

Comprehensive Annual Financial Report

School Board of the City of Norfolk

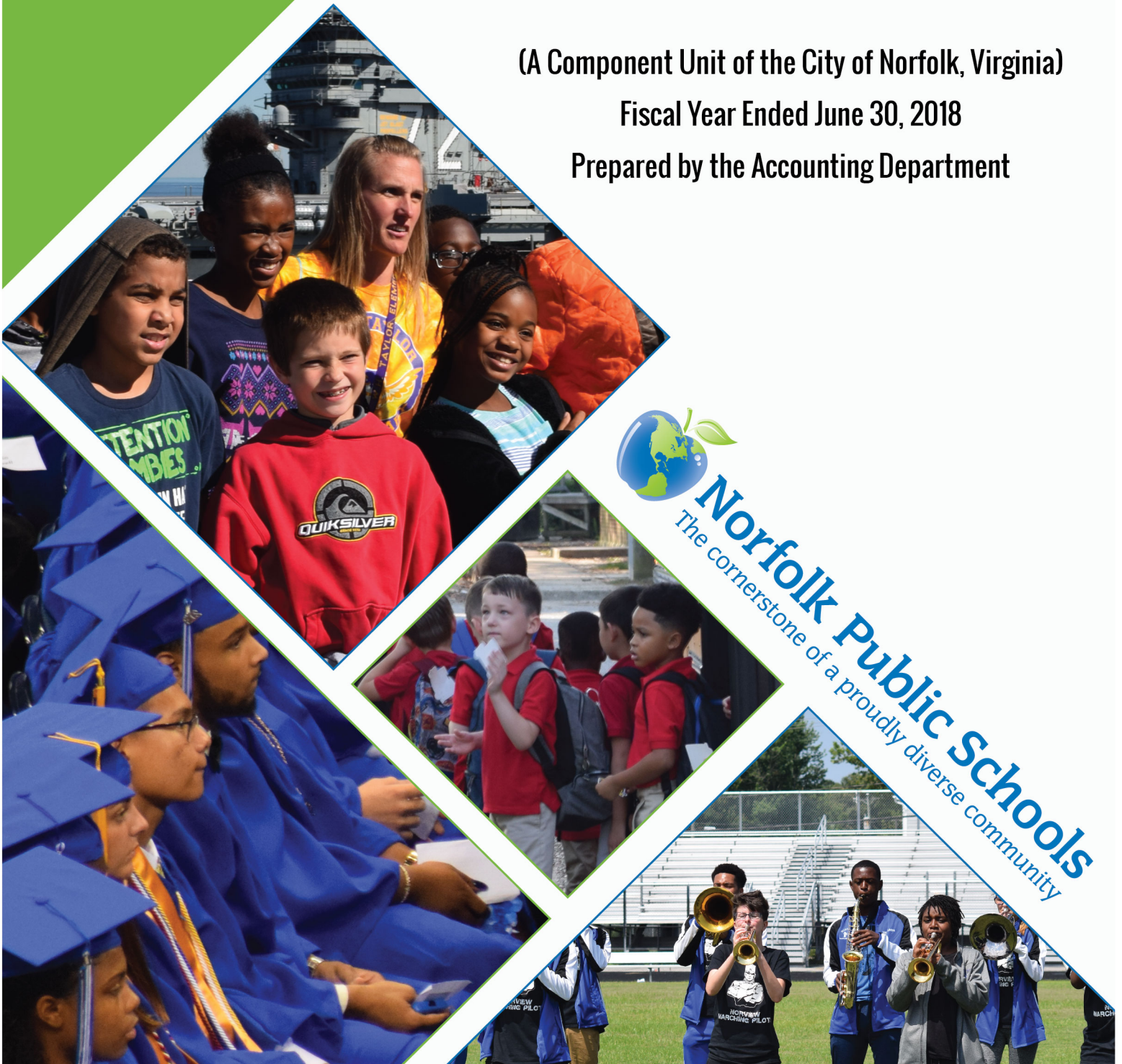
(A Component Unit of the City of Norfolk, Virginia)

Fiscal Year Ended June 30, 2018

Prepared by the Accounting Department



Norfolk Public Schools
The cornerstone of a proudly diverse community



School Board of the City of Norfolk

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Year Ended June 30, 2018

Prepared by:

Division of Business and Finance - Accounting Department

This page intentionally left blank.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2018
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Exhibits or Schedules	Page Number
INTRODUCTORY SECTION		
Members of the School Board		i
Members of City Council		ii
GFOA Certificate of Achievement		iii
ASBO Certificate of Excellence		iv
Organizational Chart		v
Mission Statement		vi
Letter of Transmittal		vii
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis (Unaudited)		4
FINANCIAL STATEMENTS		18
Basic Financial Statements:	Exhibits	
Government-wide Statements:		
Statement of Net Position	I	19
Statement of Activities	II	20
Fund Financial Statements:		
Balance Sheet – Governmental Funds	III	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	III (cont.)	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	IV	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	IV (cont.)	24
Statement of Fiduciary Assets and Liabilities – Agency Funds	V	25
Notes to the Basic Financial Statements		26
	Schedules	
Required Supplementary Information:		
Schedule of the school Board's Proportionate Share of the Net Pension Liability	1	72
Schedule of School Board Contributions –VRS Teacher Retirement Plan	2	73
Schedule of Changes in the School Board's Net Pension Liability and Related Ratios – VRS Retirement Plan for Political Subdivisions	3	74
Schedule of School Board Contributions – VRS Political Subdivisions	4	75
Notes to the VRS Required Supplementary Information		76
Budget to Actual Schedule for the General Fund	5	78
Other Post-Employment Benefits – Schedule of Changes in OPEB Liability	6	79
Notes to OPEB Required Supplementary Information		80
Schedule of Employer's Share of Net OPEB Liability – Health Insurance Credit (HIC) Program	7	81
Schedule of Employer Contributions – Teachers HIC	8	82

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2018
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Schedules	Page Number
Notes to Required Supplementary Information, HIC Program		83
Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance (GLI) Program- Teachers	9	84
Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance (GLI) Program- Political Subdivision	10	85
Schedule of Employer Contributions – VRS OPEB Teachers Group Life Insurance	11	86
Schedule of Employer Contributions – VRS OPEB Political Subdivision Group Life Insurance	12	87
Notes to the Required Supplementary Information – GLI Program		88
 Other Supplementary Information:		
Fiduciary Fund:		
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	1	89
 STATISTICAL SECTION (Unaudited)		 90
	Schedules	
School Board of the City of Norfolk:		
Financial Trends Information:		
Net Position by Category	1	91
Changes in Net Position	2	92
Fund Balances, Governmental Funds	3	93
Changes in Fund Balance, Governmental Funds	4	94
Program Revenues by Function	5	95
Total Revenue by Source, Governmental Funds	6	96
 Debt Capacity Information:		
Transportation Facility	1	97
Ratio of Annual Debt Service Expenditures to Total General Expenditures	2	98
 Other Information		
Summary of Meals Served		99
Percentage of Free and Reduced Price Lunch Eligibility Data		100
Summary of Child Nutrition Program Funds		101
Approved Positions by Program		102
Average Daily Membership		103
Average Costs Per Student		104
 Enrollment Trends and Projections		 105
State Incentive to Reduce Class Size		106
Operating Statistics		107
School Building Information		108
Facilities Information on Schools		109

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2018
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Schedules	Page Number
City of Norfolk:		
Financial Trends Information:		
Net Position by Category	1	111
Changes in Net Position	2	112
Changes in Net Position	2-1	113
Fund Balances, Governmental Funds	3	114
Changes in Fund Balances, Governmental Funds	4	115
Program Revenue by Function	5	116
Total Revenue by Source, Governmental Funds	6	117
Other Local Tax Revenues by Source, Governmental Funds	7	117
Revenue Capacity Information:		
Assessed Valuations and Estimated Actual Values of Taxable Property	1	118
Direct Property Rates	2	118
Principal Property Taxpayers	3	119
Property Tax Levy and Collections by Tax Year	4	120
Debt Capacity Information:		
Ratios of Outstanding Debt by Type	1	121
Ratios of General Bonded Debt	2	122
Computation of Direct Bonded Debt	3	122
Legal Debt Margin	4	123
Revenue Bonds Debt Service Coverage – Water Utility Fund	5	124
Revenue Bonds Debt Service Coverage – Wastewater Utility Fund	6	124
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt	7	125
Demographic and Economic Information:		
Population Statistics	1	126
Ten Largest Employers	2	127
New Construction and Property Values	3	128
Annual Employment Average by Industry	4	129
Operating Information:		
Full-Time Equivalent Positions	1	130
Operating Indicators	2	131
Capital Assets and Infrastructure Statistics	3	132
Water System Statistics	4	133
Wastewater System Statistics	5	134
Parking System Statistics	6	135

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
FISCAL YEAR ENDED JUNE 30, 2018
PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

TABLE OF CONTENTS

	Schedules	Page Number
COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		136

This page intentionally left blank.

INTRODUCTORY SECTION

School Board for the City of Norfolk

Mr. Rodney A. Jordan
Chair

Dr. Noelle M. Gabriel
Vice Chair

Ms. Tanya K. Bhasin
Member

Ms. Courtney R. Doyle
Member

Rev. Edward. K. Haywood
Member

Dr. Brad N. Robinson
Member

Ms. Yvonne P. Wagner
Member

Mr. Arturo Mendoza
Student Representative

Dr. Melinda J. Boone
Superintendent

Members of Norfolk City Council

Mr. Kenneth Cooper Alexander
Mayor

Dr. Theresa W. Whibley
Vice Mayor

Ms. Andria P. McClellan
Council Member

Mrs. Angelia M. Williams Graves
Council Member

Ms. Mamie Johnson
Council Member

Mr. Martin A. Thomas, Jr
Council Member

Mr. Paul R. Riddick
Council Member

Mr. Thomas R. Smigiel
Council Member



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

School Board of the City of Norfolk

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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

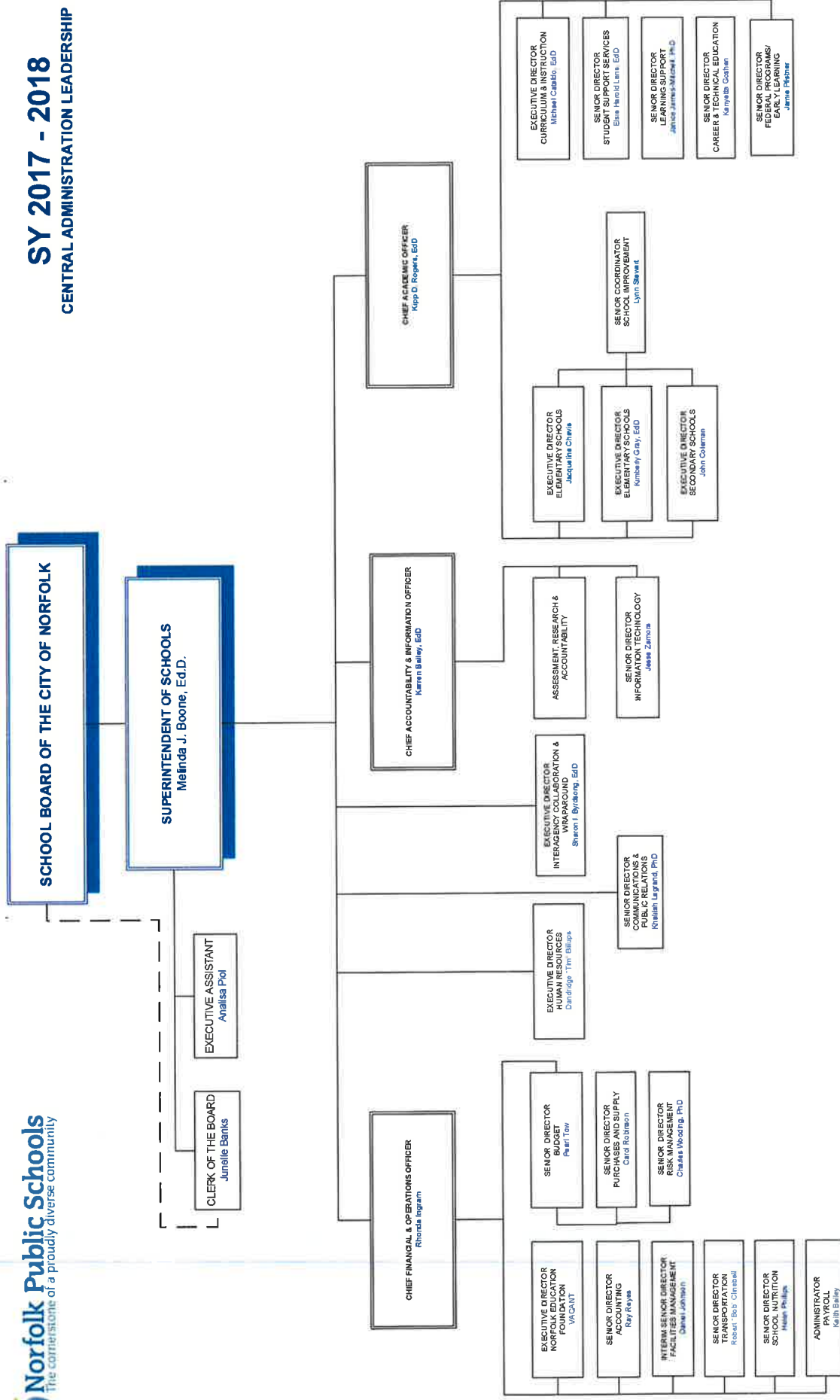


A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink that reads 'John D. Musso'.

John D. Musso, CAE
Executive Director





Norfolk Public Schools

Quality Teaching and Learning for All: ALL Means ALL

Mission

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

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

Strategies

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



December 19, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year ended June 30, 2018. 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 include 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 independent public accounting firm of Clifton Larson Allen, LLP (CLA) 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, 2018, as part of a combined contract including the School Board of the City of Norfolk, the City of Norfolk (City), and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Board's financial reporting entity may be found in the notes to the basic financial statements. The School Board served approximately 31,000 students in 2018 and provided a full range of educational services appropriate to grades Pre-K-12, including regular and enriched academic education, early childhood education, special education for special needs children, career and 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



Norfolk, Virginia is a city of over 247,000 residents and more than 120 diverse neighborhoods. It is the cultural, educational, business and medical center of Hampton Roads, hosts the world's largest naval base, the region's international airport, and is one of the busiest international ports on the East Coast of the United States. Norfolk neighborhoods are vibrant and inclusive places where caring neighbors want to live, invest, and participate. The City of Norfolk operates under a Council-Manager form of government. The Norfolk City Council is the legislative body of the city government. It is authorized to exercise all powers conferred upon the City by the Commonwealth of Virginia in the State constitution, State laws and the Charter of the City of Norfolk. The Council establishes policy for the city, approves the budget, levies its taxes, and appoints the City Attorney, City Assessor, City Auditor, City Clerk, and the City Manager. The Council also appoints members to the Norfolk Redevelopment and Housing Authority, Planning Commission and other boards and commissions, as well as city representatives to regional and other boards and authorities. For additional information, go to www.norfolk.gov.

The City of Norfolk has approximately 141,592 employees in its workforce. Some of the most prominent industries include the military, manufacturing, construction, retail, education and finance, to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine.

The public school system is comprised of 31 elementary schools, 2 K-8 schools, 8 middle schools, 5 high schools, and 6 auxiliary schools. The auxiliary schools provide adult, career and technical education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers range between \$44,116 and \$63,878 per year in 2018. City funding for the School Board is derived from real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.15 per \$100 of assessed value annually. The personal property tax rate for motor vehicles is \$4.33 per \$100 of assessed value, using the NADA Blue Book value.

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

The School Board derives most of its funding from allocations from the Commonwealth of Virginia and the City of Norfolk. For the fiscal year 2018 budget year, the Commonwealth of Virginia funded 59% and the City of Norfolk funded 37% percent of the operating budget for the School

Board. The remaining 4% is funded through Federal (1.8%) and other (2.2%) sources. Long-term financial planning includes a multi-year forecast that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes.

The School Board is cautiously optimistic about the economic outlook based on the slow economic recovery around the Commonwealth and the Hampton Roads region. As the Hampton Roads region continues to experience slow job growth and the moderate recovery of the region's real estate market, the School Board believes that these positive trends may result in additional funding support from the Commonwealth and the City of Norfolk over the next biennium. However, the School Board will maintain a position of fiscal restraint with respect to revenue projections and spending trends.

MAJOR INITIATIVES

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

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

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

FINANCIAL INFORMATION

Internal Controls

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

Internal control monitoring occurs regularly. The School Board's internal controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial

transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

Budgetary Controls

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

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

Financial Highlights

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

- NPS had enough resources to cover current expenditures as presented in the governmental fund statements.
- NPS continues to rely on tax resources to fund its activities, which are primarily instructional.

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

While the School Division will continue to operate within a balanced budget, funding for fiscal year 2018-19 reflects modest growth. The demands of increased student achievement and teacher performance will require very strategic resource allocation decisions to ensure increased efficiency and effectiveness.

Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. An unmodified opinion by Clifton Larson Allen, 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) Uniform Guidance. 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

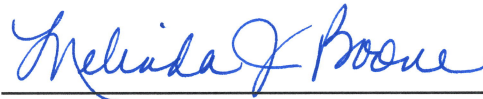
For the 11th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Norfolk for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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 2017.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Melinda J. Boone, Ed.D
Superintendent of Schools



Rhonda R. Ingram, CPA
Chief Financial and Operations Officer



Ray Reyes, CPA, CGFM
Senior Director, Accounting

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

The Members
School Board of the City of Norfolk, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School Board of the City of Norfolk, Virginia (the Board), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2018, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As described in Note 2 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to this matter. The implementation of this standard resulted in a restatement of the net position for governmental activities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedules of employer contributions, schedules of changes in net pension liability, schedule of employer's proportionate share of net pension liability, schedule of changes in the total and net OPEB liability, schedules of proportionate share of net OPEB liability, and the budgetary comparison schedule, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

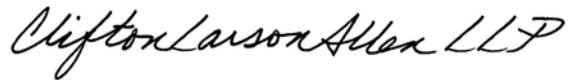
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

INTRODUCTION

Our discussion and analysis of the financial performance of the School Board of the City of Norfolk, Virginia (School Board) provides an overview of the school district's financial activities for the fiscal year ended June 30, 2018. The intent of management's discussion and analysis is to look at the School Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

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

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

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

OVERALL ANALYSIS

The School Board enrolls approximately 30,000 students with a General Fund operating budget of \$325.3 million, and Child Nutrition Services budget of \$19.2 million. Grants and Capital Projects are multi-year funds. The Grants estimated revenue was \$46.5 million and the Capital Projects budget was \$2.2 million. In general, the operations of the School Board show positive financial results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

FINANCIAL HIGHLIGHTS

The District implemented GASB Statement No. 75 as of June 30, 2018. The statement required a restatement of beginning net position for the net OPEB liability and related deferred outflow and inflow of resources. The restatement decreased net position by \$92.4 million. The District did not reissue prior year financial statements.

Key financial highlights for 2018 are as follows:

- On the government-wide financial statements:
 - Total net position deficit decreased from a net deficit of \$415.8 million at June 30, 2017 (restated) to a net deficit of \$389.4 million at June 30, 2018, approximately \$26.4 million. The deficit decrease is primarily due to changes in reporting requirements related to long-term liabilities for pensions and Other Post-Employment Benefits under GASB Statement No. 75.
 - Total revenues decreased from \$371.6 million in 2017 to \$370 million at June 30, 2018, a decrease of approximately \$1.6. The decrease is mostly the result of reductions in federal revenue.
 - Total expenses decreased by \$32.1 million on the Statement of Net Activities from \$375.7 million in fiscal year 2017 to \$343.6 million in fiscal year 2018, or 9%. The bulk of the decreases occurred in the areas of Instruction and Operation and Maintenance and are related to the OPEB and pension expense recognition requirements. In addition, we recognized \$15.5 million of deferred inflows and \$6 million of deferred outflows related to Other Post-Employment Benefits
- On the fund financial statements:
 - In the General Fund, the ending fund balance increased \$5.9 million from \$7.8 million at June 30, 2017 to \$13.7 million at June 30, 2018. This was due to a \$3.3 million net increase in several asset accounts and a \$2.6 net decrease in several liability accounts.
 - In the General Fund, total encumbrances were \$8.6 million at the end of the fiscal year and are reported as Assigned fund balance. The School Board considers fund balances to be assigned at the time of encumbrance.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

Financial Analysis of the School Board as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Summary of Net Position

(Thousands of dollars)

	Governmental Activities			
	2018	2017 (Restated)	Difference	% Change
Assets and Deferred Outflows of Resources:				
Current assets	\$ 70,877	\$ 70,759	\$ 118	0.2%
Capital assets, net	10,732	10,454	278	2.7%
Total assets	\$ 81,609	\$ 81,213	\$ 396	0.5%
Deferred outflows of resources	39,639	51,426	(11,787)	-22.9%
Liabilities and Deferred Inflows of Resources:				
Current	56,411	59,857	(3,446)	-5.8%
Non-current	390,682	373,814	16,868	4.5%
Total liabilities	\$ 447,093	\$ 433,671	\$ 13,422	3.1%
Deferred inflows of resources	63,576	22,379	41,197	184.1%
Net Position:				
Invested in capital assets	\$ 10,731	\$ 10,454	\$ 277	2.6%
Restricted	11,909	10,094	1,815	18.0%
Unrestricted (deficit)	(412,061)	(436,365)	24,304	-5.6%
Total net position (deficit)	\$ (389,421)	\$ (415,817)	\$ 26,396	-6.3%

- **Total assets and deferred outflows of resources** decreased 9% due primarily to changes in the deferred outflows of resources. Deferred outflows of resources are a combination of contributions made after the measurement date (end of fiscal year 2017) and changes in actuarial assumptions.
- **Total liabilities and deferred inflows of resources** increased \$54.62 million or 12% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, net pension liabilities and the total Other Post-Employment Benefits (OPEB) liability for the School Board. Current liabilities are due within a year. Current liabilities decreased \$3.4 million from \$59.9 million in 2017 to \$56.4 million at June 30, 2018. This reduction was the result of paying down amounts due to other agencies. Non-current liabilities totaled \$373.8 million in fiscal year 2017 and \$390.6 million in fiscal year 2018. The increase was primarily due to the new reporting requirements for the OPEB long-term liabilities. Additionally, deferred inflows of resources related to pensions increased \$41.2 million over the prior fiscal year. Deferred inflows are the result of changes in investment experience and other factors.
- **Total net position** increased \$26.3 million when compared to the prior fiscal year that is primarily due to changes in actuarial assumptions related to pensions and OPEB. There is a net deficit of \$389.4 million at June 30, 2018,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018

Investments in capital assets increased from \$10.5 million in 2017 to \$10.7 million in 2018. Restricted assets, which consist mostly of open purchase orders, increased from \$10 million in 2017 to \$11.9 million in 2018.

