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This Popular Annual Financial Report is a publication of the

Department of Finance  
810 Union Street, Suite 600

Norfolk, VA 23510  
(757) 664-4346

For more information about the City's Department of Finance, visit <http://www.Norfolk.gov/Finance>

## Popular Annual Financial Report

For The Fiscal Year Ending June 30, 2020

THE CITY OF  
**NORFOLK**  
FINANCE

Dear Citizens and Council Members,

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020, was prepared by the Department of Finance to provide readers of interest an easy to understand summary of our financial activities. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a user-friendly manner that will summarize and communicate the City's financial condition.

In anticipation of the impact COVID-19 would have on the City's revenue, the City acted in March to reduce fiscal year 2020 expenditures including: freezing discretionary spending, reducing payments to some of our outside agency partners, furloughing most part-time staff, and implementing a hiring freeze. This quick action produced a small budgetary surplus in fiscal year 2020. The nature of the pandemic has created some budgetary and financial uncertainty for future years; however, City Council and management are committed to ensuring there is no gap in necessary core services and all legal obligations are met.

All of the data presented in this report is taken from the City's Comprehensive Annual Financial Report (CAFR). The financial data in the CAFR is presented in accordance with Generally Accepted Accounting Principles (GAAP). Organizations that issue a CAFR are required to be compliant with GAAP. This also helps to make their reports and records comparable with other entities, so definitions, parameters and calculations are performed and presented the same way throughout different organizations. However, when trying to give a user-friendly overview, it can be beneficial to provide condensed data that does not include all the extensive financial details and additional documentation required by GAAP. For that reason, this document is presented on a non-GAAP basis even though the original source is the CAFR, a GAAP-compliant document.

We hope you enjoy reading this report and invite you to access this report and our audited CAFR online for more detailed information. We welcome your questions, comments and suggestion regarding the information included in this report. You can contact our office at (757) 664-4346.

Sincerely, *The Department of Finance*

## In This Issue

Norfolk Government.....	3
Norfolk Education.....	4
Norfolk By the Numbers.....	5
Funding City Services.....	6
Revenues.....	7-8
Where the Money Goes.....	9
Capital Assets.....	10
Statement of Net Position.....	11
Statement of Activities.....	12
Debt Administration.....	13
Norfolk Awards and Recognition.....	14
Glossary.....	15
Stay Connected.....	16

## City Council Members as of June 30, 2020



# Glossary

The following terms are used in this report and are defined below.

**Accrual basis** - revenues are recorded when earned and expenses are recorded when a liability is incurred, not when the cash is paid.

**Assets** - what the City owns.

**Business-type activities** - private sector-type operations where fees for services typically covers all or most of the cost of operations, including depreciation.

**Capital Assets** - items such as City land, construction in progress, equipment, infrastructure and buildings that will provide an economic benefit in the future, with a useful life greater than a year.

**CIP** - Capital Improvement Project.

**Deferred inflows** - an acquisition of a net assets that is applicable to a future reporting period.

**Deferred outflows** - a consumption of net assets that is applicable to a future reporting period.

**Governmental activities** - activities generally financed through taxes and intergovernmental revenues. Includes primary governmental functions like public safety, public works, parks and recreation and general government.

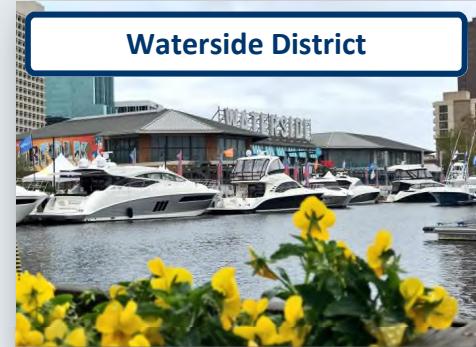
**Liabilities** - what the City owes.

**Modified accrual basis of accounting** - method under which revenues are recognized in the period they become available and measurable, and expenses are recognized in the period the associated liability is incurred.

**Net position** - difference between assets and liabilities. It is the net worth of the City.

**Restricted** - funds that are not available for use because they have been set aside for a specific purpose or project.

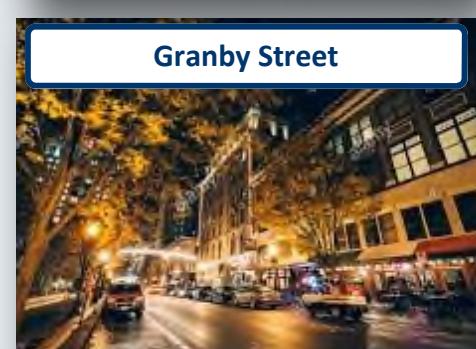
**Unrestricted** - funds available to use for operations.



