



CITY OF NORFOLK, VIRGINIA

DEPARTMENT OF FINANCE



2021

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

Dear Citizens and Council Members,

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2021, 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 midst of the COVID-19 pandemic, City Council and management have been committed to ensuring the City has a path of long-term recovery. The fiscal year 2021 budget development focused on the realignment of the City's capacity and resources to deliver its programs and services effectively to residents. The fiscal year 2022 budget continues to support City Council priorities which include Norfolk Public Schools, attracting and retaining talent, recreation and library operations, support for our youth, City-wide beautification, affordable housing and community development, as well as, streamlined development services.

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

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, 2021



Mayor
Kenneth Cooper Alexander



Vice Mayor
Martin A. Thomas
Ward 1



Council Member
Courtney Doyle
Ward 2



Council Member
Mamie B. Johnson
Ward 3



Council Member
Paul R. Riddick
Ward 4



Council Member
Thomas R. Smigiel, Jr.
Ward 5



Council Member
Andria P. McClellan
Superward 6



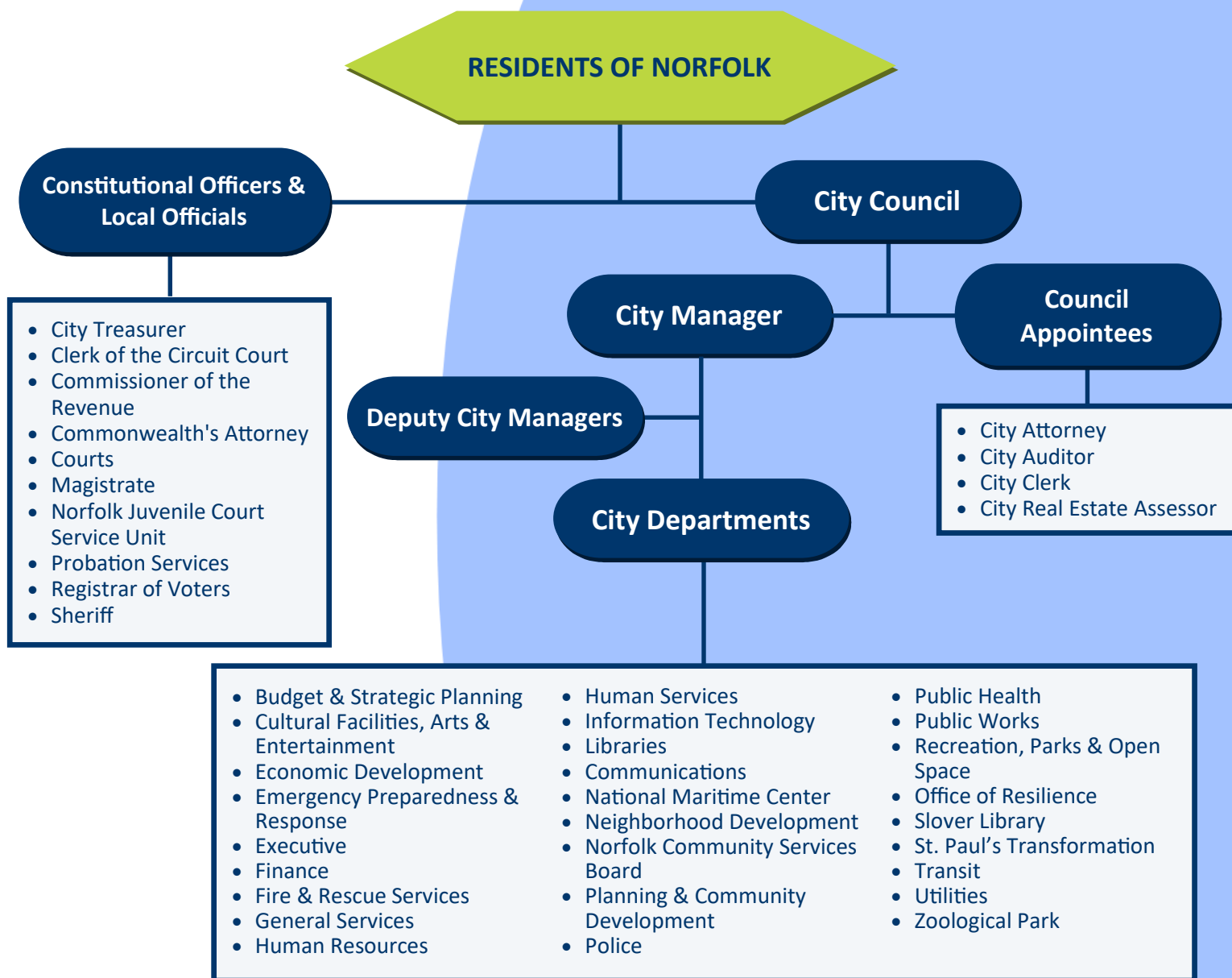
Council Member
Danica J. Royster
Superward 7