Statement of Net Activities
(Thousands of dollars)

	Governmental Activities			
	2018	2017 (Restated)	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 3,234	\$ 3,844	\$ (610)	-15.9%
Operating grants and contributions	210,572	215,023	(4,451)	-2.1%
Capital grants and contributions	2,703	2,417	286	11.8%
Total Program Revenues	216,509	221,284	(4,775)	-2.2%
General Revenues:				
Use of money and property and other	1,654	2,857	(1,203)	-42.1%
Local government	120,972	114,972	6,000	5.2%
Commonwealth of Virginia	30,899	32,470	(1,571)	-4.8%
Total General Revenues	153,525	150,299	3,226	2.1%
Total Revenues	370,034	371,583	(1,549)	-0.4%
Expenses:				
Instruction	248,835	271,176	(22,341)	-8.2%
Administration, Attendance and Health	16,603	17,056	(453)	-2.7%
Pupil Transportation	11,384	14,099	(2,715)	-19.3%
Operation and Maintenance	33,345	35,328	(1,983)	-5.6%
Information Technology	11,076	10,609	467	4.4%
School Facilities	5,303	8,669	(3,366)	-38.8%
Food Services	17,089	18,718	(1,629)	-8.7%
Community Services	3	78	(75)	-96.2%
Total Expenses	343,638	375,733	(32,095)	-8.5%
Change in Net Position	26,396	(4,149)	30,546	-736.2%
Beginning Net Position	(415,817)	(411,668)	(4,149)	1.0%
Ending Net Position (Deficit)	\$ (389,421)	\$ (415,817)	\$ 26,397	-6.3%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

- **Total revenues** decreased \$1.5 million. This decrease is mainly due to reduction in revenue from operating grants and contributions.
- **Total expenses** decreased \$32.1 million on the Statement of Net Activities from \$375.7 million in fiscal year 2017 to \$343.6 million in fiscal year 2018, or 8.5%. The decrease is related to the OPEB and pension expense recognition requirements.

Capital Assets

At June 30, 2018, the School Board had an investment of \$10.7 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, equipment and vehicles. This amount represents a net increase of \$277 thousand or 3% between fiscal year 2017 and 2018.

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

	Governmental Activities			
	June 30, 2018	June 30, 2017	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Total Non-Depreciable Assets	\$ 488	\$ 488	\$ -	0.0%
Other Capital Assets:				
Mobile Classrooms	6,701	6,701	-	0.0%
Equipment and Vehicles	37,636	36,648	988	2.7%
Intangible Assets	1,323	1,323	-	0.0%
Total Other Capital Assets	\$ 45,660	\$ 44,672	\$ 988	2.2%
Total Capital Assets	\$ 46,148	\$ 45,160	\$ 988	2.2%
Less: Accumulated Depreciation	(35,416)	(34,705)	(711)	2.0%
Total Capital Assets, Net	\$ 10,732	\$ 10,455	\$ 277	2.6%

The \$10.7 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Position (Exhibit I). School buildings are reported by the City of Norfolk and not included in the total capital assets.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Long Term Obligations

As of June 30, 2018, the School Board had \$398.3 million in long-term obligations compared to \$473.5 million (restated) for fiscal year 2017. This \$75.2 million reduction is the result of gains in pension assets and favorable changes in the actuarial assumptions. Long-term obligations are comprised of compensated absences, workers' compensation, claims liability, net pension liability and total OPEB liability. Approximately \$7.7 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)***

	6/30/2017 (Restated)	Additions	Retirements	June 30, 2018	Difference	% Change
Long-Term Obligations:						
Compensated Absences	\$ 9,247	\$ 10,771	\$ (10,932)	\$ 9,086	\$ (161)	-1.74%
Workers' Compensation	3,590	492	(431)	3,651	61	1.70%
Claims Liability	41	517	(91)	467	426	1039.02%
Net pension liability	350,484	-	(57,895)	292,589	(57,895)	10.40%
Other Post Employment Benefits	60,290	-	(13,160)	47,130	(13,160)	-21.83%
VRS OPEB GLI Trust	19,382	-	(3,221)	16,161	(3,221)	-16.62%
VRS OPEB HIC Trust	30,477	1,046	(2,228)	29,296	(1,181)	-3.88%
Total Long-Term Obligations	\$ 473,511	\$ 12,826	\$ (87,958)	\$ 398,380	\$ (75,131)	-15.9%

The ending balance of Other Post-Employment Benefits liability in 2017 was restated from \$17.7 million to \$110.1 million due to the implementation of GASB Statement No. 75. Two programs administered by the Virginia Retirement System that were not previously reported, the VRS OPEB Group Life Insurance (GLI) Trust and the Health Insurance Credit (HIC) Trust must now be included as an NPS liability and are included in the restated beginning position. Additional information showing the breakdown of the School Board's long-term obligations is presented in Note 2C of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

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.

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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, and Child Nutrition, which are considered to be major funds.

The School Board adopts an appropriated multiyear budget for all of its major and non-major governmental funds, and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Schedule 6 within Required Supplementary Information for the General Fund to demonstrate compliance with the annual budget. General Fund budgetary highlights for the 2018 fiscal year include:

- General Fund Revenue were \$4.6 million less than budgeted. This decrease was the result of sales tax revenue from the Commonwealth being less than estimated.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

- General Fund Expenditures were \$10 million less than budgeted. \$5 million of the reduction is attributed to a combination of unfilled budgeted positions and normal attrition in the area of Instruction. \$5 million were attributed to budgeted facility improvements that were not undertaken in 2018.

As of June 30, 2018, the School Board's governmental funds reported combined fund balances of \$22.1 million, an increase of nearly \$4 million from the ending fund balance in FY17. In the General Fund, unassigned fund balance was \$4.4 million and represents resources which are not committed, restricted or assigned to a specific program or function. The remaining combined fund balance is either nonspendable, restricted, committed or assigned to specific programs, functions or contracts.

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, 2018, the total fund balance of the General Fund was \$13.7 million.

General Fund Revenues

Revenues for the General fund totaled \$316.3 million for fiscal year 2018, which was approximately \$4.5 million or 1% greater than the revenues received in fiscal year 2017. 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)***

	2018 Amount	2018 Percent of Total	2017 Amount	2017 Percent of Total	Increase (Decrease) From 2017	% Increase (Decrease) 2017
Local government	\$ 120,972	38.2%	\$ 116,936	37.0%	\$ 4,036	3.5%
Commonwealth of Virginia	187,882	59.4%	185,774	58.7%	2,108	1.1%
Federal government	4,812	1.5%	5,264	1.7%	(452)	-8.6%
Other revenues	2,657	0.8%	3,854	1.2%	(1,197)	-31.1%
Total	<u>\$ 316,323</u>	<u>100.0%</u>	<u>\$ 311,828</u>	<u>98.6%</u>	<u>\$ 4,495</u>	<u>1.4%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

The largest sources of revenue are from the Commonwealth of Virginia and the Local Government. 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, regional programs related to special education and other purposes. With the exception of other revenues,

that consists mostly of miscellaneous sources, as a percentage of the total, changes in other sources were minimal.

General Fund Expenditures

General Fund expenditures of \$310 million for fiscal year 2018 were almost unchanged from expenditures of \$310.9 in 2017. The following table presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

*General Fund Expenditures
(Thousands of Dollars)*

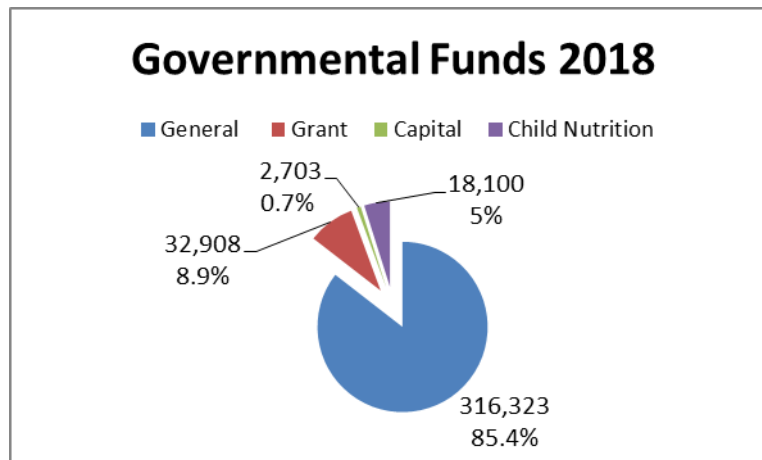
	2018 Amount	2018 Percent of Total	2017 Amount	2017 Percent of Total	Increase/ (Decrease) From 2017	Percent Increase/ Decrease From 2017
Instruction	\$ 233,484	75.2%	\$ 234,000	75.2%	\$ (516)	-0.2%
Support Services:						
Administration, Attendance and Health	17,569	5.7%	16,757	5.4%	812	4.8%
Pupil Transportation	12,821	4.1%	14,030	4.5%	(1,209)	-8.6%
Operation and Maintenance	34,873	11.2%	35,044	11.3%	(171)	-0.5%
Information Technology	11,030	3.6%	10,532	3.4%	498	4.7%
School Facilities	639	0.2%	603	0.2%	36	6.0%
Community Services	1	0.0%	1	0.0%	-	0.0%
Subtotal - Support Services	76,933	24.8%	76,967	24.8%	(34)	0.0%
Total - Instruction and Support Services	\$ 310,417	100.0%	\$ 310,967	100.0%	\$ (550)	-0.2%

Grant Funds

Norfolk Public Schools received revenue from approximately 58 grants of approximately \$32.9 million. The funds represented 9% of the overall funding for the School Board in 2018, and were provided by federal, state, and private agencies for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**



The Federal Government provided 86% or \$28.3 million in grants related revenue for the year. The Commonwealth of Virginia provided 11% or \$3.7 million while private donors provided 3% or just under \$1 million of the resources received. Grant funds were dedicated fully to instruction and instructional support.

Capital Projects Fund

The School Board's capital projects are funded by the City of Norfolk. For spending purposes, the Capital Projects Fund is considered a multi-year fund. In 2018, it made up less than 1% (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. In fiscal year 2018, the Capital Projects Fund expended \$4.7 million that were used by the School Board to implement various building improvement projects. The City of Norfolk provided 100% of the revenue received for these projects.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

The Notes to the Basic Financial Statements begin after Exhibit V (The Statement of Fiduciary Assets and Liabilities) 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 employees through the Virginia Retirement System (VRS) and Other Post Employment Benefits (OPEB).

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

BUDGETARY HIGHLIGHTS

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grants Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the end of the fiscal year. In June 2018, the School Board adopted a balanced budget for fiscal year 2019 that reflected appropriations of \$329.6 million for the General Fund, or an increase of \$4.3 million from the fiscal year 2018 General Fund budget of \$325.3.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final budget amounts for fiscal year 2019.

Revenue assumptions included:

- State revenue projections is based on amendments adopted in the 2018 Special Session of the General Assembly to the 2018-2020 Biennial Budget. The assumptions take into consideration Standards of Quality (SOQ) funds, which include basic aid, sales tax, fringe benefit funds, special and vocational education, lottery funded programs and incentive programs. SOQ funding levels are determined by two major variables: The Average Daily Membership (ADM), the number of students in the district, which in 2019 is estimated to decrease by around 2000 students. The second variable is the Composite Index, which assumes that for every one dollar spent in a given state supported program, the City must spend about \$0.30 in what is called "local share."
- City funding is negotiated every year between NPS and City Council and are expected to have nominal increases every in the coming year.
- Federal revenue, which consists mostly of Federal Impact Aid (FIA), is designed to mitigate the loss of tax dollars due to income and property connected with the federal government that is not taxed. The amount of FIA is expected to remain constant.
- Estimated local revenues received from tuition, fees, building rental and interest income is estimated using historical data and is subject to fluctuate.

Expenditure assumptions included:

- Increases of salary and wages of support personnel
- Increases in employee benefits: retirement and health insurance premiums
- Classroom technology refresh
- School buses replacements
- Building maintenance
- Emerging issues are those that are expected to require additional resources in future years. Most emerging issues are related to efforts to improve student performance. Others are caused by legislative changes that require greater services to students and/or staff. Finally, several are related to external market conditions.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

requests for additional financial information should be addressed to Ray Reyes, Sr. Director of Accounting at (757) 628-3883, Ext. 21278 or Rhonda Ingram, Chief Financial and Operations

Officer for the School Board of the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23510-1357, at (757) 628-3482. 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.

FINANCIAL STATEMENTS

The next section includes the Government-wide financial statements, Governmental Funds financial statement, and a reconciliation between the two sets of statements.

Government-Wide Financial Statements comprise the:

- 1- Statement of Net Position, Exh. I
- 2- Statement of Activities, Exh. II

Governmental Funds Financial Statements comprise the:

- 1- Balance sheet, Exh. III
- 2- Statement of Revenue Expenditures and Changes
in Fund Balance, Exh. IV
- 3- Statement of Fiduciary Assets and Liabilities, Exh. V

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 41,424,080
Accounts receivable	8,778,722
Due from primary government	351,039
Due from the Federal government	12,482,243
Due from the Commonwealth of Virginia	6,401,697
Inventories	1,439,659
Total current assets	<u>70,877,439</u>
Non-current Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, equipment, vehicles and intangibles, net of accumulated depreciation and amortization	<u>10,244,068</u>
Total capital assets, net	<u>10,731,568</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 6)	33,601,835
Deferred outflows related to OPEB (Note 6)	<u>6,037,047</u>
	39,638,882
 Total assets and deferred outflows of resources	 <u><u>\$ 121,247,890</u></u>
LIABILITIES	
Current Liabilities:	
Vouchers payable	\$ 4,447,143
Retainage payable	5,308
Payroll withholding	17,703,718
Accrued payroll	21,134,078
Unearned revenue	277,573
Due to other agencies	3,269,221
Other payables	1,876,347
Long-term liabilities - current portion (Note 2)	<u>7,697,765</u>
Total current liabilities	<u>56,411,153</u>
Non-current Liabilities:	
Net pension liability (Notes 2 and 6)	292,589,142
Other Post Employment Benefits	92,586,358
Other long-term liabilities (Note 2)	<u>5,506,031</u>
Total non-current liabilities	<u>390,681,531</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 6)	48,084,456
Deferred inflows related to OPEB	<u>15,491,403</u>
 Total liabilities and deferred inflows of resources	 <u><u>\$ 510,668,543</u></u>
NET POSITION	
Invested in capital assets	\$ 10,731,568
Restricted for:	
Capital Projects	1,798,424
Grants	492,941
Child Nutrition	9,617,259
Unrestricted (deficit)	<u>(412,060,845)</u>
 Total net position (deficit)	 <u><u>\$ (389,420,653)</u></u>

See Accompanying Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Activities
For the Year Ended, June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 248,834,724	\$ 2,039,832	\$ 193,740,898	\$ -	\$ (53,053,994)
Administration, Attendance, and Health	16,603,028	-	-	-	(16,603,028)
Pupil Transportation	11,384,155	-	-	-	(11,384,155)
Operation and Maintenance	33,344,782	-	-	-	(33,344,782)
Information Technology	11,076,104	-	-	-	(11,076,104)
School Facilities	5,302,714	-	-	2,703,000	(2,599,714)
Food Services	17,089,454	1,194,132	16,831,224	-	935,902
Community Services	2,991	-	-	-	(2,991)
Total	<u>\$ 343,637,951</u>	<u>\$ 3,233,964</u>	<u>\$ 210,572,122</u>	<u>\$ 2,703,000</u>	<u>(127,128,865)</u>
Unrestricted Revenues:					
Use of money and property					692,304
Other					961,507
Unrestricted Intergovernmental Revenues:					
Local government					120,971,933
Commonwealth of Virginia					30,899,041
Total					<u>153,524,785</u>
Change in net position					26,395,920
Net position-beginning (Restated)					(415,816,573)
Net position-ending					<u>\$ (389,420,653)</u>

See Accompanying Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Grants	Capital Projects	Child Nutrition	Total Governmental Funds
ASSETS					
Cash and investments	\$ 30,109,423	\$ -	\$ -	\$ 11,314,657	\$ 41,424,080
Accounts receivable	8,294,351	477,850	-	6,521	8,778,722
Due from other funds	13,142,802	-	-	-	13,142,802
Due from the primary government	-	-	351,039	-	351,039
Due from the Federal government	908,429	11,570,563	-	3,250	12,482,243
Due from the Commonwealth of Virginia	5,533,102	868,595	-	-	6,401,697
Inventories	620,172	-	-	819,487	1,439,659
Total assets	<u>\$ 58,608,279</u>	<u>\$ 12,917,009</u>	<u>\$ 351,039</u>	<u>\$ 12,143,914</u>	<u>\$ 84,020,241</u>
LIABILITIES					
Vouchers payable	\$ 3,476,515	\$ 599,993	\$ 103,579	\$ 267,056	\$ 4,447,143
Retainage payable	-	-	5,308	-	5,308
Payroll withholdings	17,703,717	-	-	-	17,703,717
Accrued payroll	19,171,876	1,694,235	-	267,967	21,134,078
Due to other agencies	3,269,221	-	-	-	3,269,221
Due to other funds	-	10,144,644	1,006,525	1,991,633	13,142,802
Unearned revenue	-	277,573	-	-	277,573
Other payables	1,326,869	549,478	-	-	1,876,347
Total liabilities	<u>44,948,198</u>	<u>13,265,925</u>	<u>1,115,411</u>	<u>2,526,655</u>	<u>61,856,189</u>
FUND BALANCES					
Nonspendable:					
Inventories	620,172	-	-	819,487	1,439,659
Restricted for:					
Food Services	-	-	-	8,797,773	8,797,773
Grants		492,941	-	-	492,941
Committed to:					-
School Facilities	-	-	1,798,424	-	1,798,424
Assigned to:					
Instruction	2,014,226	-	-	-	2,014,226
Administration, Attendance and Health	545,744	-	-	-	545,744
Pupil Transportation	615,578	-	-	-	615,578
Operation and Maintenance	1,663,207	-	-	-	1,663,207
Information Technology	3,020,861	-	-	-	3,020,861
School Facilities	788,801	-	-	-	788,801
Funding Sources for 2017	-	-	-	-	-
Unassigned (deficit):	4,391,492	(841,857)	(2,562,797)	-	986,839
Total fund balances	<u>13,660,081</u>	<u>(348,916)</u>	<u>(764,372)</u>	<u>9,617,259</u>	<u>22,164,052</u>
Total liabilities and fund balances	<u>\$ 58,608,279</u>	<u>\$ 12,917,009</u>	<u>\$ 351,039</u>	<u>\$ 12,143,914</u>	<u>\$ 84,020,241</u>

See Accompanying Notes to the Basic Financial Statements.

Exhibit III (Con't.)

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018**

Fund balances--total governmental funds	\$ 22,164,052
---	---------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,731,568
Deferred outflows of resources related to pensions	33,601,835
Deferred outflows of resources related to OPEB	6,037,047
Deferred inflows of resources related to pensions	(48,084,456)
Deferred inflows of resources related to OPEB	(15,491,403)
Long-term obligations, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(9,086,289)
Workers Compensation	(3,651,158)
Claims Liability	(466,349)
Net Pension Liability	(292,589,142)
Other Post Employment Benefits	(92,586,358)
Net Position of Governmental Activities (deficit)	<u><u>\$ (389,420,653)</u></u>

See Accompanying Notes to the Basic Financial Statements.

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 618,055	\$ -	\$ -	\$ 74,249	\$ 692,304
Charges for services	2,039,832	-	-	1,194,132	3,233,964
Other	-	961,507	-	-	961,507
Intergovernmental:					
Local government	120,971,933	-	2,703,000	-	123,674,933
Commonwealth of Virginia	187,881,748	3,681,916	-	477,457	192,041,121
Federal government	4,811,685	28,264,590	-	16,353,767	49,430,042
Total revenues	<u>316,323,253</u>	<u>32,908,013</u>	<u>2,703,000</u>	<u>18,099,605</u>	<u>370,033,872</u>
EXPENDITURES					
Current:					
Instruction	233,484,276	32,485,417	-	-	265,969,693
Administration, Attendance, and Health	17,568,696	287,651	-	-	17,856,347
Pupil Transportation	12,821,538	170,559	-	-	12,992,097
Operation and Maintenance	34,873,381	80,421	-	7,416	34,961,217
Information Technology	11,029,891	438,601	-	-	11,468,492
School Facilities	639,411	-	-	-	639,411
Food Services	-	318,896	-	17,159,481	17,478,377
Community Services	188	2,928	-	-	3,116
Intergovernmental for Debt Service:					
School Facilities	-	-	-	-	-
Capital Outlay:					
School Facilities	-	-	4,694,554	-	4,694,554
Total expenditures	<u>310,417,381</u>	<u>33,784,473</u>	<u>4,694,554</u>	<u>17,166,897</u>	<u>366,063,305</u>
Excess of revenues over expenditures	<u>5,905,872</u>	<u>(876,459)</u>	<u>(1,991,554)</u>	<u>932,708</u>	<u>3,970,567</u>
Net change in fund balance	5,905,872	(876,459)	(1,991,554)	932,708	3,970,567
Fund balances--beginning	<u>7,754,209</u>	<u>527,543</u>	<u>1,227,182</u>	<u>8,684,551</u>	<u>18,193,485</u>
Fund balances--ending	<u>\$ 13,660,081</u>	<u>\$ (348,916)</u>	<u>\$ (764,372)</u>	<u>\$ 9,617,259</u>	<u>\$ 22,164,052</u>

See Accompanying Notes to the Basic Financial Statements.

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2018**

Net change in fund balances--total governmental funds	
Amounts reported for governmental activities in the Statement of Activities are different because:	\$ 3,970,567
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital acquisitions	2,396,736
Depreciation expense	(2,026,016)
Loss on disposal	(93,604)
	277,116
Change in deferred outflows of resources related to pensions	(17,823,884)
Change in deferred inflows of resources related to pensions	(25,705,928)
Changes in deferred outflows of resources related to OPEB	6,037,050
Changes in deferred inflows of resources related to OPEB	(15,491,403)
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	160,865
Workers Compensation	(61,152)
Claims Liability	(425,151)
Net Pension Liability	57,894,797
Other Post Employment Benefits	17,563,043
Change in Net Position of Governmental Activities	<u><u>\$ 26,395,920</u></u>

See Accompanying Notes to the Basic Financial Statements.

