were awarded the contract to provide the annual financial audit for the year ending June 30, 2012, as part of a combined contract including the School Board of the City of Norfolk, the City of Norfolk (City), and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Division's financial reporting entity may be found in the notes to the basic financial statements. During school year 2011-2012, the School Board operated five high schools (grades 9-12), eight middle schools (grades 6-8), thirty-four elementary schools (grades K-5), and six other educational facilities. The School Board served an average of 33,000 students in 2012 and provided a full range of educational services appropriate to grades K-12, including regular and enriched academic education, early childhood education, special education for handicapped children, vocational/technical education, and programs for those with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics. The School Board is considered a component unit of the City of Norfolk.

ECONOMIC OUTLOOK

The City of Norfolk, Virginia has a population of 242,803 residents (from Weldon & Cooper Center for Public Services in 2010) and encompasses over 66 square miles. It has beachfront that covers seven miles of Chesapeake Bay and a total of 144 miles of shoreline along lakes, rivers, and the Bay. Much of the land is located in residential neighborhoods. Norfolk's neighborhoods are its greatest strength. There are more than 120 neighborhoods that draw tourists who seek a glimpse of Norfolk's everyday life and developments that offer a range of architectural styles.

The City's top ten employers have approximately 90,948 employees in their workforce. Major industries include manufacturing, construction, retail, finance, and the military, to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine. USA Today called Norfolk one of the top ten booming downtowns, recognizing decades of housing, retail, and financial boom. In addition, the City is home to the Virginia Opera, the Virginia Stage Company, and the Virginia Symphony.

The public school system is comprised of 34 elementary schools, 8 middle schools, 5 high schools, and 6 auxiliary schools. The auxiliary schools provide education for vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$49,852 per year. City funding for the School Board is based on real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.11 per \$100 of assessed value annually. The personal property tax rate for motor vehicles is \$4.33 per \$100 of assessed value, using the NADA Blue Book value.

Norfolk Public Schools is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, Norfolk Public Schools does not levy taxes or issue debt. All funds are appropriated to Norfolk Public Schools by the City Council, which has the authority to tax and incur debt. The School Board derives its authority from the State and has a constitutional responsibility to provide public education to the citizens of Norfolk.

The School Board derives most of its funding from allocations from the Commonwealth of Virginia and the City of Norfolk. For the fiscal year 2012 budget year, the Commonwealth of Virginia funds 57% and the City of Norfolk funds 37% percent of the operating budget for the School Board. The remaining 6% is funded through Federal (5%) and other (1%) sources. Long-term financial planning includes a five-year forecast submission that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes.

The School Board faces potential funding reductions in the future from both the State and the City due to current economic conditions. Like most businesses, including the City, our operating costs continue to rise while revenue declines. Each year as projected enrollment is considered, the School Board evaluates facilities, teaching and administrative staff to identify potential consolidations to maximize efficiencies for the district.

MAJOR INITIATIVES

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

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

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

All accomplishments come during a period of significant financial stress for public education. However, the School Board has a continued commitment to finding administrative efficiencies that have allowed 77 percent of the 2012 General Fund expenditures to go directly for instructional support. This focus on direct classroom support maintains programs including class size; retaining core educational programs to meet Standards of Learning requirements; preserving core instructional programs; preserving specialty programs at secondary and elementary schools; maintaining recruitment and retention initiatives; and supporting assistance for all teachers.

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

FINANCIAL INFORMATION

Internal Controls

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

Internal control evaluations occur with the above guidelines when the annual audit process is undertaken, and the controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

Budgetary Controls

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. The School Board presents a proposed budget to the City who then adopts its own operating and capital project budgets incorporating its contributions to the School Board. After the School Board makes required adjustments, they adopt an amended budget. The Superintendent is authorized to make expenditures and commitments of funds as approved by the Board in the adopted annual budget in accordance with the Board's policies and applicable state and federal regulations and laws.

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

Financial Highlights

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

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

The School Board is anticipating, in the next few years, the continuation of a trend in declining funding which began in fiscal year 2010. As public education is a services-oriented industry, approximately 80% of our operating costs are related to employee compensation and fringe benefits. Therefore, providing a competitive employee compensation package will continue to be very challenging.

Cash Management

The City Treasurer also serves as Treasurer for the School Board. As such, monies are transferred from the governing bodies to the School Board's cash account on an as-needed basis until year-end when the balances of the total appropriations are transferred.

The School Board funds are identified as public funds and are protected under the Virginia Security for Public Deposits Act. Deposits for public entities are insured by federal deposit insurance (FDIC).

Risk Management

The Risk Management Program currently involves maintaining several comprehensive insurance policies, monitoring various loss control activities, and a program to effectively manage claims filed against the School Board. The School Board Risk Management Senior Director and his staff monitor all claims.

The School Board insurance coverage includes the following: a workers' compensation insurance policy, a comprehensive general liability policy, a property insurance policy, a boiler

and machinery coverage policy, fleet insurance, umbrella liability policy, employee blanket bond, and a School Board errors and omissions policy.

The School Board maintains an ongoing program of risk management, primarily focusing on the support service areas. The loss control program is structured to reduce and control on-the-job injuries and accidents. The program also includes safety awareness training for higher risk categories of employees.

The School Board retains the professional services of Marsh of Norfolk, Virginia. This firm sends representatives to lead and participate in analyzing areas of concern and assist with ideas to reduce and control overall risk. The School Board plans to continue the current program and expand its parameters as needed to meet safety needs.

Independent Audit

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

Single Audit Act

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This is the seventh consecutive year that the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the School Board has received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Program (COE) for excellence in the preparation and issuance of the financial statements for fiscal year ended 2011.

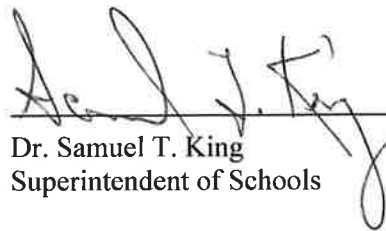
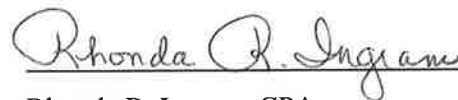
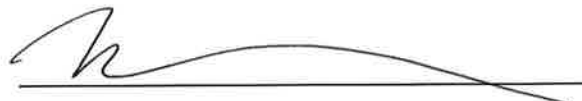
The Certificate of Excellence in Financial Reporting Program was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to the school systems that have met or exceeded the standards of the program.

ACKNOWLEDGMENTS

We would like to express appreciation to the members of the School Board of the City of Norfolk for their concern in providing fiscal responsibility and accurate reporting of financial data to the students, parents, staff and general community of the School Board. The School Board's commitment to strong conservative policies and practices in the oversight of the financial affairs of the school division contributed to the results achieved in this financial report.

In addition, we would like to thank the members of the Business and Finance Division, who devote so many hours each year to the preparation of accurate financial reports. During the year, they render professional and knowledgeable services to and on behalf of the school division, and maintain the financial records on a current and timely basis. The School Board and the entire staff are commended for their continuing support that is vital to the financial health of the school division and demonstrates commitment to financial accountability and stewardship.

Respectfully submitted,


Dr. Samuel T. King
Superintendent of Schools
Rhonda R. Ingram, CPA
Acting Chief Financial Officer
Mary C. Deneen, CPA, CGFM
Sr. Director, Accounting, Teaching & Learning

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FINANCIAL SECTION



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Members

School Board of the City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia a component unit of the City of Norfolk, Virginia as of and for the year ended June 30, 2012, which collectively comprise the School Board of the City of Norfolk, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board of the City of Norfolk, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board of the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia as of June 30, 2012, and the respective changes in financial position and the Statement of Budgetary Comparison – General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013 on our consideration of the School Board of the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 16 and the required supplementary information on page 40 and page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board of the City of Norfolk, Virginia's basic financial statements. The Other Supplementary Information, Introductory Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 Other Supplementary 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

KPMG LLP

January 15, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

INTRODUCTION

Our discussion and analysis of the financial performance of the School Board of the City of Norfolk (School Board) of Norfolk, Virginia provides an overview of the school district's financial activities for the fiscal year ended June 30, 2012. The intent of the management's discussion and analysis is to look at the School Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

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

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

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

OVERALL ANALYSIS

The School Board enrolls approximately 33,000 total students with a general fund operating budget of \$290.5 million, grant budget of \$45.3 million, capital improvement budget of \$3.0 million, and Child Nutrition Services budget of \$15.3 million. In general, the financial operations of the School Board have weathered uncertain financial times with generally positive financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- On the government-wide financial statements:
 - Total net assets decreased from \$14.8 million in 2011 to \$10.6 million at June 30, 2012, a decrease of approximately \$4.1 million, or 28.0%. The decline was applicable largely to an increase in Other Post Employment Benefits (OPEB) in fiscal year 2012.
 - Total revenues increased from \$355.5 million in 2011 to \$368.3 million at June 30, 2012, an increase of approximately \$12.8 million, or 3.6%. The increase was applicable primarily to increased reimbursements for the Crossroads School from the City.
 - Total expenses increased \$1.9 million on the Statement of Net Activities from \$370.5 million in fiscal year 2011 to \$372.4 million in fiscal year 2012, or 0.5%. The largest dollar increase was in School facilities as a result of increased expenditures for the construction of Crossroads School.
- On the fund financial statements:
 - In the General Fund, the ending fund balance remained constant from 2011 to June 30, 2012 at \$16.5 million.
 - In the General Fund, total encumbrances were \$13.1 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

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

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

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

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

Financial Analysis of the School Board as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

*Summary of Net Assets
(Thousands of dollars)*

	Governmental Activities			
	2012	2011	Difference	% Change
Current Assets	\$ 82,246	\$ 59,098	\$ 23,148	39.2%
Capital assets, net	12,265	11,568	697	6.0%
Total assets	94,511	70,666	23,845	33.7%
Liabilities:				
Current	67,395	43,147	24,248	56.2%
Non-current	16,471	12,726	3,745	29.4%
Total liabilities	83,866	55,873	27,993	50.1%
Net Assets:				
Invested in capital assets	12,265	11,568	697	6.0%
Restricted	416	1,000	(584)	-58.4%
Unrestricted (deficit)	(2,036)	2,225	(4,261)	-191.5%
Total net assets	\$ 10,645	\$ 14,793	\$ (4,148)	-28.0%

- **Total assets** had an overall increase of 33.7% due primarily to an increase in current assets related to cash and cash equivalents received for deferred revenue from state Basic Aid. The overall increase was \$23.8 million between fiscal year 2011 and fiscal year 2012.
- **Invested in capital assets** increased \$0.7 million, or 6.0%, over the prior fiscal year. This net increase primarily represents \$3.7 million in additions, \$0.3 million in net disposals, and \$2.8 million in current year depreciation expense. The majority of the increase was due to Development in Progress that relates to an ongoing software implementation as well as the purchase of additional equipment throughout the year.
- **Total liabilities** increased \$28.0 million or 50.1% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, Other Post Employment Benefits (OPEB), and pollution remediation liability for the School Board. Current liabilities increased \$24.2 million from \$43.1 million in 2011 to \$67.3 million at June 30, 2012 with the largest increase being to unearned revenue for Basic Aid funds that are being carried forward to 2013. Non-current liabilities totaled \$12.7 million in fiscal year 2011 and \$16.5 million in fiscal year 2012. The increase was primarily due to an increase in the unfunded employer's contribution for OPEB as determined in our most recent actuarial study.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

- **Total net assets** decreased \$4.1 million or 28.0% compared to the prior fiscal year. Net assets totaled \$14.7 million at June 30, 2011 and \$10.6 million at June 30, 2012. Invested in capital assets, net increased 6.0% or \$0.7 million primarily because of the ongoing implementation of a new software program. Restricted net assets decreased 58.4% or \$0.6 million due to prior period construction project expenditures being recorded in the current period. Unrestricted net assets decreased 191.5% or \$4.3 million due to the recording of expenses related to long-term liabilities.

Statement of Net Activities

(Thousands of dollars)

	Governmental Activities			
	2012	2011	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 4,597	\$ 4,847	\$ (250)	-5.2%
Operating grants and contributions	206,947	209,644	(2,697)	-1.3%
Capital grants and contributions	20,652	6,877	13,775	200.3%
Total Program Revenues	232,196	221,368	10,828	4.9%
General Revenues:				
Use of money and property	1,284	716	568	79.3%
Local government	104,511	104,511	-	0.0%
Commonwealth of Virginia	30,311	28,912	1,399	4.8%
Other	-	2	(2)	100.0%
Total General Revenues	136,106	134,141	1,965	1.5%
Total Revenues	368,302	355,509	12,793	3.6%
Expenses:				
Instruction	265,178	267,477	(2,299)	-0.9%
Support Services:				
Administration, Attendance and Health	12,436	12,412	24	0.2%
Pupil Transportation	10,870	11,028	(158)	-1.4%
Operation and Maintenance	33,038	35,283	(2,245)	-6.4%
Information Technology	10,547	8,274	2,273	27.5%
School Facilities	24,171	20,266	3,905	19.3%
Food Services	15,935	15,564	371	2.4%
Community Services	275	238	37	15.5%
Total Expenses	372,450	370,542	1,908	0.5%
Change in Net Assets	(4,148)	(15,033)	10,885	-72.4%
Beginning Net Assets	14,793	29,825	(15,032)	-50.4%
Ending Net Assets	\$ 10,645	\$ 14,792	\$ (4,147)	-28.0%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

- **Total revenues** increased \$14.8 million or 4.2% due primarily to increases in reimbursements from the City for the Crossroads School construction expenses. Capital Grants and Contributions increased \$13.8 million or 200.3% while Local Government General Revenues remained unchanged at \$104.5 million. Operating Grants and Contributions decreased \$2.7 million or 1.3% in 2012.
- **Total expenses** increased \$1.9 million primarily due to increased spending on school technology and increased costs for Crossroads School construction. This was offset with decreases in spending for labor costs in other areas of instruction and support services. The School Board continues to pay debt service expenses for the Transportation Facility. Overall expenses increased 0.5% in fiscal year 2012 over balances in fiscal year 2011.

Capital Assets

At June 30, 2012, the School Board had an investment of \$12.3 million in a broad range of capital assets (net of accumulated depreciation), including land, development in progress, mobile classrooms, equipment and vehicles. This amount represents a net increase of \$0.7 million or 6.0% between fiscal year 2011 and 2012

***Change in Capital Assets
(Thousands of dollars)***

	Governmental Activities			
	June 30, 2012	June 30, 2011	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Development in Progress	775	-	775	
Total Non-Depreciable Assets	\$ 1,263	\$ 488	\$ 775	158.8%
Other Capital Assets:				
Mobile Classrooms	5,378	5,447	(69)	-1.3%
Equipment and Vehicles	33,768	33,000	768	2.3%
Total Other Capital Assets	\$ 39,146	\$ 38,447	\$ 699	1.8%
Total Capital Assets	\$ 40,409	\$ 38,935	\$ 1,474	3.8%
Less: Accumulated Depreciation	(28,144)	(27,367)	(777)	2.8%
Total Capital Assets, Net	\$ 12,265	\$ 11,568	\$ 697	6.0%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

The \$12.3 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Assets (Exhibit I). In fiscal year 2012, the School Board spent \$1.5 million in construction costs related to various building improvement projects at school facilities.

Additional information on the School Board's capital assets is presented in Note 2B of the financial statements.

Long Term Obligations

As of June 30, 2012, the School Board had \$24.5 million in long-term obligations versus \$20.0 million for fiscal year 2011. This resulted in a 22.4% increase in long-term obligations, which is comprised of compensated absences, workers' compensation, claims liability, pollution remediation and OPEB liability. Approximately \$8.1 million in long-term obligations is due within one year (see Exhibit I).

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

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

	June 30, 2011	Additions	Retirements	June 30, 2012	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,227	\$ 10,242	\$ (10,501)	\$ 8,968	\$ (259)	-2.8%
Workers' Compensation	2,554	1,127	(953)	2,728	174	6.8%
Claims Liability	56	77	(93)	40	(16)	-28.6%
Pollution Remediation	131	1,079	(131)	1,079	948	723.7%
Other Post Employment Benefits	8,065	8,318	(4,672)	11,711	3,646	45.2%
Total Long-Term Obligations	\$ 20,033	\$ 20,843	\$ (16,350)	\$ 24,526	\$ 4,493	22.4%

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

OVERVIEW OF FUND FINANCIAL STATEMENTS

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

Governmental Fund

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

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

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

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

The School Board adopts an appropriated budget for all of its major and nonmajor governmental funds and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Exhibit V for the General Fund to demonstrate compliance with the annual budget.

As of June 30, 2012, the School Board's governmental funds reported combined fund balances of \$22.9 million, a decrease of \$0.4 million, in comparison to the prior fiscal year. In the General Fund unassigned fund balance was \$3.1 million and represents resources which are not nonspendable in nature nor committed or assigned to a specific program or function. The remaining combined fund balances total is either a nonspendable asset or is restricted, committed or assigned to specific programs, functions or contracts. Included in the assigned amount is approximately \$0.4 million which is encumbered for anticipated unemployment benefit payouts for personnel who were part of the personnel reduction at the end of fiscal year 2010, fiscal year 2011 and fiscal year 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

The basic governmental fund financial statements are presented in Exhibits III and IV of this report.