Waterside District



Virginia Zoological Park



Granby Street

## About this Report

Although this report is largely based on the City's 2020 Comprehensive Annual Financial Report, this report is not prepared in accordance with generally accepted accounting principles ("GAAP"). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of this PAFR, as well as the City's audited 2020 CAFR, which is prepared in accordance with GAAP, is located at <http://www.Norfolk.gov/Finance>

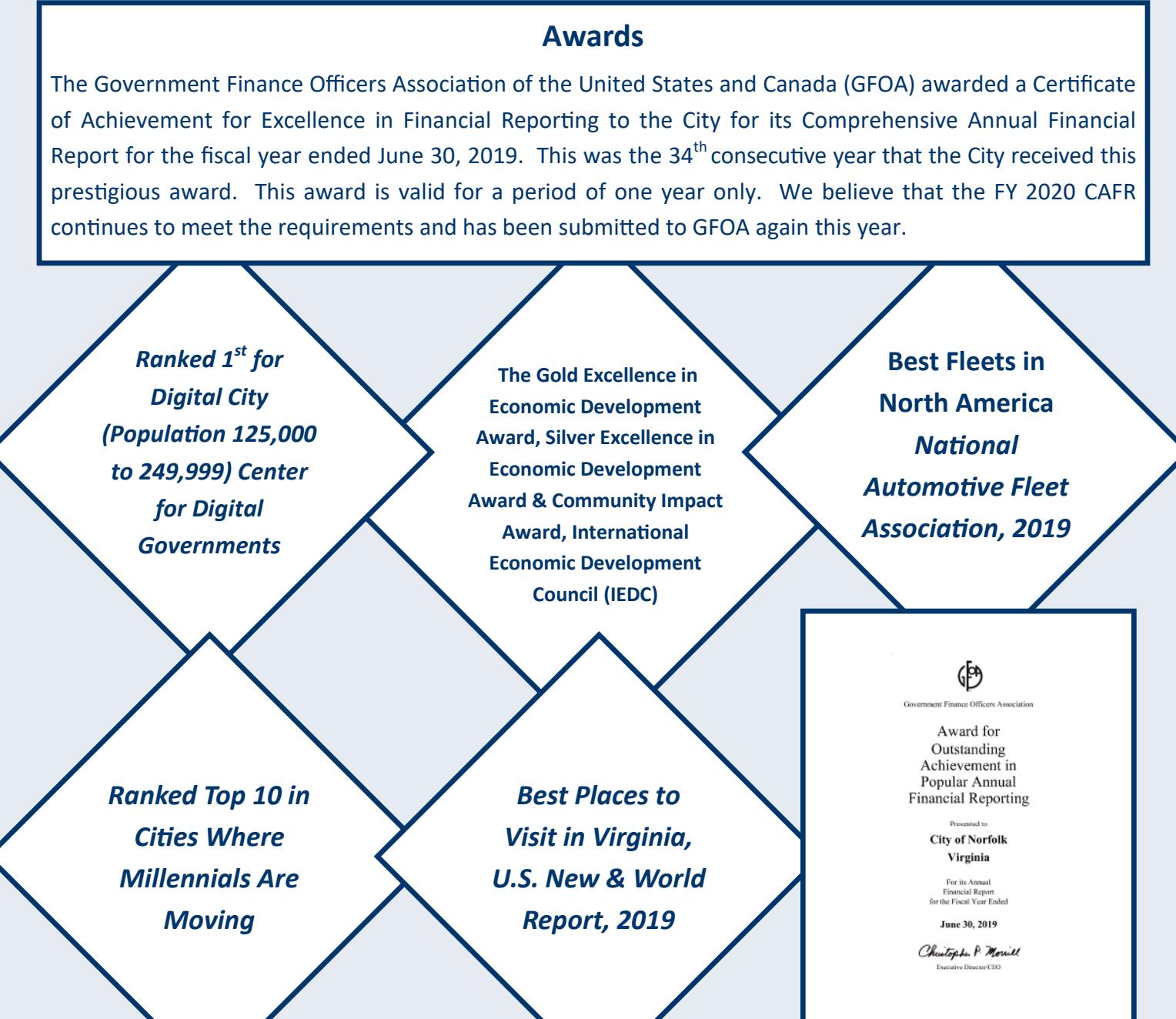
## Comments and Questions

The Department of Finance is committed to accomplishing the City Council's priorities and providing clear and transparent reporting of the City's financial activities. We hope this report has been helpful in providing a brief overview of the City and its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