Exhibit V

**School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 12,262,444
Receivables from others	<u>4,965,825</u>
Total assets	<u><u>\$ 17,228,269</u></u>
 LIABILITIES	
Amounts held for others	<u>\$ 17,228,269</u>
Total liabilities	<u><u>\$ 17,228,269</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The School Board is responsible for elementary and secondary education within the City of Norfolk, Virginia (the City). The School Board is governed by an appointed seven-member board that serves staggered terms and is vested with policymaking and budgetary authority. On November 4, 2014, a referendum was passed requiring School Board members to be elected versus appointed. The first elected members joined the School Board in fiscal year 2017.

The process of replacing appointed members with elected members will continue until the terms of all appointed members expires. 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 City. Therefore, the School Board's financial position and results of operations are presented in the City's Comprehensive Annual Financial Report (CAFR). The School Board does not have any component units for financial reporting purposes.

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction or Food Services). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity, and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other

**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, 2018**

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 grants while the capital grants column reflects capital-specific grants.

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

Fund financial statements are provided for governmental and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2018.

GOVERNMENTAL FUNDS

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

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

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

Capital Projects Fund - The Capital Projects Fund accounts for all of the financial resources used for the acquisition or construction of major capital facilities. The majority of the activity within the Capital Projects Fund is financed by the City. The Capital Projects Fund, though not a major fund, is discretely presented.

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. In fiscal year 2018 Child Nutrition met the requirements of a major fund under the guidelines of the Governmental Accounting Standards Board.

**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, 2018**

FIDUCIARY FUNDS

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

C. Basis of Accounting and Measurement Focus

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

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

All governmental fund types use the modified accrual basis of accounting. The full accrual basis of accounting is used by the agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period). These funds are normally budgeted in this manner. 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

**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, 2018**

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 available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, Norfolk Public Schools considers revenues available if they are collected within 60 days of the end of the current fiscal period. Sales taxes, which are collected by the state and subsequently remitted to the School System, are recognized as revenues and receivables upon collection by the state, which is generally within two months preceding receipt by the School System. Reimbursement grants are recognized as revenue when measurable, all eligibility criteria have been met, the related amounts become available, and if received within one year. Revenue from the City for activity within the capital projects fund is recognized when the related expenditure is incurred. All other revenue items are considered 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 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 level (i.e.

**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, 2018**

instruction, administration, attendance and health, pupil transportation, operations and maintenance, information technology, school plant and food services); while Grants and Capital Projects, which are budgeted on a multi-year basis, are at the fund level. These categories or funds cannot legally be exceeded. In addition, certain controls are exercised administratively on all funds. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures (including encumbrances) with the amended budgets.

Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the legally adopted budget as amended. Due to the difference in the basis of accounting for budgetary and fund accounting purposes, Schedule 6 within Required Supplementary Information provides reconciliation between the budgetary basis and fund financial accounting (modified accrual) basis. Unencumbered appropriations on the annual budget lapse at the end of each fiscal year for funds with annual budgets. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

E. Pensions

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

F. Other Post-Employment Benefits (OPEB)

Deferred inflows and outflows under GASB 75 are treated and reported in a similar fashion as they are in pensions. They are amortized over a closed five-year period or the average remaining service life of employees in the plan.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For

**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, 2018**

purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Upcoming GASB Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

**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, 2018**

H. 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, 2018, the carrying amount of cash deposits for the School Board was \$53,686,524. This amount includes agency funds of \$12,262,444.

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

Investments are reported at fair value as established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with the authoritative guidance on fair value investments and disclosures under U.S. GAAP, the fair value of investments are disclosed in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the disclosure of inputs used in the valuation process. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance established three levels of the fair value hierarchy as follows:

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

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on their interest rates, credit risk and alike factors.

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

At June 30, 2018, the School Board investment account had a balance of \$1,048,414.

**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, 2018**

Custodial Credit Risk - All deposits of the School Board are held in designated official depositories and are collateralized in accordance with 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 for 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks. The School Board itself does not have credit risk.

Interest Rate and Foreign Currency Risk – Interest rate risk represents the risk governments are exposed to because of changes in interest rates for their debt investments. Interest rate risk is reduced by investing operating funds primarily in shorter-term securities. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School Board does not have interest rate or foreign currency risk.

RECEIVABLES AND PAYABLES

All inter-fund receivables and payables are displayed in the fund statements as “Due to/Due from Other Funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Position to avoid overstating assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts, if needed. There were no uncollectible accounts for fiscal year 2018.

INVENTORIES

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

The Child Nutrition Fund's inventories also include United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on

**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, 2018**

the estimated wholesale market value (provided by USDA). The value of these commodities was \$819,487 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 that assets meet the School Board's capitalization threshold of \$5,000 and have an estimated useful life greater than one year. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Mobile Classrooms	20 years
Equipment	3 to 20 years
Vehicles (School Buses)	10 to 12 years
Intangible Assets	5 years

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

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

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

**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, 2018**

of the City.” Therefore, the real estate of Norfolk Public Schools is recorded in the City’s financial statements.

COMPENSATED ABSENCES

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

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

NET POSITION/FUND BALANCES

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the governmental funds’ financial statements, unassigned fund balance represents the portion of spendable fund balance that has not been assigned or committed at year-end. The governmental fund types classify fund balances as follows:

Non-spendable

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

**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, 2018**

Restricted

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

Committed

School Facilities –Portion of fund balance not available for appropriation because it represents the funds legally restricted by City ordinance for specific projects. The City is defined by the School Board as the highest level of decision-making authority in order to establish the category of a committed fund balance.

Assigned

Portion of fund balance that is intended to be used for specific purposes, but which is neither restricted nor committed. Assignment occurs by the School Board under the direction of the Chief Financial Officer. The administration's financial management system uses encumbrance based accounting wherein purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation) in the General, Grants, Capital Projects, and Child Nutrition Funds.

Unassigned

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

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

**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, 2018**

I. Encumbrances

Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis. At June 30, 2018, the Child Nutrition Fund had purchase order commitments approximating \$981,504. These encumbrances are included in the restricted fund balance due to the requirements placed by the Department of Agriculture. In the Capital Projects Fund, there were open purchase orders amounting to \$1,798,424 at June 30, 2018 for various capital improvement projects, which will be reimbursed by the City as expenditures are incurred. These amounts are presented as committed fund balance. Fund balances in the Grants Fund reflect the difference between outstanding expenditures and reimbursements submitted to the respective grantors as of June 30, 2018. Encumbrances for the Grants Funds were approximately \$492,941 as of June 30, 2018, which are reflected as restricted fund balance. These encumbrances will be reimbursed by the grantor agencies as expenditures are incurred. In the General Fund, there were open purchase orders totaling \$8,648,417 at June 30, 2018.

J. Restatement of Net Position

NPS adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, which improves accounting and financial reporting by state and local governments (OPEB). This pronouncement requires NPS to record a "Net OPEB Liability" if the obligation for OPEB benefits attributable to past service exceeds the resources held in the OPEB trust fund to pay benefits or a "Net OPEB Asset" if the resources held in the pension trust fund to pay benefits exceeds the obligation for pension benefits attributable to past service.

Net position July 1, 2017, as previously stated	(\$323,410,451)
Eliminate Net OPEB liability recorded under GASB 45	17,743,279
Cumulative effect of application of GASB 75, Net OPEB Liability	<u>(110,149,401)</u>
Net position, July 1, 2017, as restated	<u>(\$415,816,573)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

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, 2018 is as follows:

	Due From		Due to
	(Receivables)		(Payables)
<hr/>			
Major Funds:			
General Fund	\$ 13,142,802	\$	-
Grants	-		10,144,644
Capital Projects	-		1,006,525
Child Nutrition Fund	-		1,991,633
	<hr/>		<hr/>
	\$ 13,142,802	\$	13,142,802
	<hr/>		<hr/>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

B. Capital Assets

Changes in Capital Assets

	Capital Assets				Capital Assets
	June 30, 2017	Additions	Deletions	Transfers	June 30, 2018
Capital assets, not being depreciated					
Land	\$ 487,500	\$ -	\$ -	\$ -	487,500
Total capital assets, not being depreciated	487,500	-	-	-	487,500
Capital assets, being depreciated:					
Mobile Classrooms	6,700,563	-	-	-	6,700,563
Equipment and vehicles	36,647,714	2,396,736	(1,408,087)	-	37,636,363
Intangible assets	1,323,387	-	-	-	1,323,387
Total capital assets, being depreciated	44,671,664	2,396,736	(1,408,087)	-	45,660,313
Less accumulated depreciation for:					
Mobile Classrooms	(5,341,820)	(307,538)	-	-	(5,649,357)
Equipment and vehicles	(28,187,539)	(1,650,155)	1,314,483	-	(28,523,211)
Intangible assets	(1,175,353)	(68,323)	-	-	(1,243,676)
Total accumulated depreciation	(34,704,712)	(2,026,016)	1,314,483	-	(35,416,244)
Total capital assets being depreciated, net	9,966,952	370,720	(93,604)	-	10,244,068
Total capital assets, net	\$ 10,454,452	\$ 370,720	\$ (93,604)	\$ -	10,731,568

Depreciation expense by function for the year ended June 30, 2018 follows:

Instruction	\$ 330,535
Administration, Attendance, and Health	98,544
Pupil Transportation	774,552
Operation and Maintenance	400,963
Information Technology	200,567
School Facilities	118,703
Food Services	102,152
Total	<u>\$ 2,026,016</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

C. Long-Term Obligations

Long-term obligations are reported on the government-wide statement of net assets. However, the current portion of long-term obligations is reported on the funds balance sheet and is normally paid from the General Fund. The following is a summary of the changes in long-term obligations for the year ended June 30, 2018 and the corresponding current portion:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Long-Term Obligations:					
Compensated absences	\$ 9,247,154	\$ 10,771,332	\$ (10,932,197)	\$ 9,086,289	\$ 6,814,717
Workers' compensation	3,590,006	492,569	(431,417)	3,651,158	581,216
Claims liability	41,198	517,065	(91,914)	466,349	301,832
Net pension liability	350,483,940	-	(57,894,797)	292,589,142	-
Other post employment benefits	60,290,035	-	(13,160,042)	47,129,993	-
VRS OPEB GLI Trust	19,382,064	-	(3,221,396)	16,160,668	
VRS OPEB HIC Trust	30,477,302	1,046,174	(2,227,779)	29,295,697	
Total Long-Term Obligations	\$ 473,511,699	\$ 12,827,140	\$ (87,959,542)	\$ 398,379,296	\$ 7,697,765

As a result of the GASB Statement 75 implementation, the beginning balance of Other Post-Employment Benefits (OPEB) as of June 30, 2017 is restated from \$17,743,279 to \$110,149,401 as shown on the above table. The change was the result of new reporting requirements.

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2018, is a named defendant in several lawsuits and claims that may or may not become 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

**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, 2018**

would be immaterial. No provision has been made in the accompanying basic financial statements for the refund of grant monies.

C. Pollution Remediation

The School Board evaluates its exposure to certain environmental liabilities throughout the year at each of its locations across the City. Estimates of liabilities are made based on consultations with industry experts and often arise when school buildings are replaced. No pollution remediation obligations existed at June 30, 2018.

Note 4. Joint Ventures

A. Southeastern Cooperative Educational Programs

The Southeastern Cooperative Educational Programs (“SECEP”) is a public body established in accordance with the *Code of Virginia*, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$6,333,724 to SECEP during the fiscal year ended June 30, 2018. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

B. The Governor’s School for the Arts

The Governor’s School for the Arts (Governor’s School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor’s School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor’s School can be obtained from the Governor’s School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$234,090 to the Governor’s School during the fiscal year ended June 30, 2018. 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.

**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, 2018**

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 2018 was \$2,772,111. 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 and Grants. 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, 2018, workers' compensation and claims liability totaling \$3,631,204 are reported as long-term liabilities. These liabilities are the School Board's best estimate based on currently available information.

The following is a summary of the changes (current and long-term) in the self-insurance program for the years ended June 30, 2018:

	June 30, 2018		
	Workers'	Claims'	
	Compensation	Liability	Total
Balance, beginning of year	\$ 3,590,006	\$ 41,198	3,631,204
Claims and other changes	492,569	517,065	1,009,634
Employer payments	(431,417)	(91,914)	(523,331)
Balance, end of year	<u>\$ 3,651,158</u>	<u>\$ 466,349</u>	<u>4,117,507</u>

In addition, effective January 1, 2014 the School Board, in conjunction with the City, became self-insured for health care coverage under a Healthcare Consortium. The Consortium also includes the Norfolk Redevelopment and Housing Authority. An internal service fund was established by the City to account for the self-insurance activity related to the consortium. This internal service fund is managed by the City. The School Board pays healthcare premiums directly to the City for deposit into the internal service fund. Employer and employees' share of premiums for active employees are collected a month in advance for coverage in the subsequent month. Premiums for employees are collected over a 10-month period (September through June) for 12 months of coverage. The School Board remitted a total of \$41.6 million in premiums to the fund in the fiscal year ended June 30, 2018 for active employees that consisted of \$36.6 million in employer contributions and \$5 million in employee contributions. The School Board, as a member of the consortium, has voting authority to amend the plan's

**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, 2018**

provisions. Any deficits experienced by the fund will be recovered through adjustments in premiums over a reasonable period.

Note 6. Retirement and Other Post-Employment Benefits

A. Virginia Retirement System

PLAN DESCRIPTION

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

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

**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, 2018**

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/2016-annual-report.pdf> or obtained by writing the VRS System at P. O. Box 2500, Richmond, VA 23218-2500.

B. VRS Teacher Retirement Plan

Contributions

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

The School Board's required professional contribution rates for the fiscal years ended June 30, 2017 was 14.66% of the annual covered employee compensation (not including 5% employee contribution). This rate was based on an actuarially determined rate of 16.32% from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The School Board's proportionate share of the payback was \$4,687,665, which was reported as revenue on the Statement of Activities in fiscal year 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. The School Board's contributions to the VRS for the years ended June 30, 2018, 2017 and 2016 for professional employees were \$29,028,062, \$26,582,248, and \$25,755,298 respectively; such amounts comprising 100% of the required statutory contributions for each of the three years.

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

At June 30, 2018, the School Board reported a net pension liability of \$283,848,240 for its proportionate share of the collective net pension liability. The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, and

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

rolled forward to the measurement date of June 30, 2017. The School Board's proportion of the collective net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 2.701% as compared to 2.403% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized pension expense of \$16,191,191. Since there was a change in proportionate share between June 30, 2017 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,099,179
Net difference between projected and actual earnings on pension plan investments	-	6,170,688
Changes in proportion and differences between School Board contributions and proportionate share of contributions	69,018	16,244,230
School Board contributions subsequent to the measurement date	29,028,062	-
Total	<u>\$ 29,097,080</u>	<u>\$ 42,514,097</u>

The deferred outflows of resources of \$29,028,062 resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. At June 30, 2018, there were net deferred inflows of resources of \$42,445,079. The net deferred inflows of resources are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. These net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (15,883,552)
2020	(5,075,166)
2021	(7,062,325)
2022	(12,007,041)
2023	(2,416,994)
Total	<u>\$ (42,445,079)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

Mortality rates were based on the following:

Pre-Retirement:

RP-2014 White Collar Employee rates to age 80, White Collar Healthy Annuitant rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with scale BB to 2020. Males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2000 Disability Mortality Rates Projected with scale BB to 2020; 115% for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Updated the mortality table to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Decreased the rates of withdrawals for 3 through 9 years of service
- Adjusted disability rates to better match experience
- The salary scale remained unchanged

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed

**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, 2018**

for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategy	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.3%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return, several models are used that provide a range of returns at various time periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the School Board for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, the School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**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, 2018**

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$423,880, 984	\$283,848, 240	\$168,013, 653

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

As of June 30, 2018, the School Board reported a payable of \$3,590,980 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**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, 2018**

C. VRS Retirement Plan for Political Subdivisions

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for the School Board contains combined information related to the School Board and SECEP. As such, amounts reflected herein present only the School Board's proportionate share as of the measurement date, which amounted to 99.26% as of June 30, 2017.

The information included in this note reflects the implementation of GASB Statement No 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73" by the VRS Teacher Retirement Plan as of June 30, 2017, which is the measurement date used in these financial statements in accordance with GASB Statement 68. The requirements of Statement 82 took effect for financial statements starting with the fiscal year that ended June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	609
Inactive members:	
Vested inactive members	44
Non-vested inactive members	255
Inactive members active elsewhere in VRS	100
Total inactive members	399
Active members	643
Total	1,651

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of

**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, 2018**

their annual reported compensation to the VRS. Prior to fiscal year 2013, the School Board had assumed the 5.00% member contribution for its employees. However, beginning on July 1, 2012, employers were required to begin making the employee pay the 5% member contribution. The employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The School Board elected to require employees to pay the full 5% member contribution beginning on July 1, 2012.

The School Board contractually required contribution rate for the fiscal year ended June 30, 2018 remained at 8.49% of covered employee compensation (not including 5% employee contribution). This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The School Board's contributions to the VRS for the years ended June 30, 2018, 2017 and 2016 for non-professional employees were \$1,434,613, \$1,408,370, \$1,794,211, respectively.

Net Pension Liability

The School Board's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

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

**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, 2018**

Mortality rates were based on the following:

Largest 10 – Non-Hazardous Duty: 20% of deaths to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020, males 95% of rates, females 105% of rates.

Post-Retirement:

RP-2014 Disability Mortality rates projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates. All others (non-10 largest), Non-Hazardous Duty: 15% of deaths are assumed service related.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follow:

- Updated the mortality table RP-2014 projected to 2020
- Changed final retirement age from 70 to 75
- Withdrawal rates adjusted to better fit experience
- Disability rates were lowered

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the School Board's contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined

**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, 2018**

contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the School Board for the VRS Retirement Plan for political subdivisions will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the School Board is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 87,659,874	\$ 73,963,087	\$ 13,696,787
Changes for the year:			
Service cost	1,552,054	-	1,552,054
Interest	5,976,337	-	5,976,337
Changes in assumptions	(850,485)	-	(850,485)
Difference between expected and actual experience	(645,773)	-	(645,773)
Contributions - employer	-	1,408,370	(1,408,370)
Contributions - employee	-	807,063	(807,063)
Net investment income	-	8,876,608	(8,876,608)
Benefits payments, including refunds of employee contributions	(4,705,681)	(4,705,681)	-
Administrative expense	-	(52,631)	52,631
Change in proportionate share	75,502	41,197	34,305
Other changes	-	(17,088)	17,088
Net changes	1,401,954	6,357,838	(4,955,884)
Balances at June 30, 2018	\$ 89,061,828	\$ 80,320,925	\$ 8,740,903

All amounts reflected in this schedule are based on the School Board's proportionate share as of the June 30, 2017 measurement date for the June 30, 2018 net pension liability of 99.26%. The remainder 0.74% is SECEP's proportionate share of the Net Pension Liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's Net Pension Liability	\$23,730,918	\$8,740,903	\$5,234,423

**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, 2018**

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

For the year ended June 30, 2018, the School Board recognized pension expense of \$444,864. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,060,270	\$ 868,785
Change in assumptions	-	531,530
Net difference between projected and actual earnings on pension plan investments	-	4,157,218
Changes in proportion and differences between School Board contributions and proportionate share of contributions	9,873	12,826
School Board contributions subsequent to the measurement date	1,434,613	-
Total	<u>\$ 4,504,756</u>	<u>\$ 5,570,359</u>

The deferred outflows of resources of \$1,434,613 resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Not including the contributions subsequent to measurement date, there were also net deferred inflows of resources of \$2,500,216. The net deferred inflows of resources are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. These net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**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, 2018**

Year Ended June 30:

2019	\$ (1,772,535)
2020	(2,995)
2021	30,212
2022	(754,898)
2023	
Total	<u>(2,500,216)</u>

As of June 30, 2018, NPS recognized total pension expense of \$16,636,055.

Payables to the Pension Plan

As of June 30, 2018, the School Board reported a payable of \$196,949 or the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. The liability was liquidated in July 2018.

D. Other Post-Employment Benefits (OPEB)

PLAN DESCRIPTION

In addition to the pension benefits described, the School Board authorizes a defined benefit OPEB plan in accordance with adopted statutes. The plan provides healthcare benefits to all non-Medicare eligible employees and their dependents. All employees hired on or after July 1, 2008 will need 15 years of service to qualify for benefits. The School Board pays \$75 per month towards the cost of healthcare benefits for each retiree who has elected to continue healthcare coverage through the School Board. Coverage is discontinued when an employee reaches the age of 65 and become eligible for Medicare. Expenditures for post-retirement healthcare benefits are recognized on a monthly basis through the School Board's financial records. The plan is considered a single employer, defined benefit OPEB plan. The plan is unfunded and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 issued by the Governmental Accounting Standards Board. Therefore, rather than a net pension liability, Norfolk Public Schools reports a Total OPEB liability.

**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, 2018**

Actuarial Methods and Assumptions

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

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Not Applicable
Actuarial assumptions:	
Discount rate	2.85%
Rate of salary increases	3.50%
Rate of Medical Inflation	7.80% (pre-Medicare) grading to 3.0% over 19 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 that is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Cost or active employee contributions.

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 that would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination and retirement.

Currently, the School Board pays a set amount towards the monthly premiums of pre-65 retirees. These payments are primarily made through the General Fund. These retirees are allowed to purchase health care using the same premium structure as active employees.

The discount rate used to measure the total OPEB liability as of June 30, 2016 was 2.85%. The discount rate used to measure the total OPEB liability as of June 29, 2017 was 3.58%.

The Plan follows a pay-as-you-go contribution policy.

Based on the assumptions of a pay-as-you-go plan, the discount rate used by NPS actuaries at the July 1, 2016 and 2017 measurement dates is equal to the yield on the Bond Buyer GO 20-Bond Municipal Bond Index as of June 30, 2016 and June 29, 2017 respectively.

**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, 2018**

Development of Total OPEB Liability

The tables below show the changes in the total OPEB liability (TOL). The TOL is shown on the Schools Financial statements.

During the measurement year, the TOL decreased by approximately \$13.1 million. This was the result of changes in assumptions and the differences between the expected and actual experience.