General Fund

The General Fund is the general operating fund of the School Board that is used to account for all of the financial resources, except those required to be accounted for in another fund. At June 30, 2012, the fund balance of the General Fund was \$16.5 million. The fund has nonspendable, and assigned fund balances that total \$13.4 million.

General Fund Revenues

Revenues for the General fund totaled \$283.7 million for fiscal year 2012, which was approximately \$8.9 million or 3.0% lower than the revenues received in fiscal year 2011. The following illustration presents the amounts of revenues from the General Fund sources, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each revenue source.

***General Fund Revenues by Source
(Thousands of Dollars)***

	2012 Amount	2012 Percent of Total	2011 Amount	Increase (Decrease) From 2011	% Increase (Decrease) 2011
Local government	\$ 104,511	36.9%	\$ 104,511	\$ -	0.0%
Commonwealth of Virginia	162,945	57.4%	172,340	(9,395)	-5.5%
Federal government	12,818	4.5%	12,898	(80)	-0.6%
Other revenues	3,404	1.2%	2,836	568	20.0%
Total	<u>\$ 283,678</u>	<u>100.0%</u>	<u>\$ 292,585</u>	<u>\$ (8,907)</u>	<u>-3.0%</u>

The largest source of revenues is from the Local Government and the Commonwealth of Virginia. The Commonwealth of Virginia revenue includes funding for basic school aid, reimbursement of a portion of teachers' fringe benefits, salary support, remedial and vocational education, class size and at-risk initiatives, gifted and talented, special education, special educational regional programs and other purposes. The decline in Commonwealth of Virginia funding reflects revenue deferral from fiscal year 2012 to fiscal year 2013.

General Fund Expenditures

General Fund expenditures were \$283.6 million for fiscal year 2012, which represented a decrease of approximately \$8.2 million or 2.8% over fiscal year 2011. The following table presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

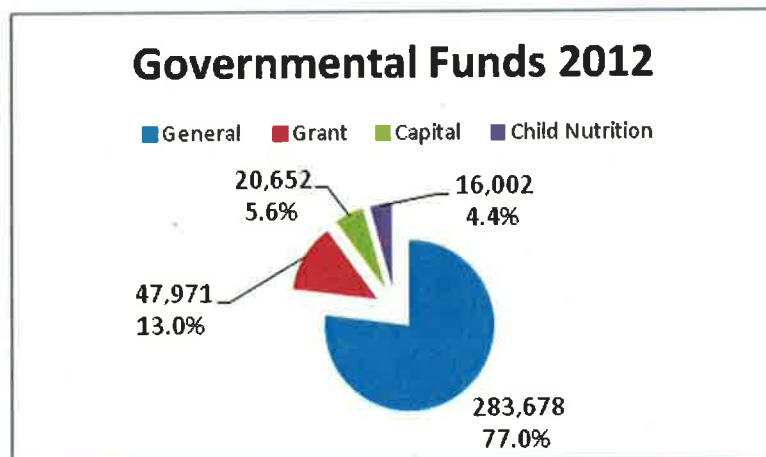
**General Fund Expenditures
(Thousands of Dollars)**

	2012 Amount	2012 Percent of Total	2011 Amount	Increase/ (Decrease) From 2011	Percent Increase/ Decrease From 2011
Instruction	\$ 217,956	76.9%	\$ 224,841	\$ (6,885)	-3.1%
Support Services:					
Administration, Attendance and Health	11,897	4.2%	11,899	(2)	0.0%
Pupil Transportation	10,639	3.7%	10,709	(70)	-0.7%
Operation and Maintenance	32,681	11.5%	34,955	(2,274)	-6.5%
Information Technology	8,773	3.1%	6,778	1,995	29.4%
School Facilities	1,691	0.5%	2,550	(859)	-33.7%
Food Services	-	0.0%	112	(112)	100.0%
Community Services	10	0.1%	8	2	25.0%
Subtotal - Support Services	65,691	23.1%	67,011	(1,320)	-2.0%
Total - Instruction and Support Services	\$ 283,647	100.0%	\$ 291,852	\$ (8,205)	-2.8%

The increase in Information Technology was related to investments in hardware and software to support Instruction. The decreases in Instruction; Administration, Attendance and Health; Pupil Transportation; School Facilities, and Community Services were related to budget cuts and resultant personnel cuts.

Grant Funds

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. Grants provide 13.0% of the overall funding for the School Board. The funds are received from Federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

During fiscal year 2012, the School Board received \$48.0 million in grant funding. The Federal Government provided 89.0% or \$42.7 million in revenue for the year. The Commonwealth of Virginia provided 10.5% or \$5.0 million while private donors provided less than 1.0% or \$0.2 million of the resources received. The School Board expended \$48.1 million that was used 100% for instruction and instructional support.

Capital Projects Fund

The School Board's Capital Projects Fund is funded by the City. The Capital Projects Fund is considered multi-year funding for spending purposes. It makes up 5.6% (see chart above) of the overall governmental funds received and expended during the fiscal year. The capital funds are used for the infrastructure of the schools and auxiliaries. Capital Project Funds expended \$21.1 million and were used by the School Board to implement various building improvement projects at school facilities. The City provided 100% of the revenue received for these projects in fiscal year 2012. The deficit in fund balance is caused by encumbrances for projects which have not been invoiced to Schools and, therefore, have not been reimbursed by the City.

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

Fiduciary Funds

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

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

The School Board's Fiduciary funds are Agency funds. Agency funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds do not involve the measurement of results of operations, as they are custodial in nature (*assets equal liabilities*).

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

NOTES TO THE FINANCIAL STATEMENTS

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

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

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the School Board's progress in funding the retirement benefits for its nonprofessional employees through the Virginia Retirement System (VRS) and Other Post Employment Benefits (OPEB). Both the VRS and OPEB are presented as part of the basic financial statements rather than required supplementary information.

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

BUDGETARY HIGHLIGHTS

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grant Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2012, the School Board adopted a balanced budget for fiscal year 2013 that reflected appropriations of \$302.0 million for the General Fund, or an increase of \$11.5 million from the fiscal year 2012 General Fund budget.

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final budget amounts for fiscal year 2013.

Revenue assumptions included:

- Increase in State revenues as approved in the 2012 Special Session I of the General Assembly - \$6.7 million
- Reclassification of Commonwealth of Virginia grant funds to Operating Funds – \$1.6 million
- Carry Forward Funds from prior fiscal years - \$6.1 million
- Increase in Regular City Appropriation - \$1.1 million
- City Appropriation for School Nursing Services - \$1.5 million
- Reduction in 2010 Federal Jobs Bill Funds - \$4.2 million
- Reduction in Federal Impact Aid - \$1.5 million

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

Expenditure assumptions included:

- All existing programs and departments have been evaluated for efficiency, cost, and direct support of mission.
- Standards of Quality (SOQ) funded positions were more closely aligned with state funding resulting in a decrease of 135 positions, including 10 Central Office positions.
- A general wage increase of 2.0% for all employees.
- A 5.0% wage increase for full-time employees in VRS to implement March 10th legislation to offset passing the 5.0% employee share contribution to VRS to the employee.
- Virginia Retirement System (VRS) rate changes:
 - Professional from 11.66%
 - Non-professional 10.23%.
- Other VRS rate changes are:
 - Group Life Insurance from 0.28% to 1.19%.
 - Retiree Healthcare credit from 0.60% to 1.11%.
- Health insurance is estimated to increase by 7.84% and not be passed onto the employees.
- Includes tuition reimbursement benefit of 3 credit hours annually.
- Teacher Shopping card reduced by one-half to \$50 per teacher.

VIRGINIA RETIREMENT SYSTEM (VRS) FUNDING

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

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School Board's finances and to demonstrate compliance and accountability for its resources. Questions about any information provided in this report or requests for additional financial information should be addressed to John A. Maniscalco, CPA, Associate Superintendent for Business and Finance or Mary C. Deneen, CPA, CGFM, Senior Director, Accounting for the School Board of the City of Norfolk, 800 E. City Hall Avenue,

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2012**

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

Exhibit I

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 1)	\$ 45,239,094
Accounts receivable	156,430
Due from primary government	5,341,103
Due from the Federal government	13,321,433
Due from the Commonwealth of Virginia	17,493,676
Inventories	694,328
Total current assets	<u>82,246,064</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Development in Progress	775,510
Mobile classrooms, equipment and vehicles, net of accumulated depreciation and amortization	<u>11,002,225</u>
Total capital assets, net	<u>12,265,235</u>
Total assets	<u>94,511,299</u>
LIABILITIES	
Current Liabilities:	
Vouchers payable	10,502,993
Retainage payable	1,217,792
Payroll deductions and withholdings	6,619,499
Accrued payroll	22,950,697
Unearned revenue	9,647,699
Due to other agencies	8,203,519
Other payables	198,747
Long-term liabilities - current portion (Note 2)	<u>8,054,010</u>
Total current liabilities	<u>67,394,956</u>
Non-current liabilities (Note 2)	<u>16,471,505</u>
Total liabilities	<u>83,866,461</u>
NET ASSETS	
Invested in capital assets	12,265,235
Restricted for:	
Capital Projects	687,919
Grants (deficit)	(271,717)
Unrestricted (deficit)	<u>(2,036,599)</u>
Total net assets	<u>\$ 10,644,838</u>

See Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Activities
For the Year Ended, June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	Governmental Activities
Functions/Programs:				
Governmental Activities:				
Instruction	\$ 265,178,134	\$ 2,201,335	\$ 193,423,324	\$ (69,553,475)
Administration, Attendance, and Health	12,436,083	-	-	(12,436,083)
Pupil Transportation	10,869,445	-	-	(10,869,445)
Operation and Maintenance	33,038,155	-	-	(33,038,155)
Information Technology	10,546,701	-	-	(10,546,701)
School Facilities	24,171,393	-	-	(3,519,193)
Food Services	15,935,214	2,396,173	13,523,520	(15,521)
Community Services	275,228	-	-	(275,228)
Total	\$ 372,450,353	\$ 4,597,508	\$ 206,946,844	(140,253,801)
General revenues:				
Use of money and property				1,283,971
Other				316
Intergovernmental:				
Local government				104,511,131
Commonwealth of Virginia				30,310,617
Total				136,106,035
Change in net assets				(4,147,766)
Net assets-beginning				14,792,604
Net assets-ending				\$ 10,644,838

See Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
ASSETS					
Cash and investments	\$ 37,985,114	\$ 237	\$ 2,603	\$ 7,251,140	\$ 45,239,094
Accounts receivable	136,853	275	-	19,302	156,430
Due from other funds	14,725,215	-	-	-	14,725,215
Due from the primary government	-	-	5,341,103	-	5,341,103
Due from the Federal government	418,663	10,795,276	-	2,107,494	13,321,433
Due from the Commonwealth of Virginia	15,420,598	2,066,848	-	6,230	17,493,676
Inventories	293,201	-	-	401,127	694,328
Total assets	<u>\$ 68,979,644</u>	<u>\$ 12,862,636</u>	<u>\$ 5,343,706</u>	<u>\$ 9,785,293</u>	<u>\$ 96,971,279</u>
LIABILITIES					
Vouchers payable	\$ 7,551,165	\$ 770,129	\$ 1,933,343	\$ 248,356	\$ 10,502,993
Retainage payable	-	-	1,217,792	-	1,217,792
Payroll deductions and withholdings	6,619,499	-	-	-	6,619,499
Accrued payroll	20,400,197	2,149,401	-	401,099	22,950,697
Due to other agencies	8,203,519	-	-	-	8,203,519
Due to other funds	-	10,045,414	1,504,652	3,175,149	14,725,215
Unearned revenue	9,478,290	169,409	-	-	9,647,699
Other payables	198,747	-	-	-	198,747
Total liabilities	<u>52,451,417</u>	<u>13,134,353</u>	<u>4,655,787</u>	<u>3,824,604</u>	<u>74,066,161</u>
FUND BALANCES					
Nonspendable:					
Inventories	293,201	-	-	401,127	694,328
Restricted for:					
Food Services	-	-	-	5,559,562	5,559,562
Committed to:					
School Facilities - Crossroads Construction	-	-	4,651,060	-	4,651,060
Assigned to:					
Instruction	4,815,707	-	-	-	4,815,707
Administration, Attendance and Health	1,558,417	-	-	-	1,558,417
Pupil Transportation	446,599	-	-	-	446,599
Operation and Maintenance	4,488,150	-	-	-	4,488,150
Information Technology	1,728,347	-	-	-	1,728,347
School Facilities	72,189	-	-	-	72,189
Unassigned (deficit):	3,125,617	(271,717)	(3,963,141)	-	(1,109,241)
Total fund balances (deficit)	<u>16,528,227</u>	<u>(271,717)</u>	<u>687,919</u>	<u>5,960,689</u>	<u>22,905,118</u>
Total liabilities and fund balances	<u>\$ 68,979,644</u>	<u>\$ 12,862,636</u>	<u>\$ 5,343,706</u>	<u>\$ 9,785,293</u>	<u>\$ 96,971,279</u>

See Notes to the Basic Financial Statements.

(Con't.)

Exhibit III (Con't.)

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012**

Fund balances--total governmental funds	\$ 22,905,118
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,265,235
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Long-term obligations, are not due and payable in the current
period and therefore are not reported in the funds:

Compensated Absences	(8,967,984)
Workers Compensation	(2,728,126)
Claims Liability	(39,550)
Other Post Employment Benefits	(11,711,300)
Pollution Remediation	(1,078,555)

Net Assets of Governmental Activities	<u>\$ 10,644,838</u>
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See Notes to the Basic Financial Statements.

Exhibit IV

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 1,202,321	\$ -	\$ -	\$ 81,650	\$ 1,283,971
Charges for services	2,201,335	-	-	2,396,173	4,597,508
Other	-	217,588	-	316	217,904
Intergovernmental:					
Local government	104,511,131	-	20,652,200	-	125,163,331
Commonwealth of Virginia	162,944,923	5,013,139	-	258,140	168,216,202
Federal government	12,817,916	42,740,375	-	13,265,380	68,823,671
Total revenues	<u>283,677,626</u>	<u>47,971,102</u>	<u>20,652,200</u>	<u>16,001,659</u>	<u>368,302,587</u>
EXPENDITURES					
Current:					
Instruction	217,956,415	45,585,911	-	-	263,542,326
Administration, Attendance, and Health	11,896,645	83,050	-	-	11,979,695
Pupil Transportation	10,638,617	-	-	-	10,638,617
Operation and Maintenance	32,681,424	256,660	-	-	32,938,084
Information Technology	8,773,009	1,744,213	-	-	10,517,222
School Facilities	1,502,130	32,377	-	-	1,534,507
Food Services	-	169,857	-	15,801,558	15,971,415
Community Services	10,000	265,228	-	-	275,228
Intergovernmental for Debt Service:					
School Facilities	189,197	-	-	-	189,197
Capital Outlay:					
School Facilities	-	-	21,069,413	-	21,069,413
Total expenditures	<u>283,647,437</u>	<u>48,137,296</u>	<u>21,069,413</u>	<u>15,801,558</u>	<u>368,655,704</u>
Excess (deficiency) of revenues over expenditures	<u>30,189</u>	<u>(166,194)</u>	<u>(417,213)</u>	<u>200,101</u>	<u>(353,117)</u>
Net change in fund balance	30,189	(166,194)	(417,213)	200,101	(353,117)
Fund balances (deficit)--beginning	<u>16,498,038</u>	<u>(105,523)</u>	<u>1,105,132</u>	<u>5,760,588</u>	<u>23,258,235</u>
Fund balances (deficit)--ending	<u>\$ 16,528,227</u>	<u>\$ (271,717)</u>	<u>\$ 687,919</u>	<u>\$ 5,960,689</u>	<u>\$ 22,905,118</u>

See Notes to the Basic Financial Statements.

(Con't.)

Exhibit IV (Con't.)

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2012**

Net change in fund balances--total governmental funds \$ (353,117)

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital acquisitions	3,773,128	
Depreciation expense & loss on disposal of capital assets	<u>(3,075,703)</u>	697,425

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

Compensated Absences	259,893	
Workers Compensation	(174,225)	
Claims Liability	16,668	
Other Post Employment Benefits	(3,645,855)	
Pollution Remediation	(948,555)	
Change in Net Assets of Governmental Activities	<u>\$ (4,147,766)</u>	

See Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
for the General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 4,177,226	\$ 4,177,226	\$ 3,403,588	\$ (773,638)
Commonwealth of Virginia	171,325,545	171,325,545	172,423,281	1,097,736
Federal government	10,536,537	10,536,537	12,817,916	2,281,379
Local government	104,511,131	104,511,131	104,511,131	-
Amounts available for appropriation	290,550,439	290,550,439	293,155,916	2,605,477
Charges to appropriations (outflows)				
Instruction	\$ 223,422,738	\$ 223,218,689	\$ 217,960,518	\$ (5,258,171)
Administration, Attendance, and Health	13,136,012	13,197,539	12,745,855	(451,684)
Pupil Transportation	11,603,631	11,601,495	10,660,681	(940,814)
Operation and Maintenance	33,875,767	33,948,793	34,519,996	571,203
Information Technology	6,867,426	6,869,058	9,408,719	2,539,661
School Facilities	1,644,865	1,704,865	1,493,487	(211,378)
Other	-	10,000	10,000	-
Total charges to appropriations	290,550,439	290,550,439	286,799,256	(3,751,183)
Budgetary fund balance, June 30, 2011	\$ -	\$ -	\$ 6,356,660	\$ 6,356,660

**Reconciliation of Budgetary Inflows and Outflows with
Revenues and Expenditures in Exhibit IV:**

Sources/Inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule, above	\$ 293,155,916
Transfer of Budgetary Revenue to Deferred Revenue	(6,356,660)
Transfer of Prior Year Revenue to Deferred Revenue	(3,121,630)
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 283,677,626</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 286,799,256
Difference - budget to GAAP:	
Change in payable accruals between fiscal years	(2,119,572)
Encumbrance change between fiscal years	(1,032,247)
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 283,647,437</u>

See Notes to the Basic Financial Statements.

