

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The York County School Division Component Unit of the County of York, Virginia

For the Fiscal Year Ended June 30, 2010

Prepared by the Department of Finance

Dennis R. Jarrett, CPA, CPFO
Chief Financial Officer

Karen L. Fowler
Budget and Financial Supervisor

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**THE YORK COUNTY SCHOOL DIVISION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2010**

TABLE OF CONTENTS

	PAGE
<i>INTRODUCTORY SECTION</i>	
Letter of Transmittal	1-9
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association	10
Certificate of Excellence in Financial Reporting - Association of School Business Officials....	11
Organization Chart.....	12
Members of the School Division and School Division Officials	13
 <i>FINANCIAL SECTION</i>	
Report of Independent Auditors	16 - 17
Management's Discussion and Analysis.....	19 - 30
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Governmental Activities	32
Statement of Activities - Governmental Activities.....	33
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	34
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	37
Fiduciary Financial Statements:	
Statement of Fiduciary Net Assets	38
Statement of Changes in Fiduciary Net Assets - Pension Trust Fund - Optional Plan.....	39
Notes to Basic Financial Statements (The notes to the financial statements are an integral part of the basic financial statements)	41 - 60

Required Supplementary Information Other Than Management's Discussion and Analysis:

Schedule of Revenues Budget and Actual - General Fund	62 - 63
Schedule of Expenditures Budget and Actual - General Fund	64 - 65
Schedule of Funding Progress for Defined Pension Benefit Plans	66
Schedule of Employer Contributions	67
Notes to Required Supplementary Information	68 - 69

Other Supplementary Information:

Schedule of Revenues and Expenditures Budget and Actual - Capital Projects Fund	72
Schedule of Revenues and Expenditures Budget and Actual - Non-major Special Revenue Fund	73
Statement of Changes in Assets and Liabilities - Agency Fund - School Activity Funds	74

STATISTICAL SECTION

Statistical Section	75
Net Assets by Component - Accrual Basis of Accounting - Last Seven Fiscal Years	76
Changes in Net Assets - Accrual Basis of Accounting - Last Seven Fiscal Years	77
Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting - Last Ten Fiscal Years	78
Changes in Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting - Last Ten Fiscal Years	79
Food Services - Breakfast and Lunch Program Rates and Participation - Last Ten Fiscal Years	80
Assessed Value and Estimated Actual Value of Taxable Property of the County of York, Virginia - Last Ten Calendar Years	81
Property Tax Rates for the County of York, Virginia - Last Ten Fiscal Years	82
Principal Property Taxpayers of the County of York, Virginia - Calendar Year - Current Year and Nine Years Prior	83
Property Tax Levies and Collections of the County of York, Virginia - Last Ten Fiscal Years	84
Ratio of Outstanding Debt by Type of the County of York, Virginia - Last Ten Fiscal Years	85

Ratio of General Bonded Debt Outstanding for the County of York, Virginia -	
Last Ten Fiscal Years	86
Demographic and Economic Statistics - Last Ten Fiscal Years	87
Principal Employers - Current Year and Nine Years Prior	88
Full-time Equivalent Division Employees by Type - Last Ten Fiscal Years	89
Operating Statistics - Last Ten Fiscal Years	90
School Building Information - Last Ten Years.....	91 - 92

COMPLIANCE SECTION

Report of Independent Auditors on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	94 - 95
Report of Independent Auditors on Compliance With Commonwealth of Virginia's	
Laws, Regulations, Contracts, and Grants.....	96 - 97

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INTRODUCTORY SECTION

THE YORK COUNTY SCHOOL DIVISION

DIVISION
SUPERINTENDENT
Eric Williams, Ed. D.



YORK COUNTY, VIRGINIA

SCHOOL BOARD

Barbara S. Haywood
District 1

Linda S. Meadows
District 2

Mark A. Medford
District 3

R. Page Minter
District 4

Robert W. George, D.D.S.
District 5

November 24, 2010

Citizens of York County and
Honorable Members of the School Board of the County of York, Virginia

The Comprehensive Annual Financial Report of the York County School Division (hereafter School Division), a component unit of the County of York, Virginia for the fiscal year ended June 30, 2010 (FY 2010), is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School Division. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Division's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, an organizational chart and a list of principal officials. The financial section includes the MD&A, basic and fund financial statements, notes to the financial statements, required supplemental information (RSI) other than MD&A, as well as the independent auditors' report on the MD&A, financial statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

The School Division is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and questioned costs, and auditors' reports, is included in the County of York's Comprehensive Annual Financial Report.

Profile of the Reporting Entity and Organization

York County, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was given the name of the then Duke of York. York County has played a major role in the development of the nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

York County (County) is located in the Atlantic Coast's "urban crescent" on the beautiful Virginia peninsula. Situated midway between Richmond and Virginia Beach, the County's residents help comprise one of the nation's largest metropolitan areas, commonly referred to as Hampton Roads.

The School Division is responsible for elementary and secondary education (kindergarten through 12th grade) within the County. Total enrollment in FY 2010 was 12,533 and projected budgeted enrollment for fiscal year 2011 (FY 2011) is 12,600. Students are offered a broad range of services including regular education, special education, career and technical education, and gifted education. The oldest school building was built in the early 1950's and the newest school building was built in the mid 1990's. All school facilities undergo a complete renovation every 20 years.

The elected five member School Board, vested with legislative powers, appoints the Superintendent, the executive and administrative head of the public school division. The School Division is fiscally dependent (i.e., it does not have taxing, levying, or borrowing authority) and is a component unit of the County of York. It derives most of its funding from allocations from the County and the Commonwealth of Virginia. The County Board of Supervisors approves the School Division's operating budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonds when necessary. The Board of Supervisors is prohibited from exercising any control over specific appropriations within the operating budget of the School Division. However, the Board of Supervisors may exercise control in total by major categories (e.g., Instruction, Pupil Transportation) as prescribed by the Code of Virginia, as amended.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (County of York) and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable (e.g., a component unit that is fiscally dependent on the primary government). The School Division is considered a component unit of the County of York.

This report includes all funds of the School Division. The School Division has no component units for financial reporting purposes.

Economic Condition and Outlook

Across the nation, school divisions prepared budgets for FY10 in a difficult fiscal situation due to the economy. In Virginia, state revenue was down significantly.

In spite of the recession gripping the state and the country, York County maintained a relatively stable local economy in FY 2010. York County is also fortunate to have affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 65,000.

In May 2004, York County ranked in the top 2% of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. York County ranked 37th among the nation's 3,141 counties and independent cities for quality of life among citizens. American City Business Journals' study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment (York County has very low unemployment), commute times for residents and high school graduation rates.

During 2007 staff worked closely with a team of students from William and Mary's Thomas Jefferson Public Policy Program to review and revamp the Business Retention & Expansion Survey, making it more useful and user-friendly. The format, question style, and visual appeal were all greatly improved. In January 2008, the County Office of Economic Development mailed 840 surveys. 178 responses were received via mail and the Economic Development website for a 21% return rate.

The overall opinion regarding the County's business environment was very positive. 70% of the respondents believed that the County was a good or excellent place to operate a business. The main issue for the respondent's businesses was the current state of the economy. Many listed the economy, rising cost of living, or change in consumer spending habits as the key issue facing their business today. Workforce issues seem to be the most consistent and problematic issues facing the survey respondents. Additionally, of those responding to the survey, 25% indicated they have issues in the areas of workforce development and employee attraction and retention.

The Office of Economic Development in partnership with the Economic Development Authority (EDA) took advantage of the economic slowdown by focusing on business retention/expansion and preparing product for the inevitable economic recovery.

Two new significant federal contractors, Bionetics and SDV Solutions joined the County's business community in FY 2010. Bionetics a diversified engineering and applied science company with annual sales in excess of \$50 million has completed construction of a 30,000 sq. ft. headquarters building. In addition to housing Bionetics, this new two-story, LEED certified, brick facility will have some available space for lease. SDV Solutions, recently recognized by INC magazine as one of the fastest growing private companies in America, has occupied 12,500 sq. ft. in the former Delta-T building. These two companies represent the fastest growing sector in York County's business base, federal contractors.

