



# 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*

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## 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



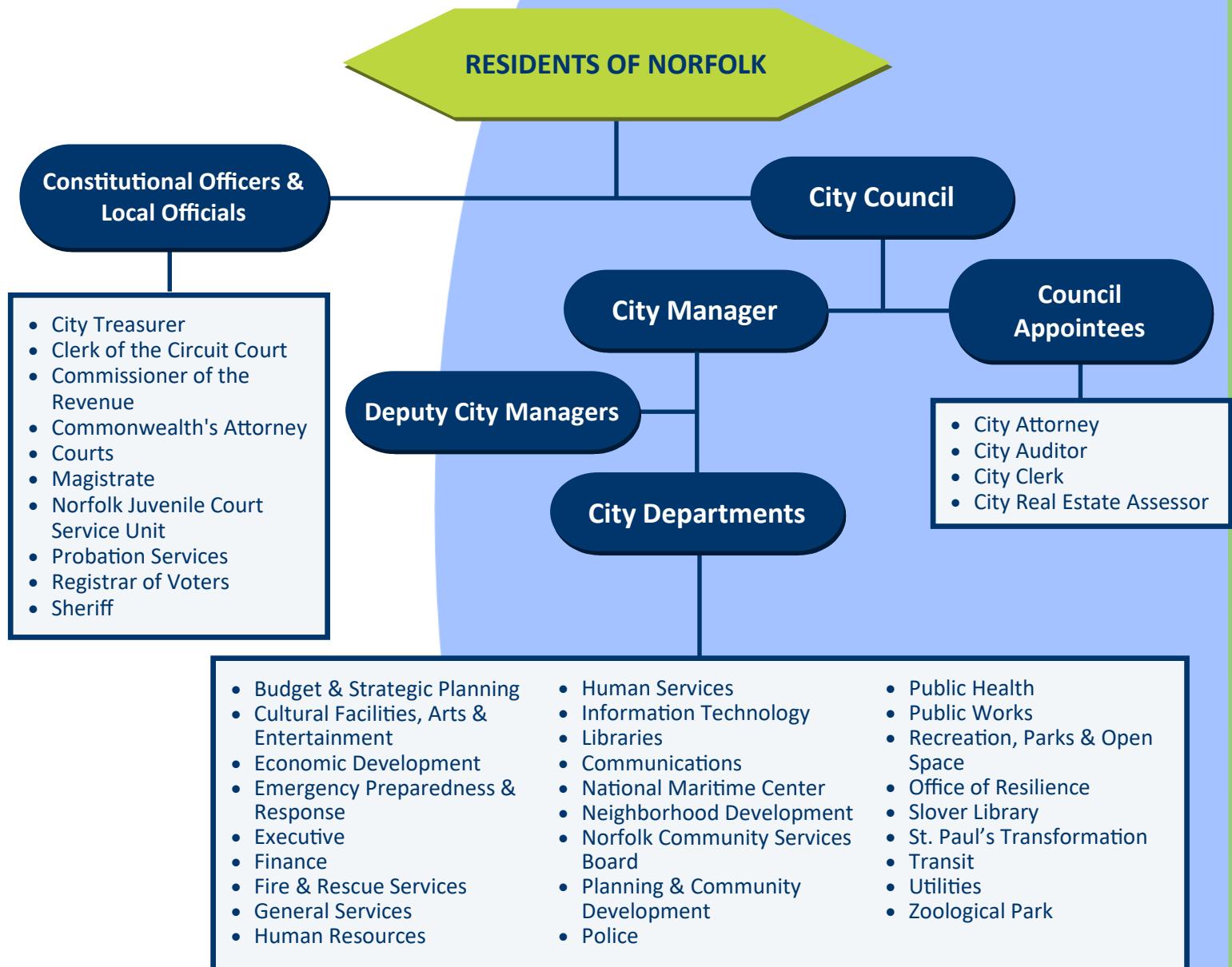
Council Member  
Danica J. Royster  
Superward 7