City Manager
Larry "Chip" Filer

Norfolk Government

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. 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

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



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



Larchmont Elementary School



Richard A. Tucker Memorial 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.

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.

Norfolk by the Numbers

3rd

Third Largest
City in the
Commonwealth

PARKING

24

Parking Lots/
Garages

27

Community
Centers

106

Playgrounds

12

Libraries

ART & ENTERTAINMENT

7

Major Venues

\$228,900

2020 Median Sales Price
of Homes Sold

27,955

Norfolk Public
Schools
Population

77

Parks

POLICE

3

Police Stations

FIRE

14

Fire Stations

\$42,996

2020 Per Capita
Personal Income

3,892

Full-Time
Employees

4.2%

November 2021
Unemployment
Rate

210,359

Service Calls

TOP EMPLOYERS (1,000+)

Sentara Healthcare
Children's Hospital of The King's Daughters
Sentara Health Management
Eastern Virginia Medical School
Anthem
Norfolk Shipbuilding & Drydock Corporation
Portfolio Recovery Association
Security Forces, Inc.

*Excluding government entities

PUBLIC WORKS

2,210

Miles of Street

WASTEWATER

135

Pump Stations

Funding City Services



GENERAL FUND

Examples:

Libraries, Police, Fire



ENTERPRISE FUNDS

Examples:

Water Utility, Wastewater Utility, Storm Water Utility and Parking Facilities



SPECIAL REVENUE FUNDS

Example:

Community Development Block Grant (CDBG)



INTERNAL SERVICE FUNDS

Examples:

Healthcare & Fleet



DEBT SERVICE FUND

Examples:

Fund Used To Pay For Principal And Interest On City Debt

CAPITAL PROJECTS FUND (CIP)

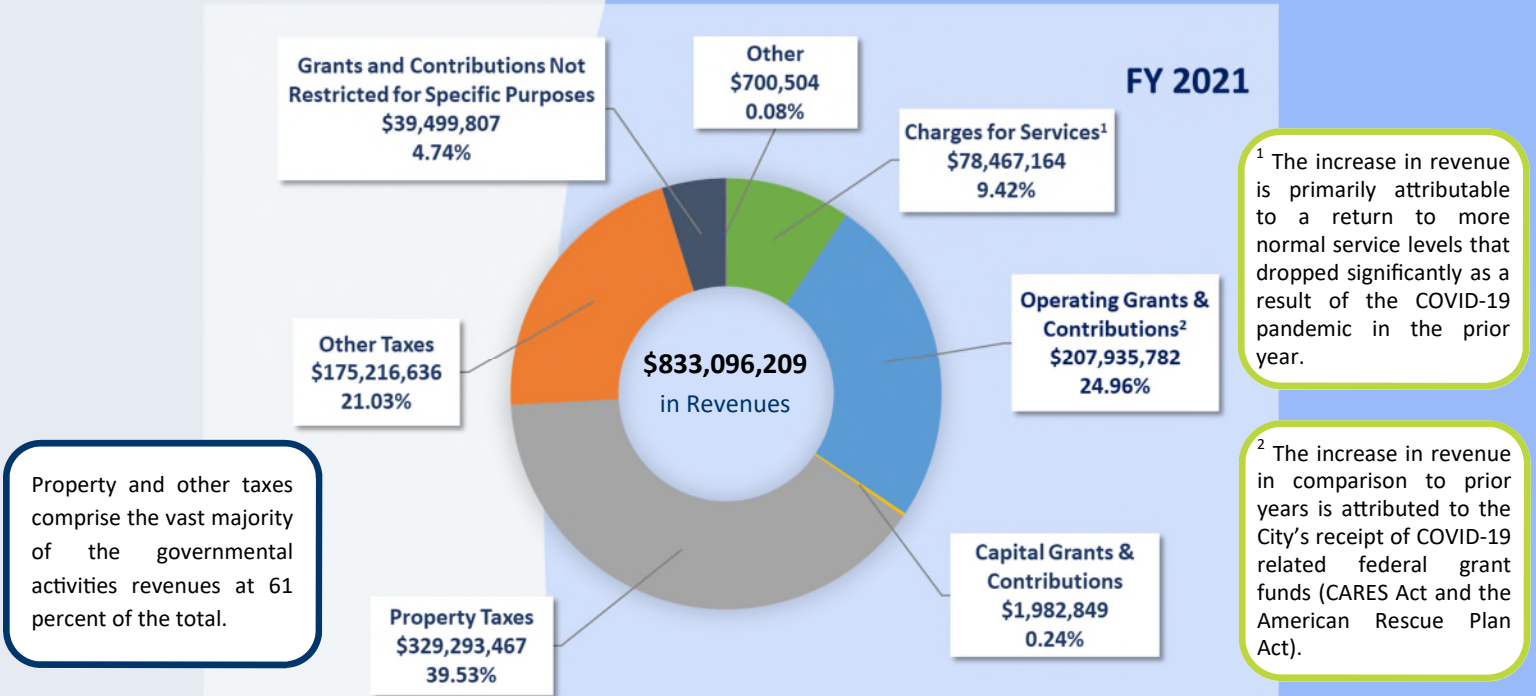
Examples:

