

CITY OF NORFOLK, VIRGINIA

Department of Finance

POPULAR
ANNUAL
FINANCIAL
REPORT

2023



FISCAL YEAR ENDED JUNE 30, 2023



INTRODUCTION

Dear Citizens and Council Members,

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2023, 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.

All of the data presented in this report is taken from the City's Annual Comprehensive Financial Report (ACFR). The financial data in the ACFR is presented in accordance with Generally Accepted Accounting Principles (GAAP). Organizations that issue an ACFR 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 ACFR, a GAAP-compliant document.

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

Sincerely,

The Department of Finance

IN THIS ISSUE

- 2 Introduction
- 3 Norfolk Government
- 4 Norfolk Education
- 5 Norfolk by the Numbers
- 6 Funding City Services
- 7-8 Revenues
- 9 Where the money goes
- 10 Capital Assets
- 11 Statement of Net Position
- 12 Statement of Activities
- 13 Debt Administration
- 14 Norfolk Awards
- 15 Glossary
- 16 Stay Connected

City Council Members



Kenneth C.
Alexander
Ph.D.



Martin A.
Thomas



Courtney
R. Doyle



Mamie B.
Johnson



John E.
Paige



Thomas R.
Smigiel Jr.



Andria P.
McClellan



Danica J.
Royster

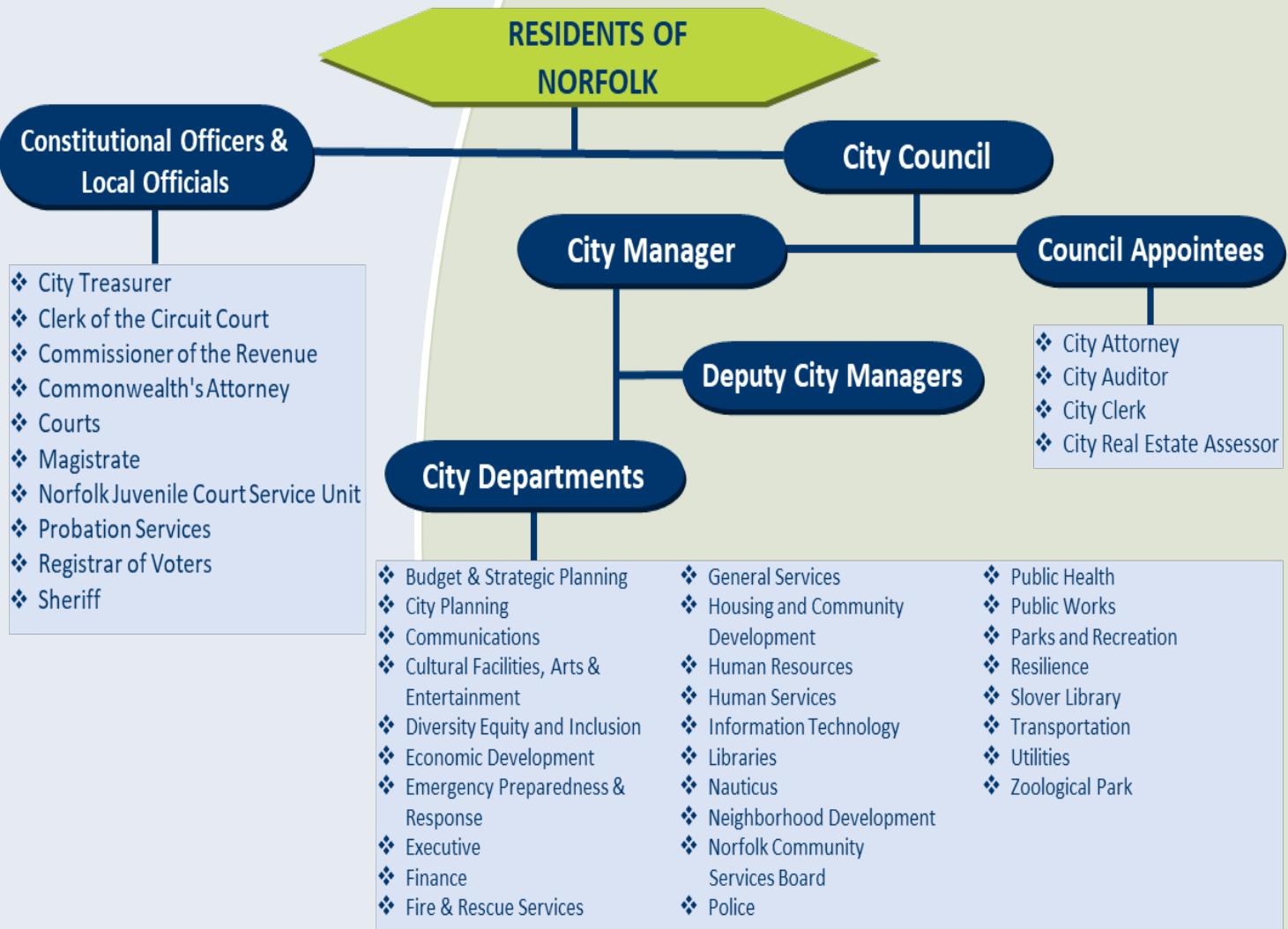
City Manager



Patrick G.
Roberts



City of Norfolk, Virginia - Organizational Chart



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, water, storm water and wastewater utilities, as well as parking facility services are provided under an enterprise fund concept with user-charges set by City Council. These enterprise funds operate on a self-supporting basis.



NORFOLK EDUCATION

Higher Education



Old Dominion University (ODU) recently announced that the building that houses the ODU Student Recreation Center is expanding. The 17,500 square foot two-story expansion will become home to Student Health Services, Counseling Services and Health Promotion.



Tidewater Community College (TCC) announced the opening of a Child Development Center in downtown beginning in winter 2025. Alumni and students of TCC's Early Childhood Development Program will staff the centers and focus on teaching children school readiness and important skills through play.



Norfolk State University (NSU) is Virginia's largest public, historically black university. In March 2023, NSU renewed its partnership with the U.S. Coast Guard to create opportunity for students to receive college tuition support, fees, books, and essential supplies.