City of Norfolk, Department of Finance

810 Union Street, Suite 600

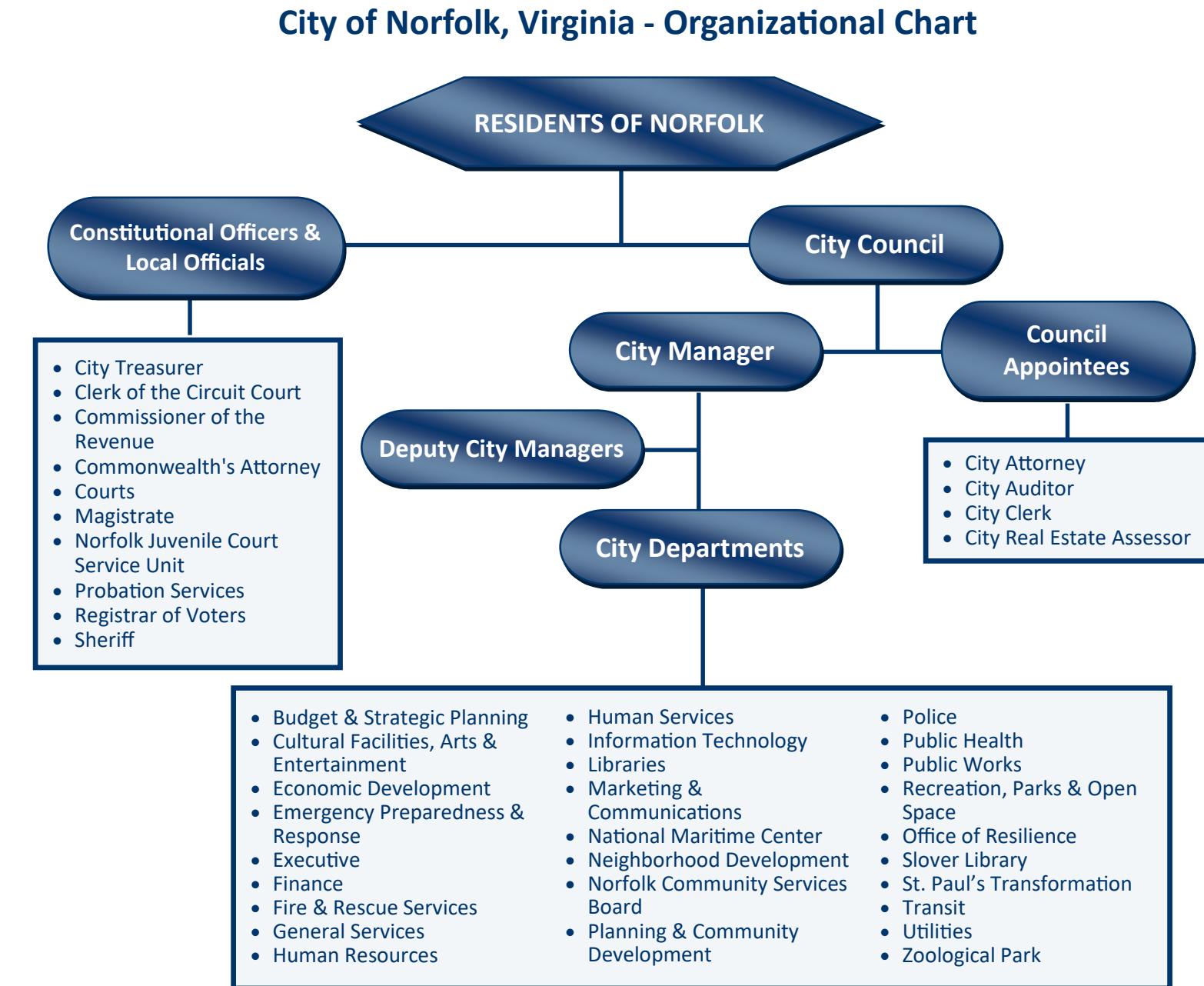
# Norfolk Awards and Recognition



**CITY EARNS 4<sup>th</sup> PAFR AWARD**

The GFOA awarded the City Certificate of Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2019. Fiscal Year 2019 was the 4<sup>th</sup> year that the City received this prestigious award. We believe that this FY 2020 PAFR continues to meet the requirements and has been submitted to GFOA again this year.

# Norfolk Government



The City provides a full range of general governmental services for its residents. These services include police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, solid waste disposal and general administrative services. In addition, storm water, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council. Since inception, these enterprise funds have operated on a self-supporting basis.