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



**EVMS**  
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

**3<sup>rd</sup>**

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

**210,359**

Service Calls

**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

**PUBLIC WORKS**

**2,210**

Miles of Street

## 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.

**WASTEWATER**

**135**

Pump Stations

\*Excluding government entities

# 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)

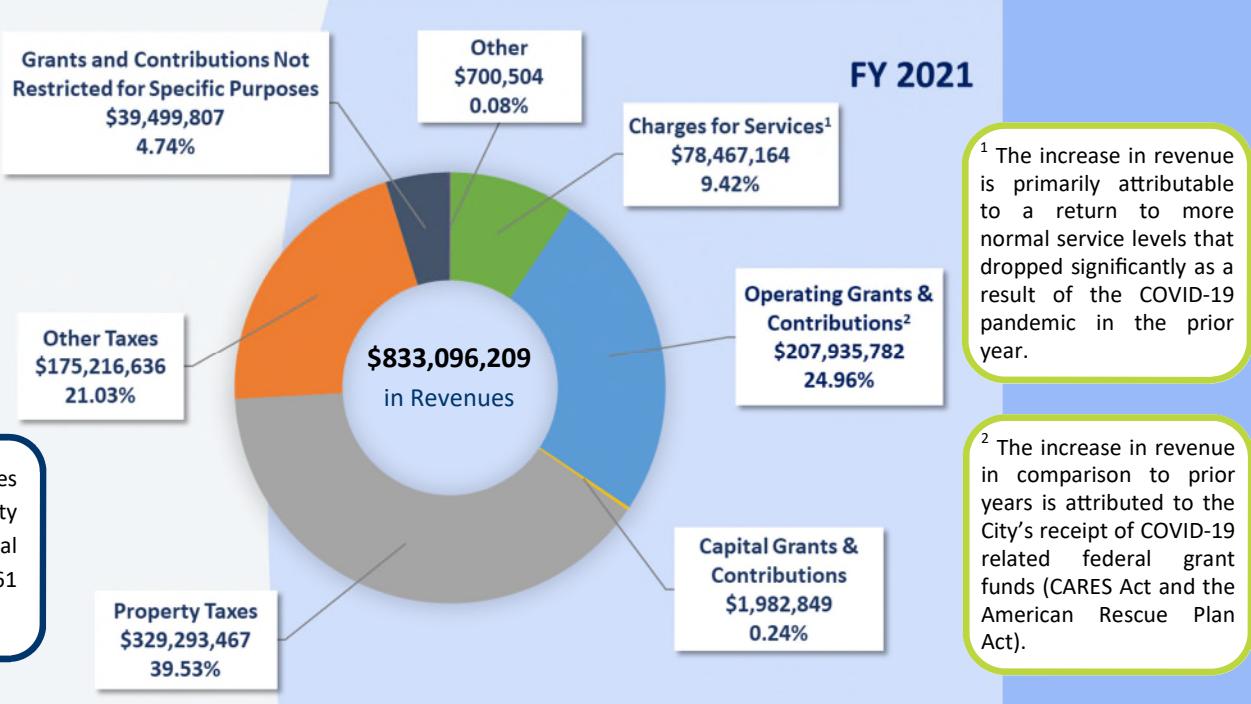
Examples:

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.