ODU and **Eastern Virginia Medical School** (EVMS) launched an initiative that will target health equity to increase the number of minorities who become healthcare professionals. The program, EVMS-NSU Research and Training Incubator for Collaboration in Health Equity (ENRICHe), aims to improve health equity across Hampton Roads and to serve as a resource to the community.

K-12 Education and Libraries



The **Slover Library** blends traditional library functions with the best of contemporary library resources and services.



Norfolk Public Schools (NPS) offers innovative public-school programs, which include Early Childhood Education, a unique, comprehensive program full-day preschool classrooms ensuring 3-year-olds and 4-year-olds enter school with critical early literacy and numeracy skills.



NORFOLK BY THE NUMBERS



*The information provided is the most recent data available.



Picture: Children's Hospital of The King's Daughters

TOP 5 PRIVATE EMPLOYERS (1,000+)

Sentara Healthcare
Children's Hospital of The King's Daughters
Sentara Health Management
Anthem
Security Forces, Inc.

FUN FACT

Norfolk Virginia is a city of approximately 238,000 residents and encompasses 66 square miles. It has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline along our lakes, rivers, and the Bay. It is home to the world's largest naval base and the North American Headquarters for NATO (North Atlantic Treaty Organization).





FUNDING CITY SERVICES

The City has six different types of funds. The **General Fund**, made up of property taxes, charges for services and fees, funds the City's daily operations and services. **Internal Service Funds** account for services provided to other departments and agencies of the City. **Special Revenue and Enterprise Funds** use revenue restricted for specific purposes. **Debt Service Fund** revenue is used to pay for principal and interest on City debt. **Capital Projects Fund** revenue is used to pay for capital outlays including school construction and road repair.

1

General Fund

Libraries,
Police and Fire



2

Enterprise Funds

Water, Waste
Water, Storm Water
Utility and Parking
Facilities



3

Internal Service Funds

Healthcare
and Fleet



4

Special Revenue Funds

Waste Management,
Public Amenities and
Towing and Recovery
Operations



5

Debt Service Fund



6

Capital Projects Fund (CIP)