Spain Commercial is currently constructing a 36,000 sq. ft. flex building in the York River Commerce Park that will be partially available for lease by additional federal contractors. The widening of Ft. Eustis Boulevard to four lanes makes this location very attractive to defense contractors serving Ft. Eustis. Additionally, through a joint infrastructure agreement, this project will provide utilities and access to an adjacent five-acre lot owned by the Economic Development Authority.

The newest light industrial announcement is SB Cox's purchase of ten acres of County/EDA property to build a 30,000 sq. ft. construction and demolition debris recycling facility. This project will provide a needed service for local contractors and extend infrastructure to 11 acres owned by the EDA that will be marketed for additional light industrial development.

In addition to local economic growth, the current period's financial statements were positively impacted by federal grants. In accordance with School Board policy, the School Division accepts all federal funds which are available, provided there is a specific need for such funds. In continuing to implement that policy, the School Division applied for and received funds from the federal government for programs such as Impact Aid, No Child Left Behind, Special Education Title VIB, and one-time funds from the Department of Defense due to the high percentage of students with parents or legal guardians connected to the military. Funds were also received on a one-time basis from the federal government related to the American Recovery and Reinvestment Act of 2009, otherwise known as federal stimulus funds. In total, federal grant revenue totaled 17.3% of total General Fund Revenue.

This percentage will decrease in FY11 because a major portion of the American Recovery and Reinvestment Act of 2009 funds were expended in FY10.

Accounting System

In developing and evaluating the School Division's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the School Division's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions. The accounting system is organized and operated on a function basis. Each function, relating to a specific area of operation, includes a report of appropriations, expenditures, encumbrances, and fund balances for each line item appropriate for that function.

Budgetary Controls

The School Division's budgetary controls are an integral part of the School Division's internal control system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and County Board of Supervisors. Activities of the General Fund and Special Revenue Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

Major Initiatives

In 2009-10, the York County School Division continued to focus on programs and services that help to serve the tradition of excellence in York County.

The School Division continues to meet the academic requirements of the state and to provide a well-rounded approach to education. The Division has fine-tuned existing academic programs, added new courses to the Program of Studies, consistently correlated its curriculum with the state Standards of Learning (SOL), and provided professional development opportunities that expand the experience and expertise of the Division's instructional staff. Highlights of 2009-10 curriculum and professional development efforts include:

◆ Community Surveys

A survey of parents was conducted in the Spring of 2006 to assess parent satisfaction in many areas including school environment, effectiveness of how schools communicate with parents, instructional programming, and how safe are schools to list just a few of the topics surveyed. There was a 78% return rate for the survey. Overall conclusions of the survey include: parents think the school environment is safe and conducive to learning; 97% of the respondents were "satisfied" with the educational program; and 93% of the respondents were either "satisfied" or "very satisfied" with how the school informs the parents.

In the Fall of 2008, the School Division commissioned an online community opinion survey that was designed to gather information to assist the School Board in developing a new strategic plan. The goal of the survey was to determine which issues related to public education our community believed to be the most important. Over 1,100 community members took the survey, and the survey results were reviewed by the School Board at their strategic planning retreat.

Additionally, four community forums were held in each of the four school zones. These forums provided community members with an opportunity to share their opinions regarding expectations for the community's schools and to discuss what they believe defines student success.

- ◆ Curriculum Development

The School Division's curriculum development effort is an ongoing process of development and review that emphasizes the Standards of Learning (SOL) within a rich instructional program. Incorporating content outlines, SOL related and technology standards, learning objectives, instructional strategies, and sample assessments, the curriculum guides for both CORE and non-CORE courses reflect current best instructional practices and essential knowledge from the Standards of Learning Teacher Resource Guides.

Curriculum development provides descriptive and reliable guides for teachers and ensures that York County School Division students are taught in a manner that prepares them adequately for the SOL tests. As new courses that broaden students' interests and guide them to meaningful and appropriate career paths are added to the Program of Studies K-12, curriculum is written for each of these courses. In addition, a comprehensive and user-friendly Secondary Program of Studies Registration & Information Guide containing all middle and high school courses as well as general academic information is published to assist students and their parents in planning secondary school course work.

- ◆ No Child Left Behind

No Child Left Behind (NCLB) legislation requires annual testing of at least 95% of all students to measure progress in reading and math, and requires schools and school divisions to meet targets for achievement in four subgroups. The subgroups are students with disabilities, Limited English Proficient students, economically disadvantaged students (based on free/reduced lunch status), and major racial/ethnic groups.

NCLB sets annual objectives (or targets) for student participation and performance on these reading and math tests. As we move closer to 2014, the 100% proficiency deadline, the Annual Yearly Progress (AYP) bar will be raised each school year. For a school or school division to "make AYP" it must meet or exceed all targets for participation in statewide testing, achievement in reading and math, and attendance (elementary and middle schools) or graduation (high schools). Missing a single target results in a school or school division not making AYP. Overall, 13 of the 19 division schools made AYP last school year.

- ◆ Virginia Standardized Tests (Standards of Learning)

Standards of Learning tests are administered to students in grades three through eight, and students enrolled in certain high school courses. Students are required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by the student of a passing score on the required end-of-course SOL tests.

Based on Spring 2010 SOL test results, the York County School Division had all elementary, middle, and high schools *Fully Accredited*. All York County Schools have achieved the state's highest accreditation ranking (Fully Accredited) in school years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010.

♦ Scholastic Aptitude Test (SAT)

The total combined mean of math and verbal scores on the SAT continue to be above the state and national level for York County School Division students.

♦ Planning for the Implementation of a K-12 Writing Model

A new K-12 Writing Model was developed in 2009 and implemented in 2010. This Writing Model is a framework for comprehensive writing instruction for K-12. Committee membership included elementary, middle and high school general education teachers, special education teachers, reading specialists and administrators, as well as central office staff.

The Writing Model is a toolbox of writing expectations, best practices and assessment options conducive to the effective teaching of writing. Specific information is provided for every grade level, from strategies for emergent writers in kindergarten to a summary of AP and SAT test expectations for high school students. The model defines the stages of the writing process and calls for the teaching of grammar within the context of writing rather than isolation. It provides for consistency in assessment across the Division, requiring first and fourth quarter direct writing evaluations in grades three through twelve and the use of writing folders in grades K-12.

♦ Instructional Technology

While all Division schools have integrated technology into the classroom and instructional program, 15 schools are utilizing mobile labs to integrate technology into everyday instruction. A mobile lab is an innovative alternative to a hard-wired classroom lab and creates more flexibility in the computer-learning environment. These labs consist of 30 laptops on rolling tables that can be easily transported from room to room. A teacher can use as many or as few of these computers as needed - allowing multiple classrooms to use the lab at the same time, something that is not feasible in a standard computer lab.

♦ Division continues to grow with the community.

Several construction projects were started or completed during the 2009-10 school year:

- Continued construction on a \$2.5 million addition of ten classrooms at Mount Vernon Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.
- Began a \$1.2 million addition of six classrooms on the campus of Yorktown Middle School for York River Academy. York River Academy is presently housed in trailers on the campus of York High School.

♦ Future Initiatives

In the future, the School Division will continue to focus available resources on maintaining student to teacher ratios. Available revenues will also be directed toward programs and initiatives that will enhance the School Division's ability to continue to meet or exceed the State Standards of Learning and the requirements of the federal *No Child Left Behind* legislation.

Maintain a competitive compensation plan for licensed and non-licensed staff.

Major facility improvements planned for FY 2011 include the replacement of the heating and air conditioning ventilation system at Grafton Bethel Elementary at a cost of \$1.1 million and Coventry Elementary (including gymnasium) at a cost of \$2.5 million.

Cash Management

Cash and temporary investments pertaining to the School Division's funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the County. The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporary idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by governmental securities as required by the Code of Virginia.

Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the School Division has been performed by Cherry, Bekaert and Holland, L.L.P., Certified Public Accountants. The auditors' report, which includes their unqualified opinion on the basic financial statements of the School Division, is contained in this report.

Risk Management

The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Division. The School Board manages the program with a combination of in-house staff and third-party administrators. For FY 2010, the School Division contracted with a third-party to administer a large deductible workers' compensation program with risk of up to \$500,000 for each occurrence.

Instructional Leadership Awards

- ◆ A Quality Assurance Review was conducted by the Council on Accreditation and School Improvement (CASI) of the Southern Association of Colleges and Schools (SACS) on the York County School Division in the Spring of 2007. This review is required every five years for the division to meet the Standards of Accreditation.

Based on an extensive review of documentation, a review visit from March 19-21, 2007 and interviews of a representative set (over 300 individuals) of stakeholders throughout the School Division and the County, the Quality Assurance Review team reported that the school system satisfactorily met the expectations and responsibilities for the SACS CASI review for Division Accreditation.

This is a nationally recognized accreditation in which only approximately 100 school divisions in the nation earned.

- ◆ Grafton High School, one of four high schools in the school division, was named one of America's Best High Schools in the 2008 *U.S. News and World Report* ranking of America's Best High Schools. Using methodology developed by School Evaluation Services, a K-12 education data research business operated by Standard and Poor's, 18,790 public high schools were analyzed using a three-step process. The 100 high schools that did the best earned gold medals. The next 405 top-performing high schools earned silver medals. Grafton High School was one of only two high schools in the entire Hampton Roads region that earned a silver medal.
- ◆ In FY10 the York County School Division received the "What Parents Want" award. The award is given to school districts by School Match Public Priority Systems, Inc. for providing programs that meet certain criteria and match the needs of parents and children. In 2010, only 16% of the nation's 15,571 public school districts earned this award.

Financial Reporting Certificate 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 York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2009 (FY 2009). In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the FY 2009. In order to be awarded a Certificate of Achievement from the GFOA or a Certificate of Excellence from ASBO, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate is the highest form of recognition awarded in the field of governmental financial reporting.

A certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We also believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Budget Presentation Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2010. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In addition, the Association of School Business Officials of the United States and Canada (ASBO) presented a Meritorious Budget Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2010. This program is designed to recognize school systems for achieving excellence in their school system budget presentation. The foundation of this program is a set of criteria developed by ASBO.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Finance. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School Division in a responsible and progressive manner.

Respectfully submitted,



Eric Williams, Ed. D.
Division Superintendent



Dennis R. Jarrett, CPA, CPFO
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The York County School Division
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

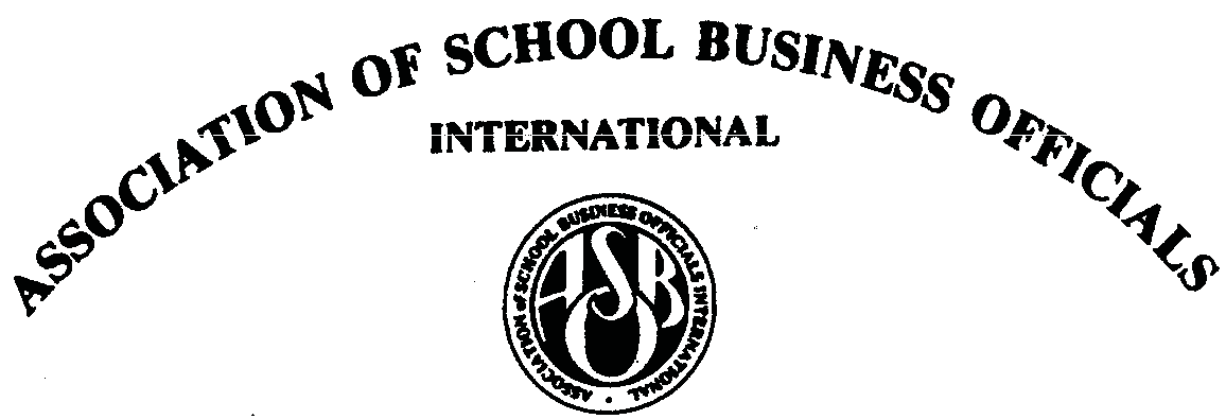


A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director



This Certificate of Excellence in Financial Reporting is presented to

YORK COUNTY SCHOOL DIVISION

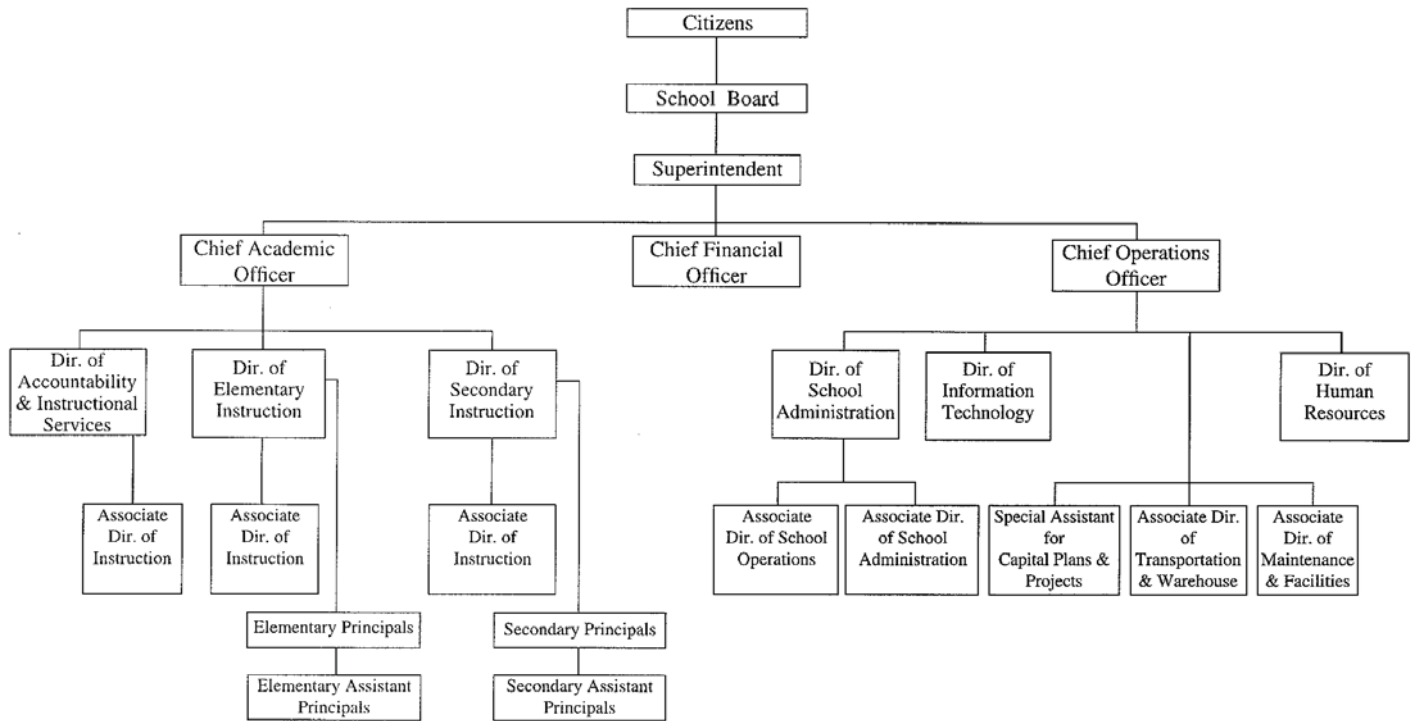
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATIONAL CHART
as of June 30, 2010



THE YORK COUNTY SCHOOL DIVISION

Members of the School Division and School Division Officials
June 30, 2010

School Division Board Members

Mark A. Medford, Chair
Robert W. George, D.D.S., Vice-Chair
Barbara S. Haywood
Linda S. Meadows
R. Page Minter

School Officials

Superintendent of Schools
Chief Academic Officer
Chief Financial Officer
Chief Operations Officer
Director of Accountability and Instructional Services
Director of Elementary Instruction
Director of Human Resources
Director of Information Technology
Director of School Administration
Director of Secondary Instruction

Dr. Eric S. Williams
Dr. Lucia V. Sebastian
Dennis R. Jarrett, CPA, CPFO
Dr. Carl L. James
Dr. Bondy S. Gibson
Amy C. Colley
Noreen B. Becci
Douglas E. Meade
Dr. Catherine L. Jones
Dr. Stephanie L. Guy

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

Members of the School Board
York County School Division

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2010 which collectively comprise the School Division's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the York County School Division's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and aggregate remaining fund information of the York County School Division as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of the York County School Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the budgetary comparison schedules of the general fund and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the York County School Division's basic financial statements. The introductory section, other supplemental information, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Beckett & Holland, L.L.P.