# Norfolk Education

## Higher Education

### Old Dominion University



Old Dominion University is one of only 100 public research-extensive universities nationwide and one of four in Virginia.

### Tidewater Community College



Tidewater Community College's Norfolk Campus is in the heart of downtown. The urban campus is strategically located in the cultural, business and theater district of the City.

Norfolk State University is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation.



### Norfolk State University

### Eastern Virginia Medical School



Eastern Virginia Medical School, dedicated solely to biomedical and health education, has an economic impact on the regional economy of \$1.2 billion annually.

## K-12 Education & Libraries

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

### Camp Allen Elementary School



### Jordan-Newby Anchor Branch Library

The Norfolk Public Library offers free access to information, books, programs, and online resources to meet the needs of our diverse community for life-long learning.

# Debt Administration

## General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit on general obligation (G.O.) outstanding debt of (10 percent) of a local government's assessed valuation for property tax purposes. The City's G.O. debt that applies to the debt limit is \$1.09 billion, which is 51.40 percent of assessed valuation and is significantly less than the current calculated statutory debt limit of \$2.11 billion.

## Outstanding Debt

The City's debt structure includes general obligation debt that is backed by the full faith and credit of the City and revenue debt that is supported by income from operations. The City also maintains a line of credit to fund short-term capital needs prior to the issuance of long-term debt.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 729,939,268	\$ 751,911,783	\$ 249,596,588	\$ 202,803,498	\$ 979,508,856	\$ 954,715,281
Line of Credit	60,000,000	9,800,000	3,000,000	9,220,000	63,000,000	19,020,000
Revenue Bonds	-	-	382,296,253	395,919,739	382,296,253	395,919,739
Total	\$ 789,939,268	\$ 761,711,783	\$ 634,865,841	\$ 607,943,237	\$1,424,805,109	\$1,369,655,020

## Credit Rating\*

Bond Program**	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
General Obligation	Aa2	AAA	AA+
Water Revenue	Aa2	AA+	AA+

\*Contact the appropriate agency for an explanation of what each rating means

\*\*No underlying ratings for Wastewater Revenue Bonds

As a result of strong credit ratings, the City receives highly competitive pricing on bond issuances.



The City's Capital Improvement Program supported the construction of the Crossroads Elementary School.



The City's Capital Improvement Program supports the improvement of the City's Streets and Bridges.

# Statement of Activities

The City's income statement is known as the "Statement of Activities" and represents information showing how the government's net position changed during the fiscal year for governmental and business-type activities. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement on an accrual basis. Governmental funds such as the General fund are reported on a modified accrual basis of accounting, but are included in this statement on an accrual basis like the business-type funds.

Business-Type and Governmental Activities Totals		Fiscal Year		
		2020	2019	2018
Program Revenue				
Charges for Services	\$ 219,229,604	\$ 240,979,394	\$ 212,467,674	
Operating Grants & Contributions	161,602,162	142,804,187	151,518,592	
Capital Grants & Contributions	1,449,786	4,186,792	12,098,343	
General Revenue				
Property Taxes	316,997,699	303,622,810	277,131,597	
Other Taxes	171,533,022	177,263,305	174,138,870	
Grants and Contributions Not Restricted for Specific Purposes	36,316,393	35,965,314	28,158,027	
Other	28,950,022	18,681,238	34,279,673	
Total Revenue	\$ 936,078,688	\$ 923,503,040	\$ 889,792,776	
Expenses				
Governmental Activities	\$ 784,646,885	\$ 753,967,666	\$ 753,570,684	
Water Utility	65,533,984	63,966,633	61,275,639	
Wastewater Utility	21,082,383	20,201,303	21,011,809	
Parking Facilities	24,849,833	25,365,151	23,083,990	
Storm Water Utility	13,239,213	-	-	
Total Expenses	909,352,298	863,500,783	858,942,122	
Increase (decrease) in Net Position before Transfers	26,726,390	60,002,257	30,850,654	
Net Position Beginning of Year, Restated	775,535,503	715,533,246	684,682,592	
Net Position End of Year	\$ 802,261,893	\$ 775,535,503	\$ 715,533,246	

# Norfolk By The Numbers



# Funding City Services



**ENTERPRISE FUNDS**  
Examples:  
Water, Wastewater,  
Parking Facilities

**GENERAL FUND**  
Examples:  
Libraries, Police, Fire

**INTERNAL SERVICE FUNDS**  
Examples:  
Healthcare &  
Fleet

## FUNDING CITY SERVICES

**DEBT SERVICE FUND**  
Example:  
Fund Used To Pay For  
Principal And Interest On  
City Debt

**CAPITAL PROJECTS FUND (CIP)**  
Examples:  
School Maintenance & Road  
Repair



The City has six different types of funds. The General Fund, made up of property taxes, permits, and fees, funds the City's daily operations and services. Internal service funds are for charges between City departments and partners. Special revenue and enterprise funds use revenue restricted for specific purposes.