	Increase (Decrease)
	Total OPEB Liability
Balances at 7/1/2016	60,290,035
Changes for the year:	
Service cost BOY	1,468,830
Interest	1,702,533
Changes of benefits	-
Differences between expected and actual experience	(3,274,812)
Changes of assumptions	(10,475,847)
Benefit payments	(2,580,746)
Net changes	(13,160,042)
Balances at 7/1/2017	47,129,993

Sensitivity of the Total OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following table presents NPS' Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current discount rate:

1% Decrease	Discount Rate	1% Increase
2.58%	3.58%	4.58%
53,731,980	47,129,993	41,748,517

**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, 2018**

The following table presents NPS' Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current discount rate:

1% Decrease	Discount Rate	1% Increase
2.58%	3.58%	4.58%
43,965,115	47,129,993	50,641,507

A one percent decrease in the healthcare trends decreases the TOL by approximately 7% and decreases the NOL by approximately 7%. A one percent increase in the healthcare trends increases the TOL by approximately 7% and increases the NOL by approximately 7%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the School Board recognized OPEB related expense of \$1,206,982. At June 30, 2018, the School Board reported deferred outflows or resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	-	2,806,981.00
Change of assumptions		8,979,297.00
Net difference between projected and actual earnings on OPEB plan investments		-
Contributions subsequent to measurement date	1,262,442.00	-
Total	<u>1,262,442.00</u>	<u>11,786,278.00</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Schedule of Deferred Inflows and Outflows of Resources as of July 1, 2017

Year ended June 30:

2018	\$	(1,964,381)
2019	\$	(1,964,381)
2020	\$	(1,964,381)
2021	\$	(1,964,381)
2022	\$	(1,964,381)
Thereafter	\$	(1,964,373)
		<u>\$ (11,786,278)</u>

Calculation of OPEB Expenses

Measurement Year Ending 2017

Change in Net OPEB Liability	(\$13,160,042)
Change in Deferred Outflows	-
Change in Deferred Inflows	11,786,278
Employer Contributions	2,580,746
OPEB Expense	\$1,206,982
OPEB Expense as % of Payroll	0.60%

Membership Information

Participant Data as of July 1, 2017

**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, 2018**

Active Participants

Employees	4,541
Employees fully eligible	1,074
Average Age	47
Average Service	12

Pre-65 Inactive participants

Retirees	179
Retirees Average Age	61
Spouses	25
Spouses Average Age	60

ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methodology used in developing the TOL as of June 30, 2017 are the same as those summarized in the June 30, 2017 actuarial valuation. The discount rate used to measure the TOL was 2.85% at the beginning of the current measurement period and 3.58% at the end; based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Payable to the OPEB Plan

At June 30, 2018, Norfolk Public Schools had no outstanding payables related to Other Post-Employment Benefits.

Virginia Retirement System Post-Employment Benefits Trust Funds

The Virginia Retirement System (VRS) is an independent agency of the Commonwealth of Virginia. VRS administers several Post Employment Benefit trust funds. NPS participates in two of those funds, the Group Life Insurance Plan (GLI) and the Retiree Health Insurance Credit Plan (HIC). The VRS Board of trustees is responsible for the general administration and operation of the pension plans and other employee benefit plans. VRS issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the system's pension and other employee benefit trust funds. The VRS CAFR is publically available on the VRS website at www.varetire.org. The pension and other trust funds administered by VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

**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, 2018**

Other Post-Employment Benefits – Group Life Insurance (GLI)

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

Plan Description

The VRS Group Life Insurance Program upon employment automatically covers all full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions. In addition to the Basic GLI benefits, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optimal Group Life Insurance Program.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate of the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% of the 1.31% and the employer component was 0.52% of the covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Actuarial assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation

Salary increases, including inflation –

Teachers	3.5% - 5.35%
Locality – General employees	3.5% - 5.35%

**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, 2018**

Investments rate of return	7.0% net of plan investment expenses, including inflation.
----------------------------	---

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employees Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumption as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -RP-2014 projected to 2014
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The estimated Group Life Insurance OPEB liability (NOL) applicable to Norfolk Public Schools determined by VRS in accordance with GASB Statement No. 74 less NPS's proportion of the Plan Fiduciary Net Position is as follows:

Total GLI OPEB Liability	29,281,888
Plan Fiduciary Net Position	13,121,220
GLI Net OPEB Liability (Asset)	<u>16,160,668</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school divisions for the VRS GLI OPEB plan will be subject to the portion of the VRS Board –certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class.

The target asset allocation and best estimate of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	Expected arithmetic nominal return		7.30%

**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, 2018**

Sensitivity Analysis GLI - Teachers

NPL 1% Decrease Discount Rate (6.0%)	NPL Current Discount rate (7.0%)	NPL 1% Increase Discount Rate (8.0%)
19,369,384	14,976,053	11,413,745

Sensitivity Analysis - GLI Political Subdivision

NPL 1% Decrease Discount Rate (6.0%)	NPL Current Discount rate (7.0%)	NPL 1% Increase Discount Rate (8.0%)
1,530,466	1,184,615	902,736

**VRS GLI OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of
Resources for Teachers**

For the year ended June 30, 2018, the School Board recognized OPEB Group Life Insurance Expense related of \$89,395. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to VRS GLI OPEB as follows:

**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, 2018**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 5,058	\$ 331,624
Net difference between projected and actual earnings on OPEB plan investments		563,247
Change of assumptions		771,794
Changes in proportionate share Contributions After Measurement Date	2,358,991	-
Total	<u>\$ 2,364,050</u>	<u>\$ 2,177,776</u>

Deferred Outflows / (Inflows) of Resources

Period Ending June 30, 2018	\$ (473,166)
Period Ending June 30, 2019	\$ (473,166)
Period Ending June 30, 2020	\$ (473,166)
Period Ending June 30, 2021	\$ (473,194)
Period Ending June 30, 2022	<u>\$ (280,026)</u>
	<u>\$ (2,172,718)</u>

VRS GLI OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources for Political Subdivisions

For the year ended June 30, 2018, the School Board recognized an expense related to OPEB Group Life Insurance of \$14,626 and total Net OPEB liability of \$1,184,612. At June 30, 2018, the School Board reported deferred outflows or resources of \$200,057, \$197,106 of which was due to contributions subsequent to the measurement date. NPS also reported deferred inflows of resources \$131,624 related to VRS GLI OPEB.

**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, 2018**

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS GLI OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares.

Norfolk Public Schools total employer contribution into the GLI program for the year ended June 30, 2018 was \$1,205,119.

Other Post-Employment Benefits – Health Insurance Credit Plan (HIC)

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Program is a multiple employer, cost-sharing plan. The VRS Teacher Employee Health Insurance Credit Program automatically covers all full-time, salaried, permanent (professional) employees of public school divisions. This plan is administered by the Virginia Retirement System along with other pension and OPEB plans. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and end upon the retiree's death.

The program was established in 1993 for retired teacher employees covered under VRS who retired with at least 15 years of service credit. At retirement, for teacher and other professional school employees the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For teachers or other professional employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- \$4.00 per month multiplied by twice the amount of service credit, or
- \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of finding provided to the school

**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, 2018**

divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Actuarial Assumptions and Methods

The total Teacher Health Insurance Credit OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.00%, net of plan investment expenses, including inflation

Mortality rates

Pre-Retirement:

RP-2014 White Collar Employees Rates to age 80, White Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 While Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumption as a result of the experience study are as follows:

**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, 2018**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The net Health Insurance Credit OPEB liability (NOL) was determined in accordance with GASB Statement No. 74. As of June 30, 2017, the NOL portion of the VRS Teacher Health Insurance Credit Program applicable to Norfolk Public Schools is as follows:

Total Teacher HIC OPEB Liability	31,493,092
Plan Fiduciary Net Position	<u>2,197,395</u>
HIC Net OPEB Liability (Asset)	<u><u>29,295,697</u></u>

Plan fiduciary Net Position as a percentage of the total Teacher HIC liability was 7.04%.

The total Teacher HIC OPEB liability is calculate by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that employer contributions would be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school divisions for the VRS HIC OPEB plan will be subject to the portion of the VRS Board –certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates.

**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, 2018**

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class.

The target asset allocation and best estimate of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return		<u>7.30%</u>

Sensitivity Analysis

NPL 1% Decrease Discount Rate (6.0%)	NPL Current Discount rate (7.0%)	NPL 1% Increase Discount Rate (8.0%)
32,673,489	29,295,697	26,385,653

**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, 2018**

VRS HIC OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the School Board recognized OPEB Health Insurance Credit Expense related of \$2,227,779. At June 30, 2018, the School Board reported deferred outflows or resources and deferred inflows of resources related to VRS GLI OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 8,561	\$ 52,992
Net difference between projected and actual earnings on OPEB plan investments		300,854
Change of assumptions		1,041,879
Changes in proportionate share Contributions After Measurement Date	2,201,938	-
Total	<u>\$ 2,210,499</u>	<u>\$ 1,395,725</u>

Deferred Outflows / (Inflows) of Resources

Period Ending June 30, 2018	\$ (291,100)
Period Ending June 30, 2019	\$ (291,100)
Period Ending June 30, 2020	\$ (291,100)
Period Ending June 30, 2021	\$ (290,864)
Period Ending June 30, 2022	<u>\$ (223,000)</u>
	<u>\$ (1,387,164)</u>

As of June 30, 2018 NPS recognized total OPEB expense of \$3,538,782.

**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, 2018**

Employer Contribution

Employers' proportionate shares were calculated based on historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution efforts to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS HIC OPEB Plan that are not representative of the future contribution efforts are excluded in the determination of employers' proportionate shares.

Norfolk Public Schools total employer contribution into the HIC program for the year ended June 30, 2017 was \$2,022,912.

Additional Financial and Actuarial Information

Information contained in the VRS Teacher HIC OPEB and VRS GLI OPEB program notes were extracted from the VRS audited financial statements for the fiscal year ended June 30, 2017. Additional financial information supporting the preparation of the VRS programs financial information, including the unmodified audit opinion on the financial statements and required supplementary information, is presented in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR is publicly available on the VRS website at www.varetire.org.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Schedules of Required Supplementary Information
Schedule of the School Board's Proportionate Share of the Net Pension Liability
VRS Teacher Retirement Plan
Last Ten Fiscal Years*
(Amounts in thousands)

Schedule 1

Fiscal Year	2018	2017	2016	2015
School Board's proportion of the net pension liability (asset)	2.701%	2.403%	2.430%	2.467%
School Board's proportionate share of the net pension liability (asset)	\$283,848	\$336,787	\$305,901	\$ 298,089
School Board's covered payroll	\$192,822	\$194,172	\$189,624	\$ 189,067
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	147%	173%	161%	158%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

*The schedule is intended to show information for 10 years. Additional years will be included as they become available.

(UNAUDITED)

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

Schedule 2

Fiscal Years	Contributions in Relation to				Contributions as a % of	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Covered Payroll	Covered Payroll
2018	\$ 29,028	\$ 29,028	\$ -	\$ 188,385	15.41%	
2017	\$ 26,582	\$ 26,582	\$ -	\$ 192,822	13.79%	
2016	\$ 25,755	\$ 25,755	\$ -	\$ 194,172	13.26%	
2015	\$ 26,206	\$ 26,206	\$ -	\$ 189,624	13.82%	
2014	\$ 21,056	\$ 21,056	\$ -	\$ 189,067	11.14%	
2013	\$ 20,911	\$ 20,911	\$ -	\$ 144,714	14.45%	
2012	\$ 19,516	\$ 19,516	\$ -	\$ 148,138	13.17%	
2011	\$ 16,027	\$ 16,027	\$ -	\$ 135,016	11.87%	
2010	\$ 21,492	\$ 21,492	\$ -	\$ 157,542	13.64%	
2009	\$ 26,461	\$ 26,461	\$ -	\$ 157,178	16.84%	

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

(UNAUDITED)

Schedule 3

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

		Fiscal Year			
		2018	2017	2016	2015
Total pension liability					
Service cost	\$	1,552	\$ 1,527	\$ 1,563	\$ 1,530
Interest		5,976	5,891	5,770	5,586
Changes in assumptions		(850)	-	-	-
Differences between expected and actual experience		(646)	(1,511)	(1,027)	-
Changes of assumptions		-	-	-	-
Benefit payments, including refunds of employee contributions		(4,706)	(4,814)	(4,343)	(4,659)
Change in proportionate share		76	1	21	-
Net change in total pension liability		<u>1,402</u>	<u>1,094</u>	<u>1,984</u>	<u>2,457</u>
Total pension liability - beginning		<u>87,660</u>	<u>86,566</u>	<u>84,582</u>	<u>82,125</u>
Total pension liability - ending (a)	\$	<u>89,062</u>	<u>\$ 87,660</u>	<u>\$ 86,566</u>	<u>\$ 84,582</u>
Plan fiduciary net position					
Contributions - employer	\$	1,408	\$ 1,794	\$ 1,768	\$ 1,722
Contributions - employee		807	800	785	775
Net investment income		8,877	1,248	3,321	10,151
Benefit payments, including refunds of employee contributions		(4,706)	(4,814)	(4,343)	(4,659)
Administrative expense		(52)	(47)	(47)	(56)
Change in proportionate share		41	1	18	-
Other		(17)	(17)	(11)	1
Net change in plan fiduciary net position		<u>6,358</u>	<u>(1,035)</u>	<u>1,491</u>	<u>7,934</u>
Plan fiduciary net position - beginning		<u>73,963</u>	<u>74,998</u>	<u>73,507</u>	<u>65,573</u>
Plan fiduciary net position - ending (b)	\$	<u>80,321</u>	<u>\$ 73,963</u>	<u>\$ 74,998</u>	<u>\$ 73,507</u>
School Board's net pension liability (a) - (b)	\$	<u>8,741</u>	<u>\$ 13,697</u>	<u>\$ 11,568</u>	<u>\$ 11,075</u>
Plan fiduciary net position as a percentage of the total pension liability		90.19%	84.37%	86.64%	86.91%
Covered payroll		23,756	22,219	22,224	21,766
School Board's net pension liability as a percentage of covered payroll		36.79%	61.65%	52.05%	50.88%

*The schedule is intended to show information for 10 years. Additional years will be included as they become available.

(UNAUDITED)

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

Schedule 4

Fiscal Years	Contributions in Relation to					Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll		as a % of Covered Payroll	
2018	\$ 1,435	\$ 1,435	\$ -	\$ 22,292		6.44%	
2017	\$ 1,408	\$ 1,408	\$ -	\$ 23,756		5.93%	
2016	\$ 1,794	\$ 1,794	\$ -	\$ 22,219		8.07%	
2015	\$ 1,768	\$ 1,768	\$ -	\$ 22,224		7.96%	
2014	\$ 1,722	\$ 1,722	\$ -	\$ 21,766		7.91%	
2013	\$ 1,734	\$ 1,734	\$ -	\$ 15,661		11.07%	
2012	\$ 1,858	\$ 1,858	\$ -	\$ 14,818		12.54%	
2011	\$ 1,923	\$ 1,923	\$ -	\$ 15,287		12.58%	
2010	\$ 1,928	\$ 1,928	\$ -	\$ 16,169		11.92%	
2009	\$ 2,016	\$ 2,016	\$ -	\$ 16,871		11.95%	

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

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

A. VRS Teacher Retirement Plan

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 Projected to 2020 Lowered rates at older ages and changed final retirement from 70 to 75
Retirement Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Withdrawal Rates	Adjusted rates to better match experience
Disability Rates	No change
Salary Scale	

B. VRS Retirement Plan for Political Subdivisions

Changes of benefit terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid retirement plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions

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

- Used the following mortality tables:
 - RP-2014 Employee Mortality Table projected to 2020
 - RP-2014 Combined Mortality Table projected to 2020
 - RP-2014 Disability Mortality Table projected to 2020
- Decreased the rates of service retirement at older ages
- Decreased the rates of disability retirement
- Rates of salary did not change

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Resources (inflows)				
Local sources	\$ 4,023,361	\$ 4,023,361	\$ 2,656,723	(1,366,638)
Commonwealth of Virginia	191,027,436	191,027,436	187,881,748	(3,145,688)
Federal government	5,651,426	5,651,426	4,811,685	(839,741)
Local government*	124,589,922	124,589,922	120,971,933	(3,617,989)
Carryforward funds from fiscal year 2017	-	-	-	-
Amounts available for appropriation	<u>325,292,145</u>	<u>325,292,145</u>	<u>316,322,089</u>	<u>(8,970,056)</u>
Charges to appropriations (outflows)				
Instruction	241,720,319	238,216,040	232,841,977	(5,374,063)
Administration, Attendance, and Health	18,149,316	18,569,119	18,008,999	(560,120)
Pupil Transportation	13,822,722	13,212,271	12,032,518	(1,179,753)
Operation and Maintenance	35,791,376	36,757,811	36,327,948	(429,863)
Information Technology	10,750,423	13,403,496	13,311,693	(91,803)
School Facilities	<u>5,057,989</u>	<u>5,133,408</u>	<u>1,405,662</u>	<u>(3,727,746)</u>
Total charges to appropriations	<u>325,292,145</u>	<u>325,292,145</u>	<u>313,928,797</u>	<u>(11,363,348)</u>
Budgetary fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (0)</u>	<u>2,393,292</u>	<u>2,393,292</u>

**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	\$ 316,322,089
Prior period adjustment	1,164
Other budgetary resources but not revenue for financial reporting purposes	-
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 316,323,253</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 313,928,797
Difference - budget to GAAP:	
Acquisition of school buses by the local government	-
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year received for GAAP purposes	<u>(3,511,416)</u>
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 310,417,381</u>

(UNAUDITED)

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Other Post-Employment Benefits

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 75, and eventually will build up to 10 years of information.

Schedule 6

School Board of the City of Norfolk
A component Unit of the City of Norfolk, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios

<u>Total OPEB Liability</u>	<u>2018</u>
Service cost	1,468,830
Interest	1,702,533
Changes of benefit terms	-
Difference between expected and actual experience	(3,274,812)
Changes in assumptions	(10,475,847)
Benefit payments, including refunds of member contributions	<u>(2,580,746)</u>
Net change in total OPEB liability	(13,160,042)
Total OPEB liability - beginning	<u>60,290,035</u>
Total OPEB liability - ending	<u><u>47,129,993</u></u>
Covered payroll	202,324,943
Total OPEB liability as a percentage of covered payroll	23.29%

This schedule will present information for 10 years. Fiscal year 2018 is the first year the information is required.

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

Mortality

Pre-retirement

RP-2014 white Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020

Post-retirement

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2.0% increase compounded from ages 75 to 90.

Post-disablement

RP-2014 Disabled Mortality Rates projected with Scales BB to 2020; 115% of rates for males and females

Disability Rates

Adjusted rates to better match experience

Salary Scale

Representative values reflect an annual salary inflation rate of 3.50%

Rationale for Demographic and Economic Assumptions:

The actuarial assumptions for the School Members are the assumptions that were adopted by the State of Virginia Pension Plan Board based upon recommendations by the State's actuary. The assumptions are listed in the June 30, 2017 actuarial valuation report prepared by CavMac Consulting.

Changes Since Prior Valuation:

The following actuarial assumptions for the Schools have been changed since the last valuation to match the July 1, 2017 VRS actuarial valuation report:

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

- Retirement
- Termination
- Disability Incidence
- Mortality

Schedules of Employer Share of Net OPEB Liabilities for the Health Insurance Credit Program

Schedule 7

**Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC) For the Year Ended June 30, 2018***

	2018
Employer's proportion of Net HIC OPEB Liability (Asset)	2.70%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	29,295,697
Employer's Covered Payroll	182,652,676
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.04%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

(UNAUDITED)
SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Schedule 8

**Schedule of Employer Contributions For the last 10 years
of VRS OPEB Teacher Health Insurance Credit**

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	2,181,192	2,181,192	-	182,652,676	1.19%
2017	2,241,605	2,022,912	(218,693)	182,244,255	1.23%
2016	2,162,812	1,942,866	(219,947)	183,289,209	1.18%
2015	2,118,850	1,903,373	(215,477)	179,563,539	1.18%
2014	2,096,027	1,988,538	(107,489)	179,147,604	1.17%
2013	2,074,185	1,967,817	(106,368)	177,280,774	1.17%
2012	1,837,036	1,020,576	(816,460)	170,095,923	1.08%
2011	1,916,054	1,064,474	(851,579)	177,412,350	1.08%
2010	2,113,182	1,396,685	(716,497)	134,296,612	1.57%
2009	2,123,697	2,047,851	(75,846)	189,615,839	1.12%

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 Projected to 2020 Lowered rates at older ages and changed final retirement from
Retirement Rates	70 to 75 Adjusted rates to better fit experience at each year age and
Withdrawal Rates	service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Methods and Assumptions used to determine contribution rates (from July 1, 2016 valuation):

Actuarial cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll closed
Amortization Period	27 years, 20 years, 19 years, 18 years
Asset Valuation Method	5 year moving average
Inflation	2.50%
Salary increases, including price inflation	Teachers: 3.50 to 5.95 percent Political Subdivision – General Employees: 2.50 to 5.35 percent
Long-term Rate of Return, net of investments	7.00%
Expenses, including price inflation	
Healthcare Cost Trend Rate	N/A

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

Schedules of Employer's Share of Net OPEB Liabilities, Group Life Insurance Program

Schedule 9

**Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program (GLI) Teachers For the Year Ended June 30, 2018***

	2018
Employer's proportion of Net GLI Teachers OPEB Liability (Asset)	1.16%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	14,976,053
Employer's Covered Payroll	189,068,323
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.92%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	49%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

(UNAUDITED)

**SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

Schedule 10

Schedule of Employer's Share of Net OPEB Liability

Group Life Insurance Program (GLI) Political Subdivision For the Year Ended June 30, 2018*

2018

Employer's proportion of Net GLI political sub division OPEB Liability (Asset)	0.09%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	1,184,614
Employer's Covered Payroll	14,964,544
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.92%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	49%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

(UNAUDITED)

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Schedule 11

**Schedule of Employer Contributions For the last 10 years
of VRS OPEB Teachers Group Life Insurance**

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	928,060	928,060	-	189,068,323	0.49%
2017	713,913	713,913	-	183,561,479	0.39%
2016	980,737	888,214	(92,523)	185,044,583	0.53%
2015	957,946	867,574	(90,372)	180,744,568	0.53%
2014	956,581	866,338	(90,243)	180,486,956	0.53%
2013	949,415	859,848	(89,567)	179,134,888	0.53%
2012	756,893	481,659	(275,234)	172,021,135	0.44%
2011	790,105	588,271	(201,834)	179,569,349	0.44%
2010	687,144	366,459	(320,685)	190,873,348	0.36%
2009	688,658	516,494	(172,164)	191,294,075	0.36%

(UNAUDITED)

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Schedule 12

**Schedule of Employer Contributions For the last 10 years
of VRS OPEB Political Subdivision Group Life Insurance**

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	77,461	77,461	-	14,964,544	0.52%
2017	75,496	75,496	-	14,528,684	0.52%
2016	74,794	67,738	(7,056)	14,112,000	0.53%
2015	73,310	66,394	(6,916)	13,832,043	0.53%
2014	72,079	65,279	(6,800)	13,599,659	0.53%
2013	72,025	65,230	(6,795)	13,589,623	0.53%
2012	56,991	36,267	(20,724)	12,952,408	0.44%
2011	58,465	37,205	(21,260)	13,287,480	0.44%
2010	50,910	28,120	(22,791)	14,142,544	0.36%
2009	53,321	39,991	(13,330)	14,811,485	0.36%

(UNAUDITED)

SCHOOL BOARD OF THE CITY OF NORFOLK
(A COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)
NOTES TO THE VIRGINIA RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 Projected to 2020 Lowered rates at older ages and changed final retirement from 70 to 75
Retirement Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Withdrawal Rates	Adjusted rates to better match experience
Disability Rates	No change
Salary Scale	

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank.