Richmond, Virginia
November 24, 2010

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York County School Division
Management's Discussion and Analysis
For the Year Ended June 30, 2010

The discussion and analysis of the York County School Division's (hereafter School Division) financial performance provides an overall review of the School Division's financial activities FY 2010. The intent of this discussion and analysis is to look at the School Division's financial performance as a whole; readers should also review the transmittal letter at the front of this report and the School Division's financial statements and notes to the basic financial statements which immediately follow this section, to enhance their understanding of the School Division's financial performance.

Financial Highlights

- For the governmental funds, General Fund revenues accounted for \$122.9 million or 92.6% of all revenues, and expenditures were \$122.0 million or 95.4% of all expenditures, compared to \$122.0 million (91.2%) in revenues and \$121.0 million (92.3%) in expenditures in FY 2009.
- The School Division had a profitable year with net assets increasing \$2.0 million to a total of \$144.6 million. The value of net assets reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of, and fiscally dependent on, the County of York. As such, all debt related to School Division assets is shown on the County's statement of net assets.
- Food Services ended the fiscal year with a fund balance of \$671,801, an increase of \$151,811 over the beginning of year fund balance. This increase is due to more efficient operations, lower food and supply costs than was projected, and an increase in the rates charged to students.

Using This Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance.

As illustrated in Figure A-1, the financial section of this annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

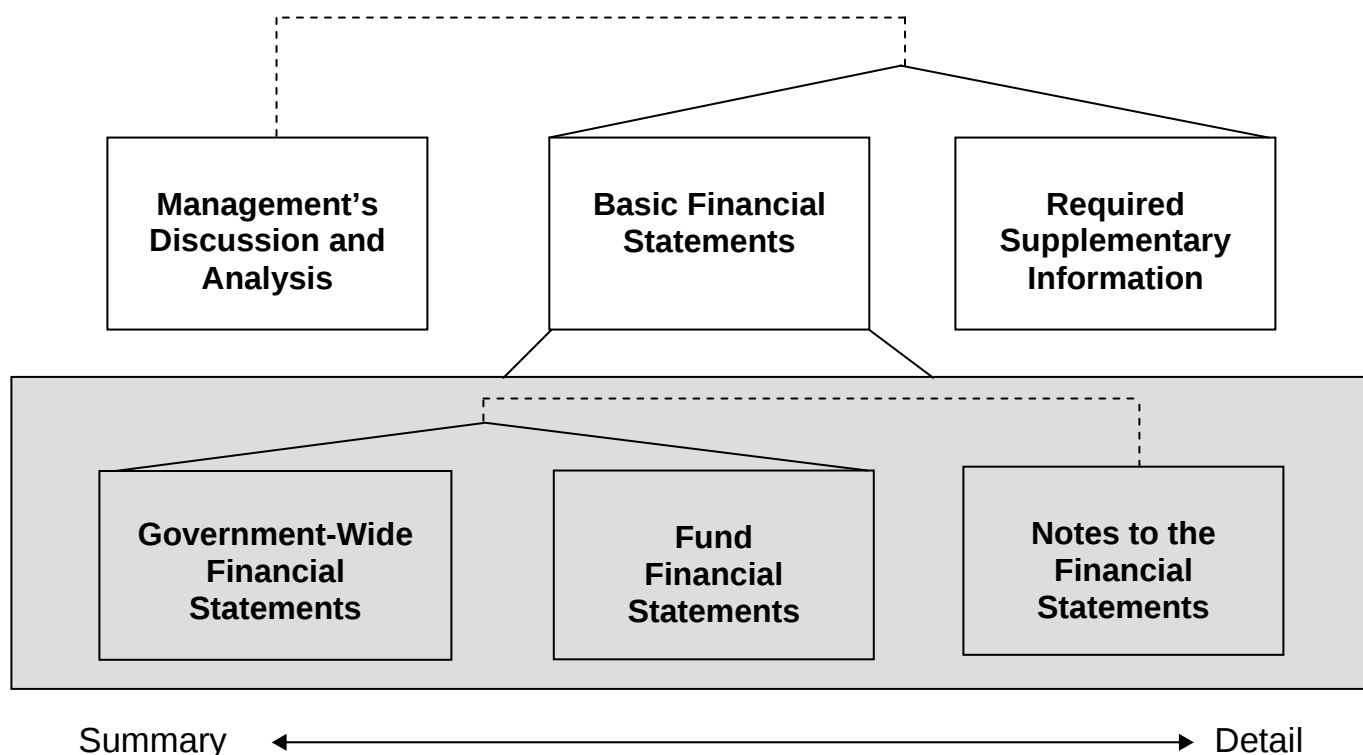
The basic financial statements include two kinds of statements that present different views of the School Division.

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the School Division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School Division, reporting the School Division's operations in *more detail* than the School Division-wide statements.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School Division acts solely as a *trustee or agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the School Division's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

FIGURE A-1

Organization of York County School Division Annual Financial Report



Using This Comprehensive Annual Financial Report (Concluded)

Figure A-2 summarizes the major features of the School Division's financial statements, including the portion of the School Division's activities they cover and the types of information they contain. The remainder of the overview section of the MD&A highlights the structure and contents of each of the financial statements.

FIGURE A-2

Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-wide statements report information about the York County School Division as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by the School Division to provide programs and activities, the view of the School Division, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2010?" The statement of net assets and the statement of activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The two Government-wide statements report the School Division's *net assets* and how they have changed. Net assets - the difference between the School Division's assets and liabilities - are only one way to measure the School Division's financial health or position.

- Over time, increases or decreases in the School Division's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School Division, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School Division reports only activities related to governmental-type activities, since it has no business-type activities. The School Division's governmental-type activities include: instruction, administration/attendance and health, transportation, operations and maintenance, food service, and interest on capital leases and capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the School Division's most significant or "major" funds. Funds are accounting devices that the School Division uses to help keep track of specific sources of funding and spending for particular purposes.

The School Division has two types of funds:

- *Governmental Funds:* Most of the School Division's activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School Division's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the School Division-wide statements, additional information has been added in the form of a reconciliation between the total fund balances of the governmental funds and the total net assets of the School Division-wide activities.
- *Fiduciary Funds:* The School Division is trustee or fiduciary for the York County School Board Benefit and Pension Trust Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the School Division-wide statements because the School Division cannot use these assets to finance its operation. The student activity monies are also accounted for in this fund type, as an agency fund.

Financial Analysis of the School Division as a Whole

Net Assets

The condensed statement of net assets below describes the financial position of the School Division on June 30, 2010. The School Division's financial position remained stable during FY 2010. The largest portion of the School Division net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 79.5% of the total net assets and have decreased by \$2.4 million since June 30, 2009. The only debt the School Division nets against capital assets is for capital leases; however, there are no capital leases outstanding at June 30, 2010. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt. All debt is issued by the County of York and, therefore, is shown as a liability on its statement of net assets. In years where there are substantial additions to capital assets that are funded through the issuance of County debt, the School Division will have substantial increases in net assets invested in capital assets, net of related debt. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt."