**SPECIAL REVENUE FUNDS**  
Example:  
Community Development  
Block Grant (CDBG)



# Statement of Net Position

The financial balance sheet, known in accounting terms as the "Statement of Net Position," provides a picture of the health of the City at the end of a fiscal year, which can then be compared against other fiscal years.

The City owns things of value called assets; amounts owed to others are called liabilities or debt. Deferred outflows and inflows of resources are terms for things that are similar to assets and liabilities, but don't meet the technical definition.

The difference between assets and deferred outflows and liabilities and deferred inflows is called net position. A positive net position indicates a measure of financial stability. Net position is the common measurement term for both the governmental and business-type activities when they are reported together.

This allows all activities to be combined and shown as government-wide totals for the primary government. The categories of net position are listed in order of decreasing restrictions, with net investment in capital assets being generally unavailable for spending and unrestricted net position being available for use without restriction.

Major factors causing unrestricted net position to be negative, similar to many localities, are the adoption of GASB 68, GASB 78 and the recognition of the net pension liabilities to the City's employees' retirement system and the Virginia retirement system. Additionally, the Storm Water Utility fund converted from a special revenue to an enterprise fund in fiscal year 2020. In the case of the City, assets exceeded liabilities by \$802,261,893 at the close of fiscal year 2020. This is an increase of approximately 3 percent from fiscal year 2019.



What We Have

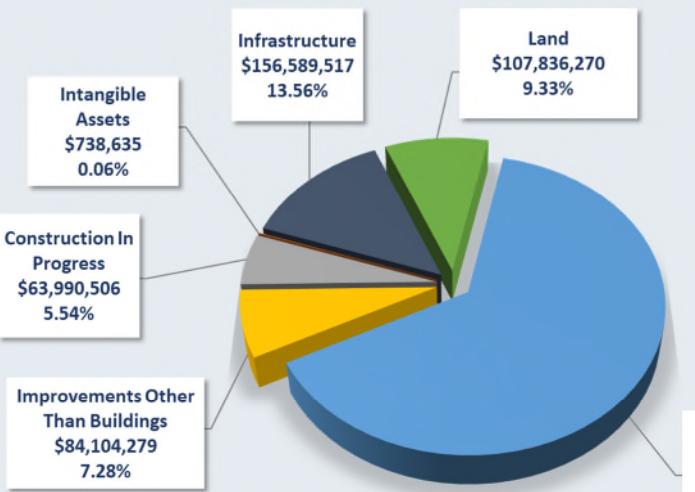
What We Owe

What's  
Left

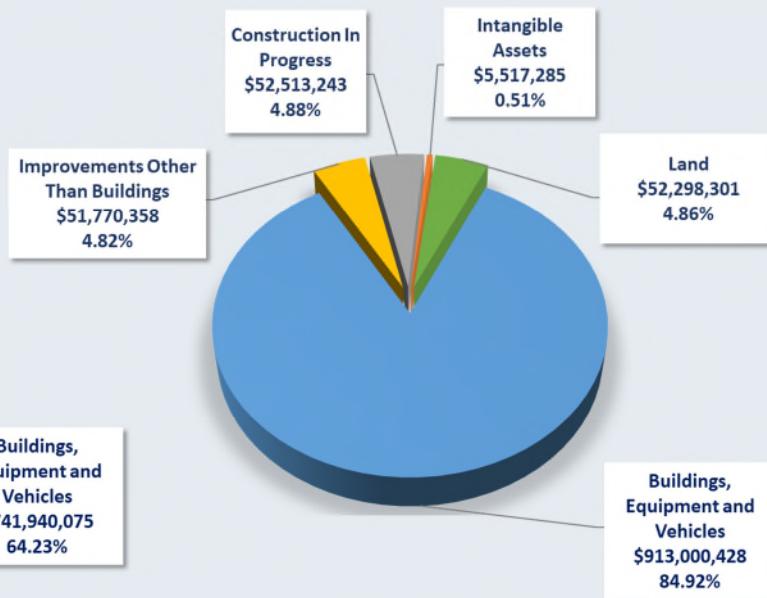
	Fiscal Year		
	2020	2019	2018
<b>Current and Other Assets</b>	\$ 567,326,163	\$ 473,506,902	\$ 479,546,951
<b>Capital Assets</b>	2,230,298,897	2,231,976,826	2,223,636,920
<b>Deferred Outflows of Resources</b>	163,068,051	139,783,265	136,434,908
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,960,693,111	\$ 2,845,266,993	\$ 2,839,618,779
<b>Long-Term Liabilities</b>	1,936,170,430	1,926,924,804	1,835,867,688
<b>Other Liabilities</b>	190,368,768	118,854,936	267,814,601
<b>Deferred Inflows of Resources</b>	31,892,020	23,951,750	20,403,244
<b>Total Liabilities and Deferred Inflows of Resources</b>	2,158,431,218	2,069,731,490	2,124,085,533
<b>Net Position</b>			
<b>Net Investment in Capital Assets</b>	790,226,577	747,068,430	682,866,373
<b>Restricted</b>	39,040,578	35,190,852	42,501,933
<b>Unrestricted</b>	(27,005,262)	(6,723,779)	(9,835,060)
<b>Total Net Position</b>	\$ 802,261,893	\$ 775,535,503	\$ 715,533,246