Exhibit VI

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash, cash equivalents, investments, and receivables held for others:	<u>\$ 14,306,759</u>
Total assets	<u><u>\$ 14,306,759</u></u>
LIABILITIES	
Amounts held for others	<u>\$ 14,306,759</u>
Total liabilities	<u><u>\$ 14,306,759</u></u>

See Notes to the Basic Financial Statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The School Board is considered a component unit of the City due to its fiscal dependence on the primary government. Therefore, the School Board's financial position and results of operations are presented in the City's Comprehensive Annual Financial Report (CAFR). The School Board does not have any component units for financial reporting purposes.

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction and Food Services). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity, and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other items not attributable to program revenues are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operational or capital) grants while the capital grants column reflects capital-specific grants.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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

Fund financial statements are provided for governmental and fiduciary funds. Please note that the School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2012.

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

GOVERNMENTAL FUNDS

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

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

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

Capital Projects Fund - The Capital Projects Fund accounts for all of the financial resources used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund for government-wide reporting purposes.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

FIDUCIARY FUND

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

C. Basis of Accounting and Measurement Focus

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures (including encumbrances) with the amended budgets.

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

E. Assets, Liabilities and Fund Equity

DEPOSITS AND INVESTMENTS

Deposits - All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"), Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the federal depository issuance. At June 30, 2012, the carrying amount of cash deposits for the School Board was \$26,290,430. This figure includes agency funds of \$5,762,336.

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

At June 30, 2012, the School Board has investments of \$24,711,000 in an Aaa rated money market mutual fund. The School Board pools money from several funds to facilitate disbursement and investment and to maximize overnight investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Custodial Credit Risk - All deposits of the School Board are held in designated official depositories and are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the Federal Depository Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the

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requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks.

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

RECEIVABLES AND PAYABLES

All inter-fund receivables and payables are displayed in the fund statements as "Due to/Due from Other Funds." These amounts offset each other and are eliminated from the Government-Wide Statement of Net Assets, so as to not overstate the assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts. Accounts that are more than a year old with no formal agreement for repayment are deemed "uncollectible" and written off. There were no uncollectible accounts for fiscal year 2012.

INVENTORIES

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

The Child Nutrition Fund's inventories also include United States Department of Agriculture ("USDA") commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$349,033 at year-end.

CAPITAL ASSETS

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent of the School Board's capitalization

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threshold of \$5,000 and arrangements with the City. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method using the following estimated useful lives:

Mobile Classrooms	20 years
Equipment	3 to 20 years
Vehicles	10 to 12 years

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

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

COMPENSATED ABSENCES

The School Board accrues compensated absences (i.e., annual and sick leave benefits) when vested. The current and non-current portions of vacation and sick leave, which accumulates monthly, are recorded in the School Board government-wide financial statements. Vacation leave is fully vested when earned by School Board employees; however, accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Employees may accumulate an unlimited number of sick leave days; however, the School Board makes no payment on the unused portion upon employment termination. Employees are paid \$20 for each day of accumulated sick leave upon retirement. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

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

NET ASSETS/FUND BALANCES

The School Board's net assets (deficits) may be classified as 1) invested in capital assets, net of related obligations; 2) restricted or 3) unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state

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

The School Board adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

Nonspendable

Nonspendable for inventories – Portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Restricted

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

Committed

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

Assigned

Portion of fund balance that is intended to be used for specific purposes, occurring by School Board authority, under the direction of the Assistant Superintendent for Business and Finance. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation) in the General, Grants, Capital Projects, and Child Nutrition Funds. Encumbrances outstanding do not

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constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis.

Unassigned

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

F. Encumbrances

Fund balances have been restricted for the Child Nutrition Fund for those net resources which will be paid for with federal and state grant funds that are restricted for purpose, by the grantor. At June 30, 2012, the Child Nutrition Fund had purchase order commitments approximating \$364,162. Fund balances have been committed in the Capital Projects Fund for the construction of Crossroads, which has a remaining contractual commitment approximating \$4,651,060 at June 30, 2012 and which will be funded by City appropriations as construction expenditures are incurred. In addition, funds have been assigned in the Capital Projects Fund for various capital improvement projects and will be reimbursed by the City as expenditures are incurred. Fund balances in the Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2012. Encumbrances for Grants Funds were approximately \$1,286,535 as of June 30, 2012. Fund balances in the General Fund have been assigned consistent with School Board management's intention to use net resources at June 30, 2012.

Note 2. Detail Notes on All Funds

A. Inter-fund Receivables and Payables

The composition of inter-fund receivables and payable balances as of June 30, 2012 is as follows:

	Due From (Receivables)	Due to (Payables)
Major Funds:		
General Fund	\$ 14,725,215	\$ -
Grants Fund	-	10,045,414
Capital Projects	-	1,504,652
Non-Major Funds:		
Child Nutrition Fund	-	3,175,149
	<u>\$ 14,725,215</u>	<u>\$ 14,725,215</u>

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

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B. Capital Assets

Changes in Capital Assets

	Capital Assets June 30, 2011	Additions	Deletions	Capital Assets June 30, 2012
Capital assets, not being depreciated				
Land	\$ 487,500	-	-	\$ 487,500
Development in Progress	-	775,510	-	775,510
Total capital assets, not being depreciated	487,500	775,510	-	1,263,010
Capital assets, being depreciated:				
Mobile Classrooms	5,446,741	-	(68,759)	5,377,982
Equipment and vehicles	33,000,801	2,997,618	(2,230,422)	33,767,997
Total capital assets, being depreciated	38,447,542	2,997,618	(2,299,181)	39,145,979
Less accumulated depreciation for:				
Mobile Classrooms	(2,865,508)	(135,646)	41,986	(2,959,168)
Equipment and vehicles	(24,501,724)	(2,674,869)	1,992,007	(25,184,586)
Total accumulated depreciation	(27,367,232)	(2,810,515)	2,033,993	(28,143,754)
Total capital assets being depreciated, net	11,080,310	187,103	(265,188)	11,002,225
Total capital assets, net	\$ 11,567,810	\$ 962,613	\$ (265,188)	\$ 12,265,235

Depreciation expense by function for the year ended June 30, 2012 follows:

Instruction	\$ 779,848
Administration, Attendance, and Health	509,139
Pupil Transportation	350,013
Operation and Maintenance	468,992
Information Technology	146,708
School Facilities	446,901
Food Services	108,914
Total	\$ 2,810,515

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

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C. Long-Term Obligations

The following is a summary of the changes in long-term obligations for the year ended June 30, 2012:

	Balance			Balance	Current
	June 30, 2011	Additions	Retirements	June 30, 2012	Portion
Long-Term Obligations:					
Compensated absences	\$ 9,227,877	\$10,241,396	\$ (10,501,289)	\$ 8,967,984	\$ 6,725,988
Workers' compensation	2,553,901	1,127,365	(953,140)	2,728,126	219,597
Claims liability	56,218	76,654	(93,322)	39,550	29,870
Pollution remediation	130,000	1,078,555	(130,000)	1,078,555	1,078,555
Other post employment benefits	8,065,445	8,318,213	(4,672,358)	11,711,300	-
Total Long-Term Obligations	<u>\$ 20,033,441</u>	<u>\$20,842,183</u>	<u>\$ (16,350,109)</u>	<u>\$ 24,525,515</u>	<u>\$ 8,054,010</u>

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2012, is a named defendant in various lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

B. Intergovernmental Grants

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

Note 4. Joint Ventures

A. Southeastern Cooperative Educational Programs

The Southeastern Cooperative Educational Programs ("SECEP") is a public body established in accordance with the *Code of Virginia*, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure

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through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$7,066,799 to SECEP during the fiscal year ended June 30, 2012. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

B. The Governor's School for the Arts

The Governor's School for the Arts (Governor's School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor's School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor's School can be obtained from the Governor's School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$222,966 to the Governor's School during the fiscal year ended June 30, 2012. The School Board is the fiscal agent for Governor's School and the assets it holds for the Governor's School are included in Agency Funds.

Note 5. Self-Insurance Program

The School Board is self-insured for a portion of its risks. This self-insurance is for workers' compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2012 was \$1,304,290. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund, Grant Fund, and Child Nutrition Services Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2012, workers' compensation and claims liability totaling \$2,767,676 are reported as long-term liabilities. These liabilities are the School Board's best estimate based on currently available information.

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The following is a summary of the changes (current and long-term) in the self-insurance program for the years ended June 30, 2012 and 2011:

	June 30, 2012		June 30, 2011	
	Workers'	Claims'	Workers'	Claims'
	Compensation	Liability	Compensation	Liability
Balance, beginning of year	\$ 2,553,901	\$ 56,218	\$ 2,402,161	\$ 32,236
Claims and other changes	1,127,365	76,654	1,046,217	259,233
Employer payments	(953,140)	(93,322)	(894,477)	(235,251)
Balance, end of year	\$ 2,728,126	\$ 39,550	\$ 2,553,901	\$ 56,218

Note 6. Retirement and Other Post-Employment Benefits

A. Virginia Retirement System

PLAN DESCRIPTION

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Effective June 30, 2010, all new members on and after that date participate in Plan 2. Plan 1 employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Plan 2 employees are eligible for an unreduced retirement benefit after reaching Social Security normal retirement age with 5 years of service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement.

The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation for Plan 1 employees and as the highest consecutive 60 months of reported compensation for Plan 2 employees. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or obtained by writing the VRS System at P. O. Box 2500, Richmond, VA 23218-2500.

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FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution for its employees. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

The School Board's professional and non-professional contribution rates for the fiscal year ended June 30, 2012, were 6.33% and 7.62% of the annual covered payroll (not including assumed 5%). The School Board's contributions to the VRS for the years ended June 30, 2012, 2011 and 2010 for professional employees were \$22,597,524, \$18,557,452, \$24,885,620, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years. Further information regarding funding for the agent-multiple employer plan is disclosed below.

Annual Pension Cost – Agent Multiple-Employer Plan

For the fiscal year ended June 30, 2012, the School Board's annual pension cost (APC) of \$1,866,524 for nonprofessional employees was equal to the School Board's required and actual contributions.

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

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$1,866,524	100 %	\$ -
June 30, 2011	\$1,932,102	100 %	\$ -
June 30, 2010	\$1,937,143	100 %	\$ -

The fiscal year 2012 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7.0% investment rate of return (net of administration expenses), (b) projected salary increases of 3.5% to 5.6%, and (c) 2.5% per year cost-of-living adjustments for Plan 1 members and 2.25% cost-of-living adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2011 actuarial valuation was 30 years.

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Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the agent multiple employer plan was 77.53% funded. The actuarial accrued liability for benefits was \$81,830,629, and the actuarial value of assets was \$63,440,533, resulting in UAAL of \$18,390,096. The covered payroll (annual payroll of active employees covered by the plan) was \$15,357,257 and the ratio of the UAAL to the covered payroll was 119.75%. The schedule of funding progress, presented as required supplemental information (RSI), presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**
Schedule of Funding Progress for Non-professional Employees

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009**	\$65,474,071	\$74,800,079	\$9,326,008	87.53%	\$16,948,926	55.02%
June 30, 2010	\$64,120,661	\$80,984,997	\$16,864,336	79.18%	\$16,243,835	103.82%
June 30, 2011	\$63,440,533	\$81,830,629	\$18,390,096	77.53%	\$15,357,257	119.75%

B. Other Post Employment Benefits

PLAN DESCRIPTION

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who have not obtained the age of 50 at July 1, 2013 will need 15 years of service to qualify for the benefit. All employees hired on or after July 1, 2008 will need 15 years of service to qualify regardless of when they attained the age of 50. At June 30, 2012, 767 retirees met the eligibility requirements and have elected to receive this benefit. The School Board has agreed to pay for each retiree who has elected to continue health care coverage the sum of \$75 per month towards the cost of their health care benefit. Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. The School Board has the authority to amend the plan's provisions. The plan is considered a single-employer plan. The plan does not issue a stand-alone financial statement.

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

The fundamental principle is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit contributions. The *normal cost* is an annual amount which would be sufficient to fund the plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. Under the method used, the normal cost is determined as a percentage of pay. This means the underlying dollar amount is expected to increase each year as salary

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

METHODOLOGY

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

PAY-AS-YOU-GO FUNDING

Currently, the School Board pays a set amount towards the monthly premiums of retirees. Retirees are allowed to purchase health care using the same premium structure as active employees.

The actuarial liability of the Plan as of July 1, 2011 is \$77.6 million as shown below:

Pay-As-You-Go Funding	
(4.0% assumed discount)	
(\$ in millions)	
Actuarial Liability	
Actives	\$ 53.3
Retirees	24.3
Total	<u>\$ 77.6</u>
Assets	<u>\$ -</u>
UAL	<u><u>\$ 77.6</u></u>

The annual required contribution (ARC) consists of two parts: (1) the *normal cost* which represents the annual cost attributable to service earned in a given year, and (2) the 30-year amortization of the unfunded actuarial liability (UAL). The contributions to the plan consist of both the explicit subsidy (\$75 per month) and an implicit subsidy. The implicit subsidy arises from the fact that the School Board pays the same monthly premium to insure pre-

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Medicare retirees as it pays for active employees. If the premium structure were to be changed to separately identify premiums for these two groups you would see a much lower premium for actives than for retirees. The difference is the implicit subsidy that the School Board is paying. The combination of the implicit and explicit subsidies is known as the pay-as-you-go cost (PAYGo cost).

The ARC was computed for 2012 under the pay-as-you-go funding method and an assumed 4.0% discount rate. The table includes the PAYGo cost and the net difference:

**GASB ARC - FY 2012
Pay-As-You-Go Funding
(4.00% assumed discount)
(\$ in millions)**

Normal Cost	\$ 2.78
UAL Amortization	2.77
Interest	0.22
Total ARC	\$ 5.77
PAYGo Cost (Contributions made - including implicit subsidy)	\$ 4.67
ARC in excess of PAYGo Cost	\$ 1.10

Schedule of Employer Contribution

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

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

Fiscal Year Ended June	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation at end of year
2010	\$5.81	98%	\$3.95
2011	\$6.00	77%	\$8.07
2012	\$5.81	80%	\$11.71

Development of Net OPEB Obligation

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

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

Development of Net OPEB Obligation

Expected Net OPEB Obligation as of June 30, 2011	\$ 8,065,445
Expected Employer Contributions FY2011	(4,612,638)
Actual Employer Contributions FY 2011	<u>(2,101,073)</u>
Increase in Net OPEB Obligation	2,511,565
 Net OPEB Obligation as of June 30, 2011	 \$ 10,577,010
 Actuarial Required Contribution (ARC) for FY 2012	 \$ 5,776,435
Interest on Net OPEB Obligation (NOO)	423,080
Adjustment to ARC	<u>(392,867)</u>
Annual OPEB Cost (AOC)	\$ 5,806,648
 Employer Contributions FY 2011 - including implicit rate subsidy	 \$ (4,672,358)
Net OPEB Obligation as of June 30, 2012	<u>\$ 11,711,300</u>

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

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.00%
Rate of salary increases	3.50%
Rate of Medical Inflation	9.35% (pre-Medicare) grading to 4.5% over 14 years

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Funded Status and Funding Progress

As of July 1, 2011 the most recent actuarial valuation date, the OPEB plan was 0% funded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$77.6 million. The covered payroll was \$172 million and the ratio of the UAAL to the covered payroll was 45.2%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Funding Progress

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

Schedule of Funding Progress
(\$ in millions)

Actuarial Valuation Date	Actual Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2009	\$0	\$80.3	\$80.3	0%	\$199	40.3%
July 1, 2010	\$0	\$82.8	\$82.8	0%	\$199	41.7%
July 1, 2011	\$0	\$77.6	\$77.6	0%	\$172	45.2%

OTHER SUPPLEMENTARY INFORMATION

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School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash, investments and accounts receivable				
Southeastern Cooperative Educational Programs	\$ 12,457,877	\$ 52,019,839	\$ 52,822,798	\$ 11,654,918
School Activity Funds	2,252,703	5,293,920	5,348,561	2,198,062
Governor's School for the Arts	287,531	436,939	\$ 270,691	453,779
Total Assets	<u>\$ 14,998,111</u>	<u>\$ 57,750,698</u>	<u>\$ 58,442,050</u>	<u>\$ 14,306,759</u>
LIABILITIES				
Due to Other Agencies				
Southeastern Cooperative Educational Programs	\$ 12,457,877	\$ 957,731	\$ 1,760,690	11,654,918
Governor's School for the Arts	287,531	213,870	47,622	453,779
Due to Students	2,252,703	5,293,920	5,348,561	2,198,062
Total Liabilities	<u>\$ 14,998,111</u>	<u>\$ 6,465,521</u>	<u>\$ 7,156,873</u>	<u>\$ 14,306,759</u>