Schedule 1

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, 2018

	Balance			Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
ASSETS				
Cash, investments and accounts receivable	Beginning	Additions	Deductions	Ending
Governor's School for the Arts	467,846	4,767,130	4,761,161	473,815
Southeastern Cooperative Educational Programs	14,198,915	112,909,803	111,769,436	15,339,282
Trust Fund	6,627,049	137,202,983	143,708,717	121,315
School Activity Funds	1,316,787	2,931,261	2,954,191	1,293,857
Total Assets	22,610,597	257,811,178	263,193,506	17,228,269
LIABILITIES				
Due to Other Agencies	Beginning	Credits	Debits	Ending
Governor's School for the Arts	467,846	13,083,662	13,077,693	473,815
Southeastern Cooperative Educational Programs	14,198,915	219,432,842	218,292,476	15,339,282
Trust Fund	6,627,049	223,000,082	229,505,816	121,315
Due to Students	1,316,787	2,931,261	2,954,191	1,293,857
Total Liabilities	22,610,597	458,447,848	463,830,176	17,228,269

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends Information

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

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

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

Schedule 1

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
							Note 1			
Government-wide:										
Invested in capital assets	\$ 69,644	\$ 23,589	\$ 11,568	\$ 12,265	\$ 14,406	\$ 12,874	\$ 11,775	\$ 10,240	\$ 10,454	\$ 10,731
Restricted	1,003	611	1,000	416	1,920	2,339	2,739	8,566	10,095	11,909
Unrestricted	(670)	5,625	2,225	(2,036)	(1,810)	(7,034)	(344,957)	(338,067)	(343,959)	(412,061)
Total government-wide net position	<u>\$ 69,977</u>	<u>\$ 29,825</u>	<u>\$ 14,793</u>	<u>\$ 10,645</u>	<u>\$ 14,516</u>	<u>\$ 8,179</u>	<u>\$(330,443)</u>	<u>\$(319,261)</u>	<u>\$(323,410)</u>	<u>\$ (389,421)</u>

Note:

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

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

Schedule 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Instruction	\$ 282,802	\$ 282,213	\$ 267,477	\$ 265,178	\$ 272,338	\$ 265,740	\$ 265,732	\$ 269,725	\$ 271,176	\$ 248,835
Support Services:										
Administration, Attendance and Health	13,414	13,396	12,412	12,436	16,138	15,962	15,908	16,263	17,056	16,603
Pupil Transportation	10,917	10,765	11,028	10,869	13,668	12,162	12,952	12,740	14,099	11,384
Operation and Maintenance	38,954	33,660	35,283	33,038	34,551	34,703	35,232	34,641	35,328	33,345
Information Technology	8,972	10,860	8,274	10,547	10,373	11,239	13,234	9,994	10,609	11,076
School Facilities	17,151	52,851	20,266	24,171	9,160	3,735	5,771	6,960	8,669	5,303
Food Services	14,918	14,676	15,564	15,935	16,821	17,227	16,967	18,123	18,718	17,089
Other	264	306	238	276	250	244	144	207	78	3
Total Expenses	387,392	418,727	370,542	372,450	373,299	361,012	365,940	368,653	375,733	343,638
Revenues:										
Program Revenues:										
Charges for services	5,781	5,527	4,847	4,597	4,349	3,562	3,451	3,966	3,844	3,234
Operating grants and contributions	229,557	238,021	209,644	206,947	224,467	203,139	207,303	212,121	215,023	210,572
Capital grants and contributions	7,115	2,877	6,877	20,652	8,207	3,700	3,541	9,892	2,418	2,703
Total Program Revenues	242,453	246,425	221,368	232,196	237,023	210,401	214,295	225,979	221,285	216,509
Net (Expense) Revenue	(144,939)	(172,302)	(149,174)	(140,254)	(136,276)	(150,611)	(151,645)	(142,674)	(154,448)	(127,129)
General Revenues:										
Use of money and property	1,499	799	716	1,284	1,262	806	841	1,227	1,449	692
Other	200	74	2	-	235	912	462	772	1,408	962
Commonwealth of Virginia	30,102	30,267	28,912	30,311	31,463	30,702	31,992	37,088	32,470	30,899
Local government	104,511	101,011	104,511	104,511	107,187	111,854	117,722	114,769	114,972	120,972
Total General Revenues	136,312	132,151	134,141	136,106	140,147	144,274	151,017	153,856	150,299	153,525
Change in Net Position	\$ (8,627)	\$ (8,627)	\$ (15,033)	\$ (4,148)	\$ 3,871	\$ (6,337)	\$ (628)	\$ 11,182	\$ (4,149)	\$ 26,396

This information comes from the Statement of Activities, exhibit II

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									
	2008	2009	2011	2012	2013	2014	2015	2016	2017	2018
			Note 1							
General Fund										
Reserved	\$ 8,482	\$ 6,034								
Unreserved	4,446	4,105								
Nonspendable			\$ 293	\$ 293	\$ 293	\$ 398	\$ 424	\$ 461	\$ 487	\$ 620
Restricted			-	-	-	-	-	-	-	-
Committed			-	-	-	-	-	-	-	-
Assigned			14,103	13,109	16,807	11,891	10,198	6,420	6,545	8,649
Unassigned			2,102	3,126	2,445	3,411	1,149	13	722	4,391
Total General Fund	\$ 12,928	\$ 10,139	\$ 16,498	\$ 16,528	\$ 19,545	\$ 15,700	\$ 11,771	\$ 6,894	\$ 7,754	\$ 13,660
All Other Governmental Funds										
Reserved	\$ 5,406	\$ 3,198								
Unreserved, reported in:										
Grant Fund	(1,235)	(1,794)								
Capital Projects Fund	(1,105)	293								
Child Nutrition Services Fund	4,541	4,620								
Nonspendable			\$ 430	\$ 401	\$ 495	\$ 598	\$ 825	\$ 691	\$ 815	\$ 819
Restricted			5,331	5,560	6,608	6,933	7,963	9,398	8,867	1,038
Committed			72	4,651	-	2,543	2,058	6,720	2,837	1,798
Assigned			1,033	-	1,854	789	-	-	-	-
Unassigned			(105)	(4,235)	(2,225)	(2,185)		(1,709)	(2,079)	4,849
Total all other governmental funds	\$ 7,607	\$ 6,317	\$ 6,761	\$ 6,377	\$ 6,732	\$ 8,678	\$ 10,846	\$ 15,100	\$ 10,440	\$ 8,504

Note:

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

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

Schedule 4

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Use of money and property	\$ 1,499	\$ 799	\$ 716	\$ 1,284	\$ 1,262	\$ 806	\$ 842	\$ 1,227	\$ 1,449	\$ 692
Charges for services	5,781	5,526	4,847	4,597	4,349	3,562	3,451	3,966	3,844	3,234
Other	508	224	397	218	235	912	462	772	1,408	962
Intergovernmental :										
Local government	111,034	103,889	111,389	125,163	117,494	116,514	122,177	125,650	119,354	123,675
Commonwealth of Virginia	212,885	195,582	177,685	168,216	192,776	183,947	186,713	186,893	190,209	192,041
Federal government	47,058	72,556	60,477	68,824	61,055	48,934	51,668	56,639	55,320	49,430
Total revenues	<u>378,765</u>	<u>378,576</u>	<u>355,511</u>	<u>368,302</u>	<u>377,171</u>	<u>354,675</u>	<u>365,313</u>	<u>375,147</u>	<u>371,584</u>	<u>370,034</u>
EXPENDITURES										
Current:										
Instruction	286,995	284,101	263,502	263,542	272,152	261,357	268,246	273,972	271,151	265,970
Administration, Attendance, and Health	13,369	12,998	11,990	11,980	15,853	15,382	15,686	16,610	16,932	17,856
Pupil Transportation	10,723	10,503	10,709	10,639	13,435	12,995	13,669	13,390	14,031	12,992
Operation and Maintenance	36,058	33,695	35,225	32,938	34,629	34,207	35,158	34,706	35,143	34,962
Information Technology	8,769	10,665	8,161	10,517	10,348	11,193	13,238	9,947	10,861	11,468
School Facilities	3,427	2,784	2,356	1,535	1,958	1,318	1,938	1,940	604	639
Food Services	15,135	14,721	15,525	15,971	16,916	17,110	17,025	18,215	18,675	17,478
Other	264	306	238	275	247	242	145	207	78	3
Support Activities and facilities	-	-	-	-	-	-	-	-	-	-
Categorical grants	-	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	1,400	206	198	189	181	172	114	8	-	-
Capital Outlay:										
School Facilities	6,701	3,049	6,350	21,069	8,080	3,387	3,533	4,307	7,910	4,695
Total expenditures	<u>382,841</u>	<u>373,028</u>	<u>354,254</u>	<u>368,655</u>	<u>373,799</u>	<u>357,363</u>	<u>368,752</u>	<u>373,302</u>	<u>375,385</u>	<u>366,063</u>
Excess (deficiency) of revenues over expenditures	(4,076)	5,548	1,257	(353)	3,372	(2,688)	(3,439)	1,845	(3,801)	3,971
OTHER FINANCING SOURCES (USES)										
Transfers in from primary government										
Transfers in	303	-	-	-	-	-	-	-	-	-
Transfers out	(303)	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ (4,076)</u>	<u>\$ 5,548</u>	<u>\$ 1,257</u>	<u>\$ (353)</u>	<u>\$ 3,372</u>	<u>\$ (2,688)</u>	<u>\$ (3,439)</u>	<u>\$ 1,845</u>	<u>\$ (3,801)</u>	<u>\$ 3,971</u>

Debt service as a percentage of noncapital Expenditures	0.37%	0.06%	0.06%	0.05%	0.05%	0.05%	0.03%	0.00%	0.00%	0.00%
---	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Charges for Services										
Instruction	\$ 2,895	\$ 2,947	\$ 2,246	\$ 2,201	\$ 2,564	\$ 2,054	\$ 2,018	\$ 2,520	\$ 2,449	\$ 2,040
Food Services	2,886	2,579	2,601	2,396	1,785	1,508	1,433	1,446	1,395	1,194
Subtotal of Charges for Services	5,781	5,526	4,847	4,597	4,349	3,562	3,451	3,966	3,844	3,234
Operating Grants and Contributions										
Instruction	218,006	225,951	196,997	193,423	207,885	186,579	190,303	193,622	195,687	193,741
Pupil Transportation	-	-	-	-	2,100	960	915	989	1,964	-
Information Technology	-	-	-	-	-	-	-	-	-	-
Food Services	11,551	12,070	12,646	13,523	14,483	15,600	16,086	17,510	17,372	16,831
Subtotal of Operating Grants and Contributions	229,557	238,021	209,643	206,946	224,468	203,139	207,304	212,121	215,023	210,572
Capital Grants and Contributions										
School Facilities	7,115	2,877	6,877	20,652	8,208	3,700	3,541	9,892	2,417	2,703
Subtotal of Capital Grants and Contributions	7,115	2,877	6,877	20,652	8,208	3,700	3,541	9,892	2,417	2,703
Total Program Revenues	\$ 242,453	\$ 246,424	\$ 221,367	\$ 232,195	\$ 237,025	\$ 210,401	\$ 214,296	\$ 225,979	\$ 221,284	\$ 216,509

This information comes from the Statement of Activities, exhibit II

(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
2009	1,499	5,781	508	111,034	212,885	47,058	378,765
2010	799	5,526	224	103,888	195,583	72,556	378,576
2011	716	4,847	397	111,389	177,685	60,477	355,511
2012	1,284	4,597	218	125,163	168,216	68,824	368,302
2013	1,262	4,349	235	117,494	192,776	61,055	377,171
2014	806	3,562	912	116,514	183,947	48,934	354,675
2015	842	3,451	462	122,177	186,713	51,668	365,313
2016	1,227	3,966	772	125,650	186,893	56,639	375,147
2017	-	692	3,234	-	123,675	192,041	319,642
2018	692	3,234	962	123,675	192,041	49,430	370,034
Change							
2009-2018	-53.8%	-44.1%	89.4%	11.4%	-9.8%	5.0%	-2.3%

This information comes from Schedule 4, Changes in Fund balance, Governmental Funds.

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
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478
2011	156,900	40,937	197,837
2012	156,900	32,297	189,197
2013	156,900	23,656	180,556
2014	156,900	15,015	171,915
2015	107,775	6,375	114,150
2016	7,975	437	8,412
2017	-	-	-
2018	-	-	-

Notes:

1. The debt was fully paid to the City of Norfolk from 1995-2016.
2. The original cost of the facility was \$3.1 million. No additional debt has been incurred.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%
2011	156,900	40,937	197,837	354,254,534	0.06%
2012	156,900	32,297	189,197	283,647,437	0.07%
2013	156,900	23,656	180,556	304,651,547	0.06%
2014	156,900	15,015	171,915	305,083,446	0.06%
2015	107,775	6,375	114,150	313,153,524	0.04%
2016	7,975	437	8,412	312,094,823	0.00%
2017	-	-	-	-	0.00%
2018	-	-	-	-	0.00%

Notes:

1. Total general expenditures include the expenditures for debt service.
2. Total general expenditures are presented using the modified accrual basis of accounting.
3. The debt was fully paid in 2016. No additional debt was incurred.

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
School Nutrition
Summary of Meals Served
As of June 30, 2018

School	Breakfast	Lunch	Total
Elementary Schools	1,871,666	2,168,334	4,040,000
Middle Schools	266,730	690,835	957,565
High Schools	169,842	518,147	687,989
Auxiliary Facilities	59,942	73,867	133,809
Totals	2,368,180	3,451,183	5,819,363

This information comes from School Nutrition Services

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Percentage of Free and Reduced Price Lunch Eligibility Data
For the Month of October 2017

Schools		Paid	Reduced	Free	Total Free / Reduced
Elementary Schools					
121	BAY VIEW ELEM.	-58.47%	7.35%	51.12%	58.47%
114	CAMP ALLEN ELEM.	-66.89%	9.96%	56.93%	66.89%
109	CAMPOSTELLA ELEM.	0.00%	0.00%	100.00%	100.00%
126	CHESTERFIELD ACADEMY ELEM.	0.00%	0.00%	100.00%	100.00%
128	COLEMAN PLACE ELEM.	0.00%	0.00%	100.00%	100.00%
129	CROSSROADS ELEM	-61.09%	6.62%	54.47%	61.09%
168	FAIRLAWN ELEM.	0.00%	0.00%	100.00%	100.00%
135	GHENT ELEM.	-30.10%	4.66%	25.44%	30.10%
134	GRANBY ELEM.	0.00%	0.00%	100.00%	100.00%
136	INGLESIDE ELEM	0.00%	0.00%	100.00%	100.00%
108	JACOX ELEM.	0.00%	0.00%	100.00%	100.00%
150	JAMES MONROE ELEM.	0.00%	0.00%	100.00%	100.00%
141	LARCHMONT ELEM.	-23.33%	1.85%	21.48%	23.33%
142	LARRYMORE ELEM.	0.00%	0.00%	100.00%	100.00%
145	LINDENWOOD ELEM.	0.00%	0.00%	100.00%	100.00%
146	LITTLE CREEK ELEM.	0.00%	0.00%	100.00%	100.00%
147	LITTLE CREEK ELEM. ANNEX	0.00%	0.00%	100.00%	100.00%
123	MARY CALCOTT ELEM.	-53.00%	11.98%	41.02%	53.00%
151	NORVIEW ELEM.	0.00%	0.00%	100.00%	100.00%
154	OCEAN VIEW ELEM.	-63.07%	6.57%	56.50%	63.07%
153	OCEANAIR ELEM.	0.00%	0.00%	100.00%	100.00%
165	P.B. YOUNG SR. ELEM.	0.00%	0.00%	100.00%	100.00%
169	POPLAR HALLS ELEMENTARY	0.00%	0.00%	100.00%	100.00%
122	RICHARD BOWLING ELEM.	0.00%	0.00%	100.00%	100.00%
137	SEWELLS POINT ELEM.	-53.67%	19.50%	34.17%	53.67%
156	SHERWOOD FOREST ELEM.	0.00%	0.00%	100.00%	100.00%
131	ST. HELENA ELEM.	0.00%	0.00%	100.00%	100.00%
159	SUBURBAN PARK ELEMENTARY	0.00%	0.00%	100.00%	100.00%
161	TANNERS CREEK ELEMENTARY	0.00%	0.00%	100.00%	100.00%
118	TARRALLTON ELEM.	-54.82%	23.42%	31.40%	54.82%
119	TIDEWATER PARK ELEM.	0.00%	0.00%	100.00%	100.00%
160	W.H. TAYLOR ELEM	-37.36%	4.89%	32.47%	37.36%
115	WILLARD MODEL ELEM.	0.00%	0.00%	100.00%	100.00%
106	WILLOUGHBY ELEM.	-44.52%	10.27%	34.25%	44.52%
Middle Schools					
206	AZALEA MIDDLE	-61.88%	5.24%	56.64%	61.88%
207	BLAIR MIDDLE	-64.92%	7.71%	57.21%	64.92%
172	ACCADEMY FOR DISCOVERY AT LAKEWOOD	-35.93%	6.79%	29.14%	35.93%
216	LAKE TAYLOR MIDDLE	0.00%	0.00%	100.00%	100.00%
211	NORTHSIDE MIDDLE	0.00%	0.00%	100.00%	100.00%
212	NORVIEW MIDDLE	0.00%	0.00%	100.00%	100.00%
214	RUFFNER MIDDLE	0.00%	0.00%	100.00%	100.00%
249	THE ACADEMY OF INTERNATIONAL STUDIES AT ROSEMONT	-51.99%	8.20%	43.79%	51.99%
High Schools					
304	B. T. WASHINGTON HIGH	0.00%	0.00%	100.00%	100.00%
301	GRANBY HIGH	-58.06%	7.26%	50.80%	58.06%
305	LAKE TAYLOR HIGH	-62.86%	3.92%	58.94%	62.86%
302	MAURY HIGH	-44.29%	4.51%	39.78%	44.29%
303	NORVIEW HIGH	-57.68%	7.14%	50.54%	57.68%
Auxiliary Facilities					
130	BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER	0.00%	0.00%	100.00%	100.00%
171	EASTON PRESCHOOL	-50.00%	5.71%	44.29%	50.00%
392	MADISON	0.00%	0.00%	100.00%	100.00%
163	NORFOLK RE-ED SCHOOL - SECEP	-95.78%	4.23%	91.55%	95.78%
396	NORFOLK TECHNICAL CTR	-55.68%	6.03%	49.65%	55.68%
School Board for the City of Norfolk Totals		-76.10%	3.80%	72.30%	76.10%
October 2017 Totals		-76.10%	3.80%	72.30%	76.10%

This information comes from School Nutrition Services

(UNAUDITED)

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Summary of Child Nutrition Program Funds
As of June 30, 2018

Currently, Norfolk serves an average of 35,500 meals each day. School Nutrition provides breakfast, lunch, supper and snacks that meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible for free or reduced meals. Norfolk operates the program as a non-profit organization and utilizes commodities provided by USDA as well as those provided by private vendors.

Account Description	FTEs		Budget 2017	Actual 2017	Budget 2018	Actual 2018	Budget 2019	Budget % Increase Over 2018
	2017	2018						
Revenue								
Sales			1,621,000	1,365,947	1,545,000	1,154,705	1,637,400	5.98%
Federal and State Food Program Reimbursements			15,615,000	16,283,472	16,350,000	15,974,495	16,280,000	-0.43%
Federal Commodities Donated			1,200,000	1,088,495	1,200,000	856,729	1,200,000	0.00%
Interest Earnings			16,000	23,500	16,000	13,377	16,000	0.00%
Other			113,000	50,236	89,000	100,298	66,600	-25.17%
Total Revenue			18,565,000	18,811,650	19,200,000	18,099,604	19,200,000	0.00%
Expenditures								
Cost of Goods Sold			9,464,627	9,561,054	9,489,929	8,654,952	9,117,295	-3.93%
Employee Compensation	145.00	192.00	7,717,291	7,348,886	7,922,928	7,236,598	8,272,418	4.41%
Maintenance Costs			363,902	401,153	375,000	408,544	377,000	0.53%
Supplies and Materials			85,000	103,854	94,000	110,326	27,835	-70.39%
Cafeteria and Other Equipment			355,000	470,685	696,000	268,976	660,000	-5.17%
Other Costs			579,180	485,712	622,143	487,501	745,452	19.82%
Total Expenditures	145.00	192.00	18,565,000	18,371,344	19,200,000	17,166,897	19,200,000	0.00%
Excess of Revenues over Expenditures			-	440,306	-	932,707	-	
Fund Balance - Beginning of Year			8,244,246	8,244,246	8,684,552	8,684,552	9,617,259	
Fund Balance - End of Year			\$ 8,244,246	\$ 8,684,552	\$ 8,684,552	\$ 9,617,259	\$ 9,617,259	

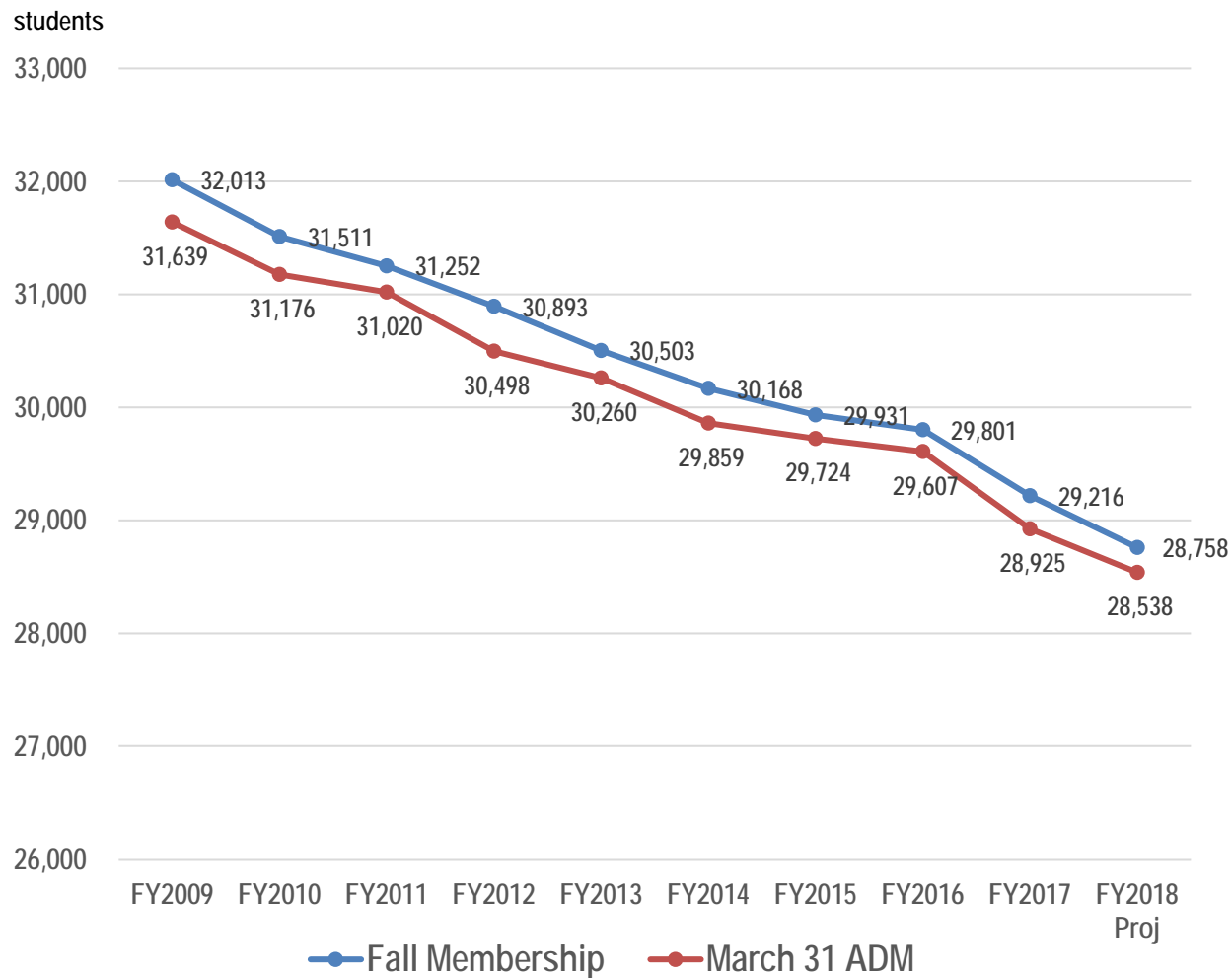
This information comes from School Nutrition Services

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

Positions Approved	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Instructional Services	3,724.95	3,725.95	3,459.63	3,315.05	3,241.05	3,293.60	3,261.10	3,253.85	3,191.85	3,097.35
Central Administration	103.25	100.25	96	95	97	81	81	82.5	84	84
Student Attendance and Health Services	62	61	48	50	49	59.5	75.5	100.5	101.5	99.5
Pupil Transportation	306	305	284	281	278	271	271	271	283	283
Operations and Maintenance	479	478	415	409.5	401.5	401	401	400.5	407.5	411.5
Community Services (Jobs Bill)	1	1	0	0	0	0	0	0	0	0
Facility Improvements	0	0	0	0	0	0	0	0	0	0
Information Technology	109	76	63	61	64	63	63	63	63	63
Total Approved Positions General Fund Budget	4,785.20	4,747.20	4,365.63	4,211.55	4,130.55	4,169.10	4,152.60	4,171.35	4,130.85	4,038.35

Source of Data: Norfolk Public Schools 2018 Budget: Summary of Operating Expenditures by Cost Category, pg. 171.