# Capital Assets

## Governmental Capital Assets Total as of June 30, 2020



## Business-Type Capital Assets Total as of June 30, 2020



**Assets** can be generally defined as the items the City owns that will provide an economic benefit in the future. Specifically, the City's capital assets are owned primarily for their contribution to the quality of the community. Examples include, a parcel of land that is owned and used as a park (governmental activity), or a public parking garage that charges for permit parking (business-type activity).

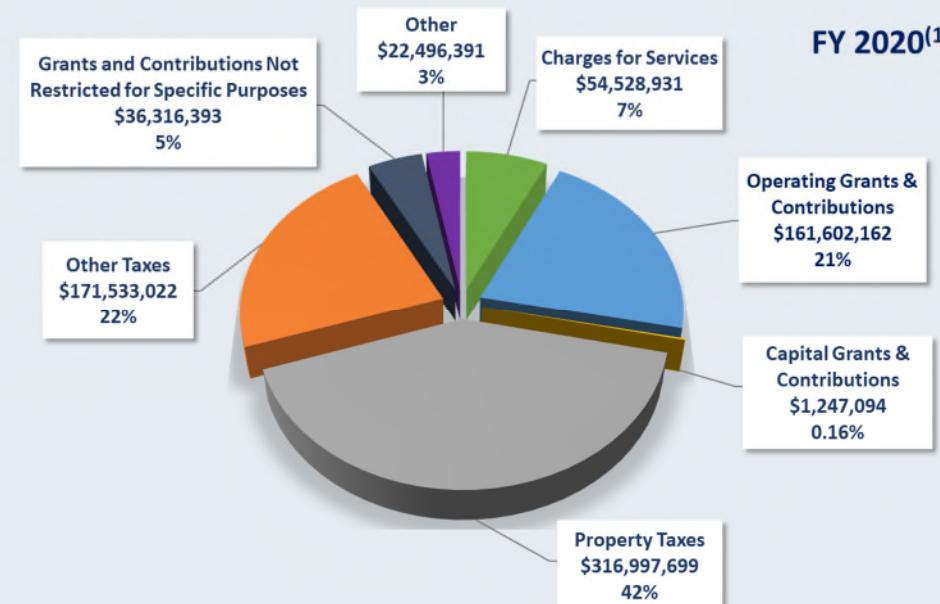
The City's total capital assets at June 30, 2020, was \$2,230,298,897 consisting of \$1,155,199,282 in governmental assets and \$1,075,099,615 in business-type assets. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water, sewer systems, etc.), machinery, equipment, intangibles and construction in progress.

# Revenues

Governmental activities capture the general revenues and continuing expenses of primary governmental functions including public safety (police and fire), public works (roads and bridges), parks, recreation, cultural affairs and general government. Revenues for fiscal year 2020 totaled \$764,721,692, more than a \$11 million increase from fiscal year 2019.