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STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

(UNAUDITED)

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

Schedule 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Government-wide:										
Invested in capital assets	\$ 36,313	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589	\$ 11,568	\$ 13,747
Restricted	7,315	9,931	6,400	19,045	9,006	1,837	1,002	611	575	(802)
Unrestricted	15,589	12,065	16,849	6,213	8,334	4,953	(670)	5,625	2,225	(2,036)
Total government-wide net assets	\$ 59,217	\$ 54,839	\$ 71,114	\$ 75,755	\$ 83,404	\$ 78,603	\$ 69,976	\$ 29,825	\$ 14,368	\$ 10,909

(UNAUDITED)

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

Schedule 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
		As Restated	As Restated							
Expenses:										
Instruction	\$ 228,397	\$ 235,930	\$ 257,416	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	\$ 267,602	\$ 264,767
Support Services:										
Administration, Attendance and Health	10,425	10,593	10,879	11,846	11,690	13,312	13,414	13,396	12,412	12,167
Pupil Transportation	9,826	12,109	7,076	9,988	10,588	10,913	10,917	10,765	11,028	10,685
Operation and Maintenance	28,505	27,936	29,101	34,112	35,398	36,258	38,954	33,660	35,283	32,791
Information Technology	6,004	6,678	10,239	9,222	9,608	8,950	8,972	10,860	8,274	10,469
School Facilities	19,416	14,071	4,621	5,348	27,473	16,099	17,151	52,851	20,093	23,936
Food Services	5,882	12,373	13,035	13,700	12,837	14,533	14,918	14,676	15,564	15,878
Other	-	-	-	-	-	224	264	306	238	275
Total Expenses	308,455	319,690	332,367	340,946	368,842	379,571	387,392	418,727	370,494	370,968
Revenues:										
Program Revenues:										
Charges for services	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,527	4,847	4,597
Operating grants and contributions	201,923	177,124	196,556	194,023	226,323	224,043	229,557	238,021	209,644	206,947
Capital grants and contributions	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453	19,434
Total Program Revenues	217,635	195,604	212,439	220,945	243,173	239,234	242,453	246,425	220,944	230,978
Net (Expense) Revenue	(90,820)	(124,086)	(119,928)	(120,001)	(125,669)	(140,337)	(144,939)	(172,302)	(149,550)	(139,990)
General Revenues:										
Use of money and property	1,624	2,290	1,874	2,863	3,840	2,325	1,499	799	716	1,284
Other	-	-	103	63	53	51	200	74	2	-
Commonwealth of Virginia	-	27,399	32,220	32,239	31,830	32,292	30,102	30,267	28,912	30,311
Local government	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,511
Total General Revenues	90,478	119,709	126,062	127,760	133,318	135,763	136,312	132,151	134,141	136,106
Change in Net Assets	\$ (342)	\$ (4,377)	\$ 6,134	\$ 7,759	\$ 7,649	\$ (4,574)	\$ (8,627)	\$ (40,151)	\$ (15,409)	\$ (3,884)

(UNAUDITED)

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

Schedule 3

	Fiscal Year									
	2003	2002	2005	2006	2007	2008	2009	2010	2011	2012
									Note 1	
General Fund										
Reserved	\$ 10,334	\$ 14,398	\$ 11,481	\$ 5,617	\$ 8,332	\$ 12,273	\$ 8,483	\$ 6,043		
Unreserved	9,332	9,099	8,549	19,154	5,233	6,037	4,445	4,104		
Nonspendable									293	293
Committed									-	-
Assigned									14,103	13,109
Unassigned									2,102	3,126
Total General Fund	19,666	23,497	20,030	24,771	13,565	18,310	12,928	10,138	16,498	16,528
All Other Governmental Funds										
Reserved	8,540	4,447	8,062	2,017	14,556	3,358	4,172	3,213		
Unreserved, reported in:										
Grant Fund	(2,028)	789	(2,033)	-	-	-	-	(1,793)		
Capital Projects Fund	-	-	-	-	-	1,483	(1,105)	293		
Child Nutrition Services Fund	2,971	2,079	4,295	4,743	4,792	5,116	4,541	4,605		
Nonspendable									430	401
Restricted for									-	5,560
Committed									12,684	5,514
Assigned									12,367	-
Unassigned									(19,145)	(6,316)
Total all other governmental funds	9,483	7,315	10,324	6,760	19,348	9,957	7,608	6,318	16,798	5,159

Note:

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

(UNAUDITED)

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

Schedule 4

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Use of money and property	\$ 1,517	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799	\$ 716	\$ 1,284
Charges for services	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597
Other	1,093	1,173	526	324	209	51	508	224	397	218
Intergovernmental :										
Local government	98,216	99,950	100,652	103,093	108,681	109,441	111,034	103,889	110,964	123,946
Commonwealth of Virginia	161,705	165,375	185,870	190,200	206,170	208,271	212,885	195,582	177,685	168,216
Federal government	40,709	40,733	43,147	46,475	52,436	48,659	47,058	72,556	60,477	68,824
Total revenues	308,113	315,313	338,501	348,705	376,491	374,997	378,765	378,576	355,086	367,085
EXPENDITURES										
Current:										
Instruction	212,042	226,640	233,019	261,225	256,649	278,272	285,213	286,995	263,502	263,542
Administration, Attendance, and Health	10,359	10,347	10,452	11,057	11,683	11,836	13,457	13,370	11,990	11,980
Pupil Transportation	9,575	9,752	11,940	7,193	10,390	10,416	10,896	10,723	10,709	10,639
Operation and Maintenance	27,743	28,297	27,549	29,595	32,262	33,648	33,778	36,058	35,225	32,938
Information Technology	5,071	5,962	6,600	10,365	8,786	9,435	8,818	8,770	8,161	10,517
School Facilities	7,755	19,105	13,749	4,385	13,726	23,612	15,178	3,427	2,356	1,535
Food Services	15,109	5,811	12,204	13,254	13,587	13,685	14,870	15,135	15,525	15,971
Other	411	269	-	-	-	-	294	264	238	275
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	276	267	258	250	241	232	224	216	198	189
Capital Outlay:										
School Facilities	-	-	-	-	-	-	-	7,887	6,350	21,069
Total expenditures	288,341	306,450	315,771	337,324	347,324	381,136	382,728	382,845	354,254	368,655
Excess (deficiency) of revenues over expenditures	19,772	8,863	22,730	11,381	29,167	(6,139)	(3,963)	(4,269)	832	(1,570)
OTHER FINANCING SOURCES (USES)										
Transfers in from primary government	-	-	4,172	-	10,054	-	303	-	-	-
Transfers in	-	-	(4,172)	-	(10,054)	-	(303)	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	19,772	8,863	22,730	11,381	29,167	(6,139)	(3,963)	(4,080)	832	(1,570)
Debt service as a percentage of noncapital Expenditures										
	0.10%	0.09%	0.08%	0.07%	0.07%	0.06%	0.06%	0.06%	0.06%	0.05%

(UNAUDITED)

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

Schedule 5

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
		(As Restated)	(As Restated)							
Charges for Services										
Instruction	\$ 1,936	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201
Food Services	2,937	3,821	4,029	3,121	3,248	3,060	2,886	2,579	2,601	2,396
Subtotal of Charges for Services	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526	4,847	4,597
Operating Grants and Contributions										
Instruction	191,263	193,498	219,258	215,634	247,424	212,930	218,006	238,021	196,997	193,423
Information Technology	1,161	1,161	-	-	-	-	-	-	-	-
Food Services	9,499	9,864	9,518	10,628	10,729	11,112	11,551	12,070	12,646	13,523
Subtotal of Operating Grants and Contributions	201,923	204,523	228,776	226,262	258,153	224,042	229,557	250,091	209,643	206,946
Capital Grants and Contributions										
School Facilities	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453	19,434
Subtotal of Capital Grants and Contributions	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	6,453	19,434
Total Program Revenues	\$ 217,635	\$ 223,003	\$ 244,659	\$ 253,184	\$ 275,003	\$ 239,233	\$ 242,453	\$ 258,494	\$ 220,943	\$ 230,977

(UNAUDITED)

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

Schedule 6

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
2003	1,517	4,873	1,093	98,216	161,706	40,709	308,114
2004	1,302	6,780	1,173	99,950	165,375	40,733	315,313
2005	1,838	6,469	526	100,652	185,870	43,147	338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
2008	2,325	6,250	35	109,440	208,271	48,584	374,905
2009	1,499	5,781	508	111,034	212,885	47,342	379,049
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	110,964	177,685	60,477	355,086
2012	1,284	4,597	218	123,946	168,216	68,824	367,085
Change 2003-2012	-15.4%	-5.7%	-80.1%	26.2%	4.0%	69.1%	19.1%

(UNAUDITED)

Schedule 1

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

Fiscal Year	Debt Service		
	Principal	Interest	Total
2003	156,900	110,083	266,983
2004	156,900	101,422	258,322
2005	156,900	92,782	249,682
2006	156,900	84,141	241,041
2007	156,900	75,500	232,400
2008	156,900	66,860	223,760
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478
2011	156,900	40,937	197,837
2012	156,900	32,297	189,197

Notes:

1. The debt is being paid to the City of Norfolk from 1995-2016.
2. The original cost of the facility was \$3.1 million.

(UNAUDITED)

Schedule 2

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2003	156,900	110,083	266,983	306,450,353	0.09%
2004	156,900	101,422	258,322	315,771,027	0.08%
2005	156,900	92,782	249,682	337,324,224	0.07%
2006	156,900	84,141	241,041	347,323,628	0.07%
2007	156,900	75,500	232,400	381,136,457	0.06%
2008	156,900	66,860	223,760	382,636,157	0.06%
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%
2011	156,900	40,937	197,837	354,254,534	0.06%
2012	156,900	32,297	189,197	283,647,437	0.07%

Notes:

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

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Child Nutrition Services
Summary of Meals Served
As of June 30, 2012

School	Breakfast	Lunch	Total
Elementary Schools	1,639,884	2,431,960	4,071,844
Middle Schools	241,716	842,063	1,083,779
High Schools	173,127	588,946	762,073
Auxiliary Facilities	83,113	124,283	207,396
Totals	2,137,840	3,987,252	6,125,092

Source of data: Norfolk Public Schools Child Nutrition Services

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Percent of Free and Reduced Price Lunch Program Eligibility Data
For the Month of October 2011

		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	49.35%	7.72%	42.93%	50.65%
114	CAMP ALLEN ELEM.	41.22%	13.93%	44.85%	58.78%
109	CAMPOSTELLA ELEM.	4.69%	1.90%	93.41%	95.31%
126	CHESTERFIELD ACADEMY ELEM.	13.88%	7.30%	78.83%	86.12%
128	COLEMAN PLACE ELEM.	21.82%	6.56%	71.63%	78.18%
129	CROSSROADS ELEM.	32.75%	10.86%	56.39%	67.25%
168	FAIRLAWN ELEM.	26.73%	10.91%	62.36%	73.27%
135	GHENT ELEM.	69.53%	7.17%	23.30%	30.47%
134	GRANBY ELEM.	33.38%	8.12%	58.50%	66.62%
136	INGLESIDE ELEM.	27.86%	9.66%	62.48%	72.14%
108	JACOX ELEM.	8.54%	3.04%	88.42%	91.46%
150	JAMES MONROE ELEM.	12.83%	2.17%	85.00%	87.17%
141	LARCHMONT ELEM.	78.82%	3.99%	17.19%	21.18%
142	LARRYMORE ELEM.	36.38%	9.95%	53.67%	63.62%
145	LINDENWOOD ELEM.	8.31%	4.56%	87.13%	91.69%
146	LITTLE CREEK ELEM.	27.45%	8.82%	63.73%	72.55%
147	LITTLE CREEK ELEM. ANNEX	32.15%	6.49%	61.36%	67.85%
123	MARY CALCOTT ELEM.	53.80%	13.14%	33.06%	46.20%
151	NORVIEW ELEM.	19.09%	8.55%	72.37%	80.91%
154	OCEAN VIEW ELEM.	39.51%	6.07%	54.42%	60.49%
153	OCEANAIR ELEM.	24.66%	11.15%	64.19%	75.34%
165	P.B. YOUNG SR. ELEM.	5.90%	3.07%	91.04%	94.10%
169	POPLAR HALLS ELEM.	39.61%	7.76%	52.63%	60.39%
122	RICHARD BOWLING ELEM.	23.90%	8.79%	67.31%	76.10%
137	SEWELLS POINT ELEM.	37.69%	27.08%	35.23%	62.31%
156	SHERWOOD FOREST ELEM.	32.69%	10.30%	57.01%	67.31%
131	ST. HELENA ELEM.	14.91%	4.97%	80.12%	85.09%
159	SUBURBAN PARK ELEM.	24.39%	8.01%	67.60%	75.61%
161	TANNERS CREEK ELEM.	26.26%	10.53%	63.20%	73.74%
118	TARRALLTON ELEM.	47.29%	18.55%	34.16%	52.71%
119	TIDEWATER PARK ELEM.	3.97%	0.85%	95.18%	96.03%
160	W.H. TAYLOR ELEM.	66.16%	5.21%	28.63%	33.84%
115	WILLARD MODEL ELEM.	34.44%	8.91%	56.65%	65.56%
106	WILLOUGHBY ELEM.	39.18%	25.00%	35.82%	60.82%

Source of data: Norfolk Public Schools Child Nutrition Services

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Percent of Free and Reduced Price Lunch Program Eligibility Data
For the Month of October 2011

		Paid	Reduced	Free	Total Free / Reduced
Middle Schools					
206	AZALEA MIDDLE	40.88%	10.74%	48.38%	59.12%
207	BLAIR MIDDLE	46.27%	10.31%	43.41%	53.73%
217	LAFAYETTE-WINONA MIDDLE	19.66%	8.76%	71.58%	80.34%
216	LAKE TAYLOR MIDDLE	21.05%	8.53%	70.42%	78.95%
211	NORTHSIDE MIDDLE	36.46%	11.02%	52.52%	63.54%
212	NORVIEW MIDDLE	26.49%	12.62%	60.89%	73.51%
214	RUFFNER MIDDLE	20.99%	5.91%	73.10%	79.01%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEMON	50.67%	11.67%	37.67%	49.33%
High Schools					
304	B. T. WASHINGTON HIGH	31.46%	9.38%	59.16%	68.54%
301	GRANBY HIGH	50.02%	8.00%	41.98%	49.98%
305	LAKE TAYLOR HIGH	37.28%	8.09%	54.63%	62.72%
302	MAURY HIGH	56.16%	7.11%	36.73%	43.84%
303	NORVIEW HIGH	46.21%	11.12%	42.67%	53.79%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	10.55%	5.09%	84.36%	89.45%
171	EASTON PRESCHOOL	33.00%	8.50%	58.50%	67.00%
392	MADISON	21.95%	7.32%	70.73%	78.05%
163	MARINE INSTITUTE	32.35%	0.00%	67.65%	67.65%
163	NORFOLK RE-ED SCHOOL - SECEP	33.60%	1.60%	64.80%	66.40%
396	NORFOLK TECHNICAL CTR	44.39%	8.56%	47.06%	55.61%
School Board of the City of Norfolk October 2011 Totals		34.84%	8.94%	56.22%	65.16%