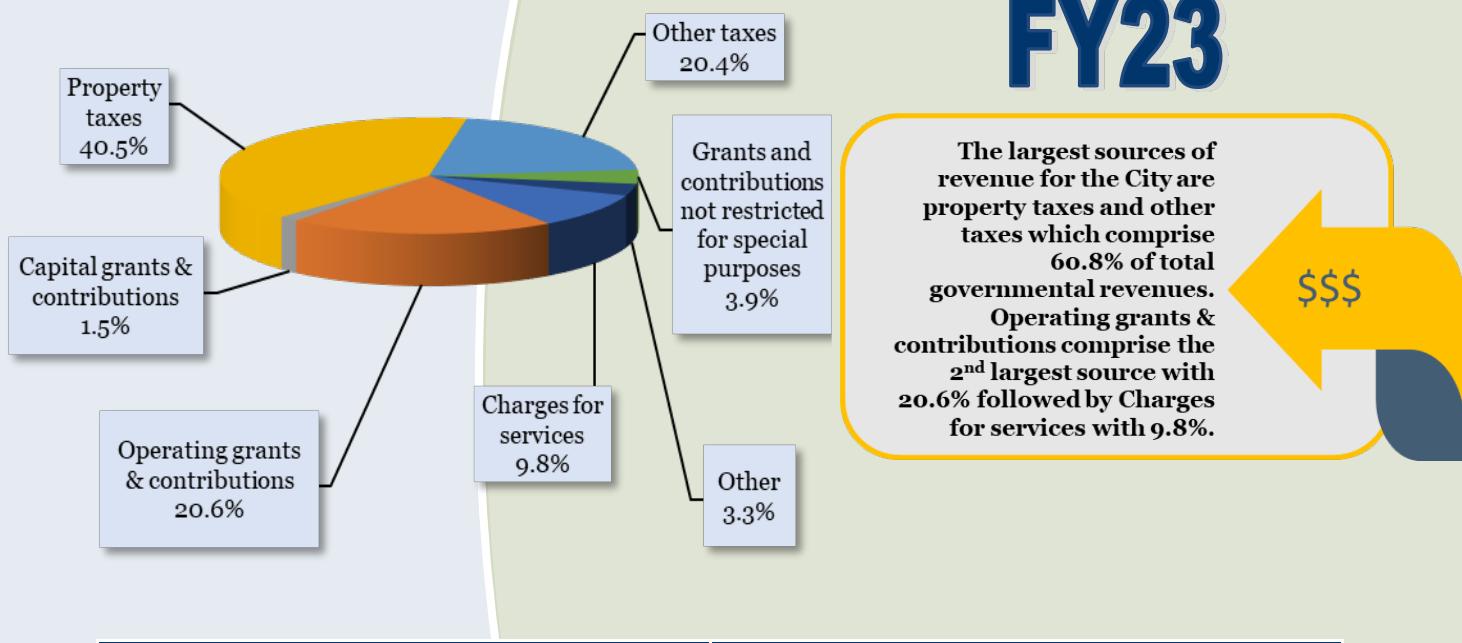


Picture: (top-left to right) Slover Library, Norfolk's Parking Garage, Norfolk's Official Vehicle, Norfolk's Waste Management Truck, Debt and Road repair in Norfolk.



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 2023 totaled \$978,056,679 more than a \$74 million increase from fiscal year 2022.