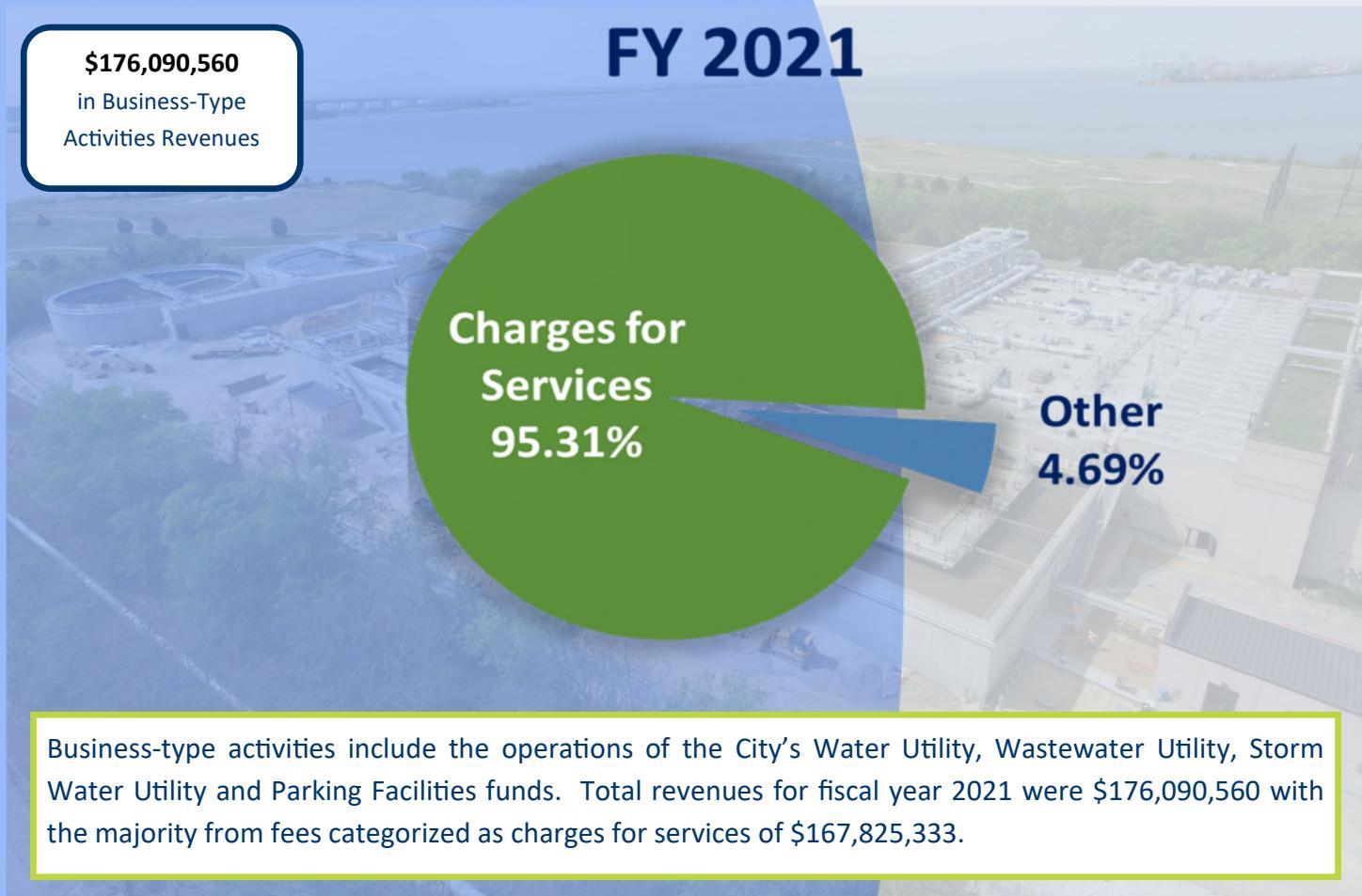


## Governmental Activities: Revenue by Source - FY 2021

| Governmental Activities Revenue               | Fiscal Year           |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 2021                  | 2020                  | 2019                  |
| <b>Program Revenue</b>                        |                       |                       |                       |
| Charges for Services <sup>1</sup>             | \$ 78,467,164         | \$ 54,528,931         | \$ 75,887,233         |
| Operating Grants & Contributions <sup>2</sup> | 207,935,782           | 161,602,162           | 142,804,187           |
| Capital Grants & Contributions                | 1,982,849             | 1,247,094             | 3,806,128             |
| <b>General Revenue</b>                        |                       |                       |                       |
| 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            |
| <b>Total Revenues</b>                         | <b>\$ 833,096,209</b> | <b>\$ 764,721,692</b> | <b>\$ 753,238,565</b> |