Source of data: Norfolk Public Schools Child Nutrition Services

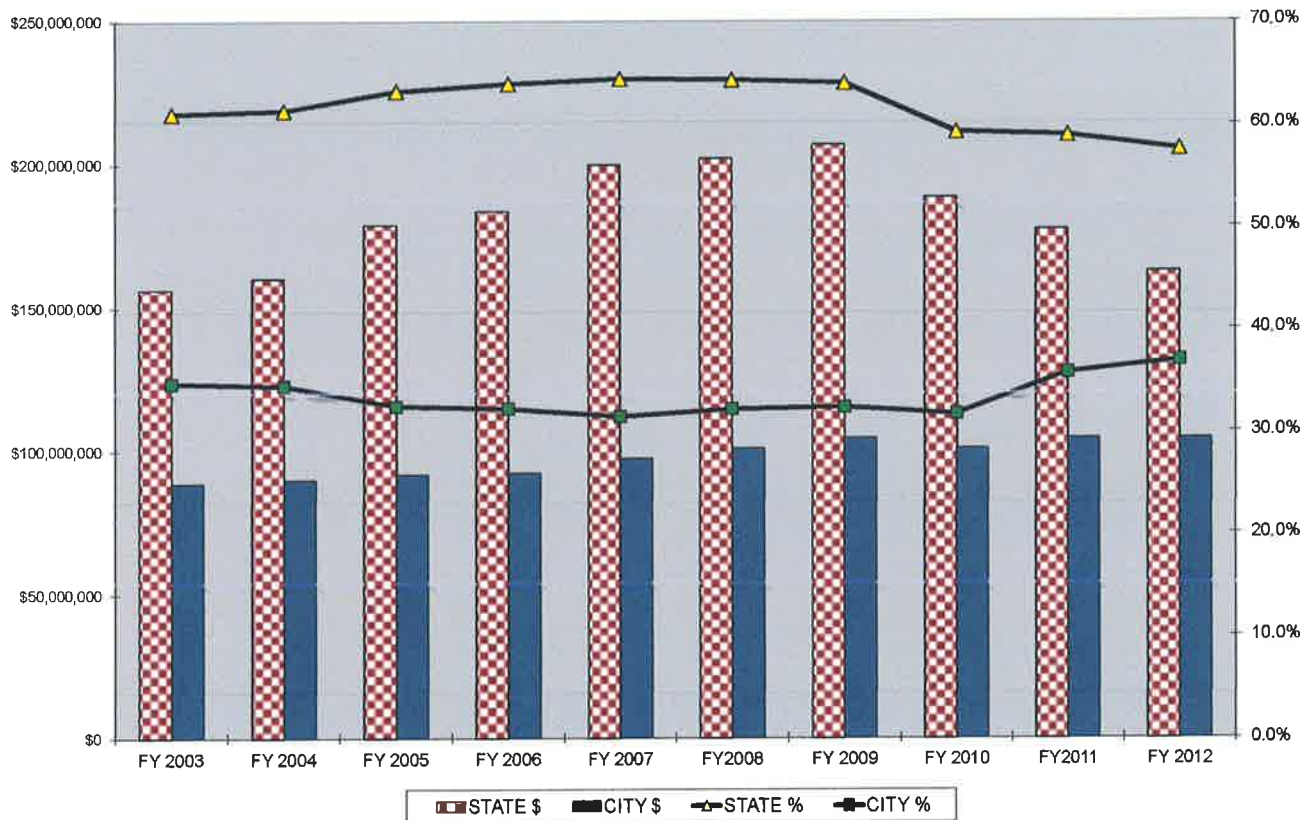
Summary of Child Nutrition Services Funds

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

Account Description	Positions		Actual 2011	Budget 2011	Actual 2011	Budget 2012	Actual 2012	Budget 2013	Budget % Increase Over 2012		
	2012	2013									
Revenue											
Sales			\$	2,555,000	\$	2,603,674	\$	2,396,490	\$	2,664,000	4.68%
Federal and State Food Program Reimbursements				11,645,000		11,632,694		12,628,098		13,025,000	10.66%
Federal Commodities Donated				850,000		1,013,773		895,422		900,000	8.43%
Interest Earnings				10,000		41,612		14,894		15,000	50.00%
Other				95,500		84,227		66,756		100,000	-4.31%
Total revenue			\$	15,155,500	\$	15,375,980	\$	15,259,500	\$	16,001,660	9.47%
Expenditures											
Cost of Goods Sold				6,873,000		7,495,857		8,123,501		8,321,000	16.93%
Employee Compensation	160.50	157.50		7,050,000		6,550,205		6,617,659		7,123,500	2.58%
Maintenance Costs				454,000		314,378		320,981		390,000	-6.02%
Supplies and Materials				125,000		144,760		115,923		125,000	-7.41%
Cafeteria and Other Equipment				445,000		447,509		437,880		513,000	16.59%
Other Costs				208,500		290,739		185,617		231,500	10.50%
Total expenditures	160.50	157.50	\$	15,155,500	\$	15,243,448	\$	15,259,500	\$	15,801,561	9.47%
Excess of Revenues over Expenditures				-		132,532		200,099		-	
Fund Balance - Beginning of Year				5,628,057		5,628,058		5,760,590		5,960,689	
Fund Balance - End of Year			\$	5,628,057	\$	5,760,590	\$	5,760,590	\$	5,960,689	

Source of Data: Norfolk Public Schools Child Nutrition Services

State and City Revenues

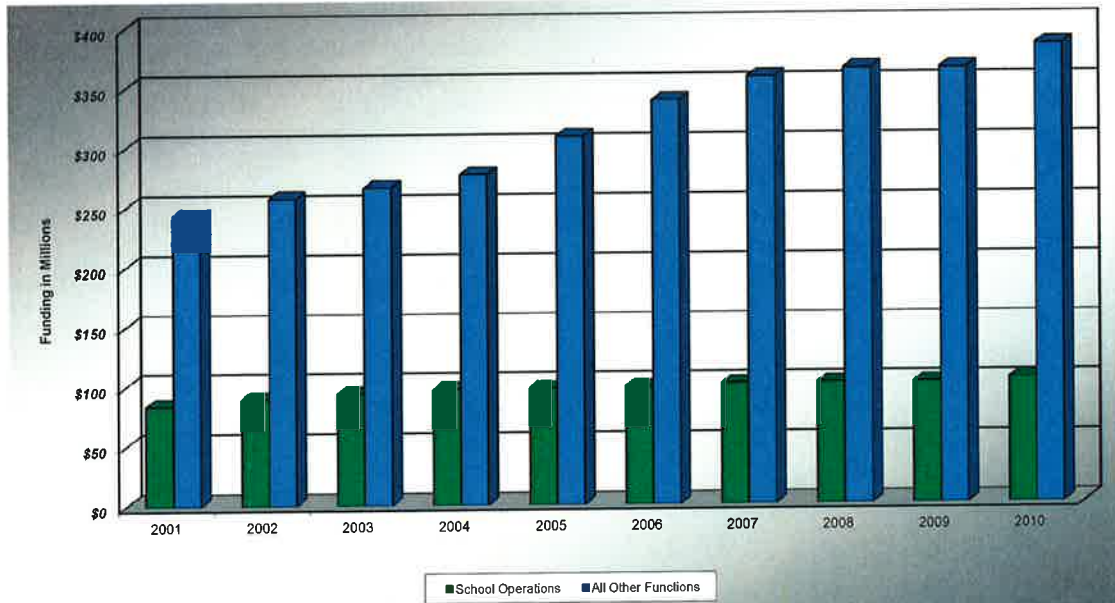


FISCAL YEAR	STATE REVENUE		CITY REVENUE	
	Total	Percent	Total	Percent
2003	\$ 156,504,286	61.0%	\$ 88,853,663	34.7%
2004	\$ 160,507,605	61.4%	\$ 90,020,000	34.4%
2005	\$ 179,190,014	63.2%	\$ 91,864,910	32.4%
2006	\$ 183,950,776	63.9%	\$ 92,594,910	32.2%
2007	\$ 200,127,838	64.4%	\$ 97,594,910	31.4%
2008	\$ 202,196,359	64.3%	\$ 101,094,910	32.1%
2009	\$ 206,990,016	64.0%	\$ 104,511,131	32.3%
2010	\$ 188,792,034	59.2%	\$ 101,011,131	31.7%
2011	\$ 177,684,710	59.2%	\$ 104,511,131	31.7%
2012	\$ 162,944,923	57.6%	\$ 104,511,131	36.9%

This chart indicates state and city funding (the two major sources of school operating funds) over the last decade. The information is in actual dollars (unadjusted for inflation) based on the overall funding, including federal and other local revenues (fees, interest, etc.). Since federal revenues are not shown on this chart, the percentages do not total 100%.

Source of Data: Comprehensive Annual Financial Reports

**Comparison of Revenue Under Local Control Dedicated
to School Operations and to Other Functions
2002-2011**



FISCAL YEAR	Revenue Under Local Control		Local Revenue Dedicated to School Operations (a)		Dedicated to All Other Functions	
	Total	Growth	Total	Growth	Total	Growth
2002	\$346.70	2.9%	\$89.42	4.7%	\$257.28	2.7%
2003	\$359.65	3.7%	\$93.54	4.6%	\$266.11	3.4%
2004	\$373.80	3.9%	\$96.86	3.5%	\$276.94	4.1%
2005	\$406.30	8.7%	\$97.81	1.0%	\$308.49	11.4%
2006	\$436.70	7.5%	\$98.57	0.8%	\$338.13	9.6%
2007	\$458.10	4.9%	\$100.60	2.1%	\$357.50	5.7%
2008	\$468.40	2.2%	\$101.09	0.5%	\$364.20	1.9%
2009	\$487.50	4.1%	\$104.20	3.1%	\$383.30	5.2%
2010	\$500.23	2.6%	\$101.01	-3.1%	\$399.22	4.2%
2011	\$578.60	15.7%	\$104.50	3.5%	\$474.10	18.8%

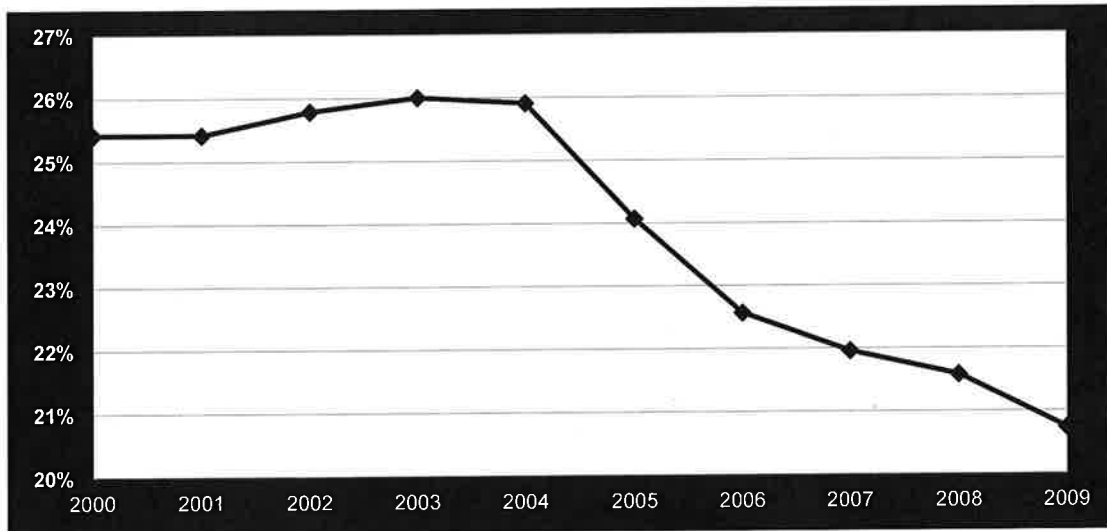
Amounts shown are in millions of dollars

Average growth 2002-11:	5.6%	2.1%	6.7%
Total growth 2002-11:	66.9%	16.9%	84.3%

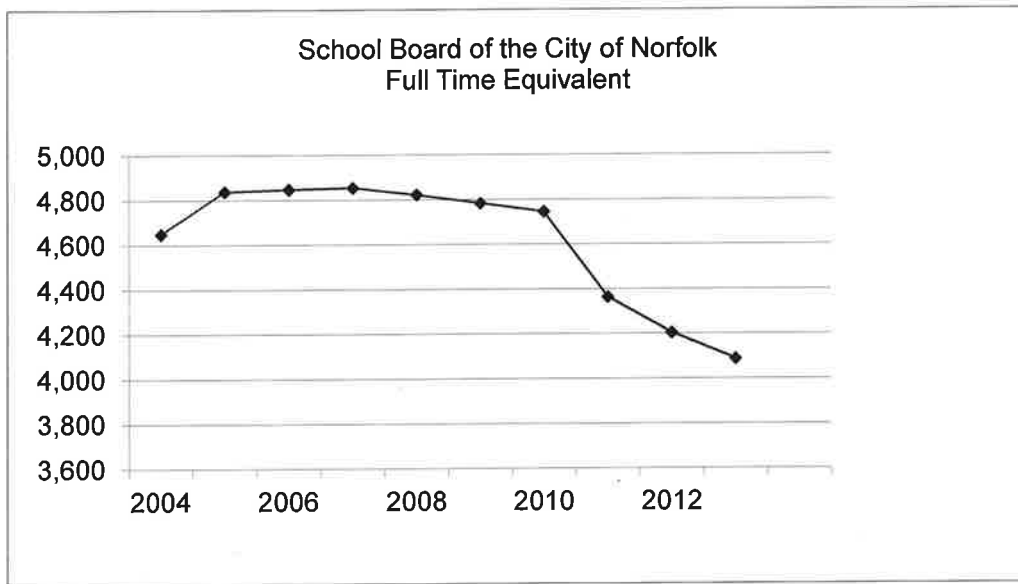
(a) Includes an estimate of cost of crossing guards, school nurses, grounds maintenance and local revenues collected directly by school board (fees, etc.).

(b) Source of data: Consolidated Annual Financial Report for the City of Norfolk FY 2011. 2012 data not yet available.

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



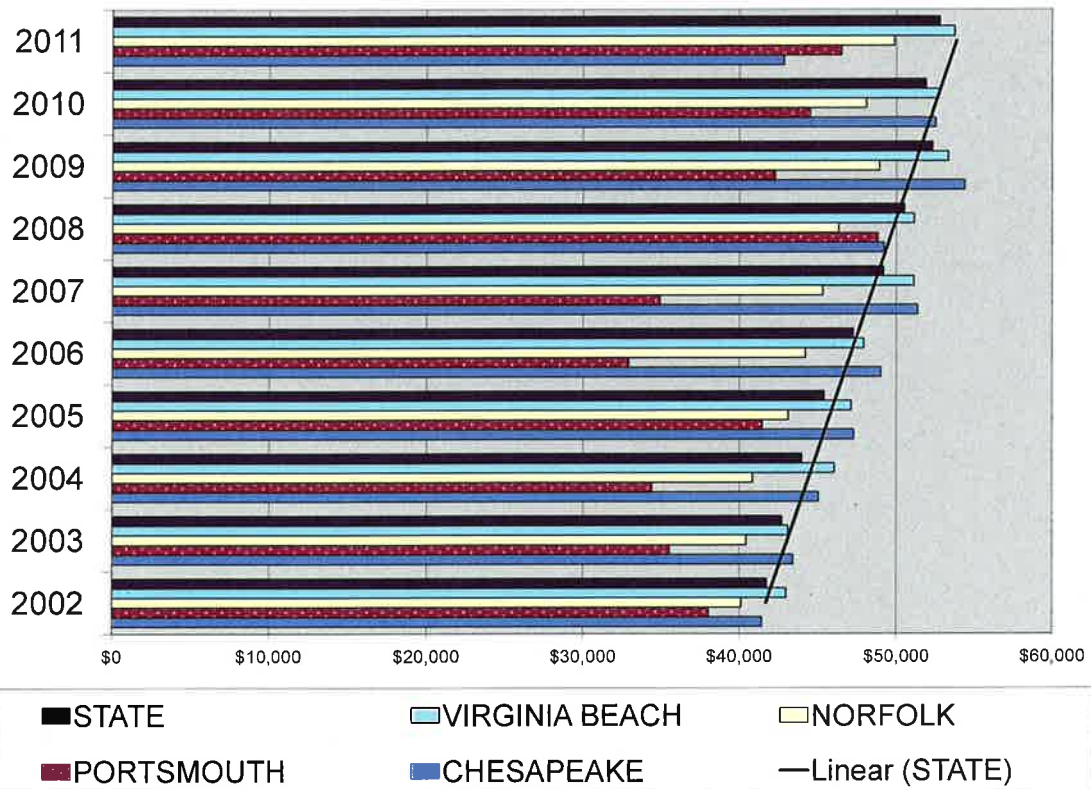
FISCAL YEAR	Local Revenue	Dedicated to School Operations	% to School Operations
2000	\$326.52	\$83.83	25.7%
2001	\$335.90	\$85.39	25.4%
2002	\$346.70	\$89.42	25.8%
2003	\$359.65	\$93.54	26.0%
2004	\$373.80	\$96.86	25.9%
2005	\$406.30	\$97.81	24.1%
2006	\$436.70	\$98.57	22.6%
2007	\$458.10	\$100.60	22.0%
2008	\$468.40	\$101.09	21.6%
2009	\$487.50	\$104.20	21.4%



Fiscal Year	FTE
2004	4,650
2005	4,838
2006	4,848
2007	4,855
2008	4,823
2009	4,785
2010	4,747
2011	4,365
2012	4,206
(budgeted) 2013	4,089