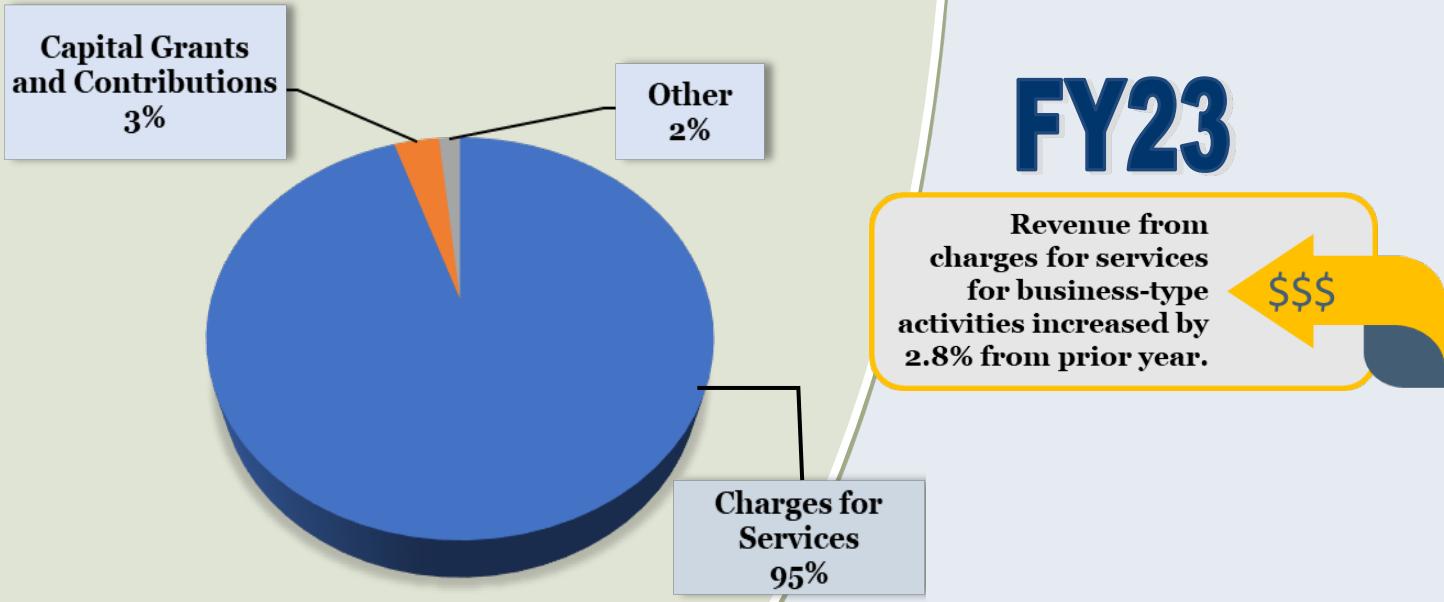
Governmental Activities Revenue	Fiscal Year		
	2023	2022	2021
Program Revenue			
Charges for Services	\$ 95,710,121	\$ 84,204,497	\$ 78,467,164
Operating Grants & Contributions	201,095,425	233,841,799	207,935,782
Capital Grants & Contributions	14,507,612	(4,788)	1,982,849
General Revenue			
Property Taxes	395,914,526	357,257,211	329,293,467
Other Taxes	200,201,555	185,001,440	175,216,636
Grants and Contributions Not Restricted for Specific Purposes	38,583,643	39,719,848	39,499,807
Other	32,043,797	3,611,293	700,504
Total Revenues	\$ 978,056,679	\$ 903,631,300	\$ 833,096,209

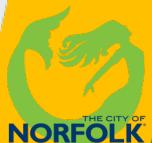


REVENUES

Business-Type Activities Revenue	Fiscal Year		
	2023	2022	2021
Program Revenue			
Charges for Services	\$ 186,768,133	\$ 178,665,490	\$ 167,825,333
Capital Grants and Contributions	6,812,429	-	-
Other	3,189,665	12,805,556	8,265,227
Total Revenue	\$ 196,770,227	\$ 191,471,046	\$ 176,090,560

Business-type activities include the operations of the City's Water Utility, Wastewater Utility, Storm Water Utility and Parking Facilities funds. Total revenues for fiscal year 2023 were \$196,770,227 with the majority from fees categorized as charges for services of \$186,768,133.