School Construction & Road Repair

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.

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 2021 totaled \$833,096,209, more than a \$68 million increase from fiscal year 2020.



Governmental Activities: Revenue by Source - FY 2021

Governmental Activities Revenue	Fiscal Year		
	2021	2020	2019
Program Revenue			
Charges for Services ¹	\$ 78,467,164	\$ 54,528,931	\$ 75,887,233
Operating Grants & Contributions ²	207,935,782	161,602,162	142,804,187
Capital Grants & Contributions	1,982,849	1,247,094	3,806,128
General Revenue			
Property Taxes	329,293,467	316,997,699	303,622,810
Other Taxes	175,216,636	171,533,022	177,263,305
Grants and Contributions Not	39,499,807	36,316,393	35,965,314
Other	700,504	22,496,391	13,889,588
Total Revenues	\$ 833,096,209	\$ 764,721,692	\$ 753,238,565

Revenues

Business-Type Activities Revenues

FY 2021

\$176,090,560
in Business-Type
Activities Revenues

**Charges for
Services
95.31%**

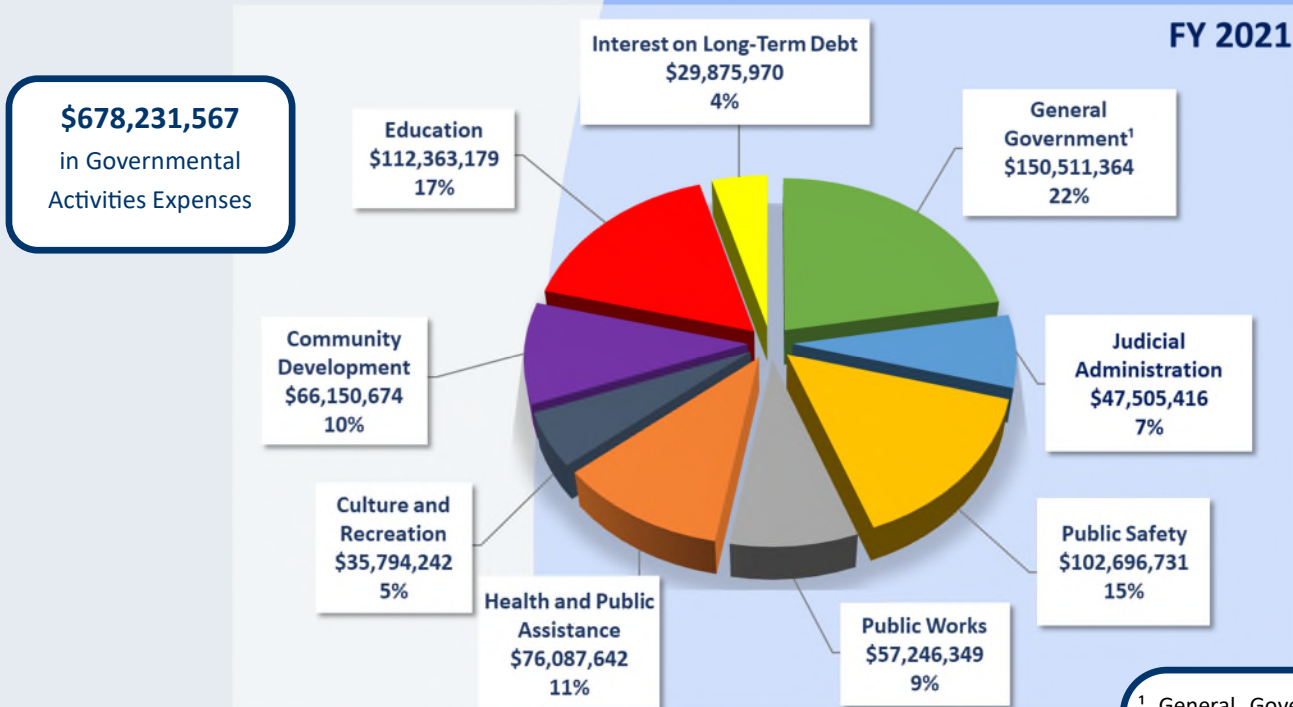
**Other
4.69%**

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 2021 were \$176,090,560 with the majority from fees categorized as charges for services of \$167,825,333.

Business-Type Revenue	Fiscal Year		
Program Revenue	2021	2020	2019
Charges for Services	\$ 167,825,333	\$ 164,700,673	\$ 165,092,161