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. At the end of the fiscal year, restricted net assets amounted to \$3.7 million, which represents cash restricted for School capital projects. Unrestricted net assets are those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. At the end of the fiscal year, unrestricted net assets amounted to \$8.1 million, an increase of \$0.6 million from June 30, 2009. All three components of net assets show positive balances.

Condensed Statement of Net Assets (in millions)			
	Governmental Activities 2010	Governmental Activities 2009	Total Percentage Change
Assets			
Current and other assets	\$ 34.2	\$ 28.9	18.3%
Capital assets	132.7	135.2	-1.8%
Total assets	<u>166.9</u>	<u>164.1</u>	1.7%
Total liabilities			
Current liabilities	18.9	18.6	1.6%
Long-term liabilities	3.4	2.8	21.4%
Total liabilities	<u>22.3</u>	<u>21.4</u>	4.2%
Net assets			
Invested in capital assets - net of related debt	132.7	135.1	-1.8%
Restricted	3.7	-	0.0%
Unrestricted	8.1	7.5	8.0%
Total net assets	<u>\$ 144.6</u>	<u>\$ 142.6</u>	1.4%
Note: Totals may not add due to rounding.			

Financial Analysis of the School Division as a Whole (Continued)

Net Assets (Continued)

The following table summarizes the changes in the School Division's net assets for the FY 2010, as compared with 2009.

Changes in Net Assets (in millions)			
	Governmental Activities 2010	Governmental Activities 2009	Total Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3.2	\$ 3.4	-5.9%
Operating grants and contributions	67.5	67.6	-0.1%
Capital grants and contributions	-	1.2	-100.0%
General revenues			
County	50.1	50.6	-1.0%
Shared intergovernmental revenues	11.3	10.5	7.6%
Revenues from the use of money and property	0.2	0.2	0.0%
Miscellaneous revenues	0.3	0.2	50.0%
Total revenues	132.6	133.7	-0.8%
Expenses			
Instruction	102.1	100.3	1.8%
Administration/attendance and health	5.7	6.1	-6.6%
Transportation	6.7	6.6	1.5%
Operations and maintenance	12.3	11.2	9.8%
Food service	3.9	4.2	-7.1%
Interest on capital leases	-	-	0.0%
Total expenses	130.7	128.4	1.8%
Change in net assets	2.0	5.3	62.3%
Net assets - beginning of year	142.6	137.3	3.9%
Net assets - end of year	\$ 144.6	\$ 142.6	1.4%
Note: Totals may not add due to rounding.			

Financial Analysis of the School Division as a Whole *(Continued)*

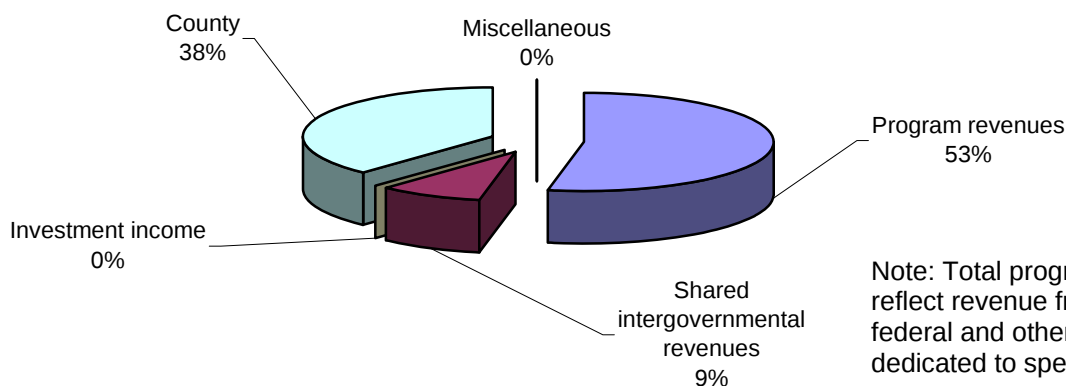
Changes in Net Assets

For the FY 2010, revenues from governmental activities totaled \$132.6 million. State and federal revenue for operating grants and contributions account for 50.9% of the School Division's resources as compared to 50.5% for the FY 2009. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$50.1 million or 37.8% of the total revenues as compared to \$50.6 million or 37.9% for the FY 2009. The decrease in County funding relates to funding for capital projects - \$5.8 million in FY 2010 as compared to \$6.3 million in FY 2009.

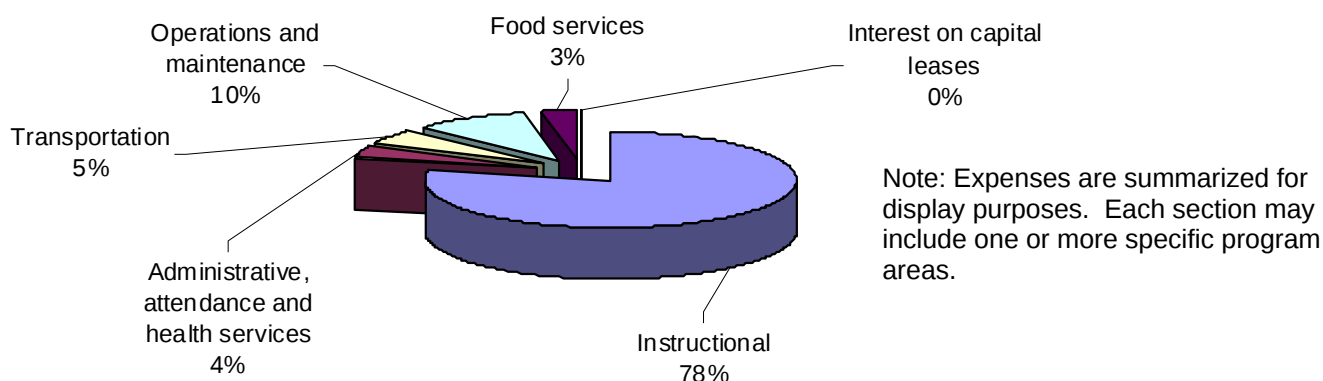
The total cost of all programs was \$130.7 million in FY 2010. Instruction made up 78.1% of the total costs of the School Division in FY 2010 and 78.2% in FY 2009. The School Division's operations and maintenance activities accounted for 9.4% of total costs for FY 2010 while administration/attendance and health amounted to 4.3% of total costs.

For the FY 2010, revenues exceeded expenses by a total of \$2.0 million. A substantial portion of the increase in net assets results from the funding of capital projects through County contributions.

Fiscal Year 2010 Revenues



Fiscal Year 2010 Expenses



Governmental Activities

The three primary sources of revenue for the School Division are from the County of York, the Commonwealth (State) of Virginia, and the United States Department of Education. State and federal government funding is included in total program revenues. Funding from the County is provided by the York County Board of Supervisors.

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental Revenue) revenue totaled \$11.3 million in FY 2010.

Federal funding comes to the School Division from federal grants and impact aid. Impact aid is designed to reimburse school districts for the loss of revenue due to the presence of the federal government. This is an important reimbursement source of revenue to the School Division since the federal government does not pay property taxes. In FY 2010, for the first time, the School Division received \$4.1 million in State Fiscal Stabilization Funds, a component of the American Recovery and Reinvestment Act of 2009 (ARRA stimulus funds). ARRA stimulus funds were also received under the Title VIB regular and pre-school stimulus funding category for special education students in the amount of \$1.4 million. It is important to note that all sources of stimulus funds are one-time allocations from the federal government. Since the ARRA funds are not on-going, the use of the funds was primarily directed to one-time costs of items such as textbooks and technology.

The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Instruction	\$ 102.1	\$ 100.3	\$ 35.7	\$ 32.9
Administration/attendance and health	5.7	6.1	5.6	6.1
Transportation	6.7	6.6	6.6	6.5
Operations and maintenance	12.3	11.2	12.0	10.7
Food service	3.9	4.2	0.1	-
	<u>\$ 130.7</u>	<u>\$ 128.4</u>	<u>\$ 60.0</u>	<u>\$ 56.2</u>

Significant Changes in Governmental Activities Include:

- The cost of all governmental activities was \$130.7 million.
- The net cost of governmental activities was \$60.0 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$67.5 million.
- Most of the School Division's net cost of services of \$60.0 million was funded by the County and state taxpayers.
- Food Service's expenses of \$3.9 million is \$0.3 million less than FY 2009 due to a more efficient operation and lower food and supply cost.