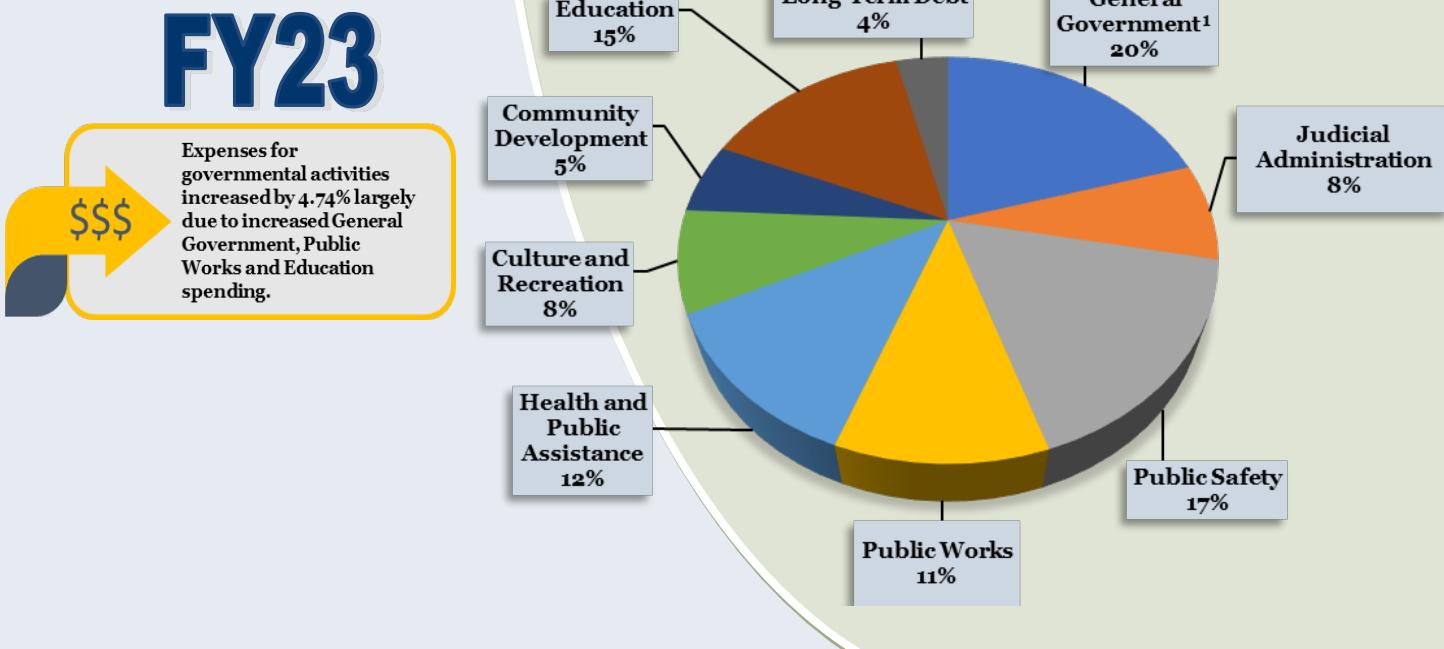


WHERE THE MONEY GOES

The City's governmental activities include a variety of services with a significant portion of spending (20%) directed towards general government. Total expenses for governmental activities in fiscal year 2023 were \$800,056,345.

	Fiscal Year		
	2023	2022	2021
Governmental Activities Expense			
General Government¹	\$163,078,726	\$142,588,555	\$ 150,511,364
Judicial Administration	61,730,007	47,384,436	47,505,416
Public Safety	135,118,042	135,155,626	102,696,731
Public Works	85,372,658	58,040,675	57,246,349
Health and Public Assistance	96,769,724	90,165,347	76,087,642
Culture and Recreation	64,618,422	54,751,290	35,794,242
Community Development	45,021,559	71,342,476	66,150,674
Education	118,262,832	138,901,682	112,363,179
Interest on Long-Term Debt	30,084,375	25,473,700	29,875,970
Total Expenses	\$ 800,056,345	\$ 763,803,787	\$ 678,231,567

¹General 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.