# Revenues

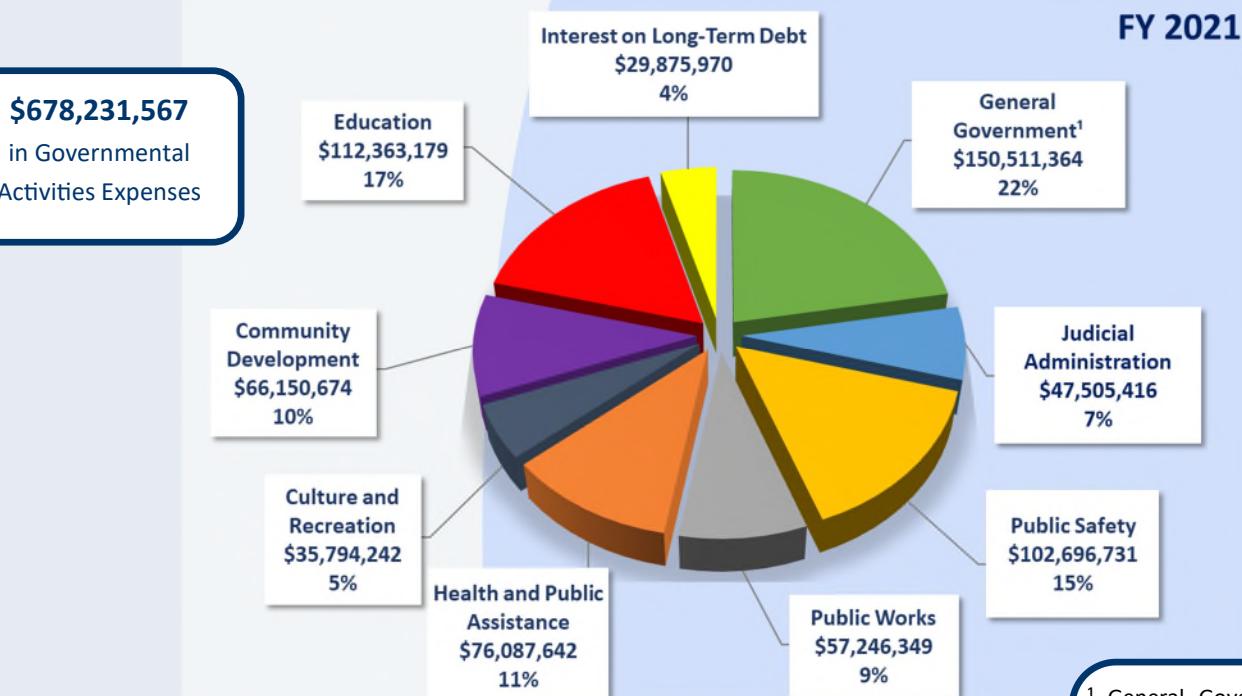
## Business-Type Activities Revenues



| Business-Type Revenue          | Fiscal Year           |                       |                       |
|--------------------------------|-----------------------|-----------------------|-----------------------|
|                                | 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             |
| <b>Total Revenue</b>           | <b>\$ 176,090,560</b> | <b>\$ 170,448,142</b> | <b>\$ 170,264,475</b> |

# 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.



|  | Fiscal Year           |                      |                       |
|--|-----------------------|----------------------|-----------------------|
|  | 2021                  | 2020                 | 2019                  |
| <b>Governmental Activities Expense</b> |                       |                      |                       |
| General Government <sup>1</sup>        | \$ 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            |
| <b>Total Expenses<sup>2</sup></b>      | <b>\$ 678,231,567</b> | <b>\$784,646,885</b> | <b>\$ 753,967,666</b> |

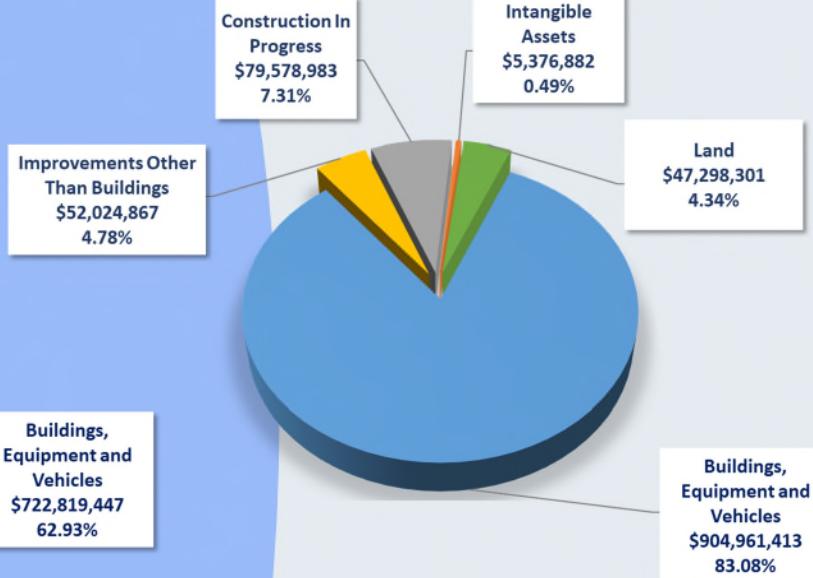
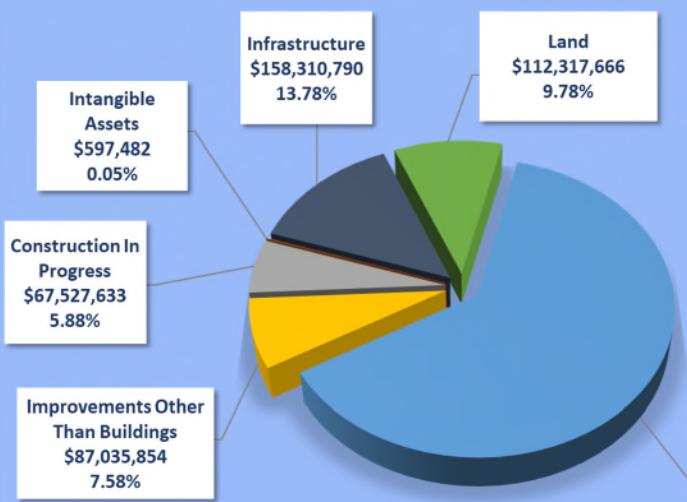
<sup>1</sup> General Government expenses are related to the administration of the City's affairs. These expenses include the cost of all elected officials, as well as the Departments of Finance, Human Resources and Law, among many others.