Governmental Activities Revenue	Fiscal Year		
	2020	2019	2018
Program Revenue	\$ 54,528,931	\$ 75,887,233	\$ 73,176,531
Charges for Services	161,602,162	142,804,187	151,518,592
Operating Grants & Contributions	1,247,094	3,806,128	11,954,157
Capital Grants & Contributions			
General Revenue			
Property Taxes	316,997,699	303,622,810	277,131,597
Other Taxes	171,533,022	177,263,305	174,138,870
Grants and Contributions Not Restricted for Specific Purposes	36,316,393	35,965,314	28,158,027
Other	22,496,391	13,889,588	31,459,597
<b>Total Revenues</b>	<b>\$ 764,721,692</b>	<b>\$ 753,238,565</b>	<b>\$ 747,537,371</b>

## Governmental Activities: Revenue by Source - FY 2020

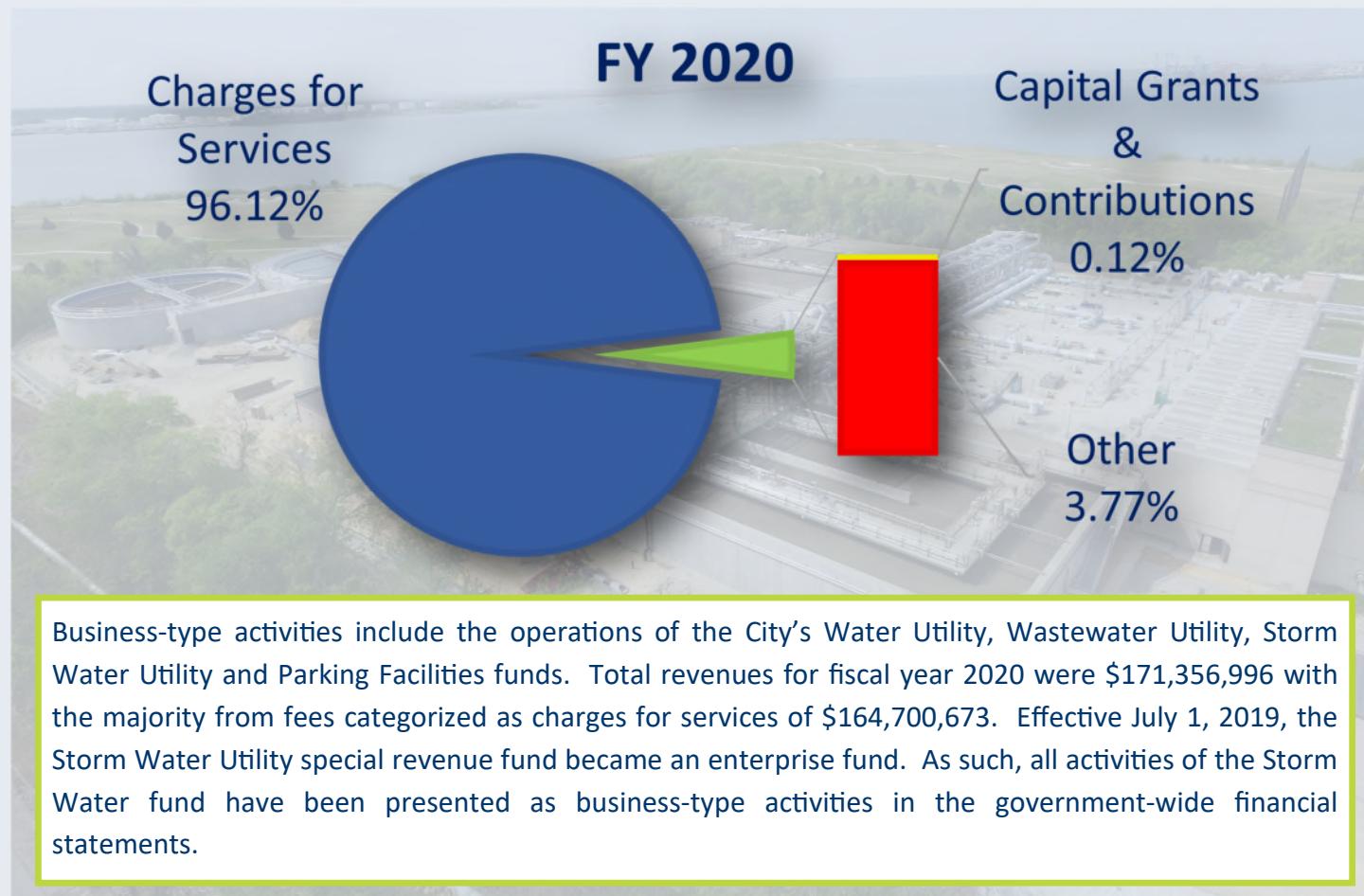


Property and other taxes comprise the vast majority of the governmental activities revenues at 64 percent of the total. Operating grants and contributions comprised the second largest source with 21 percent, followed by charges for service with 7 percent.