Capital Grants & Contributions	-	202,692	380,664
Other	8,265,227	5,544,777	4,791,650
Total Revenue	\$ 176,090,560	\$ 170,448,142	\$ 170,264,475

Where the Money Goes

The City's governmental activities include a variety of services with the majority of spending (33 percent) directed towards public education and public safety. Total expenses for governmental activities in fiscal year 2021 were \$678,231,567.



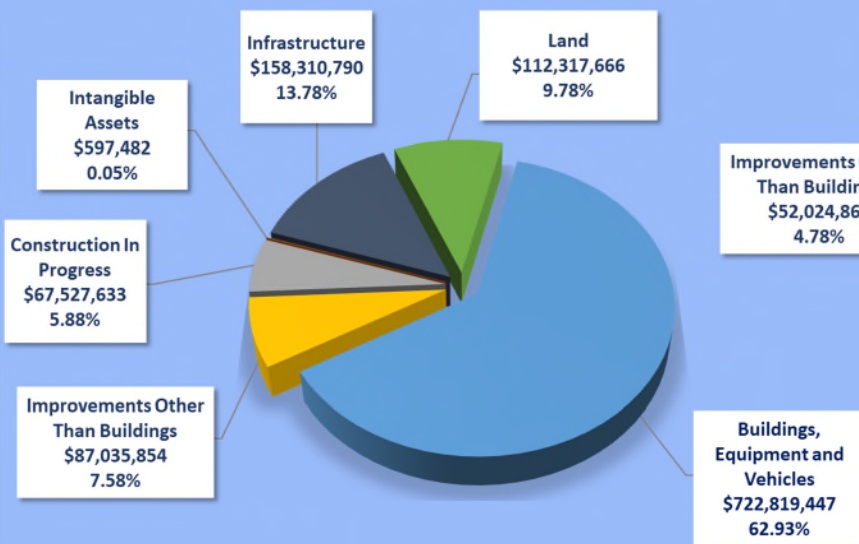
¹ General Government expenses are related to the administration of the City's affairs. These expenses include the cost of all elected officials, as well as the Departments of Finance, Human Resources and Law, among many others.

Governmental Activities Expense	Fiscal Year		
	2021	2020	2019
General Government ¹	\$ 150,511,364	\$157,800,826	\$ 157,320,255
Judicial Administration	47,505,416	48,443,053	46,124,063
Public Safety	102,696,731	153,190,268	138,889,690
Public Works	57,246,349	61,611,766	66,078,582
Health and Public Assistance	76,087,642	97,274,531	91,735,421
Culture and Recreation	35,794,242	64,901,083	58,961,688
Community Development	66,150,674	40,728,057	29,381,236
Education	112,363,179	135,699,293	136,659,606
Interest on Long-Term Debt	29,875,970	24,998,008	28,817,125
Total Expenses²	\$ 678,231,567	\$784,646,885	\$ 753,967,666