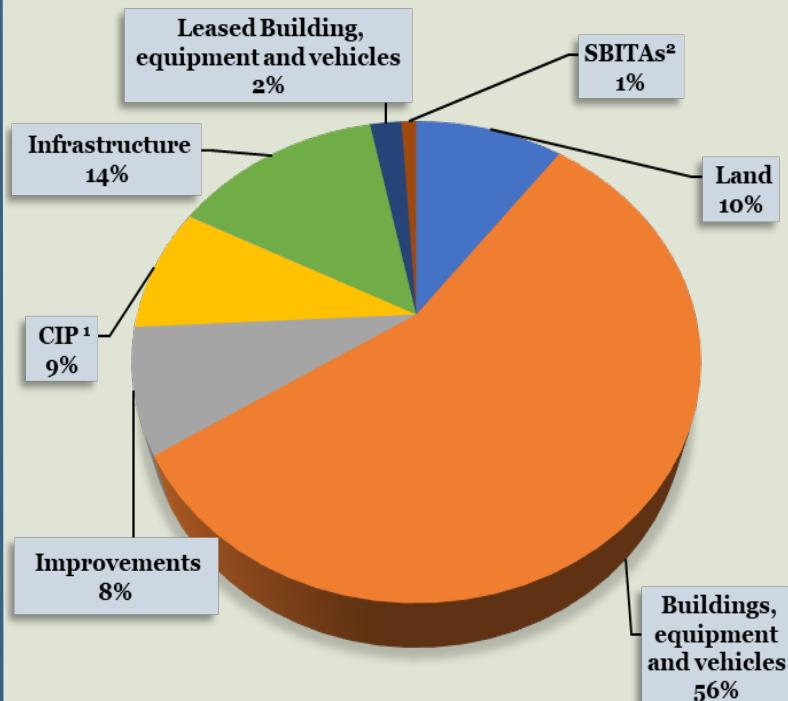




CAPITAL ASSETS

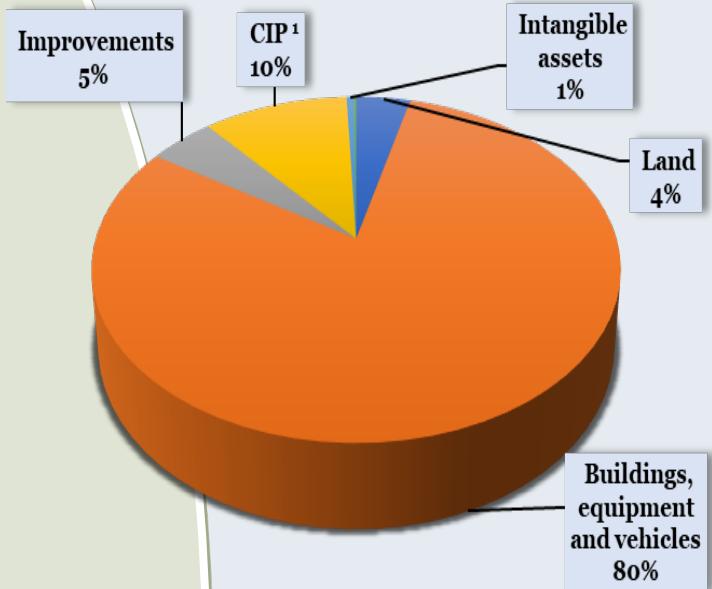
Assets can be generally defined as the items the City owns that will provide an economic benefit in the future. Specifically, the City's capital assets are owned primarily for their contribution to the quality of the community. Examples include, a parcel of land that is owned and used as a park (governmental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

Governmental Capital Assets as of June 30, 2023
\$1,215,243,601



¹ CIP (Construction in Progress)

² SBITA (Subscription Based Information Technology Arrangement)



¹ CIP (Construction in Progress)

Business-Type Capital Assets as of June 30, 2023
\$1,146,246,921

The City's total **capital assets** at June 30, 2023, was \$2,361,490,522 consisting of \$1,215,243,601 in governmental assets and \$1,146,246,921 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.



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.

		Fiscal Year			
		2023	2022	2021	
What We Have	+	Current and Other Assets	\$ 1,031,887,694	\$ 877,579,354	\$ 701,223,663
		Capital Assets	2,361,490,522	2,308,081,420	2,237,849,318
		Deferred Outflows of Resources	284,957,960	161,939,918	350,362,662
		Total Assets and Deferred Outflows of Resources	3,678,336,176	3,347,600,692	\$ 3,289,435,643
What We Owe	-	Long-Term Liabilities	2,161,284,534	1,828,074,651	2,163,614,708
		Other Liabilities	212,793,414	314,126,701	294,850,385
		Deferred Inflows of Resources	47,412,766	180,576,139	28,690,964
		Total Liabilities and Deferred Inflows of Resources	2,421,490,714	2,322,777,491	\$ 2,487,156,057
What's Left	=	Net Position			
		Net Investment in Capital Assets	1,039,816,360	907,737,671	825,536,757
		Restricted	52,166,165	36,962,564	40,804,912
		Unrestricted	164,862,937	80,122,966	(64,062,083)
		Total Net Position	\$ 1,256,845,462	\$ 1,024,823,201	\$ 802,279,586

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 and the recognition of the net pension liabilities to the City's employees' retirement system and the Virginia retirement system. GASB 68 improves information provided by state and local governmental employers about financial support for pensions.

In the case of the City, assets exceeded liabilities by \$1,256,845,462 at the close of fiscal year 2023. This is an increase of approximately 22.6 % from fiscal year 2022.