Fall Membership and March ADM (funded)



Norfolk Public Schools enrollment and ADM have continued to decline since FY2009 and are projected to decrease by 3,314 or 10.3% and 3,102 or 9.8% respectively.

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

Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (a)			Average Costs per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2009	324,043,814	31,639	2,173	33,812	9,584
2010	327,186,336	30,839	2,302	33,141	9,873
2011	290,958,964	30,630	2,344	32,974	8,824
2012	286,229,821	30,498	2,380	32,878	8,706
2013	304,420,159	30,260	2,185	32,445	9,383
2014	311,188,133	29,805	2,259	32,064	9,705
2015	318,499,501	29,598	2,259	31,857	9,998
2016	313,925,928	29,606	2,174	31,780	9,878
2017	321,094,220	29,325	2,174	31,499	10,194
2018	324,641,648	28,958	2,174	31,132	10,428

Notes:

(a) Local budget education expenditures exclude adult education.

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

Source of Data: Norfolk Public Schools 2018 Budget: Summary of Operating Expenditures by Cost Category, pg. 171 and Student Demographics, pg. 298.

K-12 Enrollment Trends (FY2009 thru FY2023)

School Year	September 30 Membership*					March 31 ADM (Funded)	
	Elementary	Middle	High	Total	Percent Change	Total	Percent Change
FY2009	16,208	6,820	9,244	32,272	-2.05%	31,639	-1.79%
FY2010	16,027	6,724	9,015	31,766	-1.57%	31,176	-1.46%
FY2011	16,042	6,659	8,784	31,485	-0.88%	31,020	-0.50%
FY2012	15,971	6,778	8,393	31,142	-1.09%	30,498	-1.68%
FY2013	15,891	6,829	7,982	30,702	-1.41%	30,260	-0.78%
FY2014	15,807	6,668	7,884	30,359	-1.12%	29,859	-1.33%
FY2015	15,680	6,517	7,919	30,116	-0.80%	29,724	-0.45%
FY2016	15,600	6,395	7,982	29,977	-0.46%	29,607	-0.39%
FY2017	15,208	6,265	7,910	29,383	-1.98%	28,925	-2.30%
FY2018	15,047	6,121	7,790	28,958	-1.45%	28,538	-1.34%
FY2019	14,653	6,294	7,683	28,630	-1.13%	28,208	-1.16%
FY2020	14,350	6,273	7,627	28,250	-1.33%	27,831	-1.34%
FY2021	14,162	6,277	7,528	27,967	-1.00%	27,550	-1.01%
FY2022	14,188	5,962	7,618	27,768	-0.71%	27,352	-0.72%
FY2023	14,187	5,760	7,604	27,551	-0.78%	27,137	-0.79%

METHODOLOGY

Survival (grade progression) ratios measure the percentage of students who move up a grade each year. In most instances, these ratios are less than one - meaning that some students either leave the district or are not promoted. The model is based upon several assumptions, which if varied, would change the final estimates. Projecting individual school enrollment has to incorporate many factors: mobility of student population, changing city demographics, city redevelopment efforts, and changes to academic programs.

*September 30 Membership includes:

➤ Postgraduate pupils, pupils under age 5 and 20 and over, pupils in approved Public Special Education Regional Program or State Operated Program and Institutions, pupils for whom tuition is receive from another school division in Virginia and pupils for whom the state's share of tuition to a private day or private residentail program was funded with Comprehensive Services Act (CSA) funds.

K-3 Primary Class Size Reduction Program Projected Payments - State Share of Cost Projected FY2018 Payments based on Chapter 836 (2017 Acts of Assembly)

State regulations require licensed instructional personnel be assigned to each school and that the ratio of students to teachers does not exceed the following:

- Kindergarten 24:1 with no class being larger than 29 students (teacher assistant is required if ADM exceeds 24 students)
- Grades 1 - 3 24:1 with no class larger than 30 students in ADM
- Grades 4 - 6 25:1 with no class larger than 35 students in ADM
- Grades 6-12 21:1 school-wide ratios of students in ADM; one planning period per day Or the equivalent, unencumbered of any teaching or supervisory duties
24:1 in English class in ADM

Additionally, the state provides generous incentives to localities which reduce class sizes in kindergarten through grade three (K-3). The target class size set by the State varies with the concentration of at-risk students as determined by the number of free lunch students. The table indicates a three-year average (October 2012, 2013, and 2014) of free lunch eligibility data, state target for pupil-teacher ratio, and largest permitted individual class size in the school. For CEP identified schools the three-year average (October 2011, 2012, and 2013) of free lunch eligibility data is used. In determining average class size, personnel funded with Federal Class Size Reduction Initiative were included.

School Name	Three Year Average Free Lunch Eligibility %	Required School-Wide Pupil Teacher Ratio	Largest Permitted Individual Class Size	Funded Per Pupil Amount (State Share)
Chesterfield Academy	78.52%	14	19	\$1,277
Jacox Elementary	88.79%	14	19	\$1,277
James Monroe Elementary	85.31%	14	19	\$1,277
Lindenwood Elementary	85.55%	14	19	\$1,277
Norview Elementary	79.35%	14	19	\$1,277
P.B. Young Elementary	93.78%	14	19	\$1,277
Southside STEM Academy at Campostella	93.77%	14	19	\$1,277
St. Helena Elementary	79.02%	14	19	\$1,277
Tidewater Park Elementary	92.54%	14	19	\$1,277
Coleman Place Elementary	72.45%	15	20	\$1,060
Richard Bowling Elementary	72.76%	15	20	\$1,060
Academy for Discovery at Lakewood	66.11%	16	21	\$869
Ingleside Elementary	69.30%	16	21	\$869
Little Creek Elementary	69.60%	16	21	\$869
Oceanair Elementary	65.48%	16	21	\$869
Suburban Park Elementary	69.80%	16	21	\$869
Crossroads Elementary	55.07%	17	22	\$703
Fairlawn Elementary	57.41%	17	22	\$703
Granby Elementary	60.23%	17	22	\$703
Larrymore Elementary	55.06%	17	22	\$703
Ocean View Elementary	57.22%	17	22	\$703
Poplar Halls Elementary	57.75%	17	22	\$703
Sherwood Forest Elementary	60.25%	17	22	\$703
Tanners Creek Elementary	63.62%	17	22	\$703
Willard Model Elementary	58.35%	17	22	\$703
Bay View Elementary	46.88%	18	23	\$558
Camp Allen Elementary	45.51%	18	23	\$558
Mary Calcott Elementary	36.16%	19	24	\$431
Sewells Point Elementary	37.55%	19	24	\$431
Tarrallton Elementary	30.76%	19	24	\$431
Willoughby Elementary	34.79%	19	24	\$431
Ghent Elementary	23.57%	Free Lunch < 30%		
Larchmont Elementary	18.96%	Free Lunch < 30%		
Walter Herron Taylor Elementary	28.45%	Free Lunch < 30%		

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

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Expenditures	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced-Price Meals
2009	32,215	374,742,998	11,633	2.45%	382,845,264	11,884	#DIV/0!	58.68%
2010	31,709	369,774,070	11,661	0.25%	373,029,687	11,764	-1.01%	61.92%
2011	31,443	347,706,732	11,058	-5.17%	354,254,534	11,267	-4.23%	64.43%
2012	31,081	347,397,094	11,177	1.07%	368,655,704	11,861	5.28%	65.16%
2013	30,677	365,538,171	11,916	6.61%	373,799,050	12,185	2.73%	66.05%
2014	30,338	353,804,702	11,662	-2.13%	357,363,799	11,779	-3.33%	66.96%
2015	30,101	365,105,355	12,129	4.01%	368,751,971	12,250	4.00%	66.96%
2016	29,976	368,986,997	12,309	1.48%	373,302,572	12,453	1.66%	66.83%
2017	31,436	367,474,521	11,690	-5.04%	375,384,984	11,941	-4.11%	70.61%
2018	28,958	361,368,751	12,479	6.75%	366,063,305	12,641	5.86%	70.26%

Notes:

1. Enrollment information obtained from Fall Membership Reports as provided by the Virginia Department of Education (VDOE) excludes Pre-K and post graduate enrollment.
2. Operating expenditures are total expenditures less debt service and capital outlays.
3. Percentage of students receiving free or reduced-price meals information presented for the month of October of the respective fiscal year. the information comes from the 2018 Budget, pg. 222

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

Fiscal Year									
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018

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

Buildings	35	35	35	33	33	33	33	33	36	35
Square feet	2,260,302	2,260,302	2,260,302	2,179,947	2,179,947	2,179,947	2,179,947	2,179,947	2,533,106	2,801,190
Capacity	20,550	20,550	20,550	19,758	19,758	19,758	19,758	19,758	26,915	27,765
Enrollment	16,379	16,199	16,220	16,152	16,143	16,098	16,038	15,650	18,191	15,772

Middle

Buildings	9	9	8	8	8	8	7	8	8	7
Square feet	1,215,629	1,215,629	1,167,600	1,167,600	1,167,600	1,167,600	1,027,600	1,167,600	1,167,600	987,600
Capacity	10,074	10,074	9,487	9,487	9,487	9,487	9,487	9,487	9,487	8,237
Enrollment	6,649	6,552	6,481	6,597	6,577	6,377	6,159	6,345	5,335	6,820

High

Buildings	5	5	5	5	5	5	5	5	5	5
Square feet	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566	1,370,566
Capacity	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Enrollment	9,187	8,958	8,742	8,332	7,957	7,863	7,904	7,981	7,910	7,740

Notes:

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

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2018

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles	Notes
Granby High	1939	292,294	25	0	1997-1998	20	292,294	
Lake Taylor High	1967	261,000	44.7	2	1974	51	262,824	
Maury High	1910	265,000	9.8	0	1988	30	265,000	
Norview High	2004	287,272	27	0		14	287,272	
B. T. Washington High	1974	265,000	30	0		44	265,000	
High School Average Age:						31.80		
Azalea Middle	1961	120,374	21.1	3		57	123,110	
Blair Middle	1922	241,597	7.4	0	2007	11	241,597	
Lake Taylor Middle	1965	118,926	20	6		53	124,398	
Northside Middle	1956	122,675	14.5	1		62	123,587	
Norview Middle	1995	152,000	19	0		23	152,000	
Rosemont Middle	1959	126,028	18.5	0		59	126,028	
Ruffner Middle	1994	146,000	10.52	0		24	146,000	
Middle School Average Age:						41.29		
Academy for Discovery at Lakewood	1991	140,000	14.1	0		27	140,000	grades 3-6
Bayview Elementary	1922	83,095	9.4	0	1999	19	83,095	
Richard Bowling Elementary	2017	101,060	25.8	0		1	101,060	
Calcott Elementary	1952	65,100	12	2	1954	66	66,924	
Camp Allen Elementary	1970	69,200	14	0	1984	48	69,200	Phase 1 New Construct
Southside STEM Academy at Campostella	2016	181,056	18.5	0		2	181,056	
Chesterfield Academy	1953	58,750	12.3	10	1971	65	67,870	
Coleman Place Elementary	2007	96,818	9.2	0		11	96,818	
Crossroads Elementary	2012	146,923	12	0		8	146,923	
Fairlawn Elementary	1959	58,500	16.4	5	1961	59	68,532	
Ghent Elementary	1978	60,800	13	3		40	63,536	
Granby Elementary	1948	82,081	9	0	1989	70	82,081	
Ingleside Elementary	1954	58,500	16	6		64	63,972	
Jacox Elementary	1949	79,200	11.7	4		69	82,848	
Larchmont Elementary	2016	92,958	23	0		2	92,958	
Larrymore Elementary	1957	77,325	13	0	1964	61	77,325	
Lindenwood Elementary	1953	54,900	9.5	7	1965	65	61,284	
Little Creek Elementary	1954	56,795	17	5		64	61,355	
Little Creek Primary*	1957	44,500		1		61	45,412	
Monroe Elementary	1990	64,000	12.8	0		28	64,000	
Norview Elementary	1952	57,640	14.2	14	1953	66	70,408	
Ocean View Elementary	2017	92,650	20.5	0		1	92,650	
Oceanair Elementary	1956	62,470	17.7	8		62	69,766	
Poplar Halls Elementary	1959	44,400	17.8	3	1961	59	47,136	
St. Helena Elementary	1966	36,074	13.2	2		52	37,898	
Sewells Point Elementary	1966	60,900	8.9	6	1984	52	66,372	
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	61	69,988	
Suburban Park Elementary	1955	61,980	15	0	1988	63	61,980	
Tanners Creek Elementary	1990	83,000	9	0		28	83,000	
Tarrallton Elementary	1964	46,300	15.2	3		54	49,036	
Taylor Elementary	1998	54,786	2.8	0		20	54,786	
Tidewater Park Elementary	1964	39,675	8.3	5		54	44,235	
Willard Elementary	1952	80,925	14.9	0	1990	66	80,925	
Willoughby Elementary	1967	58,400	12	0		51	58,400	
P. B. Young Sr. Elementary	1954	55,325	8	0		64	55,325	
Elementary School Average Age:						45.76		

School Board of the City of Norfolk
(A Component Unit of the City of Norfolk, Virginia)
Facilities Information on Schools
As of 2018

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age	Total Sqft. Bldgs. & Mobiles
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	65	46,453
Camp Young	1946	27,398	30	0		72	27,398
Easton Preschool	1959	37,500	11.7	0	1961	59	37,500
Madison Career Center	1919	75,501	3	0	1921	99	75,501
Norfolk Technical Center	1968	125,938	29.5	0		50	125,938
Bellmore	1968	77,028	3.9	1		50	77,940
Transportation	1995	24,689	9.9	1		23	25,601
Other Average Age:						59.71	
Total Mobiles				102			
Average Age of all Buildings				44.64			
Total Number of Acres				792			
Total Number of Square Feet				5,245,099			
Total Square feet including mobiles				5,483,595			

Total Square footage column include Building plus Mobiles as of June 30, 2018
Age of original structure is different for buildings that have renovations
*School buildings not in use during the fiscal year

Source of data: Norfolk Public Schools Facilities Management

(UNAUDITED)

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

	2009	2010	2011	2012 restated	2013 restated	2014	2015 restated	2016	2017	2018 restated
Governmental activities:										
Net investment in capital assets	\$ 252,128	\$ 155,954	\$ 324,576	\$ 295,206	\$ 319,550	\$ 337,937	\$ 428,380	\$ 386,641	\$ 365,913	\$ 351,887
Restricted	64,397	120,974	6,744	11,081	11,111	22,062	10,485	12,412	12,042	6,485
Unrestricted	63,013	76,365	5,347	25,832	22,593	(149,763)	(217,542)	(153,467)	(124,543)	(108,368)
Subtotal governmental activities net position	379,538	353,293	336,667	332,119	353,254	210,236	221,323	245,586	253,412	250,004
Business-type activities:										
Net investment in capital assets	237,307	229,693	267,107	270,913	275,195	259,371	266,206	301,340	342,470	330,979
Restricted	39,306	40,056	12,928	12,928	13,244	32,495	29,610	31,766	35,237	36,017
Unrestricted	43,921	63,316	62,458	72,063	78,631	77,120	100,988	85,668	59,766	98,533
Subtotal business-type activities net position	320,534	333,065	342,493	355,904	367,070	368,986	396,804	418,774	437,473	465,529
Primary government:										
Net investment in capital assets	489,435	385,647	591,683	566,119	594,745	597,308	694,586	687,981	708,383	682,866
Restricted	103,703	161,030	19,672	24,009	24,355	54,557	40,095	44,178	47,279	42,502
Unrestricted	106,934	139,681	67,805	97,895	101,224	(72,643)	(116,554)	(67,799)	(64,777)	(9,835)
Total primary government net position	<u>\$ 700,072</u>	<u>\$ 686,358</u>	<u>\$ 679,160</u>	<u>\$ 688,023</u>	<u>\$ 720,324</u>	<u>\$ 579,222</u>	<u>\$ 618,127</u>	<u>\$ 664,360</u>	<u>\$ 690,885</u>	<u>\$ 715,533</u>

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

* GASB 75 was implemented effective July 1, 2017.

(UNAUDITED)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenue										
Governmental activities:										
Charges for services										
General government	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489	\$ 4,149	\$ 7,152	\$ 4,642	\$ 4,822	\$ 4,728
Judicial administration	935	3,501	3,629	3,690	3,717	3,142	2,938	2,729	2,688	2,507
Public safety	2,797	5,627	7,942	8,424	10,154	7,613	7,563	8,307	8,364	7,802
Public works	26,999	35,451	36,890	50,597	38,320	37,769	41,821	42,341	40,322	41,185
Health and public assistance	134	83	82	50	5,349	5,597	5,577	6,310	6,390	6,385
Culture and recreation	6,232	9,224	10,101	9,751	10,297	9,685	8,948	10,054	9,835	9,305
Community development	1,539	2,259	1,479	1,807	2,368	1,960	2,557	2,370	2,511	1,264
Capital grant contributions	16,933	7,175	-	765	15,000	15,933	1,000	5,672	5,941	11,954
Operating grants and contributions	112,419	127,665	116,648	119,353	131,719	120,713	125,802	132,611	135,194	151,519
Total governmental activities program revenue	169,788	204,141	195,401	203,878	226,413	206,561	203,358	215,036	216,067	236,649
Business-type activities:										
Charges for services										
Water utility	74,454	78,983	80,573	78,148	76,584	79,097	82,996	80,749	84,529	86,942
Wastewater utility	23,125	23,815	24,362	24,798	25,469	27,119	28,144	27,823	29,065	30,201
Parking facilities	20,048	18,785	19,682	19,452	19,162	20,413	19,520	19,612	20,577	22,148
Capital grants and contributions	504	366	130	187	-	2,761	3,006	338	188	144
Total business-type activities program revenues	118,131	121,949	124,747	122,585	121,215	129,390	133,666	128,522	134,359	139,435
Total primary government program revenues	287,919	326,090	320,148	326,463	347,628	335,951	337,024	343,558	350,426	376,084
Expenses										
Governmental activities:										
General government	111,629	112,874	103,550	109,188	119,764	122,656	126,959	130,550	155,159	152,832
Judicial administration	52,209	52,020	49,980	51,102	51,654	55,062	49,056	51,926	55,547	57,118
Public safety	120,703	130,263	129,721	129,138	125,270	125,122	120,710	119,828	133,378	160,378
Public works	134,274	132,176	101,137	91,542	71,324	66,909	81,171	79,200	80,825	69,194
Health and public assistance	93,495	91,923	82,368	75,428	90,993	90,919	86,776	85,730	89,103	87,827
Culture and recreation	63,438	73,342	64,352	63,499	56,039	56,499	58,443	60,064	62,996	46,799
Community development	10,867	15,429	18,638	17,223	16,158	12,622	13,040	16,734	15,402	23,320
Education	104,511	101,011	104,511	104,512	109,287	109,467	117,722	114,769	114,972	131,137
Interest on long-term debt	23,788	26,014	27,931	26,822	28,249	25,187	22,060	22,950	19,326	24,965
Total government activities expenses	714,914	735,052	682,188	668,454	668,738	664,443	675,937	681,751	726,708	753,570
Business-type activities:										
Water utility	66,990	64,316	67,852	64,473	61,358	61,609	59,448	59,415	65,319	61,276
Wastewater utility	21,227	18,983	19,707	18,806	19,983	20,128	19,142	19,226	22,072	21,012
Parking facilities	19,036	20,008	22,050	20,469	20,961	23,677	20,045	20,651	21,078	23,084
Total business-type activities expenses	107,253	103,307	109,609	103,748	102,302	105,414	98,635	99,292	108,469	105,372
Total primary government expenses	822,167	838,359	791,797	772,202	771,040	769,857	774,572	781,043	835,177	858,942
Net (Expense) Revenue										
Governmental activities	(545,126)	(530,911)	(486,787)	(464,576)	(442,325)	(457,882)	(472,579)	(466,715)	(510,641)	(516,921)
Business-type activities	10,878	18,642	15,138	18,837	18,913	23,976	35,031	29,230	25,890	34,063
Total primary government net expense	<u>\$ (534,248)</u>	<u>\$ (512,269)</u>	<u>\$ (471,649)</u>	<u>\$ (445,739)</u>	<u>\$ (423,412)</u>	<u>\$ (433,906)</u>	<u>\$ (437,548)</u>	<u>\$ (437,485)</u>	<u>\$ (484,751)</u>	<u>\$ (482,858)</u>