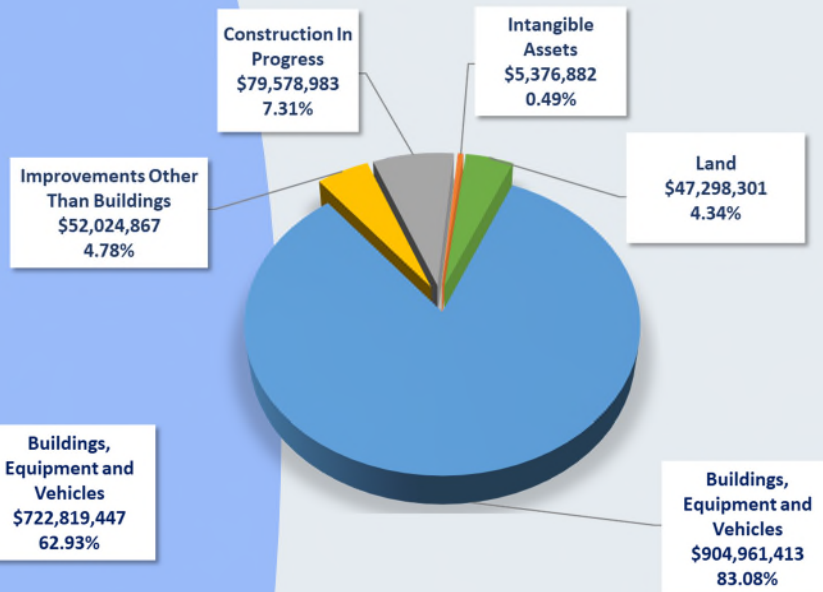
² Total governmental activities' expenses decreased significantly in comparison to fiscal year 2020 as a result of the recordation of an additional \$120 million contribution made to the Norfolk Employees' Retirement System, to further benefit the already healthy retirement system. As this additional contribution was made in fiscal year 2021, but subsequent to the measurement date of the pension liability, GAAP accounting requires the additional contribution to be classified as a deferred outflow, which reduced expenses.

Capital Assets

**Governmental Capital
Assets Total as of June 30, 2021
\$1,148,608,872**



**Business-Type Capital
Assets Total as of June 30, 2021
\$1,089,240,446**



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, 2021, was \$2,237,849,318 consisting of \$1,148,608,872 in governmental assets and \$1,089,240,446 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.

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 \$802,279,586 at the close of fiscal year 2021. This is an increase of less than 1 percent from fiscal year 2020.

	Fiscal Year		
	2021	2020	2019
What We Have			
Current and Other Assets	\$ 701,223,663	\$ 567,326,163	\$ 473,506,902
Capital Assets	2,237,849,318	2,230,298,897	2,231,976,826
Deferred Outflows of Resources	350,362,662	163,068,051	139,783,265
Total Assets and Deferred Outflows of Resources	\$ 3,289,435,643	\$ 2,960,693,111	\$ 2,845,266,993
What We Owe			
Long-Term Liabilities	2,163,614,708	1,936,170,430	1,926,924,804
Other Liabilities	294,850,385	190,368,768	118,854,936
Deferred Inflows of Resources	28,690,964	31,892,020	23,951,750
Total Liabilities and Deferred Inflows of Resources	\$ 2,487,156,057	\$ 2,158,431,218	\$ 2,069,731,490
What's Left			
Net Position			
Net Investment in Capital Assets	825,536,757	790,226,577	747,068,430
Restricted	40,804,912	39,040,578	35,190,852
Unrestricted	(64,062,083)	(27,005,262)	(6,723,779)
Total Net Position	\$ 802,279,586	\$ 802,261,893	\$ 775,535,503

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		
	2021	2020	2019
Program Revenue			
Charges for Services	\$ 246,292,497	\$ 219,229,604	\$ 240,979,394
Operating Grants & Contributions	207,935,782	161,602,162	142,804,187
Capital Grants & Contributions	1,982,849	1,449,786	4,186,792
General Revenue			
Property Taxes	329,293,467	316,997,699	303,622,810
Other Taxes	175,216,636	171,533,022	177,263,305
Grants and Contributions Not Restricted for Specific Purposes	39,499,807	36,316,393	35,965,314
Other	8,965,731	28,041,168	18,681,238
Total Revenue	\$ 1,009,186,769	\$ 935,169,834	\$ 923,503,040
Expenses			
Governmental Activities	\$ 678,231,567	\$ 784,646,885	\$ 753,967,666
Water Utility	63,488,950	64,625,130	63,966,633
Wastewater Utility	21,086,758	21,082,383	20,201,303
Parking Facilities	20,030,843	24,849,833	25,365,151
Storm Water Utility	16,330,958	13,239,213	-
Total Expenses	\$ 799,169,076	\$ 908,443,444	\$ 863,500,783
Increase (decrease) in Net Position before Transfers	17,693	26,726,390	60,002,257
Net Position Beginning of Year, Restated	802,261,893	775,535,503	715,533,246
Net Position End of Year	\$ 802,279,586	\$ 802,261,893	\$ 775,535,503