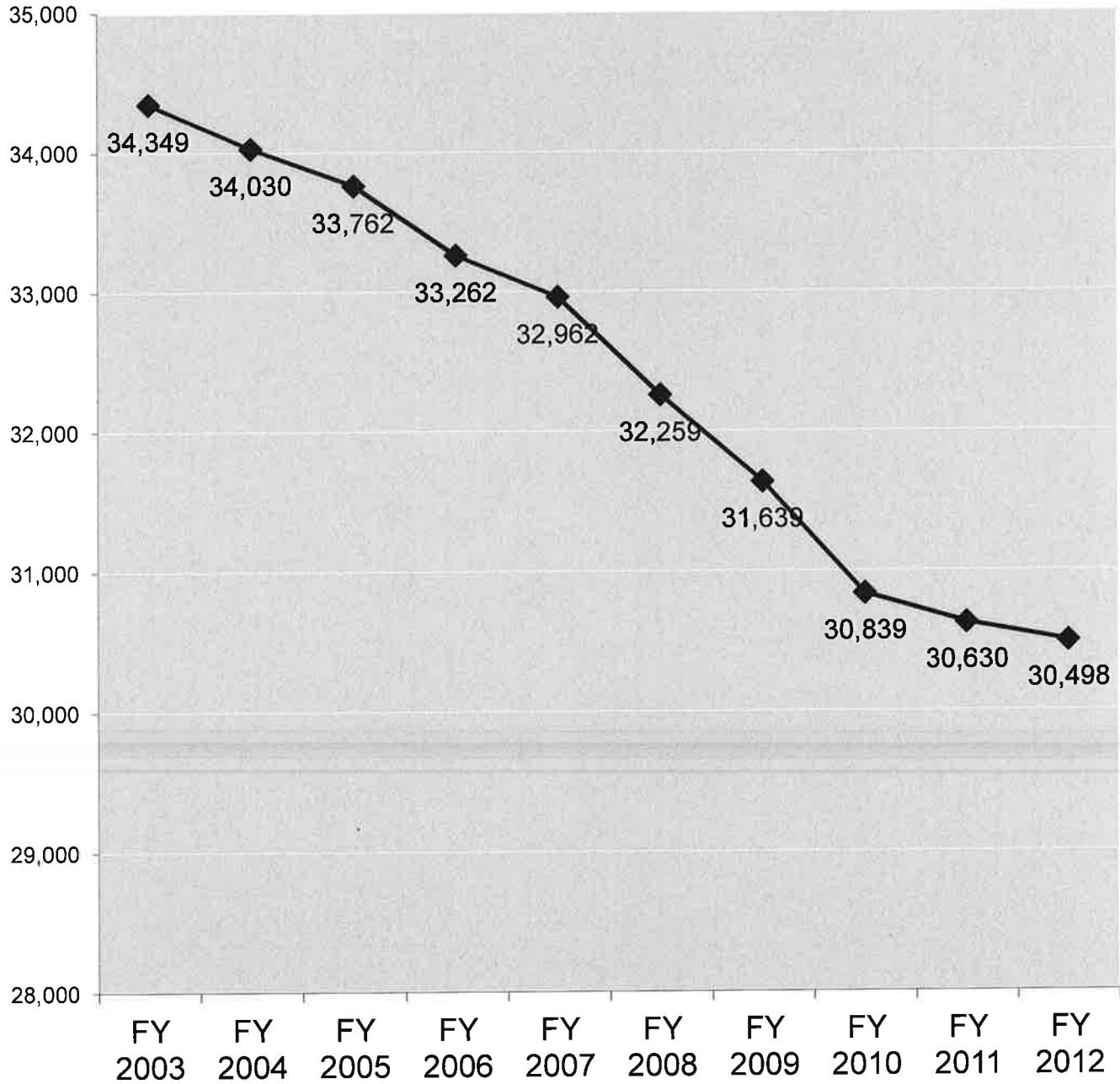
Source of Data: Norfolk Public Schools Budget Office

Average Annual Salary - All Teaching Positions



Source of Data: Superintendent's Annual Report for Virginia.
2012 data not available.

Average Daily Membership



Source of data: Norfolk Public Schools Department of Strategic Evaluation, Assessment and Support.
* Does not include Pre-K.

Average Cost Per Student

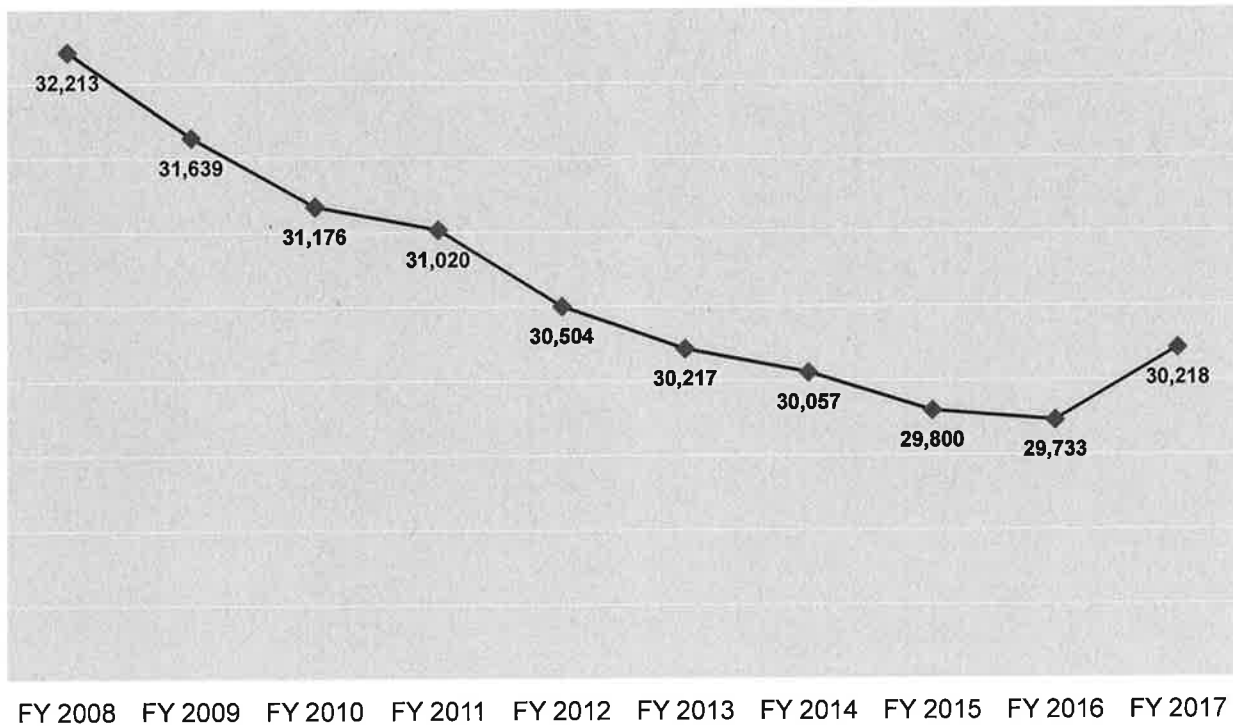
Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (b)			Average Cost per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2013	\$301,318,126 (a)	30,200	2,380	32,580	\$9,249
2012	\$286,229,821	30,498	2,380	32,878	\$8,706
2011	\$290,958,964	30,630	2,344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

(a) Projected expenditures

(b) Student membership is average daily membership for the year. FY 2013 membership is estimated. Pre-kindergarten membership excludes students enrolled in classes funded by Federal Title I funds.

Source of Data: Norfolk Public Schools Budget Department

Enrollment Projections (K-12)



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

METHODOLOGY

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

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

State Incentive to Reduce Class Size

Elementary School	October 2010 Free Lunch Eligibility Rate	State Target Pupil-Teacher Ratio	NPS Pupil Teacher Ratio Budgeted	Maximum Permitted Individual Class Size in the School	NPS Average Class Size Expected
BAY VIEW	36.42%	19:1	22:1	24	22
CAMP ALLEN	30.28%	19:1	20:1	24	20
CAMPOSTELLA	90.35%	14:1	18:1	19	16
CHESTERFIELD ACADEMY	70.61%	15:1	22:1	20	19
COLEMAN PLACE	63.11%	17:1	21:1	22	21
CROSSROADS	46.18%	18:1	20:1	23	20
FAIRLAWN	49.79%	18:1	20:1	23	20
GRANBY	50.24%	18:1	24:1	23	24
INGLESIDE	47.71%	18:1	19:1	23	19
JACOX	82.93%	14:1	17:1	19	15
JAMES MONROE	84.22%	14:1	18:1	19	15
LARRYMORE	40.84%	19:1	21:1	24	21
LINDENWOOD *	80.10%	14:1	18:1	19	15
LITTLE CREEK	52.20%	18:1	20:1	23	20
MARY CALCOTT	32.31%	19:1	21:1	24	21
NORVIEW	67.96%	16:1	18:1	21	18
OCEAN VIEW	52.20%	18:1	20:1	23	20
OCEANAIR	49.23%	18:1	20:1	23	20
P.B. YOUNG SR.	91.44%	14:1	18:1	19	15
POPLAR HALLS	46.91%	18:1	18:1	23	18
RICHARD BOWLING	64.36%	17:1	23:1	22	19
SHERWOOD FOREST	46.67%	18:1	22:1	23	22
ST. HELENA	75.31%	14:1	22:1	19	17
SUBURBAN PARK	57.43%	17:1	20:1	22	20
TANNERS CREEK	53.35%	18:1	20:1	23	20
TARRALLTON	32.40%	19:1	21:1	24	21
TIDEWATER PARK	94.65%	14:1	19:1	19	15
WILLARD MODEL	46.87%	18:1	21:1	23	21
WILLOUGHBY	32.10%	19:1	19:1	24	19

Source of Data: Norfolk Public Schools Budget Department

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2012

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Granby High	1939	292,294	25	0	1997-1998	14	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	38	263,000
Maury High	1910	265,000	9.8	0	1988	24	265,000
Norview High	2004	287,272	27	0		8	287,272
B. T. Washington High	1974	265,000	30	0		38	265,000
High School Average Age:						24.40	
Azalea Middle	1961	120,374	21.1	3		51	123,110
Blair Middle	1922	241,597	7.4	0	2007	5	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		21	140,000
Lake Taylor Middle	1965	118,926	20	6		47	124,398
Northside Middle	1956	122,675	14.5	0		56	122,675
Norview Middle	1995	152,000	19	0		17	152,000
Rosemont Middle	1959	126,028	18.5	0		53	126,028
Ruffner Middle	1994	146,000	10.52	0		18	146,000
Middle School Average Age:						33.50	
Bayview Elementary	1922	83,095	9.4	0	1999	13	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	59	62,149
Calcott Elementary	1952	65,100	12	2	1954	60	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	42	69,200
Campostella Elementary	1963	95,970	21.2	0		49	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	59	67,870
Coleman Place Elementary	2007	96,818	9.2	0		5	96,818
Crossroads Elementary	2012	146,923	12	0		1	146,923
Fairlawn Elementary	1959	58,500	16.4	11	1961	53	68,532
Ghent Elementary	1978	60,800	13	3		34	63,536
Granby Elementary	1948	82,081	9	0	1989	64	82,081
Ingleside Elementary	1954	58,500	16	6		58	63,972
Jacox Elementary	1949	79,200	11.7	4		63	82,848
Larchmont Elementary	1929	47,300	23	0	1977	83	47,300
Larrymore Elementary	1957	77,325	13	0	1964	55	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	59	61,284
Little Creek Elementary	1954	56,795	17	5		58	61,355
Little Creek Primary	1957	44,500		1		55	45,412
Monroe Elementary	1990	64,000	12.8	0		22	64,000
Norview Elementary	1952	57,640	14.2	14	1953	60	70,408
Oakwood Elementary	1952	40,000	8.2	2	1961	60	41,824
Ocean View Elementary	1939	56,150	20.5	2		73	57,974
Oceanair Elementary	1956	62,470	17.7	8		56	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	53	47,136
J.J. Roberts Elementary	1964	40,355	6.6	4		48	44,003
St. Helena Elementary	1966	36,074	13.2	2		46	37,898
Sewells Point Elementary	1966	60,900	8.9	6	1984	46	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	55	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	57	61,980
Tanners Creek Elementary	1990	83,000	9	0		22	83,000
Tarrallton Elementary	1964	46,300	15.2	3		48	49,036
Taylor Elementary	1998	54,786	2.8	0		14	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		48	44,235
Willard Elementary	1952	80,925	14.9	0	1990	60	80,925
Willoughby Elementary	1967	58,400	12	0		45	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		58	55,325
Elementary School Average Age:						48.36	

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2012

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Berkley/Compostella ECC	1953	46,453	10.6	0	1991	59	46,453
Camp Young	1946	27,398	30	0		66	27,398
Easton Preschool	1959	37,500	11.7	0	1961	53	37,500
Madison Career Center	1919	75,501	3	0	1921	93	75,501
Norfolk Technical Center	1968	125,938	29.5	0		11	125,938
Bellmore	1968	77,028	3.9	1		44	77,940
Transportation	1995	24,689	9.9	1		17	25,601
Subtotal Average Age Other:						49.00	
Total Mobiles				117			
Average Age of all Buildings				39.97			
Total Number of Acres				811.4			
Total Number of Square Feet				4,867,657			
Total Square feet including mobiles				5,270,755			

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

Source of data: Norfolk Public Schools Facilities Management

(UNAUDITED)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954	\$ 324,576	\$ 294,102
Restricted	35,753	55,786	6,788	6,605	6,731	6,890	64,397	120,974	6,744	9,804
Unrestricted	72,904	86,959	91,869	96,705	127,479	90,917	63,013	76,365	5,347	23,241
Subtotal governmental activities net assets	579,108	554,738	502,234	494,702	467,198	422,980	379,538	353,293	336,667	327,147
Business-Type activities:										
Invested in capital assets, net of related debt	195,799	223,018	237,044	259,198	268,503	241,203	237,307	229,693	267,107	270,913
Restricted	37,216	36,041	-	-	2,526	2,506	39,306	40,056	12,928	12,928
Unrestricted	39,277	20,293	48,563	43,383	34,373	72,387	43,921	63,316	62,458	72,063
Subtotal business-type activities net assets	272,292	279,352	285,607	302,581	305,402	316,096	320,534	333,065	342,493	355,904
Primary government:										
Invested in capital assets, net of related debt	666,250	635,011	640,821	650,590	601,491	566,376	489,435	385,647	591,683	565,015
Restricted	72,969	91,827	6,788	6,605	9,257	9,396	103,703	161,030	19,672	22,732
Unrestricted	112,181	107,252	140,432	140,088	161,852	163,304	106,934	139,681	67,805	95,304
Total primary government net assets	\$ 851,400	\$ 834,090	\$ 787,841	\$ 797,283	\$ 772,800	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 683,051

(UNAUDITED)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441
Judicial administration	191	402	498	200	778	931	935	3,501	3,629	3,690
Public safety	6,282	6,727	11,606	13,041	2,708	2,307	2,797	5,627	7,942	8,424
Public works	16,394	16,829	9,081	10,121	24,181	27,158	26,999	35,451	36,890	50,597
Health and public assistance	159	154	130	134	101	168	134	83	82	50
Culture and recreation	5,907	6,668	7,034	6,198	6,126	6,710	6,232	9,224	10,101	9,751
Community development	7	11	5	1,063	907	760	1,539	2,259	1,479	1,807
Capital grant contributions	-	-	-	-	-	-	16,933	7,175	-	765
Operating grants and contributions	123,596	105,466	116,399	116,827	115,779	112,960	112,419	127,665	116,648	119,353
Total governmental activities program revenue	152,985	136,808	145,530	148,814	153,030	153,159	169,788	204,141	195,401	203,878
Business-type activities:										
Charges for Services										
Water	63,785	60,964	61,002	74,218	69,816	74,240	74,454	78,983	80,573	78,148
Wastewater	14,615	18,633	21,329	22,375	22,314	24,917	23,125	23,815	24,362	24,798
Parking facilities	18,574	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452
Capital grants and contributions	254	205	-	78	731	219	504	366	130	187
Total business-type activities program revenues	97,228	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585
Total primary government program revenues	250,213	237,964	248,920	266,396	267,490	272,960	287,919	326,090	320,148	326,463
Expenses										
Governmental activities:										
General government	83,311	86,081	74,344	94,763	113,279	113,142	111,629	112,874	103,550	109,188
Judicial administration	10,856	36,635	40,319	42,494	46,944	48,593	52,209	52,020	49,980	51,102
Public safety	117,488	99,975	107,531	106,705	111,803	126,609	120,703	120,263	129,721	129,138
Public works	103,319	124,833	144,438	109,907	118,176	118,888	134,274	132,176	101,137	91,542
Health and public assistance	70,665	77,668	84,173	91,443	93,775	95,234	93,495	91,923	82,368	75,428
Culture and recreation	44,758	42,495	46,267	44,933	52,965	56,890	63,438	73,342	64,352	63,499
Community development	19,806	10,471	16,974	14,930	14,772	15,345	16,867	15,429	18,638	17,223
Education	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512
Interest on long-term debt	18,088	17,461	18,516	19,565	19,818	21,457	23,788	26,014	27,931	26,822
Intergovernmental	8,061	6,140	-	-	-	-	-	-	-	-
Total government activities expenses	565,206	591,779	624,427	617,335	669,927	697,253	714,914	735,052	682,188	668,454
Business-type activities:										
Water	54,362	60,069	60,207	62,009	60,511	64,877	66,990	64,316	67,852	64,451
Wastewater	10,963	11,754	11,957	15,448	17,377	18,614	21,227	18,983	19,707	18,806
Parking facilities	15,834	16,869	18,640	18,356	18,861	21,539	19,036	20,008	22,050	20,469
Total business-type activities expenses	81,179	88,692	90,804	95,813	96,749	105,030	107,253	103,307	109,609	103,726
Total primary government expenses	646,385	680,471	715,231	713,148	766,676	802,283	822,167	838,359	791,797	772,180
Net (Expense) Revenue										
Governmental activities	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)
Business-type activities	16,049	12,464	12,586	21,769	17,711	14,771	10,878	18,642	15,138	18,859
Total primary government net expense	\$ (396,172)	\$ (442,507)	\$ (466,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (512,269)	\$ (471,649)	\$ (445,717)