(UNAUDITED)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Real estate and personal property	\$ 260,640	\$ 256,339	\$ 255,530	\$ 245,439	\$ 246,345	\$ 254,357	\$ 263,490	\$ 263,395	\$ 271,461	\$ 277,132
Consumption utility	44,142	44,053	48,360	43,588	43,211	43,055	42,961	41,849	41,452	41,292
Sales and use	29,484	28,249	28,411	27,599	29,707	29,436	29,981	30,330	31,185	32,799
Restaurant food	28,079	27,292	24,094	30,300	30,818	31,127	32,634	34,224	34,934	37,990
Business licenses	27,692	26,009	25,849	28,667	29,301	29,889	28,640	28,935	30,557	28,529
Cigarette	7,333	7,176	7,161	8,097	7,926	7,409	7,821	7,784	7,860	7,492
Motor vehicle licenses	4,005	4,308	4,313	4,318	4,210	3,966	3,953	4,488	4,642	4,760
Other	17,192	16,528	15,698	18,665	18,124	16,618	18,280	18,424	18,909	21,277
Interest and investment earnings	2,789	892	1,065	916	563	783	164	291	249	270
Grants and contributions not restricted to specific programs	60,513	32,892	32,642	32,726	33,539	33,788	33,793	34,863	36,440	28,158
Miscellaneous	9,600	5,637	5,901	4,653	11,501	14,563	11,916	16,404	30,778	31,189
Gain on disposal of assets	-	-	-	-	1,734	-	-	-	-	-
Capital contributions Norfolk Public Schools	-	40,387	11,085	-	-	-	-	-	-	-
Transfers between governmental and business-type activities	10,215	13,054	10,052	10,087	10,114	10,052	10,033	10,000	10,000	10,000
Total governmental activities	501,684	502,816	470,161	455,055	467,093	475,043	483,666	490,987	518,467	520,888
 Business-type activities:										
Interest and investment earnings	925	618	511	314	234	496	112	295	432	671
Grants and contributions not restricted to specific programs	-	148	557	371	1,626	219	214	149	150	142
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	(52)
Miscellaneous	2,850	3,432	3,431	3,951	4,042	3,162	2,506	2,295	2,228	2,059
Gain (Loss) on disposal of assets	-	2,744	(157)	26	9	(88)	(2)	-	-	-
Transfers between governmental and business-type activities	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)	(10,052)	(10,033)	(10,000)	(10,000)	(10,000)
Total business-type activities	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)	(6,263)	(7,203)	(7,261)	(7,190)	(7,180)
Total primary governmental activities	495,244	496,704	464,451	449,630	462,890	468,780	476,463	483,726	511,277	513,708
 Change in Net Position										
Governmental activities	(43,442)	(28,095)	(16,626)	(9,521)	25,485	17,161	11,087	24,272	7,826	3,967
Business-type activities	4,438	12,530	9,428	13,412	15,814	17,713	27,828	21,969	18,700	26,883
Total Primary Government changes in net position	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 41,299	\$ 34,874	\$ 38,915	\$ 46,241	\$ 26,526	\$ 30,850

(UNAUDITED)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Nonspendable	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ -	\$ -
Restricted	-	-	395	330	300	265	2,100	3,015	165	145
Committed	-	-	1,899	3,000	3,000	3,000	4,000	5,000	8,698	9,347
Assigned	-	-	38,014	34,839	33,919	23,901	25,904	26,557	36,605	44,118
Unassigned	-	-	55,968	54,338	54,055	58,100	65,580	73,077	70,652	70,962
Reserved ⁽¹⁾	7,842	8,296	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	50,784	53,840	-	-	-	-	-	-	-	-
Total General Fund	58,626	62,136	96,281	92,507	91,274	85,266	97,584	107,788	116,120	124,572
Capital Projects Fund:										
Restricted	-	-	41,063	95,053	-	10,933	-	-	-	-
Committed	-	-	11,978	14,376	13,637	14,480	14,704	6,170	-	-
Assigned	-	-	26,307	15,345	7,339	4,052	-	-	-	-
Unassigned	-	-	-	-	-	-	(84,624)	(216,480)	(190,871)	(128,799)
Reserved ⁽¹⁾	50,987	60,696	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	25,939	86,260	-	-	-	-	-	-	-	-
Total Capital Projects Fund	76,926	146,956	79,348	124,774	20,976	29,465	(69,920)	(210,310)	(190,871)	(128,799)
All Other Governmental Funds:										
Nonspendable	-	-	22	23	24	-	-	-	-	-
Restricted	-	-	2,621	9,474	10,811	10,864	8,385	9,397	6,223	6,340
Committed	-	-	11,259	3,246	2,454	5,050	2,764	3,138	5,872	7,323
Assigned	-	-	9,877	13,569	20,708	22,144	17,843	26,554	20,345	21,501
Unassigned	-	-	-	-	-	(1,556)	(2,913)	(2,689)	(932)	(823)
Reserved ⁽¹⁾	27,049	34,634	-	-	-	-	-	-	-	-
Unreserved ⁽¹⁾	12,535	14,008	-	-	-	-	-	-	-	-
Total other governmental funds	39,584	48,642	23,779	26,312	33,997	36,502	26,079	36,400	31,508	34,341
Total fund balance, governmental funds	\$ 175,136	\$ 257,734	\$ 199,408	\$ 243,593	\$ 146,247	\$ 151,233	\$ 53,743	\$ (66,122)	\$ (43,243)	\$ 30,114

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

(2) The decrease in the Capital Projects fund balance is primarily attributable to timing of the City's external borrowing (see page 34).

(UNAUDITED)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue:										
General property taxes	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359	\$ 256,979	\$ 262,433	\$ 265,943	\$ 269,816	\$ 277,559
Other local taxes	157,927	153,615	153,886	161,234	163,297	161,499	164,270	166,034	169,539	174,139
Licenses and permits	4,012	3,526	3,691	3,574	4,098	3,089	3,013	3,038	3,576	3,292
Fines and forfeitures	1,260	1,164	1,298	1,108	1,102	1,242	1,264	1,111	921	1,068
Use of money and property	8,332	6,746	7,169	6,695	6,539	6,329	9,668	7,354	7,786	7,504
Charges for services	40,345	50,540	47,955	47,859	56,077	60,040	59,983	62,709	62,315	62,383
Miscellaneous	12,911	18,080	14,850	11,643	26,178	29,133	10,142	11,325	12,080	11,311
Recovered costs ⁽¹⁾	8,952	9,503	10,723	10,312	11,396	-	-	-	-	-
Intergovernmental	149,774	152,619	149,489	161,572	161,148	153,782	158,840	166,686	176,784	193,289
Total revenues	<u>635,516</u>	<u>652,848</u>	<u>647,065</u>	<u>656,914</u>	<u>676,194</u>	<u>672,093</u>	<u>669,613</u>	<u>684,200</u>	<u>702,817</u>	<u>730,545</u>
Expenditures:										
Current										
General government	102,426	97,061	80,855	100,504	112,804	109,292	110,904	118,468	127,367	131,203
Judicial administration	50,347	48,726	47,535	48,233	50,920	51,673	51,360	50,513	50,767	52,012
Public safety	118,073	115,488	115,975	116,296	117,427	113,394	112,055	116,436	121,494	123,905
Public works	56,146	59,574	70,124	62,330	54,427	55,267	61,369	58,716	63,231	66,882
Health and public assistance	91,648	89,682	79,757	74,331	88,413	88,671	85,631	85,815	87,330	86,702
Culture and recreation	52,248	51,708	45,862	44,529	47,153	46,705	48,765	44,531	44,825	45,968
Community development	9,899	10,851	16,565	15,142	15,128	12,482	12,303	13,677	14,994	22,237
Education	104,511	101,011	104,511	104,512	109,287	111,854	117,722	114,769	114,972	120,972
Debt service:										
Principal retirement	48,092	46,052	50,865	57,683	50,559	48,135	49,255	46,175	50,663	52,583
Interest and other charges	23,666	23,782	29,675	27,360	27,668	28,682	26,896	26,955	27,150	27,317
Debt issuance costs	-	-	-	-	-	1,127	680	318	-	907
Capital outlay	104,892	99,210	76,534	98,892	116,580	100,709	103,113	140,093	98,492	67,938
Total expenditures	<u>761,948</u>	<u>743,145</u>	<u>718,258</u>	<u>749,812</u>	<u>790,366</u>	<u>767,991</u>	<u>780,053</u>	<u>816,466</u>	<u>801,285</u>	<u>798,626</u>
(Deficiency) of revenues (under) expenditures	<u>(126,432)</u>	<u>(90,297)</u>	<u>(71,193)</u>	<u>(92,898)</u>	<u>(114,172)</u>	<u>(95,898)</u>	<u>(110,440)</u>	<u>(132,266)</u>	<u>(98,468)</u>	<u>(68,081)</u>
Other financing sources (uses):										
Proceeds of refunding bonds	16,000	-	84,136	74,859	-	73,428	74,094	-	49,378	27,744
Proceeds from capital leases	-	-	-	-	-	-	-	2,400	-	-
Proceeds from line of credit	-	-	-	-	-	-	1,000	-	-	-
Cost of Issuance	-	-	-	-	-	1,127	811	-	(1,106)	-
Proceeds of debt (general obligation bonds and notes)	55,280	156,208	2,821	109,835	-	77,930	-	-	90,094	95,305
Payment to refunded bonds escrow agent	(16,000)	-	(84,136)	(74,859)	-	(79,964)	(81,267)	-	(55,684)	(31,799)
Premium on bonds issued	1,707	3,633	505	15,311	-	17,081	7,530	-	22,586	20,111
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Proceeds from sale or disposal of fixed assets	-	-	-	2,700	1,966	-	-	-	6,080	20,077
Operating transfers in	105,641	104,007	104,873	107,136	112,121	107,633	102,604	107,953	106,474	108,550
Operating transfers (out)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)	(95,224)	(92,571)	(97,953)	(96,474)	(98,550)
Total other financing sources (uses)	<u>67,203</u>	<u>172,895</u>	<u>12,867</u>	<u>137,083</u>	<u>12,081</u>	<u>102,011</u>	<u>12,201</u>	<u>12,400</u>	<u>121,348</u>	<u>141,438</u>
Net change in fund balances	<u>\$ (59,229)</u>	<u>\$ 82,598</u>	<u>\$ (58,326)</u>	<u>\$ 44,185</u>	<u>\$ (102,091)</u>	<u>\$ 6,113</u>	<u>\$ (98,239)</u>	<u>\$ (119,866)</u>	<u>\$ 22,880</u>	<u>\$ 73,357</u>
Debt service as a percentage of noncapital expenditures	10.40%	9.69%	12.19%	12.27%	11.57%	11.22%	11.28%	10.91%	10.95%	10.77%

Note:

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

(UNAUDITED)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Governmental activities:										
General government	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833	\$ 5,077	\$ 12,739	\$ 7,798	\$ 6,725	\$ 7,570
Judicial administration	23,173	26,461	27,069	27,880	29,479	28,537	23,113	25,811	27,242	26,163
Public safety	11,036	7,459	12,335	14,217	15,980	11,116	14,226	11,662	12,606	14,991
Public works	48,156	55,542	61,552	77,436	68,326	63,124	76,359	69,609	77,639	98,084
Health and public assistance	41,695	62,585	52,280	51,654	62,657	62,224	57,059	72,181	70,931	60,539
Culture and recreation	9,148	23,976	10,330	11,573	26,284	25,837	9,947	17,301	10,020	9,489
Community development	20,538	7,532	10,040	8,538	10,266	7,626	7,498	8,255	8,360	17,316
Interest on Long-term debt	-	849	-	2,115	2,587	3,021	2,417	2,419	2,544	2,497
Total governmental activities	<u>169,788</u>	<u>204,140</u>	<u>195,401</u>	<u>203,879</u>	<u>226,412</u>	<u>206,562</u>	<u>203,358</u>	<u>215,036</u>	<u>216,067</u>	<u>236,649</u>
Business-type activities:										
Water utility	74,958	79,349	80,703	78,335	76,585	81,757	85,925	81,087	84,718	86,944
Wastewater utility	23,125	23,815	24,362	24,798	25,469	27,219	28,144	27,823	29,065	30,342
Parking facilities	20,048	18,785	19,682	19,452	19,162	20,414	19,596	19,612	20,576	22,149
Total business-type activities	<u>118,131</u>	<u>121,949</u>	<u>124,747</u>	<u>122,585</u>	<u>121,216</u>	<u>129,390</u>	<u>133,665</u>	<u>128,522</u>	<u>134,359</u>	<u>139,435</u>
Total primary government	<u>\$ 287,919</u>	<u>\$ 326,089</u>	<u>\$ 320,148</u>	<u>\$ 326,464</u>	<u>\$ 347,628</u>	<u>\$ 335,952</u>	<u>\$ 337,023</u>	<u>\$ 343,558</u>	<u>\$ 350,426</u>	<u>\$ 376,084</u>

(UNAUDITED)

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

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs ⁽¹⁾	Inter-Governmental	Totals
2009	\$ 252,004	\$ 157,926	\$ 4,012	\$ 1,260	\$ 8,332	\$ 40,345	\$ 12,911	\$ 8,952	\$ 149,774	\$ 635,516
2010	257,055	153,615	3,526	1,164	6,746	50,540	18,080	9,503	152,619	652,848
2011	258,004	153,886	3,691	1,298	7,169	47,955	14,850	10,723	149,489	647,065
2012	252,917	161,234	3,575	1,108	6,694	47,859	11,643	10,312	161,572	656,914
2013	246,359	163,297	4,098	1,102	6,539	56,077	26,178	11,396	161,148	676,194
2014	256,979	161,500	3,089	1,242	6,329	60,039	29,133	NA	153,782	672,093
2015	262,433	164,271	3,013	1,264	9,668	59,983	10,141	NA	158,840	669,613
2016	265,943	166,034	3,038	1,111	7,354	62,709	11,325	NA	166,686	684,200
2017	269,816	169,539	3,576	921	7,786	62,315	12,080	NA	176,784	702,817
2018	277,559	174,139	3,292	1,068	7,504	62,383	11,311	NA	193,289	730,545
Change 2009-2018	10.1%	10.3%	-17.9%	-15.2%	-9.9%	54.6%	-12.4%	NA	29.1%	15.0%

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

Fiscal Year	Consumption Utility Taxes	Sales and Use Taxes	Restaurant Food Taxes	Business License Taxes	Cigarette Taxes	Motor Vehicle Licenses	Other	Total
2009	\$ 44,142	\$ 29,484	\$ 28,078	\$ 27,692	\$ 7,333	\$ 4,005	\$ 17,192	\$ 157,926
2010	44,053	28,249	27,292	26,009	7,176	4,308	16,528	153,615
2011	43,188	28,411	28,474	25,849	7,161	4,313	16,490	153,886
2012	43,588	27,599	30,300	28,667	8,097	4,318	18,665	161,234
2013	43,211	29,707	30,818	29,301	7,926	4,209	18,124	163,296
2014	43,055	29,436	31,127	29,889	7,409	3,966	16,618	161,500
2015	42,961	29,981	32,634	28,640	7,821	3,953	18,281	164,271
2016	41,849	30,330	34,224	28,935	7,784	4,488	18,424	166,034
2017	41,452	31,185	34,934	30,557	7,860	4,642	18,909	169,539
2018	41,292	32,799	37,990	28,529	7,492	4,760	21,277	174,139
Change 2009-2018	-6.5%	11.2%	35.3%	3.0%	2.2%	18.9%	23.8%	10.3%

Notes:

- Beginning in fiscal year 2014, recovered costs are classified as the appropriate revenue or expense reimbursement
- Presents additional details on Other Local Taxes presented in schedule 6 above.

NA - Not Available

(UNAUDITED)

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

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2009	\$ 19,397,795	\$ 1,676,811	\$ 233,703	\$ 21,308,309	\$ 21,308,309
2010	19,940,273	1,610,680	226,801	21,777,754	21,777,754
2011	19,320,642	1,832,276	230,756	21,383,674	21,383,674
2012	18,676,729	1,613,797	238,497	20,529,023	20,529,023
2013	18,319,947	1,532,337	241,023	20,093,307	20,093,307
2014	18,421,412	1,512,332	258,302	20,192,046	20,192,046
2015	18,734,201	1,902,442	255,710	20,892,353	20,892,353
2016	19,106,737	1,952,955	277,301	21,336,993	21,336,993
2017	19,433,889	2,219,662	265,149	21,918,700	21,918,700
2018	19,870,881	1,938,053	288,054	22,096,988	22,096,988

Notes:

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15
Downtown improvement district	0.18	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Personal property	4.25	4.25	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.11	1.11	1.15	1.11	1.15	1.15	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.23	1.19	1.19	1.21	1.22	1.22	1.22	1.24	1.23	1.25

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

As determined by the City Assessor	100%	100%	96%	100%	100%	98%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	93%	96%	N/A	100%	100%	99%	100%	99%	97%	97%

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 2009 through 2018.
3. The most recent Virginia Assessment/Sales ratio study is for 2018.
4. The total direct tax rate is calculated using a weighted average formula that combines real, personal and other property using the original property tax levy and total taxable property assessed value.

N/A - Not available

(UNAUDITED)

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

Taxpayer	2009				2018			
	Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value		Real Property Taxable Assessed Value	Rank	Percentage of Total Assessed Value	
MacArthur Shopping Center	\$ 173,032,800	2	0.89%		\$ 224,757,700	1	1.13%	
Virginia Power Co.	213,915,347	1	1.10%					
ODU Real Estate Foundation					126,931,700	2	0.64%	
Verizon Virginia Inc.	127,474,415	3	0.66%					
Norfolk Hotel Associates LLC					86,480,100	3	0.44%	
Northern Southern	101,237,252	4	0.52%		83,103,200	4	0.42%	
Bank of America	91,022,200	5	0.47%					
SLNWC Office Company LLC					75,490,500	5	0.38%	
MPB, Inc.					70,836,400	6	0.36%	
Military Circle LLC	66,464,200	7	0.34%		64,623,100	7	0.33%	
Dominion Enterprises					62,260,100	8	0.31%	
Dominion Tower LP	59,223,100	9	0.31%					
Ford Motor Company	81,588,900	6	0.42%					
WIM Core Portfolio Owner, LLC					59,324,400	9	0.30%	
LCP Waterside Hotel Owner, LLC					58,738,600	10	0.30%	
Cox Virginia Telecom	62,969,166	8	0.32%					
North Pines Associates	51,557,000	10	0.27%					
Total	<u>\$ 1,028,484,380</u>		<u>5.30%</u>		<u>\$ 912,545,800</u>		<u>4.59%</u>	
Total Assessed Value	\$ 19,397,795,455				\$ 19,870,880,968			

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⁾
2009	\$ 261,535	\$ 251,910	\$ 233,725	92.78%	\$ 18,140	\$ 251,865	99.98%
2010	258,544	257,744	239,192	92.80%	18,512	257,704	99.98%
2011	254,756	253,426	235,518	92.93%	17,875	253,393	99.99%
2012	247,528	247,486	233,396	94.31%	14,036	247,432	99.98%
2013	244,309	243,842	229,872	94.27%	12,367	242,239	99.34%
2014	254,008	254,810	240,481	94.38%	12,463	252,944	99.27%
2015	256,040	259,542	245,803	94.71%	11,729	257,532	99.23%
2016	264,043	265,831	251,933	94.77%	11,260	263,193	99.01%
2017	268,718	270,311	255,712	94.60%	10,470	266,182	98.47%
2018	275,648	275,648	262,585	95.26%	-	262,585	95.26%

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. Taxes collected during the current year that relate to prior years are included in the year assessed. Total collections for the year ended June 30, 2018, were \$276,239,000 of which \$13,654,000 are for prior years and are included under the column entitled "Delinquent Collections."

(UNAUDITED)

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

Fiscal Year	General Obligation Bonds	General Obligation Notes/ Line of Credit	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Position Ratio
Governmental Activities							
2009	\$ 587,743	\$ 1,000	\$ -	\$ 588,743	\$ 2,413	7.09%	0.64
2010	699,748	1,812	-	701,560	2,889	8.46%	0.50
2011	651,755	1,208	-	652,963	2,677	7.72%	0.52
2012	717,407	-	-	717,407	2,919	8.07%	0.46
2013	664,909	-	-	664,909	2,699	7.25%	0.54
2014	718,937	-	-	718,937	2,918	7.82%	0.52
2015	665,809	1,000	-	666,809	2,698	7.06%	0.33
2016	611,876	175,289	-	787,165	3,186	8.34%	0.31
2017	664,941	189,803	-	854,744	3,471	N/A	0.30
2018	720,180	156,574	-	876,754	N/A	N/A	0.29
Business-Type Activities							
2009	\$ 159,902	\$ -	\$ 410,377	\$ 570,279	\$ 2,338	6.87%	0.56
2010	201,701	-	403,485	605,186	2,492	7.30%	0.55
2011	189,782	-	445,687	635,469	2,606	7.51%	0.54
2012	193,729	-	439,410	633,139	2,576	7.12%	0.56
2013	184,119	-	486,832	670,951	2,723	7.32%	0.55
2014	259,717	-	410,401	670,118	2,720	7.29%	0.57
2015	247,490	-	443,911	691,401	2,797	7.32%	0.57
2016	236,084	16,711	436,720	689,515	2,791	7.31%	0.61
2017	258,922	10,089	424,459	693,470	2,816	N/A	0.63
2018	261,164	10,000	442,381	713,545	N/A	N/A	0.65
Total Primary Governmental Activities							
2009	\$ 747,645	\$ 1,000	\$ 410,377	\$ 1,159,022	\$ 4,751	13.96%	0.67
2010	901,449	1,812	403,485	1,306,746	5,382	15.76%	0.57
2011	841,537	1,208	445,687	1,288,432	5,283	15.23%	0.54
2012	911,136	-	439,410	1,350,546	5,494	15.19%	0.51
2013	849,028	-	486,832	1,335,860	5,422	14.57%	0.55
2014	978,654	-	410,401	1,389,055	5,638	15.11%	0.49
2015	913,299	1,000	443,911	1,358,210	5,495	14.39%	0.46
2016	847,960	192,000	436,720	1,476,680	5,976	15.65%	0.45
2017	923,863	199,892	424,459	1,548,214	6,287	N/A	0.45
2018	981,344	166,574	442,381	1,590,299	N/A	N/A	0.45

N/A - not available

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

(UNAUDITED)

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

Fiscal 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
2009	\$ 747,645	\$ 159,902	\$ 587,743	\$ 21,308,309	243,957	2.76%	3,065
2010	901,449	201,701	699,748	21,777,754	242,803	3.21%	2,882
2011	841,537	189,782	651,755	21,383,674	243,985	3.05%	2,671
2012	911,136	193,729	717,407	20,529,023	245,803	3.49%	2,919
2013	849,028	184,119	664,909	20,093,307	246,392	3.31%	2,699
2014	978,654	259,717	718,937	19,788,842	246,394	3.63%	2,918
2015	914,299	247,490	665,809	20,892,353	247,189	3.19%	2,694
2016	1,039,960	252,795	787,165	21,366,996	247,087	3.68%	3,186
2017	1,123,755	269,011	854,744	21,918,700	246,256	3.90%	3,471
2018	1,147,918	271,164	876,754	22,096,988	N/A	3.97%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. The source of 2009 and 2011 through 2017 population estimates is the Weldon Cooper Center for Public Service, University of Virginia. The source for the 2010 population estimate is the U.S. Census Bureau.
3. Gross Bonded Debt includes unamortized premiums.