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 \$1.27 billion, which is 57.21 percent of assessed valuation and is significantly less than the current calculated statutory debt limit of \$2.22 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. The City also has authorization from Bank of America, N.A. to draw up to \$50 million to fund operating expenses caused by a significant emergency event.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 887,775,611	\$ 729,939,268	\$ 245,636,154	\$ 249,596,588	\$1,133,411,765	\$ 979,508,856
Line of Credit	83,260,000	60,000,000	-	3,000,000	83,260,000	63,000,000
Revenue Bonds	-	-	366,772,061	382,296,253	366,771,983	382,296,253
Total	\$ 971,035,611	\$ 789,939,268	\$ 612,408,215	\$ 634,865,841	\$1,583,443,748	\$1,424,805,109

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 receives highly competitive pricing on its 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.

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

**No underlying ratings for Wastewater Revenue Bonds

Norfolk Awards and Recognition

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, 2020. This was the 35th 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 2021 ACFR continues to meet the requirements and has been submitted to GFOA again this year.

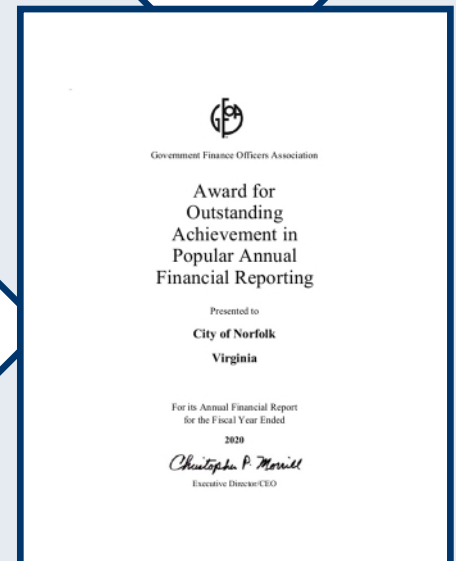
***Ranked 10th for
Digital City
(Population 125,000
to 249,999) Center
for Digital
Governments***

***The Gold Excellence in
Economic Development
Award, Silver Excellence in
Economic Development
Award & Community Impact
Award, International
Economic Development
Council (IEDC)***

***2021 Hire Vets
Medallion Award,
United States
Department of
Labor, 2021***

***Ranked Top 10 in
Cities Where
Millennials Are
Moving***

***Best Places to
Visit in Virginia,
U.S. New & World
Report, 2020***



CITY EARNS 5th PAFR AWARD

The GFOA awarded the City the Certificate of Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2020. Fiscal Year 2020 was the 5th year that the City received this prestigious award. We believe that this FY 2021 PAFR continues to meet the requirements and has been submitted to GFOA again this year.

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 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 - 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.

Ocean View Beach Pier



Norfolk Botanical Gardens



Asphalt Art Initiative Five Points



About this Report

Although this report is largely based on the City's 2021 Annual Comprehensive 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 2021 ACFR, which is prepared in accordance with GAAP, is located at <http://www.Norfolk.gov/325/Financial-Reports>

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 requests for additional financial information should be addressed to:

City of Norfolk, Department of Finance

810 Union Street, Suite 600

Norfolk, VA, 23510

Stay Connected

www.Norfolk.gov



www.facebook.com/Norfolk



Get updates on the latest City news
Hear about community events
Learn about City facilities and programs
See photos of current City Projects



www.youtube.com/NorfolkTV



Norfolk City Council Meetings
Norfolk News Now
Short videos about Norfolk's History
Videos pertaining to Norfolk Planning Commission



www.twitter.com/NorfolkVa



See regular updates from our website
newsfeed!



www.linkedin.com/company/City-of-Norfolk



Recent Headlines
Upcoming Events

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>