Financial Analysis of the School Division's Funds

The strong financial performance of the School Division is also reflected in its major governmental funds, the General Fund and the Capital Projects Fund. As the School Division completed the year, the General Fund reported a fund balance of \$10.6 million or a \$0.8 million increase from the fund balance reported for the FY 2009. The Capital Projects Fund reported a fund balance at the end of FY 2010 of \$5.6 million or a \$3.8 million increase from the fund balance reported for the FY 2009. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.7 million at the end of FY 2010, representing only a minor change from the FY 2009 reported fund balance.

General Fund Budgetary Highlights

The School Division's budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2010, the School Division amended its general fund budget as follows:

- Amended appropriation of \$6.9 million to reflect the carryover of encumbrances from fiscal year ended 2009 (FY 2009) to FY 2010.
- Amended appropriation of \$4.2 million for a one-time allocation from the federal government related to the State Fiscal Stabilization Funds component of the American Recovery and Reinvestment Act of 2009.
- Amended appropriation of \$1.4 million for a one-time allocation from the federal government related to economic stimulus funds for Title VIB and Pre-School special education programs.
- Amended appropriations among the major budget expenditure categories to accommodate changes in programs and services. This budget amendment did not change the total amount of the budget.

The actual results for the year show a net change in fund balance of \$0.8 million. General Fund revenues were \$122.9 million or 0.7% greater in FY 2010 as compared to FY 2009. This increase, for the most part, was driven by increases in state, federal and county funding. Federal revenue increased \$9.8 million or 85.6% in FY 2010 as compared to the previous fiscal year.

General Fund actual expenditures were \$12.2 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Outstanding encumbrances at June 30, 2010 are not reflected in the budget comparison schedule.
- Personnel savings due to vacant positions, staff on leave without pay, and personnel attrition.
- Portions of state and federal grants were carried forward to FY 2010.
- Numerous budget accounts were frozen (no expenditures were allowed) during FY 2010 to accommodate a \$3.8 million shortfall in state revenues from the Commonwealth of Virginia.

Capital Assets

At the end of FY 2010, the School Division had \$132.7 million (a 1.8% decrease from FY 2009) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2010 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 3 to the financial statements.

Capital Assets, net of depreciation (in millions)			
	Governmental Activities 2010	Governmental Activities 2009	Total Percentage Change
Land	\$ 4.8	\$ 4.8	0.0%
Construction in progress	0.7	2.1	-66.7%
Depreciable capital assets	127.2	128.3	-0.9%
Total	\$ 132.7	\$ 135.2	-1.8%

Major Capital Asset Additions for FY 2010 Included:

- Completed a \$552,000 bus parking lot on the campus of Grafton School Complex.
- Completed a \$2.5 million addition of 10 classrooms at Yorktown Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.
- Constructed 10 additional classrooms at Mount Vernon Elementary School to accommodate additional enrollment.

The Following Major Capital Projects are Included in the School Division's FY 2011 Capital Budget:

- Replacement of the HVAC system at Grafton Bethel and Coventry Elementary Schools.

Funding for the FY 2010 capital projects includes \$4.2 million in appropriated funds from the County of York.

Outstanding Long-Term Debt

School Divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority or borrowing authority and rely upon appropriations from the County/City, therefore all debt required for capital projects for the School Division is incurred by the County. As a result, the County of York government retains the liability for the portion of general obligation bonds issued to fund capital projects for the School Division.

The County Government appropriates funds to the School Division for the education of the students of the County of York. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the School Division.

The School Division's long-term debt is related to compensated absences, workers' compensation claims, and capital leases on equipment. Long-term debt remained relatively constant during FY 2010. The following table lists the long-term debt for the School Division:

York County School Division - Outstanding Debt (in millions)			
	Governmental Activities 2010	Governmental Activities 2009	Total Percentage Change
Compensated absences	\$ 1.8	\$ 1.7	5.9%
Workers' compensation claims	3.0	2.9	3.4%
Net OPEB liability	0.2	-	100.0%
Capital leases payable	-	0.1	-100.0%
Total	\$ 5.0	\$ 4.7	6.4%

Additional information on the School Division's long-term debt can be found in Note 5 of the financial statements.

Factors Influencing Future Budgets

The FY 2011 budget provides the following significant costs and budget reductions:

- No step increase or average market salary adjustment was provided to licensed staff (teachers) and non-licensed staff due to budget constraints.
- A significant increase in the employer contribution for health insurance for participating employees was funded.
- The elimination of twenty-four positions due to funding constraints, in addition to the twenty-three positions eliminated in FY 2009.
- Funding to support the capital projects included in the FY 2010 Capital Improvements Program.

Factors Influencing Future Budgets *(Concluded)*

At the time these financial statements were prepared and audited, the School Division was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Commonwealth of Virginia will be considering the second year of the biennium budget for FY 2011 and FY 2012 during the 2011 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time. However, due to economic conditions, the Governor has publicly stated that it is likely that elementary and secondary public education funding would be reduced in FY 2012. The Governor is anticipated to release his proposed FY 2012 budget in late December 2010.
- Several capital projects are planned for FY 2012. Whether those projects will be postponed due to economic conditions is being monitored.
- The federal government will be considering the budget for Impact Aid for FY 2012 during the next Congressional session. The impact on the School Division of the new federal budget is also unknown at this time.
- A final allocation of federal Education Jobs Funds is anticipated in FY 2012 to assist the School Division in these difficult economic times.
- Closing of an oil refinery located in the County will have a significant impact on County revenues in FY 2012.

Contacting the York County School Division's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of the School Division's finances and to show the School Division's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at York County School Division, 302 Dare Road, Yorktown, Virginia, 23692, (757) 898-0303.

BASIC FINANCIAL STATEMENTS

The York County School Division

Statement of Net Assets June 30, 2010

	Governmental Activities
Assets	
Cash and investments	\$ 12,927,686
Restricted cash and investments	3,682,691
Other receivables	68,639
Due from primary government	14,442,026
Due from other governments	2,945,778
Prepaid expenses	62,615
Capital assets	
Land	4,826,359
Construction in progress	727,371
Buildings, improvements and equipment - net	127,180,382
Total assets	166,863,547
Liabilities	
Vouchers and accounts payable	1,855,161
Retainage payable	16,159
Salaries, taxes and benefits payable	15,289,337
Unearned revenue - prepaid lunches	77,235
Due within one year	1,660,000
Due in more than one year	3,394,409
Total liabilities	22,292,301
Net assets	
Invested in capital assets, net of related debt	132,734,112
Restricted for capital projects	3,682,691
Unrestricted	8,154,443
Total net assets	\$ 144,571,246

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Activities Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government					
Governmental activities:					
Instructional	\$ 102,105,888	\$ 501,057	\$ 65,821,554	\$ -	\$ (35,783,277)
Administrative, attendance, and health services	5,659,615	-	-	-	(5,659,615)
Transportation	6,689,204	-	62,749	-	(6,626,455)
Operations and maintenance	12,342,550	-	314,194	-	(12,028,356)
Food services	3,860,618	2,651,924	1,320,805	-	112,111
Interest on capital leases	4,269	-	-	-	(4,269)
Total governmental activities	130,662,144	3,152,981	67,519,302	-	(59,989,861)
Total primary government	\$ 130,662,144	\$ 3,152,981	\$ 67,519,302	\$ -	(59,989,861)
General revenues					
Payments from the County of York (unrestricted)					50,117,998
Shared intergovernmental revenues (unrestricted)					11,291,540
Investment income (unrestricted)					158,700
Gain on sale of capital assets					49,005
Miscellaneous					331,005
Total general revenues					61,948,248
Change in net assets					1,958,387
Net assets - beginning					142,612,859
Net assets - ending					\$ 144,571,246