<sup>1</sup>The primary factor that contributed to the year over year change in total governmental net position was the transition of the Storm Water special revenue fund to an enterprise fund, and the related movement of its activities.

# Revenues

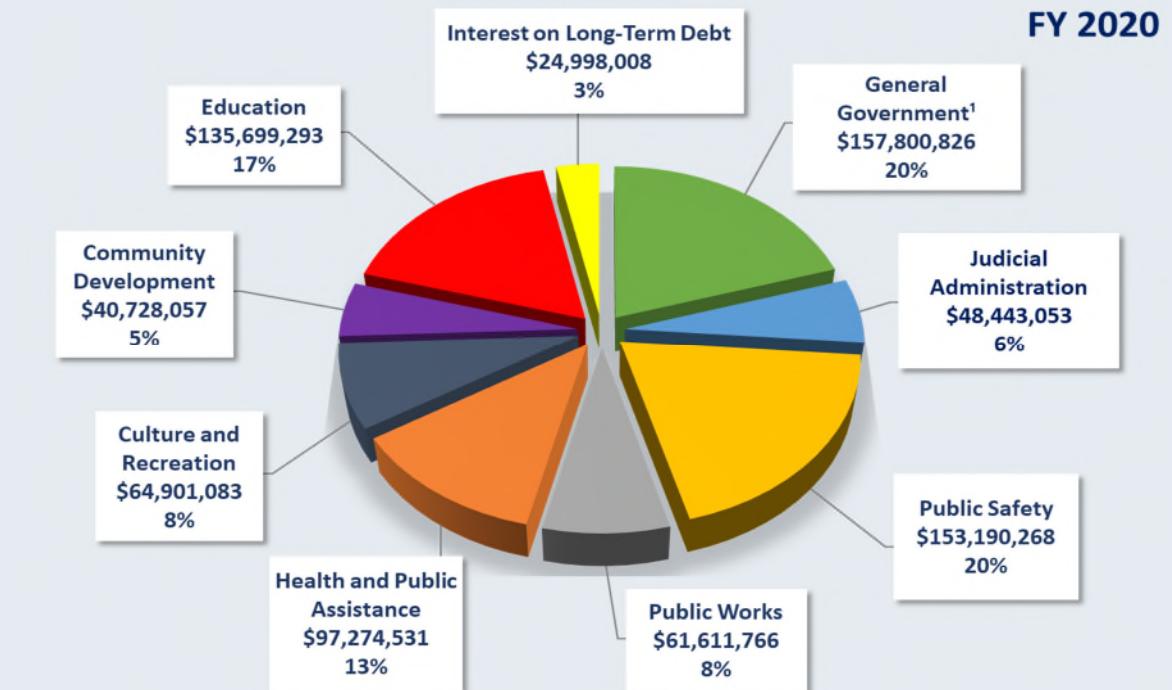
## Business-Type Activities Revenues



Business-Type Revenue	Fiscal Year		
	2020	2019	2018
Charges for Services	\$ 164,700,673	\$ 165,092,161	\$ 139,291,143
Capital Grants & Contributions	202,692	380,664	144,186
General Revenue			
Other	6,453,631	4,791,650	2,820,076
<b>Total Revenue</b>	<b>\$ 171,356,996</b>	<b>\$ 170,264,475</b>	<b>\$ 142,255,405</b>

# Where the Money Goes

The City's governmental activities include a variety of services with the majority of spending (37 percent) directed towards public education and public safety. Total expenses for governmental activities in fiscal year 2020 were \$784,646,885.



	Fiscal Year		
	2020	2019	2018
Governmental Activities Expense			
General Government <sup>1</sup>	\$ 157,800,826	\$ 157,320,255	\$ 152,832,372
Judicial Administration	48,443,053	46,124,063	57,118,257
Public Safety	153,190,268	138,889,690	160,378,339
Public Works	61,611,766	66,078,582	69,193,737
Health and Public Assistance	97,274,531	91,735,421	87,826,832
Culture and Recreation	64,901,083	58,961,688	46,798,591
Community Development	40,728,057	29,381,236	23,320,454
Education	135,699,293	136,659,606	131,136,839
Interest on Long-Term Debt	24,998,008	28,817,125	24,965,263
<b>Total Expenses</b>	<b>\$ 784,646,885</b>	<b>\$ 753,967,666</b>	<b>\$ 753,570,684</b>

<sup>1</sup> General Government expenses are related to the administration of the City's affairs. These expenses include the cost of all elected officials, as well as the Departments of Finance, Human Resources and Law, among many others.