(UNAUDITED)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 168,731	\$ 161,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,486	\$ 260,840	\$ 256,339	\$ 255,530	\$ 245,439
Consumption utility	-	-	43,387	43,337	42,586	46,582	44,142	44,053	48,360	43,588
Sales and use	-	-	29,497	30,652	32,402	31,791	29,484	28,249	28,411	27,599
Restaurant food	-	-	26,689	27,277	28,578	28,758	28,079	27,292	24,094	30,300
Business licenses	-	-	22,015	24,412	25,268	26,343	27,692	26,009	25,849	28,667
Cigarettes	-	-	6,948	6,819	6,957	7,577	7,333	7,176	7,161	8,097
Motor vehicle licenses	-	-	2,605	3,576	3,529	3,498	4,005	4,308	4,313	4,318
Franchise, admission, recordation and other miscellaneous local	-	-	19,356	21,544	19,800	18,025	17,192	16,528	15,698	18,665
Other *	132,847	140,675	-	-	-	-	-	-	-	-
Interest and investment earnings	3,018	2,377	4,916	7,306	6,536	5,307	2,789	892	1,065	916
Grants and contributions not restricted to specific programs	60,472	77,601	68,219	68,133	66,524	69,352	60,513	32,892	32,642	32,725
Miscellaneous	7,986	18,504	8,496	15,851	4,845	11,881	9,600	5,637	5,901	4,653
Gain on disposal of assets	4,025	-	-	3,249	65	62	-	-	-	-
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	-	40,367	11,085	-
Transfers between governmental and business-type activities	8,500	10,000	10,000	11,868	10,988	10,212	10,215	13,054	10,052	10,087
Total governmental activities	385,579	430,603	435,284	481,811	489,393	499,876	501,684	502,816	470,161	455,055
Business-type activities:										
Interest and investment earnings	816	609	884	3,161	2,739	3,046	925	618	511	314
Grants and contributions not restricted to specific programs	-	-	-	-	333	-	-	148	557	371
Unrealized Gain (Loss) on investments	25	(640)	-	-	-	-	-	-	-	-
Miscellaneous	2,780	4,624	3,657	3,911	3,554	3,089	2,850	3,432	3,431	3,951
Gain (Loss) on disposal of assets	121	-	(852)	-	(6)	-	-	2,744	(157)	4
Transfers between governmental and business-type activities	(8,500)	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)
Total business-type activities	(4,758)	(5,407)	(6,331)	(4,796)	(4,368)	(4,076)	(6,440)	(6,112)	(5,710)	(5,447)
Total primary governmental activities	380,821	425,196	428,933	477,015	485,025	495,798	495,244	496,704	464,451	449,608
Change in Net Assets										
Governmental activities	(26,642)	(24,368)	(43,633)	13,290	(27,504)	(44,216)	(43,442)	(28,095)	(16,626)	(9,521)
Business-type activities	11,291	7,057	6,255	16,973	13,343	10,693	4,438	12,530	9,428	13,412
Total Primary Government changes in net assets	\$ (15,351)	\$ (17,311)	\$ (37,378)	\$ 30,263	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891

Note:

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

(UNAUDITED)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -
Restricted	-	-	-	-	-	-	-	-	395	330
Committed	-	-	-	-	-	-	-	-	1,899	3,000
Assigned	-	-	-	-	-	-	-	-	38,014	34,839
Unassigned	-	-	-	-	-	-	-	-	55,968	54,338
Reserved*	8,317	8,152	14,172	16,057	17,223	11,669	7,842	8,296	-	-
Unreserved*	49,789	53,948	54,007	66,619	71,056	56,302	50,784	53,840	-	-
Total general fund	58,106	62,100	68,179	82,676	88,279	67,971	58,626	62,136	96,281	92,507
Capital projects fund:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	41,063	95,053
Assigned	-	-	-	-	-	-	-	-	11,978	14,376
Unassigned	-	-	-	-	-	-	-	-	26,307	15,345
Reserved*	51,259	80,034	82,373	20,885	48,894	57,186	50,987	60,696	-	-
Unreserved*	7,200	14,132	3,394	-	15,424	64,504	25,939	86,260	-	-
Total capital projects fund	58,459	94,166	85,767	20,885	64,318	121,690	76,926	146,956	79,348	124,774
All Other governmental funds:										
Nonspendable	-	-	-	-	-	-	-	-	22	23
Restricted	-	-	-	-	-	-	-	-	2,621	9,474
Committed	-	-	-	-	-	-	-	-	11,259	3,246
Assigned	-	-	-	-	-	-	-	-	9,877	13,569
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved*	8,089	10,509	27,161	19,075	20,123	30,716	27,049	34,634	-	-
Unreserved*	14,833	14,058	3,992	17,131	24,211	13,987	12,535	14,008	-	-
Total Other governmental funds	22,922	24,567	31,153	36,206	44,334	44,703	39,584	48,642	23,779	26,312
Total fund balance, governmental funds	\$ 139,487	\$ 180,833	\$ 185,099	\$ 139,767	\$ 196,931	\$ 234,364	\$ 175,136	\$ 257,734	\$ 199,408	\$ 243,593

Note:

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

(UNAUDITED)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property taxes	\$ 168,893	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917
Other local taxes	132,847	140,675	150,477	157,616	159,119	162,573	157,927	153,615	153,886	161,234
Licenses and permits	2,973	3,204	3,542	4,088	4,071	4,055	4,012	3,526	3,691	3,574
Fines and forfeitures	1,569	1,627	1,763	1,461	1,605	1,317	1,260	1,164	1,298	1,108
Use of money and property	8,791	8,333	10,232	10,498	11,105	10,560	8,332	6,746	7,169	6,695
Charges for services	29,390	31,342	29,129	32,772	37,071	40,159	40,345	50,540	47,955	47,859
Miscellaneous	24,785	17,339	18,951	33,494	11,691	17,923	12,911	18,080	14,850	11,643
Recovered costs	9,556	12,297	14,188	12,667	8,408	8,622	8,952	9,503	10,723	10,312
Intergovernmental	131,071	160,118	147,045	149,757	156,637	156,862	149,774	152,619	149,489	161,572
Total Revenue	509,875	553,296	568,620	614,141	625,106	643,361	635,516	652,848	647,065	656,914
Expenditures:										
Current										
General government	64,639	76,127	67,434	92,062	102,031	110,974	102,426	97,061	80,855	100,504
Judicial administration	9,280	35,603	38,110	41,795	45,173	47,331	50,347	48,726	47,535	48,233
Public safety	123,202	94,979	102,278	105,634	108,565	116,208	118,073	115,468	115,975	116,296
Public works	57,162	80,613	64,467	46,959	49,161	60,370	56,146	59,574	70,124	62,330
Health and public assistance	68,140	76,221	83,451	91,535	93,397	95,159	91,648	89,682	79,757	74,331
Culture and recreation	40,149	40,081	40,290	42,995	46,397	51,071	52,246	51,708	45,862	44,529
Community development	17,673	8,046	12,716	13,552	11,158	10,745	9,899	10,851	16,965	15,142
Education	86,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512
Debt Services:										
Principal retirement	32,450	32,731	47,407	37,660	35,872	40,260	48,092	48,052	50,865	57,683
Interest and other charges	15,998	16,820	18,061	18,802	18,917	20,468	23,666	23,762	29,675	27,360
Intergovernmental	8,061	6,140	-	-	-	-	-	-	-	-
Capital outlay	37,770	45,026	85,144	91,632	94,585	114,007	104,892	99,210	76,534	98,892
Total Expenditures	563,378	602,409	651,253	675,221	702,861	767,688	761,948	743,145	718,258	749,812
(Deficiency) of revenues (under) expenditures	(53,503)	(49,113)	(82,633)	(61,080)	(77,755)	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)
Other Financing Sources (Uses):										
Proceeds of refunding bonds	31,123	83,219	30,389	-	15,480	-	16,000	-	84,136	74,859
Proceeds of capital leases	7,503	4,430	4,702	4,828	-	-	-	-	-	-
Proceeds of debt (general obligation bonds and notes)	47,695	69,685	70,840	-	121,705	145,863	55,280	156,208	2,821	109,835
Payment to refunded bonds escrow agent	(31,123)	(83,219)	(30,389)	-	(15,480)	-	(16,000)	-	(84,136)	(74,859)
Premium on bonds issued	-	389	2,259	-	2,070	5,785	1,707	3,633	505	15,311
Miscellaneous	(2,989)	(7)	-	(122)	66	62	-	-	-	-
Proceeds from sale or disposal of fixed assets	4,025	1,062	-	-	-	-	-	-	-	2,700
Operating transfers in	78,637	75,587	82,354	97,185	89,254	109,901	105,641	104,007	104,873	107,136
Operating transfers (out)	(70,137)	(65,587)	(72,354)	(86,142)	(78,176)	(99,853)	(95,425)	(90,953)	(85,332)	(97,899)
Total other financing sources (uses)	64,734	85,559	87,901	15,749	134,919	181,758	67,203	172,895	12,867	137,083
Net change in fund balances	\$ 11,231	\$ 36,446	\$ 5,168	\$ (45,331)	\$ 57,164	\$ 37,431	\$ (58,229)	\$ 82,598	\$ (58,326)	\$ 44,185
Debt service as a percentage of noncapital expenditures	9.22%	8.89%	11.56%	9.67%	9.01%	9.13%	10.40%	9.69%	12.19%	12.29%

(UNAUDITED)

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

	Fiscal Year									
Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General government	\$ 43,823	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466
Judicial administration	4,482	17,960	19,423	19,605	27,904	28,707	23,173	26,461	27,069	27,880
Public safety	23,941	12,832	19,822	20,674	8,137	5,244	11,036	7,459	12,335	14,217
Public works	34,082	40,783	28,440	30,438	44,769	47,407	48,156	55,542	61,552	77,436
Health and public assistance	34,453	36,733	39,064	39,930	42,261	40,567	41,695	62,585	52,280	51,654
Culture and recreation	10,225	10,221	9,956	9,603	9,655	10,359	9,148	23,976	10,330	11,573
Community development	1,979	2,334	3,281	3,762	3,690	3,168	20,538	7,532	10,040	8,538
Interest on Long-term debt	-	-	-	-	-	-	-	849	-	2,115
Subtotal governmental activities program revenue	152,965	136,808	145,530	148,814	153,030	153,159	169,786	204,140	195,401	203,879
Business-type activities:										
Water	64,039	61,126	61,002	74,277	70,411	74,416	74,958	79,349	80,703	78,335
Wastewater	14,615	18,676	21,329	22,394	22,450	24,960	23,125	23,815	24,362	24,798
Parking facilities	18,574	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452
Subtotal business-type activities program revenues	97,228	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585
Total primary government program revenues	\$ 250,213	\$ 237,964	\$ 248,920	\$ 266,396	\$ 267,490	\$ 272,960	\$ 287,919	\$ 326,089	\$ 320,148	\$ 326,464

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Misc	Recovered Costs	Inter-Governmental Revenues	Total
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
Change 2003-2012	49.7%	21.4%	20.2%	-29.4%	-23.9%	62.8%	-53.0%	7.9%	23.3%	28.8%

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

Fiscal Year	Consumer's Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2003	37,930	25,854	21,680	18,472	4,220	3,462	21,229	132,847
2004	39,231	27,867	21,808	20,279	7,639	3,456	20,395	140,675
2005	39,371	29,497	22,550	22,015	6,948	2,605	27,491	150,477
2006	43,337	30,652	27,277	24,412	6,819	3,576	21,543	157,616
2007	42,586	32,402	28,578	25,268	6,957	3,529	19,799	159,119
2008	46,582	31,791	28,758	26,343	7,577	3,498	18,024	162,573
2009	44,142	29,484	28,078	27,692	7,333	4,005	17,192	157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
Change 2003-2012	14.9%	6.7%	39.8%	55.2%	91.9%	24.7%	-12.1%	21.4%

Note:

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

(UNAUDITED)

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

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2003	9,356,760	1,311,951	271,046	10,939,757	10,939,757
2004	10,029,639	1,503,713	281,578	11,814,930	11,814,930
2005	10,960,812	1,569,991	305,154	12,835,957	12,835,957
2006	12,691,527	1,655,021	316,863	14,663,411	14,663,411
2007	15,607,512	1,687,318	324,387	17,619,217	17,619,217
2008	18,401,851	1,983,503	193,287	20,578,641	20,578,641
2009	19,397,795	1,676,811	233,703	21,308,309	21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023

Notes:

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Business improvement District	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.16	0.16
Personal property	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.33	4.33
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.40	1.40	1.35	1.27	1.11	1.11	1.11	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.01	0.01	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.64	1.62	1.63	1.55	1.45	1.25	1.23	1.19	1.19	1.21

Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	100%	100%	100%	100%	100%	100%	100%	96%	100%	100%
As determined by the Commonwealth's Department of Taxation	88%	86%	65%	76%	76%	93%	96%	100%	100%	100%

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2002 through 2012.
3. The most recent Virginia Assessment/Sales ratio study is for 2012.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other

(UNAUDITED)

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

Taxpayer	2003			2012		
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Virginia Power Co.	\$ 170,665,611	2	1.82%	\$ 282,667,645	1	1.51%
MacArthur Shopping Center LLC (Taubman Co.)	149,780,100	3	1.60%	134,795,000	2	0.72%
Verizon Virginia, Inc.	195,616,847	1	2.09%	130,714,269	3	0.70%
Norfolk Western Railway Company	71,509,774	4	0.76%	123,191,166	4	0.66%
Old Dominion University Real Estate Foundation				95,337,600	5	0.51%
Norfolk Southern				84,438,400	6	0.45%
Dominion Tower Ltd. Partnership				63,636,100	7	0.34%
Virginia Natural Gas, Inc.	38,423,602	10	0.41%	63,141,478	8	0.34%
Dominion Enterprises				62,976,800	9	0.34%
Cox Virginia Telecom	53,326,937	9	0.57%	60,493,127	10	0.32%
Bank of America	65,916,500	5	0.70%			
Ford Motor Company	68,401,300	7	0.73%			
Military Circle Ltd. Partnership	66,796,800	6	0.71%			
New Life Tower	54,303,100	8	0.58%			
Total	<u>\$ 934,740,571</u>		<u>9.99%</u>	<u>\$ 1,101,391,585</u>		<u>5.90%</u>
Total Assessed Value	\$ 9,356,759,552			\$ 18,676,730,533		

Note:

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

(UNAUDITED)

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

Tax Year	Original Tax Levy	Adjusted Tax Levy (1)	Current Collections	Percentage of Current Collections to Tax Levy (2)	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy (2)
2003	179,220	164,908	155,276	94.16%	9,591	164,867	99.98%
2004	191,397	179,753	165,100	91.85%	14,590	179,690	99.96%
2005	209,202	200,742	180,348	89.84%	20,259	200,607	99.93%
2006	227,796	228,295	197,669	86.58%	29,034	226,703	99.30%
2007	254,703	241,300	219,993	91.17%	18,784	238,777	98.95%
2008	258,016	254,815	220,253	86.44%	30,757	251,010	98.51%
2009	261,535	257,767	233,725	90.67%	19,455	253,180	98.22%
2010	258,544	253,665	239,192	94.29%	4,651	243,843	96.13%
2011	254,756	254,756	235,518	92.45%	-	235,518	92.45%
2012	247,528	247,528	229,791	92.83%	15,122	244,913	98.94%

Notes:

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

(UNAUDITED)

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

Fiscal Year	General Obligation Bonds *	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
Governmental Activities							
2003	361,656	1,726	-	363,382	1,536	5.44%	1.59
2004	398,606	1,110	-	399,716	1,675	5.67%	1.39
2005	421,008	250	-	421,258	1,760	5.69%	1.19
2006	382,773	239	-	383,012	1,600	4.83%	1.29
2007	469,498	227	-	469,725	1,941	5.66%	0.99
2008	571,138	2,000	-	573,138	2,359	6.63%	0.74
2009	577,936	1,000	-	578,936	2,373	6.74%	0.66
2010	688,152	1,812	-	689,964	2,842	N/A	0.51
2011	639,675	1,208	-	640,883	N/A	N/A	0.53
2012	687,876	-	-	687,876	N/A	N/A	
Business Type Activities							
2003	99,220	-	370,855	470,075	1,987	7.04%	0.58
2004	87,636	-	365,464	453,100	1,899	6.42%	0.62
2005	91,520	-	382,689	474,209	1,981	6.41%	0.60
2006	93,099	-	374,159	467,258	1,952	5.89%	0.65
2007	107,311	-	364,834	472,145	1,951	5.69%	0.65
2008	124,092	-	420,819	544,911	2,243	6.30%	0.58
2009	158,227	-	416,746	574,973	2,357	6.69%	0.56
2010	199,620	-	409,158	608,778	2,507	N/A	0.55
2011	187,199	-	449,443	636,642	N/A	N/A	0.54
2012	187,910	-	412,520	600,430	N/A	N/A	
Total Primary Governmental Activities							
2003	460,876	1,726	370,855	833,457	3,523	12.49%	1.02
2004	486,242	1,110	365,464	852,816	3,574	12.09%	0.98
2005	512,528	250	382,689	895,467	3,741	12.10%	0.88
2006	475,872	239	374,159	850,270	3,552	10.71%	0.94
2007	576,809	227	364,834	941,870	3,893	11.36%	0.82
2008	695,230	2,000	420,819	1,118,049	4,601	12.94%	0.66
2009	736,163	1,000	416,746	1,153,909	4,730	13.42%	0.61
2010	887,772	1,812	409,158	1,298,742	5,349	N/A	0.53
2011	826,874	1,208	449,443	1,277,525	N/A	N/A	0.53
2012	875,786	-	412,520	1,288,306	N/A	N/A	

Notes:

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

N/A - not available

(UNAUDITED)

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

Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
2003	460,876	99,220	361,656	10,939,757	236,550	3.31%	1,529
2004	486,242	87,636	398,606	11,814,930	238,650	3.37%	1,670
2005	512,528	91,520	421,008	12,835,957	239,396	3.28%	1,759
2006	475,872	93,099	382,773	14,663,411	239,355	2.61%	1,599
2007	576,809	107,311	469,498	17,619,217	241,941	2.66%	1,941
2008	695,230	124,092	571,138	20,578,641	242,983	2.78%	2,351
2009	736,163	158,227	577,936	21,308,309	243,957	2.71%	2,369
2010	887,772	199,620	688,152	21,777,754	242,803	3.16%	2,834
2011	826,874	187,199	639,675	21,383,674	N/A	2.99%	N/A
2012	875,786	187,910	687,876	20,529,023	N/A	3.35%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2003 through 2009 population estimates is the Weldon Cooper Center for Public Service, University of Virginia & U.S. Census Bureau. The source for the 2010 population estimate is the U.S. Census Bureau.