<sup>2</sup> 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 a increase of less than 1 percent from fiscal year 2020.



What We Owe

What's

Left

|  | Fiscal Year      |                  |                  |
|--|------------------|------------------|------------------|
|  | 2021             | 2020             | 2019             |
| <b>Current and Other Assets</b>                            | \$ 701,223,663   | \$ 567,326,163   | \$ 473,506,902   |
| <b>Capital Assets</b>                                      | 2,237,849,318    | 2,230,298,897    | 2,231,976,826    |
| <b>Deferred Outflows of Resources</b>                      | 350,362,662      | 163,068,051      | 139,783,265      |
| <b>Total Assets and Deferred Outflows of Resources</b>     | \$ 3,289,435,643 | \$ 2,960,693,111 | \$ 2,845,266,993 |
| <b>Long-Term Liabilities</b>                               | 2,163,614,708    | 1,936,170,430    | 1,926,924,804    |
| <b>Other Liabilities</b>                                   | 294,850,385      | 190,368,768      | 118,854,936      |
| <b>Deferred Inflows of Resources</b>                       | 28,690,964       | 31,892,020       | 23,951,750       |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | \$ 2,487,156,057 | \$ 2,158,431,218 | \$ 2,069,731,490 |
| <b>Net Position</b>  |                  |                  |                  |
| <b>Net Investment in Capital Assets</b>                    | 825,536,757      | 790,226,577      | 747,068,430      |
| <b>Restricted</b>  | 40,804,912       | 39,040,578       | 35,190,852       |
| <b>Unrestricted</b>  | (64,062,083)     | (27,005,262)     | (6,723,779)      |
| <b>Total Net Position</b>                                  | \$ 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                  |
| <b>Program Revenue</b>   |                       |                       |                       |
| Charges for Services   | \$ 246,292,497        | \$ 219,229,604        | \$ 240,979,394        |
| <b>Operating Grants &amp; Contributions</b>                          | 207,935,782           | 161,602,162           | 142,804,187           |
| <b>Capital Grants &amp; Contributions</b>                            | 1,982,849             | 1,449,786             | 4,186,792             |
| <b>General Revenue</b>   |                       |                       |                       |
| Property Taxes   | 329,293,467           | 316,997,699           | 303,622,810           |
| Other Taxes  | 175,216,636           | 171,533,022           | 177,263,305           |
| <b>Grants and Contributions Not Restricted for Specific Purposes</b> | 39,499,807            | 36,316,393            | 35,965,314            |
| <b>Other</b>   | 8,965,731             | 28,041,168            | 18,681,238            |
| <b>Total Revenue</b>   | \$ 1,009,186,769      | \$ 935,169,834        | \$ 923,503,040        |
| <b>Expenses</b>  |                       |                       |                       |
| <b>Governmental Activities</b>                                       | \$ 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            | -                     |
| <b>Total Expenses</b>  | \$ 799,169,076        | \$ 908,443,444        | \$ 863,500,783        |
| <b>Increase (decrease) in Net Position before Transfers</b>          | 17,693                | 26,726,390            | 60,002,257            |
| <b>Net Position Beginning of Year, Restated</b>                      | 802,261,893           | 775,535,503           | 715,533,246           |
| <b>Net Position End of Year</b>                                      | <b>\$ 802,279,586</b> | <b>\$ 802,261,893</b> | <b>\$ 775,535,503</b> |

# 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                    | <b>\$ 971,035,611</b>   | <b>\$ 789,939,268</b> | <b>\$ 612,408,215</b>    | <b>\$ 634,865,841</b> | <b>\$1,583,443,748</b> | <b>\$1,424,805,109</b> |

### 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.

# 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 35<sup>th</sup> 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.

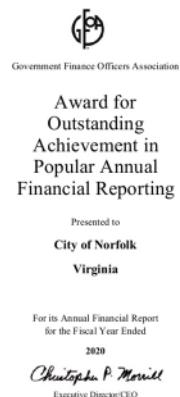
*Ranked 10<sup>th</sup> for  
Digital City  
(Population 125,000  
to 249,999) Center  
for Digital  
Governments*

*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. News & World  
Report, 2020*



## CITY EARNS 5<sup>th</sup> 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 5<sup>th</sup> 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](http://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](http://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](http://www.twitter.com/NorfolkVa)



See regular updates from our website newsfeed!



[www.linkedin.com/company/City-of-Norfolk](http://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>