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2018

Jurisdiction	Gross Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct:			
City of Norfolk	\$ 1,147,918	100%	\$ 1,147,918

Notes:

1. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

(UNAUDITED)

City of Norfolk, Virginia
Debt Capacity Information
Schedule 4
Legal Debt Margin
June 30, 2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total assessed value of taxed real property	\$ 19,395,789,387	\$ 19,940,273,451	\$ 19,320,643,495	\$ 18,676,730,533	\$ 18,319,948,478	\$ 18,421,412,121	\$ 18,734,201,726	\$ 19,106,737,956	\$ 19,433,889,018	\$ 19,870,880,970
Debt Limit -10% of total assessed valuation	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848	1,842,141,212	1,873,420,173	1,910,673,796	\$ 1,943,388,902	\$ 1,987,088,097
Net debt applicable to debt limitation	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050	912,700,343	914,299,379	988,381,839	1,065,983,734	1,079,595,115
Legal Debt Margin	<u>\$ 1,201,405,739</u>	<u>\$ 1,104,470,669</u>	<u>\$ 1,102,442,422</u>	<u>\$ 990,612,622</u>	<u>\$ 1,013,926,798</u>	<u>\$ 929,440,869</u>	<u>\$ 959,120,794</u>	<u>\$ 922,291,955</u>	<u>\$ 877,405,167</u>	<u>\$ 907,492,982</u>
Net Debt percentage of debt limitation	38.06%	44.61%	42.94%	46.96%	44.65%	49.55%	48.80%	51.73%	54.85%	54.33%

(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	
2009	\$ 78,020,552	\$ 38,182,373	\$ 39,838,179	\$ 8,050,000	\$ 16,411,343	\$ 24,461,343	1.63
2010	82,470,020	34,567,741	47,902,279	9,420,000	15,929,680	25,349,680	1.89
2011	83,737,444	37,068,753	46,668,691	9,875,000	16,527,844	26,402,844	1.77
2012	81,295,219	34,667,524	46,627,695	11,285,000	11,184,363	22,469,363	2.08
2013	80,091,220	34,810,702	45,280,518	7,000,000	14,700,777	21,700,777	2.09
2014	82,078,002	34,466,877	47,611,125	7,250,000	15,630,219	22,880,219	2.08
2015	85,490,793	36,882,803	48,607,990	7,805,000	13,905,866	21,710,866	2.24
2016	83,103,038	32,731,817	50,371,221	8,750,000	16,612,870	25,362,870	1.99
2017	86,970,065	37,735,743	49,234,322	10,090,000	15,988,725	26,078,725	1.89
2018	89,419,996	34,889,820	54,530,176	13,860,000	14,376,733	28,236,733	1.93

Notes:

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

City of Norfolk, Virginia
Debt Capacity Information
Schedule 6
Revenue Bonds Debt Service Coverage
Wastewater Utility Fund
Last Eight 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	
2011	\$ 24,856,689	\$ 11,375,370	\$ 13,481,319	\$ 850,000	\$ -	\$ 850,000	15.86
2012	25,695,602	10,860,728	14,834,874	1,225,000	-	1,225,000	12.11
2013	25,898,789	11,541,897	14,356,892	1,725,000	-	1,725,000	8.32
2014	27,409,238	10,767,704	16,641,534	1,957,500	-	1,957,500	8.50
2015	28,241,721	10,581,959	17,659,762	2,490,000	-	2,490,000	7.09
2016	28,028,027	10,347,338	17,680,689	3,019,967	-	3,019,967	5.85
2017	29,246,659	12,826,121	16,420,538	3,488,443	-	3,488,443	4.71
2018	30,336,506	11,186,214	19,150,292	3,856,919	-	3,856,919	4.97

Notes:

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

(UNAUDITED)

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

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2009	\$ 47,607,092	\$ 1,755,630	\$ 22,345,114	\$ 86,970	\$ 71,794,806	\$ 584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%
2011	49,650,794	-	28,802,303	-	78,453,097	577,669,780	13.58%
2012	55,716,041	-	26,525,905	-	82,241,946	590,849,686	13.92%
2013	50,558,810	-	27,668,004	-	78,226,814	594,180,698	13.17%
2014	48,400,297	-	28,682,414	-	77,082,711	588,506,007	13.10%
2015	49,212,914	-	26,896,108	-	76,109,022	593,478,745	12.82%
2016	46,175,445	-	26,955,137	-	73,130,582	596,768,904	12.25%
2017	50,663,318	-	27,149,634	-	77,812,952	618,253,753	12.59%
2018	52,583,233	-	27,316,523	-	79,899,756	644,120,067	12.40%

Notes:

1. Total general expenditures include the expenditures of the General fund and Debt Service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

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

<u>Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>% Unemployed</u>
2008	241,201	\$ 8,692,900	\$ 36,040	100,847	5.3%
2009	241,725	8,276,010	34,237	98,751	8.5%
2010	242,803	8,380,127	34,501	112,449	8.8%
2011	243,985	8,608,415	35,342	112,932	8.3%
2012	245,803	8,928,833	36,308	112,848	7.6%
2013	246,392	8,842,338	36,066	112,742	7.0%
2014	246,394	9,122,284	37,052	112,175	6.4%
2015	247,189	9,529,615	38,676	111,318	5.6%
2016	247,087	9,433,045	35,940	110,644	5.2%
2017	246,256	9,811,229	40,094	113,166	4.9%

Notes:

1. Population from the Weldon Cooper Center for Public Service, University of Virginia and U.S. Census Bureau. Population data was not available for 2018.
2. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2018.
3. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics.
4. All information on an average annual calendar year.

(UNAUDITED)

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

Employer	Rank	
	2009	2018
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City Public Schools	2	3
City of Norfolk	4	4
Old Dominion University	5	5
Children's Hospital of the King's Daughters	6	6
Eastern Virginia Medical School		
Medical College of Hampton Roads	8	7
U.S. Navy Exchange		
United States Postal Service	9	
The Wellpoint Companies		9
Norshipco	10	
Norfolk State University	7	10
Portfolio Recovery Associates		8
Total Employment	96,041	143,903

Notes:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2018 is the quarter ended December 2017, as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics, June 2018.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

(UNAUDITED)

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

Year	Residential Construction			Non-Residential Construction		
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)	
2009	209	535	\$ 35,878	38	\$ 138,131	
2010	191	621	58,729	35	104,922	
2011	221	479	37,298	27	40,073	
2012	268	371	39,360	26	116,401	
2013	384	822	63,728	28	105,635	
2014	432	1,393	93,072	33	37,575	
2015	399	729	59,018	36	233,824	
2016	384	894	74,377	20	91,171	
2017	459	1,193	68,571	25	82,443	
2018	346	597	54,899	15	118,459	

Notes:

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

(UNAUDITED)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Goods-Producing Industries:										
Construction	5.9	5.0	4.7	4.4	4.1	3.8	3.8	4.2	4.1	4.6
Manufacturing	7.1	7.1	6.8	6.5	6.8	6.7	6.1	6.3	6.0	6.1
Service-Providing Industries:										
Wholesale trade	4.7	4.3	4.1	3.9	3.7	3.5	3.5	3.5	3.5	3.3
Retail trade	14.1	12.9	12.8	12.9	12.6	12.8	12.7	12.7	12.7	12.8
Transportation and warehousing	9.6	8.8	8.8	8.8	9.0	8.8	8.8	8.8	8.6	8.6
Information	3.5	3.0	2.7	2.5	2.9	2.9	2.8	2.9	3.0	2.9
Finance and insurance	6.6	6.1	5.4	5.5	5.3	5.3	5.6	5.2	5.3	5.1
Real estate and rental and leasing	2.8	2.7	2.6	2.6	2.5	2.7	2.6	2.6	2.5	2.6
Professional and technical services	11.4	11.7	11.6	11.5	11.0	11.4	11.0	10.5	10.4	10.7
Management of companies and enterprises	2.6	2.3	2.1	2.0	2.0	1.9	1.8	1.7	1.6	1.6
Administrative, support and waste services	7.6	6.6	6.6	7.4	6.8	7.6	7.7	7.7	7.3	8.3
Educational services	15.8	16.1	16.1	15.9	16.0	16.1	15.9	15.6	15.4	15.0
Health care and social assistance	21.2	20.7	21.0	21.9	22.4	22.4	21.8	22.0	22.8	23.1
Arts, entertainment and recreation	2.5	2.3	2.2	2.3	2.3	2.3	2.3	2.2	2.3	2.3
Accommodation and food services	10.5	10.3	10.3	10.9	10.9	10.6	10.5	10.9	11.2	11.5
Public administration	13.5	14.1	13.9	14.2	14.4	12.7	12.4	18.0	18.4	18.2
Other services	3.9	3.8	3.8	4.0	4.1	4.2	4.3	4.1	4.2	4.5
Total (adjusted for rounding)	144.0	138.7	136.3	138.0	137.8	136.4	134.4	139.7	140.2	141.9

Notes:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. This schedule includes data for the ten-year period 2008 - 2017 as calendar year. Calendar year data not available for 2018.

(UNAUDITED)

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

<u>Function/Program</u>	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	481	438	492	501	461	425	473	450	453	441
Judicial administration	16	14	12	10	13	12	10	10	10	10
Public safety										
Police	861	878	891	879	828	837	823	838	874	843
Fire	517	517	510	517	507	504	489	489	504	482
Other	84	83	90	90	77	76	76	74	70	65
Public works	414	440	431	427	395	388	369	383	387	379
Health and public assistance	487	485	532	534	709	697	697	715	710	686
Culture and recreational	558	509	512	501	459	456	429	442	446	455
Community development	75	113	137	142	94	96	103	128	132	131
Business-type activities:										
Water utility	268	269	289	289	266	273	265	262	259	258
Wastewater utility	99	95	103	104	99	99	95	94	92	91
Parking facilities	89	87	85	85	85	76	63	58	53	54
 Total full-time equivalent positions	 3,949	 3,928	 4,084	 4,079	 3,993	 3,937	 3,892	 3,941	 3,990	 3,895

Note:

1. 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Service calls	242,139	245,336	241,282	251,099	245,620	259,938	240,459	241,530	235,763	247,070
Arrests	26,583	28,069	27,930	29,080	27,073	25,850	21,404	19,364	17,938	19,382
Reports filed	32,477	31,487	30,507	28,649	28,035	26,060	26,039	27,322	27,287	24,168
Fire:										
Incidences (fires, EMS)	39,714	40,234	40,641	45,350	44,370	43,713	44,699	46,670	47,232	45,039
Highways and Streets:										
Streets resurfacing (miles)	66	69	67	139	53	76	25.6	41	78	77
Sanitation:										
Total solid waste collected and disposed (tons)	92,333	100,480	84,162	89,106	83,297	79,382	80,128	84,162	87,851	81,974
Water Utilities:										
Water delivered to water mains (gallons in thousands)	22,974,000	22,666,500	22,810,560	22,039,690	21,532,680	21,147,530	21,530,000	21,349,210	21,920,310	21,498,500
Total water consumption (gallons in thousands)	21,293,000	21,280,000	21,155,000	20,360,972	20,109,000	20,241,312	20,054,780	19,282,870	19,649,330	19,548,271
Percent of unmetered water	7.31%	6.11%	7.25%	7.62%	6.62%	4.29%	6.85%	9.68%	10.36%	9.07%
Average daily delivery (gallons in thousands)	62,900	62,100	62,494	60,217	58,994	57,938	59,000	58,320	60,060	59,900
Maximum daily pumpage (gallons in thousands)	79,000	76,400	80,200	76,310	74,640	74,890	88,970	67,610	72,220	81,000
Minimum daily pumpage (gallons in thousands)	52,000	52,200	52,350	50,070	49,890	48,030	51,110	51,010	48,120	50,000

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Fire										
Fire stations	14	14	14	14	14	14	14	14	14	14
Education:										
High schools	5	5	5	5	5	5	5	5	5	5
Middle schools	9	8	8	8	8	8	7	8	8	8
Elementary (K - 8 & Pre K - 8)	35	35	35	34	33	33	33	33	33	33
Other educational facilities	9	5	5	6	6	6	7	10	10	10
Libraries	11	11	11	11	11	11	11	11	11	12
Public Recreation:										
Parks:										
Acreage	587	587	587	587	587	587	587	630	630	630
Regional parks	2	2	2	2	2	2	2	2	2	2
Neighborhood parks	71	71	71	71	71	71	71	72	72	72
Preserves and nature areas	1	1	1	1	1	1	1	1	1	1
Nature education centers	1	1	1	1	1	1	1	1	1	1
Playgrounds	100	101	101	101	102	105	106	106	106	106
Hiking trails (miles)	2	2	2	2	2	2	2	5	5	5
Recreation:										
Acreage	954	957	957	957	957	957	957	981	981	981
Recreational and senior centers	25	30	30	30	30	30	30	30	30	30
Swimming pools	6	6	6	6	6	6	6	6	6	6
Tennis courts	148	148	148	142	142	142	142	142	142	142
Baseball/softball diamonds	86	86	86	86	86	86	86	86	86	86
Football/soccer fields	49	49	49	49	49	49	49	49	49	49
Field hockey	3	3	3	3	3	3	3	3	3	3
Basketball courts	204	203	203	201	201	201	201	201	201	201
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal golf courses	3	3	3	3	3	3	2	2	2	2
Public Services:										
Transportation and Engineering:										
Streets (lane miles)	2,193	2,188	2,188	2,189	2,174	2,175	2,166	2,195	2,213	2,220
Sidewalks (miles)	968	968	968	968	968	887	887	902	902	906
Bridges	49	50	50	50	50	50	52	52	53	53
Signalized intersections	284	301	304	305	304	311	312	312	313	315
Street lights	30,653	30,717	31,277	31,132	31,138	31,138	31,269	31,289	32,081	32,121
Utilities:										
Water fund capital assets (in thousands)	\$ 437,973	\$ 442,304	\$ 448,407	\$ 470,466	\$ 480,999	\$ 487,577	\$ 503,659	\$ 533,746	\$ 561,297	\$ 566,863
Wastewater fund capital assets (in thousands)	177,928	183,974	198,842	214,308	229,891	238,931	249,210	261,039	266,307	272,992
Total utilities assets (in thousands)	\$ 615,901	\$ 626,278	\$ 647,842	\$ 684,774	\$ 710,094	\$ 726,479	\$ 752,869	\$ 794,785	\$ 827,604	\$ 839,855
Water customer accounts	64,433	66,140	64,289	64,440	64,654	64,856	65,687	65,426	65,673	65,984
Miles of water main in the system	832	835	838	824	826	828	828	821	822	944
Convention Center:										
Meeting rooms	8	8	8	8	8	8	8	8	58	58
Meeting/ballroom space/exhibit (square feet)	68,130	68,130	68,130	68,130	68,130	68,130	68,130	68,130	118,879	118,879
Parking Facilities:										
Parking lots/garages	23	26	25	24	24	24	24	25	27	27
Parking meters	614	584	584	756	738	752	676	643	643	643
Storm Water Management:										
Miles of storm sewers	357	357	357	357	366	386	386	404	385	385

(UNAUDITED)
City of Norfolk, Virginia
Operating Information
Schedule 4
Water System Statistics
As of June 30, 2018

Average Metered Consumption (million gallons per day)

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2011	17.4	33.7	4.3	2.2	57.6
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5
2014	16.7	31.8	4.3	2.3	55.1
2015	16.8	30.8	5.0	2.3	54.9
2016	15.8	30.9	4.2	2.0	52.9
2017	15.7	31.5	4.6	2.1	53.8
2018	15.6	30.7	5.1	2.2	53.6

Retail Customers' Average Annual Costs - Norfolk Retail

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 34,472,000	6,362,000	\$ 5.42
2012	33,537,000	6,241,000	5.37
2013	33,813,000	6,134,000	5.51
2014	34,920,000	6,092,000	5.73
2015	35,846,000	6,136,000	5.84
2016	35,288,000	5,769,000	6.12
2017	36,213,000	5,717,000	6.33
2018	37,929,000	5,702,000	6.65

Wholesale Customers' Average Annual Costs - Virginia Beach

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2014	\$ 23,188,000	11,614,000	\$ 1.99
2015	23,771,000	11,257,000	2.11
2016	23,731,000	11,263,000	2.11
2017	24,722,000	11,489,000	2.15
2018	23,548,000	11,200,000	2.10

**Wholesale Customers' Average Annual Costs -
U.S. Navy, including Norfolk and Virginia Beach Facilities**

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 8,837,000	1,562,000	\$ 5.66
2012	8,534,000	1,460,000	5.85
2013	8,768,000	1,444,000	6.07
2014	9,927,000	1,571,000	6.32
2015	12,017,000	1,838,000	6.54
2016	10,356,000	1,530,000	6.77
2017	11,710,000	1,662,000	7.05
2018	13,310,000	1,844,000	7.22

Wholesale Customers' Average Annual Costs - Chesapeake

Fiscal Year	Revenue	Volume (Mgal ¹)	Average Cost (\$/Mgal ¹)
2011	\$ 4,299,000	803,000	\$ 5.35
2012	4,691,000	840,000	5.58
2013	5,099,000	897,500	5.68
2014	4,912,000	835,300	5.88
2015	5,009,000	823,800	6.08
2016	4,718,000	720,000	6.55
2017	5,100,000	781,000	6.53
2018	5,471,000	802,000	6.82

(1) "Mgal" means 1,000 gallons

Additional Information:

1) Water Utility Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.
July 1, 2017 - June 30, 2018
July 1, 2018 - June 30, 2019

2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

(UNAUDITED)

City of Norfolk, Virginia
Operating Information
Schedule 5
Wastewater System Statistics
As of June 30, 2018

The Wastewater System

The City owns and operates a sanitary sewer system (the "Wastewater System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District.

Approximate population served	246,256	citizens
Total wastewater pumping stations	133	pump stations
Miles of gravity wastewater mains	685	miles
Miles of wastewater force mains	68	miles

Organization and Management

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities, and Robert Carteris is the Assistant Director of Utilities. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

Rates

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year	Retail Rate
2017	\$3.97 per 100 cubic feet
2018	\$4.13 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

Largest Users

Rank	Entity	Usage (CCF)
1	Norfolk Redevelopment and Housing Authority	444,853
4	Old Dominion University	128,249
2	Sentara Norfolk General	123,500
3	BAE Systems	115,909
5	S.L.Nusbaum Realty Co.	70,318

Operating Income

	Fiscal Year 2017	Fiscal Year 2018
Total Operating Revenues	\$ 29,240,091	\$ 30,315,078
Total Operating Expenses	19,452,987	18,039,472
Total Operating Income	<u>\$ 9,787,104</u>	<u>\$ 12,275,606</u>

(UNAUDITED)

**City of Norfolk, Virginia
Operating Information
Schedule 6
Parking System Statistics
As of June 30, 2018**

Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.50	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	3.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	4.50	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	6.00		
4 to 5 Hours	7.50		
5 to 6 Hours	9.00		
6 to 7 Hours	10.50		
7 to 8 Hours	12.00		
Maximum Daily Rate (up to 24 Hours)	13.00		
Lost Ticket/Per Day	13.00		

Short-term Parking Rates at the MacArthur Center Garages

Monday - Friday
\$1.00 for first hour - third hour
\$2.00 for each additional hour until 6 PM
\$2.00 for entry after 6 PM
Maximum of \$10.00 per 24-hour period

Saturday & Sunday
\$1.00 for entry prior to 6 PM
\$2.00 for entry after 6 PM
Maximum of \$10.00 per 24-hour period

Special Event Rates

All facilities, except the MacArthur Center Garages, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garages special event fee is \$2.00 per vehicle.

Metered Parking Rates

Metered Area	General Location	Hourly Rate
Tier 1	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street	\$0.45 per 15 minutes
Tier 2	All remaining downtown areas with meters	\$0.35 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.50 per 30 minutes
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	\$0.50 per half hour; \$2.00 maximum four-hour limit
ODU Village	161 meters located on 41 st , 43 rd , 45 th , 46 th , 47 th Street and Monarch Way	\$0.50 per 30 minutes

Monthly Parking Rates at all City-Owned Facilities

Daytime rates vary from \$37.00 unreserved per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$43.00 per month.

Parking Fines

Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$25.00	No Parking - This Side	\$30.00
Overtime Parking - Time Zone	40.00	No Stopping Zone	40.00
Overtime Parking - Meter Feeding	30.00	Restricted City Lot	35.00
No Parking	40.00	Handicapped Parking	255.00
No Parking - Fire Hydrant	75.00	Taxi Stand	40.00
No Parking - Cross Walk	40.00	Blocking Driveway	35.00
No Parking - Loading Zone	35.00	Overnight Parking	30.00
No Parking - Here to Corner	35.00	Parking off of Roadway	40.00
No Parking - Facing Wrong Way	30.00	Blocking Fire Lane	105.00
No Parking - Bus Stop	40.00		
No Parking - Street Cleaning	45.00		

Parking Fines

Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2011	62,731	\$ 2,062,060	82%
2012	58,928	2,169,813	87%
2013	56,751	1,822,693	85%
2014	57,409	2,382,072	100%
2015	46,593	2,292,227	94%
2016	41,850	2,153,328	87%
2017	39,542	1,956,999	82%
2018	36,990	2,089,907	87%

Additional Information

1) Parking Facilities Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

July 1, 2017 - June 30, 2018

July 1, 2018 - June 30, 2019

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Members
School Board of the City of Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia (the Board), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2018