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2012

Jurisdiction	Net Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:			
City of Norfolk	\$ 687,876	100%	\$ 687,876

Notes:

1. Enterprise Funds are excluded.
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

(UNAUDITED)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total assessed value of real property	\$ 9,358,759,552	\$ 10,029,638,601	\$ 10,060,812,421	\$ 12,691,527,668	\$ 15,496,207,804	\$ 18,401,851,069	\$ 19,395,789,387	\$ 19,940,273,451	\$ 19,320,643,495	\$ 18,676,730,533
Overall debt limitation - 10% of assessed valuation	935,875,955	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053
Net debt applicable to debt limitation	464,176,270	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	869,556,676	829,621,927	877,060,431
Legal Debt Margin Within 10% Limitation	\$ 471,499,685	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622
Net debt percentage of 10% limitation	49.61%	48.61%	46.98%	37.70%	37.36%	37.90%	38.06%	44.61%	42.94%	46.96%

(UNAUDITED)

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

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2003	67,780,029	30,867,286	36,892,743	5,700,000	14,600,283	20,300,283	1.82
2004	64,366,942	36,623,654	27,743,288	5,955,000	14,336,043	20,291,043	1.37
2005	69,183,154	37,584,692	31,598,462	6,250,000	14,041,059	20,291,059	1.56
2006	78,788,158	37,086,776	41,701,382	6,580,000	14,827,960	21,407,960	1.95
2007	76,013,563	35,050,694	40,962,869	7,310,000	14,379,821	21,689,821	1.89
2008	78,730,024	39,559,202	39,170,822	7,665,000	14,022,200	21,687,200	1.81
2009	78,020,552	40,807,627	37,212,925	8,050,000	16,411,343	24,461,343	1.52
2010	82,470,020	37,278,349	45,191,671	9,420,000	15,929,680	25,349,680	1.78
2011	83,737,444	39,779,361	43,958,083	9,875,000	16,527,844	26,402,844	1.66
2012	81,295,219	37,378,132	43,917,087	11,285,000	16,632,823	27,917,823	1.57

Notes:

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

City of Norfolk, Virginia
Debt Capacity Information
Schedule 6
Revenue Bonds Debt Service Coverage
Parking Facilities Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal (3)	Interest (3)(4)	Total	
2003	18,879,428	7,481,301	11,398,127	1,080,000	4,305,825	5,385,825	2.12
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,232,717	5,387,717	2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463	1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423	2.01
2008	21,338,861	10,554,971	10,783,890	1,935,000	4,456,598	6,391,598	1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29
2011	20,079,618	10,513,723	9,565,895	2,445,000	4,009,864	6,454,864	1.48
2012	19,683,823	9,157,207	10,526,616	2,565,000	3,894,835	6,459,835	1.63

Notes:

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

City of Norfolk, Virginia
Debt Capacity Information
Schedule 7
Revenue Bonds Debt Service Coverage
Wastewater Utility Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 24,122,430	\$ 11,262,865	\$ 12,839,565	\$ 425,000	\$ -	\$ 425,000	30.21
2011	\$ 24,856,689	\$ 11,499,891	\$ 13,366,798	\$ 850,000	\$ -	\$ 850,000	15.73
2012	\$ 25,695,602	\$ 10,975,249	\$ 14,720,353	\$ 1,225,000	\$ -	\$ 1,225,000	12.02

Notes:

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

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity
Schedule 8
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2003	32,449,555	4,270,903	15,993,552	544,262	53,258,272	451,633,988	11.79%
2004	32,735,609	4,988,796	16,781,410	494,610	55,000,425	490,944,275	11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780	13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%

Notes:

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

(UNAUDITED)

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

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2003	236,550	6,674,414	27,720	98,939	5.7
2004	238,650	7,054,054	29,152	99,029	5.5
2005	239,396	7,399,230	31,156	100,614	5.4
2006	329,355	7,937,282	33,234	97,533	4.1
2007	241,941	8,292,887	34,834	97,380	4.1
2008	242,983	8,643,180	36,834	101,457	5.3
2009	243,957	8,595,424	36,838	101,847	8.4
2010	242,803	8,700,125	35,816	N/A	9.2
2011	243,985	N/A	N/A	107,278	8.4
2012	N/A	N/A	N/A	110,542	8.6

Note:

1. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau.
2. Unemployment rate and civilian Labor Force from the Bureau of Labor Statistics.
3. Personal income, per capita personal income and civilian labor force estimates from U.S. Bureau of Economic Analysis.
4. All data on an average annual calendar year.

N/A - Not available

(UNAUDITED)

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

Employer	Rank	
	2012	2003
U.S. Department of Defense	1	1
Sentara Healthcare	2	3
Norfolk City School Board	3	2
City of Norfolk	4	4
Old Dominion University, Norfolk	5	6
Children's Hospital of the King's Daughters	6	8
Norshipco	7	
Norfolk State University	8	10
Eastern Virginia Medical School	9	
Portfolio Recovery Association	10	
United States Postal Service		9
Bank of America		7
Ford Motor Company		5
Total Employment	137,468	93,296

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2012 is the quarter ended March 2012 as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2012 total employment data was not available therefore 2011 data was used.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees data for each employer was not available.

(UNAUDITED)

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

Year	Residential Construction			Non-Residential Construction	
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)
2003	277	324	39,979	41	32,262
2004	506	601	75,801	71	14,658
2005	560	1,191	204,391	80	80,316
2006	531	1,058	133,053	60	165,989
2007	389	491	688,476	55	81,396
2008	277	815	101,212	35	102,714
2009	217	543	36,458	38	138,131
2010	193	554	58,800	35	104,922
2011	221	479	37,298	27	40,073
2012	268	371	39,360	26	116,401

Notes:

The source of nonresidential and residential construction is the City's planning department. Nonresidential construction includes commercial buildings. Public buildings, schools, public utility buildings and miscellaneous structures.

(UNAUDITED)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Goods-Producing Industries:										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.2	5.7	6.1	6.1	6.1	6.2	6.0	4.9	4.8	4.4
Manufacturing	9.8	9.8	9.8	9.6	8.7	7.9	7.3	7.3	6.7	3.2
Service-Providing Industries:										
Wholesale trade	5.3	5.2	5.0	5.0	5.0	5.1	4.6	4.2	4.0	3.3
Retail trade	14.3	14.0	14.2	14.0	14.3	14.6	13.8	13.0	12.9	12.9
Transportation and warehousing	11.0	10.1	9.7	9.9	9.3	9.4	9.5	8.6	8.6	8.8
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	***	***	***
Information	4.2	4.0	4.2	4.0	3.5	3.7	3.4	2.8	2.8	2.1
Finance and insurance	6.9	6.9	7.1	6.7	6.0	6.6	6.6	5.7	5.5	3.9
Real estate and rental and leasing	2.7	2.8	2.7	2.8	2.9	2.9	2.7	2.7	2.6	2.3
Professional and technical services	8.2	8.1	10.2	10.1	10.2	10.7	11.3	11.6	11.5	10.2
Management of companies and enterprises	4.0	3.8	3.6	3.7	2.7	2.4	2.5	2.2	2.1	1.0
Administrative, support, and waste services	7.7	7.8	7.5	7.5	7.4	7.4	7.6	6.5	6.7	5.5
Educational services	14.4	14.5	14.7	15.2	15.5	15.6	16.4	16.6	16.4	1.0
Health care and social assistance	18.3	18.9	19.2	19.6	20.1	20.6	21.3	20.8	21.4	20.5
Arts, entertainment and recreation	2.1	2.2	2.2	2.3	2.4	2.4	2.4	2.2	2.2	2.7
Accommodation and food services	10.4	10.7	11.1	10.9	11.1	10.6	10.3	10.2	10.4	10.5
Public administration	15.7	15.1	12.3	12.1	12.2	12.1	13.7	14.1	14.0	4.0
Other services	4.1	4.1	4.2	4.3	4.1	4.0	3.9	3.7	3.8	14.5
Total (adjusted for rounding)	146.1	144.5	144.6	144.6	142.3	143.0	144.1	137.1	136.4	110.8

Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. Asterisks indicate non-disclosable data.
4. This schedule includes data for the ten year period 2002 - 2011 as calendar year 2012 data was not available.

(UNAUDITED)

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

	Fiscal Year									
Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government	438	396	457	450	477	264	481	438	492	501
Judicial administration	27	25	20	16	17	18	16	14	12	10
Public safety										
Police	857	875	858	839	1,031	887	861	878	891	879
Fire	490	491	507	499	508	508	641	639	529	652
Other	85	84	84	84	-	-	84	83	90	90
Public works	393	389	389	392	379	346	414	440	431	427
Health and public assistance	557	604	513	562	469	598	487	485	532	534
Culture and recreational	479	484	483	406	478	569	558	509	512	501
Community development	64	72	74	70	59	95	75	113	137	142
Business-type activities:										
Water	245	251	279	264	261	290	268	269	289	289
Wastewater	79	84	91	95	96	103	99	95	103	104
Parking facility	68	72	77	78	90	88	89	87	85	85
Total full-time equivalent positions	3,782	3,827	3,832	3,755	3,865	3,766	4,073	4,050	4,103	4,214

Notes:

1. Fiscal years 2003 through 2011's average FTE data obtained from City's human resources information system.

(UNAUDITED)

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Service calls	274,245	206,644	206,378	191,037	237,451	258,254	242,139	245,336	241,282	251,099
Arrests	24,909	25,923	22,799	22,235	22,222	24,050	26,583	28,069	27,930	29,080
Reports filed	35,116	34,087	34,167	29,600	31,986	31,220	32,477	31,487	30,507	28,649
Fire:										
Incidences (fires, EMS)	41,484	38,509	39,605	40,337	31,266	41,212	39,714	40,234	40,641	45,350
Highways and Streets:										
Streets resurfacing (miles)	115	131	83	77	70	80	66	69	67	139
Sanitation:										
Total solid waste collected and disposed (tons)	101,604	105,079	104,247	99,131	97,143	93,799	92,333	100,480	84,162	89,106
Water Utilities:										
Water delivered to water mains (gallons in thousands)	24,818,000	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690
Total water consumption (gallons in thousands)	23,128,234	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972
Percent of unmetered water	8.81%	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%	6.11%	7.25%	7.62%
Average daily delivery (gallons in thousands)	68,000	67,820	67,740	68,090	66,650	66,200	62,900	62,100	62,494	60,217
Maximum daily pumpage (gallons in thousands)	81,820	77,960	81,470	83,640	83,600	82,000	79,000	76,400	80,200	78,310
Minimum daily pumpage (gallons in thousands)	58,190	59,340	58,410	57,200	56,200	52,200	52,000	52,200	52,350	50,070

(UNAUDITED)

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police										
Stations	2	2	2	3	3	3	3	3	3	3
Fire										
Fire stations	15	15	15	14	14	14	14	14	14	14
Paramedic units	10	10	11	11	11	11	12	12	12	12
Transportation and Engineering:										
Streets (lane miles)	2,006	2,013	2,015	2,183	2,193	2,210	2,193	2,188	2,188	2,189
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	968
Bridges	50	50	50	50	49	49	49	50	50	50
Public Recreation:										
Parks:										
Acreage	588	589	590	591	587	586	587	587	587	587
Regional parks	1	1	1	1	1	1	2	2	2	2
Neighborhood parks	121	121	121	121	85	85	71	71	71	71
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	3	3	3	3	1	1	1	1	1	1
Playgrounds	45	45	45	45	79	123	100	101	101	101
Hiking trails (miles)	8	9	10	11	1	2	2	2	2	2
Recreation:										
Acreage	243	243	243	231	860	868	954	957	957	957
Recreational and senior centers	23	26	22	22	18	19	25	30	30	30
Swimming pools	4	4	6	6	6	8	6	6	6	6
Tennis Courts	143	146	152	152	101	134	148	148	148	142
Baseball/softball diamonds	36	36	36	36	63	99	86	86	86	86
Football/soccer fields	18	18	18	18	47	65	49	49	49	49
Field hockey	4	4	4	4	5	5	3	3	3	3
Basketball courts	42	42	42	42	229	179	204	203	203	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Public Services:										
Traffic Engineering:										
Traffic signals	291	294	299	299	283	287	284	301	304	305
Traffic signs	9,825	10,021	6,044	7,936	7,363	6,752	4,436	4,272	60,000	60,000
Street lights	31,502	31,694	31,721	29,888	30,200	30,583	30,653	30,717	31,277	31,132
Water Utilities:										
Water fund capital assets (in thousands)	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466
Wastewater fund capital assets (in thousands)	103,208	110,360	120,685	134,152	147,020	163,068	177,928	183,974	198,842	214,308
Total water utilities assets (in thousands)	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	\$ 647,842	\$ 684,774
Water customer accounts	63,885	63,343	64,905	65,548	65,000	65,549	64,433	66,140	64,289	64,440
Miles of water main in the system	817	817	817	825	827	829	832	835	838	824
Municipal Golf:										
Golf courses	1	1	1	2	3	3	3	3	3	3
Convention Center:										
Meeting rooms	4	4	7	7	8	8	8	8	8	8
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/ballroom space (square feet)	5,230	5,230	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Parking Facilities:										
Parking lots/garages	30	28	28	28	21	23	23	26	25	24
Parking meters	482	579	600	660	718	669	614	584	584	756
Stormwater Management:										
Miles of storm sewers	351	351	351	351	357	357	357	357	357	357
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	8	8	9	9	9	9	9	8	8	8
Elementary schools	35	35	35	35	35	35	35	35	35	34
Other educational facilities	13	13	11	11	11	11	9	5	5	6

COMPLIANCE SECTION

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KPMG LLP
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Norfolk, VA 23510

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia (the School Board), a component unit of the City of Norfolk, Virginia as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

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



financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The School Board's response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit the School Board's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board for the City of Norfolk, Virginia, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 15, 2013

SCHOOL BOARD OF THE CITY OF NORFOLK

Schedule of Findings and Responses

Year ended June 30, 2012

Significant Deficiencies

Finding #2012-1 Capital Asset Communication and Accounting

Condition Found

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

There were approximately \$424,000 of expenditures within the capital projects fund that was recorded in the current fiscal year under audit and should have been recorded as of June 30, 2011. The expenditure was financed by the City and the related revenue and receivable was accurately recorded in 2011.

There remains a need for the City and the Schools to formalize their procedures for the transfers of construction in process and building improvements for school buildings that were financed by the City to ensure that both entities are consistent in their reporting of these assets.

Views of Responsible Officials

Management takes very seriously the accounting for and control of all of our capital assets to include those assets which were transferred to the City of Norfolk, per their request. We concur that the City of Norfolk should work to create a joint policy/procedure to outline their desires for school reporting of Construction in Progress, Buildings and Building Improvements as well as procedures for reimbursement of capital projects and will work with them to accomplish that in fiscal year 2013. In addition, we do not believe that the \$424,000 represents a systemic problem with our Capital Asset accounting procedures and that including a formal reconciliation between the School's expenditures and the City's reimbursements would provide an additional control to ensure that expenditure cut-offs are correct.

SCHOOL BOARD OF THE CITY OF NORFOLK

Schedule of Findings and Responses

Year ended June 30, 2012

Finding #2012-2 Depreciation Expense

Condition Found

Upon initial review of the draft of the Comprehensive Annual Financial Report (CAFR), depreciation expense was not accurately presented. Management subsequently adjusted the statements to accurately reflect the total depreciation expense incurred as of June 30, 2012.

We recommend management enhance their review process over depreciation expense to ensure that the amounts are properly presented.

Views of Responsible Officials

As noted in the deficiency, this issue was identified during the initial review of the Comprehensive Annual Financial Report (CAFR). We do not believe that there is a systemic problem with the review of the depreciation accounting. In the future, a variance analysis of depreciation expense will be conducted on a quarterly basis versus an annual basis to ensure that the general ledger software is properly recording this expense.