FY23

\$\$\$

The largest portion (83%) of the City's net position is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets.



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. 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		
	2023	2022	2021
Program Revenue			
Charges for Services	\$ 282,478,254	\$ 262,869,987	\$ 246,292,497
Operating Grants & Contributions	201,095,425	233,841,799	207,935,782
Capital Grants & Contributions	21,320,041	(4,788)	1,982,849
General Revenue			
Property Taxes	395,914,526	357,257,211	329,293,467
Other Taxes	200,201,555	185,001,440	175,216,636
Grants and Contributions Not Restricted for Specific Purposes	38,583,643	39,719,848	39,499,807
Other	35,233,462	16,416,849	8,965,731
Total Revenue	1,174,826,906	1,095,102,346	1,009,186,769
Expenses			
Governmental Activities	800,056,345	763,803,787	678,231,567
Water Utility	74,370,318	57,826,975	63,488,950
Wastewater Utility	23,191,209	18,658,063	21,086,758
Storm Water Utility	20,144,889	15,960,244	16,330,958
Parking Facilities	21,813,638	16,309,662	20,030,843
Total Expenses	939,576,399	872,558,731	799,169,076
Increase (decrease) in Net Position before Special Items	235,250,507	222,543,615	17,693
Special Items	(3,228,246)	-	-
Increase (decrease) in Net Position after Special Items	232,022,261	-	-
Net Position Beginning of Year	1,024,823,201	802,279,586	802,261,893
Net Position End of Year	\$ 1,256,845,462	\$ 1,024,823,201	\$ 802,279,586

FY23



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.



DEBT ADMINISTRATION

Outstanding Debt

The City's debt structure includes **General Obligation Bonds** that is backed by the full faith and credit of the City and **Revenue Bonds** 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. The City also has authorization to draw up to \$50 million to fund operating expenses caused by a significant emergency event, such as a hurricane recovery. The City's total debt outstanding increased by 1.5% compared to previous year.

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



Picture: St. Paul's Transformation: Pump Station



Picture: Five Points Civic Plaza/Park

General Obligation Debt Limit

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

Credit Ratings*

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

As a result of strong credit ratings, the City may receive lower borrowing costs on its bond issuances.

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

** No underlying ratings for Wastewater or Storm Water Revenue Bonds



NORFOLK AWARDS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 37th consecutive year that the City received this prestigious award. This award is valid for a period of one year only. We believe that the FY 2023 ACFR continues to meet the requirements again this year.

Fiscal Year 2023 Distinguished Budget Presentation Award, GFOA



2023 Outstanding Achievement for a Public Risk Management Program Award, 1st place winner



Norfolk's Department of Utilities Wins River Star Business Achievement Level Award



#44 100 Best Fleets, The 100 Best Fleets in the Americas, 2022



National James Lee Witt Local Award for Excellence in Floodplain Management, Association of State Floodplain Managers, 2023



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Norfolk
Virginia**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell
Executive Director/CEO

CITY EARNS 7th PAFR AWARD

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. Fiscal Year 2022 was the 7th year that the City received this prestigious award. We believe that this FY 2023 PAFR continues to meet the requirements again this year.



GLOSSARY

13th View Beach Cleanup



Norfolk Botanical Garden



Norfolk Animal Care Center



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 cover 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 - Construction in Progress.

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.

SBITA - Subscription Based Information Technology Arrangement

Unrestricted - funds available to use for operations.



About this Report

Although this report is largely based on the City's 2023 ACFR, this report is not prepared in accordance with 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 2023 ACFR, which is prepared in accordance with GAAP, is located at <https://www.Norfolk.gov/325/Financial-Reports>



STAY CONNECTED

www.Norfolk.gov

TWITTER

◊ www.twitter.com/NorfolkVA
◊
See regular updates from our website newsfeed!



FACEBOOK

◊ www.facebook.com/NorfolkVA
◊
Get updates on the latest City news > Hear about community events > Learn about City facilities and programs > See photos of current City Projects.



YOUTUBE

◊ www.youtube.com/NorfolkTV
◊
Norfolk City Council Meeting > Norfolk News Now > Short videos about Norfolk's History



LINKEDIN

◊ www.linkedin.com/company/City-of-Norfolk
◊
Recent Headlines > Upcoming Events



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, VA, 23510

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>