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Balance Sheet Governmental Funds June 30, 2010

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 10,151,497	\$ 2,134,168	\$ 642,021	\$ 12,927,686
Restricted cash and temporary investments	-	3,682,691	-	3,682,691
Other receivables	170	394	68,075	68,639
Due from primary government	14,442,026	-	-	14,442,026
Due from other governments	2,875,191	-	70,587	2,945,778
Prepaid expenditures	62,615	-	-	62,615
Total assets	\$ 27,531,499	\$ 5,817,253	\$ 780,683	\$ 34,129,435
Liabilities and fund balances				
Liabilities				
Vouchers and accounts payable	\$ 1,697,937	\$ 156,928	\$ 296	\$ 1,855,161
Retainage payable	-	16,159	-	16,159
Salaries, taxes and benefits payable	15,241,358	16,628	31,351	15,289,337
Deferred revenue	-	-	77,235	77,235
Total liabilities	16,939,295	189,715	108,882	17,237,892
Fund balances				
Reserved for:				
Encumbrances	7,488,331	1,739,816	-	9,228,147
Prepaid expenditures	62,615	-	-	62,615
Unreserved				
Designated for				
Self insurance	3,041,258	-	-	3,041,258
Construction	-	3,682,691	-	3,682,691
Undesignated				
Capital projects fund	-	205,031	-	205,031
Special revenue fund	-	-	671,801	671,801
Total fund balances	10,592,204	5,627,538	671,801	16,891,543
Total liabilities and fund balances	\$ 27,531,499	\$ 5,817,253	\$ 780,683	\$ 34,129,435

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because

Ending fund balance - governmental funds	\$ 16,891,543
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	132,734,112
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,054,409)</u>
Net assets of governmental activities	<u><u>\$ 144,571,246</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental				
From the County of York	\$ 44,341,087	\$ 5,776,911	\$ -	\$ 50,117,998
From the Commonwealth of Virginia	55,873,017	-	64,925	55,937,942
From the federal government	21,240,077	-	1,255,880	22,495,957
Revenues from use of money and property	684,245	10,819	1,636	696,700
Charges for services	501,057	-	2,651,924	3,152,981
Miscellaneous	218,828	125	-	218,953
Total revenues	<u>122,858,311</u>	<u>5,787,855</u>	<u>3,974,365</u>	<u>132,620,531</u>
Expenditures				
Current - education				
Instruction	97,868,494	-	-	97,868,494
Administration, attendance and health services	5,495,520	-	-	5,495,520
Pupil transportation	7,044,930	-	-	7,044,930
Operations and maintenance	11,520,301	-	-	11,520,301
Total education	<u>121,929,245</u>	<u>-</u>	<u>-</u>	<u>121,929,245</u>
Food services	-	-	3,822,554	3,822,554
Capital outlay	-	2,019,822	-	2,019,822
Debt service				
Principal retirement	89,842	-	-	89,842
Interest and fiscal charges	4,269	-	-	4,269
Total expenditures	<u>122,023,356</u>	<u>2,019,822</u>	<u>3,822,554</u>	<u>127,865,732</u>
Excess of revenues over expenditures	<u>834,955</u>	<u>3,768,033</u>	<u>151,811</u>	<u>4,754,799</u>
Net change in fund balances	834,955	3,768,033	151,811	4,754,799
Fund balance - beginning	<u>9,757,249</u>	<u>1,859,505</u>	<u>519,990</u>	<u>12,136,744</u>
Fund balance - ending	<u><u>\$ 10,592,204</u></u>	<u><u>\$ 5,627,538</u></u>	<u><u>\$ 671,801</u></u>	<u><u>\$ 16,891,543</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds \$ 4,754,799

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays

Capital outlay	\$ 2,808,714	
Assets transferred from primary government	(10,800)	
Depreciation expense	<u>(4,518,103)</u>	(1,720,189)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.

Gross value of capital asset disposals	2,255,305	
Depreciation of capital asset disposals	<u>(1,559,588)</u>	(695,717)

The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which payments exceeded proceeds.

89,842

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(88,286)	
OPEB	(217,731)	
Worker's compensation claims	<u>(164,331)</u>	<u>(470,348)</u>

Change in net assets of governmental activities \$ 1,958,387

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Fiduciary Net Assets June 30, 2010

	Assets	Pension Trust Fund Optional Plan	Agency Fund - School Activity Funds
Cash and investments		\$ -	\$ 1,606,037
Restricted cash		78,116	-
Restricted investments			
Federal agency bonds and notes		151,312	-
Corporate obligations		665,236	-
Commercial paper		825,151	-
Total investments		<u>1,641,699</u>	<u>-</u>
Accrued income		<u>7,999</u>	<u>-</u>
Total assets		<u><u>\$ 1,727,814</u></u>	<u><u>\$ 1,606,037</u></u>
	Liabilities		
Assets held for others		<u>\$ -</u>	<u>\$ 1,606,037</u>
Total liabilities		<u>-</u>	<u>1,606,037</u>
Net assets			
Net assets held in trust for pension benefits		<u>1,727,814</u>	<u>-</u>
Total net assets		<u><u>\$ 1,727,814</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Changes in Fiduciary Net Assets - Pension Trust Fund - Optional Plan Year Ended June 30, 2010

Additions			
Contributions - member		\$	200,000
Investment income			
Earning from investments	\$	57,344	
Net depreciation in the fair value of net assets		93,054	
Other receipts		1,063	
		<u>151,461</u>	
Less investment expense		<u>(19,098)</u>	<u>132,363</u>
Total additions			<u>332,363</u>
Deductions			
Benefits		211,266	
Administrative expenses		<u>1,200</u>	<u>212,466</u>
Total deductions			<u>212,466</u>
Net increase			119,897
Net assets held in trust for pension benefits - beginning			<u>1,607,917</u>
Net assets held in trust for pension benefits - end			<u><u>\$ 1,727,814</u></u>

The accompanying notes are an integral part of the basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

THE YORK COUNTY SCHOOL DIVISION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements presented for the York County School Division (School Division), are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Division's significant accounting and reporting policies are described in the following notes:

The Financial Reporting Entity

The School Division is considered a component unit of the County of York (County). The School Division has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the County of York's basic financial statements because of the significance of the School Division's financial relationship with the County.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Division's policies. The members of the School Board are elected by the citizens of York County.

The School Division is responsible for elementary and secondary education for the County of York.

The accounting policies of the School Division conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies of the School Division:

Basis of Presentation

The School Division's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the School Division as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Interfund transfers are eliminated to avoid "doubling up" revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

The statement of net assets presents the financial condition of the governmental type activities of the School Division at year-end. The School Division does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Division's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: instruction, administration, attendance and health services, transportation, operations and maintenance, capital projects (not capitalized), and food services.

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include pupil fees, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Division. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Division. The School Division does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used, however, are not eliminated in this process.

Fund Financial Statements: During the year, the School Division segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Division at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. The School Division has identified the general fund and the capital project fund as major.

The accounts of the School Division are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following fund types are used by the School Division:

Governmental Funds

Governmental Funds are those through which most governmental functions of the School Division are financed. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. The following are the School Division's governmental fund types:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Division. It is used to account for all financial resources except those accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund (School Construction Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of school facilities (other than those financed by the operating fund).

Non-Major Governmental Fund - The non-major Governmental Fund (School Food Services Fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Accordingly, the School Food Services Fund is used to account for the school cafeteria operations. Revenues restricted for cafeteria operations include cafeteria sales and Federal grant reimbursements.

Fiduciary Funds

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination. The Trust and Agency funds consist of the Pension Trust Fund - Optional Plan and the School Activity Funds.

Trust Fund - The Pension Trust Fund - Optional Plan accounts for the revenues and expenses related to the School Division sponsored retirement plan, which is administered by a fiduciary agent of the York County School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

Agency Fund - The Agency Fund is custodial in nature and does not involve measurement of results of operations. The School Division's agency fund is the School Activity Funds, which accounts for the student activity monies maintained on behalf of the students by the principal of each school.

Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements and the fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary revenues susceptible to accrual include intergovernmental revenues. In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Basis of Accounting (continued)

There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School Division; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. The primary revenues susceptible to accrual include from the County of York, from the Commonwealth of Virginia, and from the federal government. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Cash, Cash Equivalents and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the County. The School Division utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost. The value of investments reflected at amortized cost is not materially different than fair value. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. Investments with original maturities of 90 days or less are considered cash equivalents.

Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from State entitlements and reimbursement of grants expenditures. Amounts due from the federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

Inventory

Inventory is accounted for under the purchase method and is stated at the lower of cost or market on a first-in, first-out basis. The cost is recorded as an expenditure at the time inventory is purchased. USDA donated food commodities are accounted for in the School Food Services Fund at the estimated value at the time of receipt. Revenues are recorded when goods are received and expenditures are recorded as goods are used.

Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. Prepaid items are expensed using the consumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Division capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Division maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land is capitalized regardless of value. The School Division has no infrastructure assets.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Estimated Useful Lives
Buildings	25-80 years
Improvements other than buildings	30-80 years
Machinery and equipment and vehicles	10-25 years

Compensated Absences

Employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death may be compensated as salary related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay including associated benefits is accounted for as a liability in the government-wide financial statements. Compensated absences are reported in the governmental funds only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). Compensated absences are generally liquidated from the Operating Fund.

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity, which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Designated - indicates tentative plans for financial resource utilization in future periods.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Division's equity in governmental fund - type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Concluded)*

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as due to and due from as appropriate and are subject to elimination in the government-wide statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

Retirement Plan

Retirement contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The School Division's policy is to fund pension cost as it accrues.

Use of Estimates

Management of the School Division has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Division's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The Code of Virginia, as amended, requires the election of a County Treasurer. By law, the Treasurer is the custodian of cash investments for both the County of York and the York County School Division, and has powers and duties prescribed by general law. Cash and temporary investments pertaining to the School Division's funds, except the Pension trust fund and the school activity funds, are held with the County Treasurer.

Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance. At June 30, 2010, cash and investments of the School Division, held by the York County Treasurer, consisted of:

Bank deposits	\$ 6,538,042
Restricted cash	3,682,691
Cash held with others	4,657,696
Investments	1,731,348
Petty cash	600
Total cash and cash equivalents	<u><u>\$16,610,377</u></u>

The School Divisions restricted cash at June 30, 2010 consisted of \$3,682,691 in unspent bond proceeds transferred from the County of York for capital projects.

2. DEPOSITS AND INVESTMENTS *(Continued)*

Cash and investments of the School Division's pension trust fund and school activity funds at June 30, 2010 consisted of:

Bank deposits	\$ 1,606,037
Restricted cash	78,116
Investments	1,641,699
Total cash and cash equivalents	<u>\$ 3,325,852</u>

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All investments stated at amortized cost approximate the fair value. The fair value of the County's position in the LGIP is the same as the value of the pool shares. All other investments are stated at fair value. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (the Policy) permits investments in U.S. Government obligations, certain municipal bonds, prime quality commercial paper, high grade corporate notes and bonds, bankers acceptances, repurchase agreements, certificates of deposit and other evidences of deposit at financial institutions, money market mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a7 like pool).

State statute limits the percentage of the portfolio that can be invested in commercial paper to 35%. The Policy does not impose additional diversification limits, but does require that the portfolio avoid over-concentration in specific security types, issuers and business sectors.

The School Division has a separate funding policy (Trust Policy) for their Pension trust fund. The Trust Policy's principal goal is to invest in funds considering both the safety of principal with long-term stability and moderate capital appreciation commensurate with the expected retirement dates of plan participants; however, these investments should be liquid in order to enable the plan, on short notice, to make distributions of benefits in the event of death, disability or termination of a plan participant. The Trust Policy establishes the percentage of the portfolio that can be invested in fixed income investments to 40% - 70% and equity investments to 25% - 50%.

Custodial Credit Risk

The policy requires that all investment securities purchased by the County be held by an independent third-party custodian and evidenced by safekeeping receipts in the County's name. As of June 30, 2010, all of the County's investments were held in a bank's trust department in the County's name.

2. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

As required by State statute, the Policy requires that commercial paper be rated “prime quality” by at least two nationally recognized statistical rating organizations and corporate notes and bonds must be rated in the AAA or AA categories by both Standard & Poor’s and Moody’s Investor Service. The County’s Policy further limits credit risk by limiting investments in securities that have higher credit risks.

The Trust Policy does not limit credit risk to any specific category.

As of June 30, 2010, the School Division’s investments held by the County Treasurer consisted of \$1,731,348 invested in Virginia LGIP, with a Standard & Poor’s rating of AAA.

The School Divisions Pension trust fund investments as rated by Standard & Poor’s were as follows:

Investment Type	AAA	AA	A-1	Not Rated
Commercial paper	\$ -	\$ 375,678	\$ 355,778	\$ 93,695
Federal agency bonds and notes	151,312	-	-	-
Corporate obligations	-	540,768	89,588	34,880
Total investments	<u>\$ 151,312</u>	<u>\$ 916,446</u>	<u>\$ 445,366</u>	<u>\$ 128,575</u>

Concentration of Credit Risk

State statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The County’s policy does not set additional credit concentration limits. As of June 30, 2010, the School Division’s portfolio held with the County Treasurer complied with the State statute.

As of June 30, 2010, there were no investments in the School Division’s Pension trust portfolio that exceeded 5% of the total portfolio.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County’s Policy limits the investment portfolio holdings to no more than 18 months, unless approved by the Treasurer.

As of June 30, 2010, the carrying values and weighted average maturity of the School Division’s investments held with the County Treasurer were as follows:

Investment Type	Fair Value
Virginia LGIP	<u>\$ 1,731,348</u>

2. DEPOSITS AND INVESTMENTS *(Concluded)*

As of June 30, 2010, the carrying values and weighted average maturity of the School Division's Pension trust fund investments were as follows:

Investment Type	Fair Value	Average Maturity in Years
Commercial paper	\$ 786,737	-
Mutual funds	38,414	-
Federal agency bonds and notes	151,312	4.43
Corporate obligations	665,236	3.31
Total investments	<u>\$ 1,641,699</u>	
Weighted average of portfolio		<u>1.67</u>

3. CAPITAL ASSETS - NET

The following is a summary of changes in capital assets for the year ended June 30, 2010:

	July 1, 2009	Increases	Decreases	June 30, 2010
Governmental activities				
Capital assets not depreciated:				
Land	\$ 4,826,494	\$ -	\$ 135	\$ 4,826,359
Construction in progress	2,078,061	1,388,412	2,739,102	727,371
Total non-depreciable capital assets	<u>6,904,555</u>	<u>1,388,412</u>	<u>2,739,237</u>	<u>5,553,730</u>
Capital assets depreciated				
Buildings	165,768,099	2,447,571	969,650	167,246,020
Improvements	4,195,671	598,363	-	4,794,034
Machinery and equipment	2,452,990	75,688	49,974	2,478,704
Motor vehicles	10,908,665	1,027,117	1,235,681	10,700,101
Total depreciable capital assets	<u>183,325,425</u>	<u>4,148,739</u>	<u>2,255,305</u>	<u>185,218,859</u>
Less accumulated depreciation for				
Buildings	47,980,509	3,413,378	426,413	50,967,474
Improvements	1,592,980	160,572	-	1,753,552
Machinery and equipment	1,004,325	192,336	7,212	1,189,449
Motor vehicles	4,502,148	751,817	1,125,963	4,128,002
Total accumulated depreciation	<u>55,079,962</u>	<u>4,518,103</u>	<u>1,559,588</u>	<u>58,038,477</u>
Total depreciable capital assets - net	<u>128,245,463</u>	<u>(369,364)</u>	<u>695,717</u>	<u>127,180,382</u>
Total governmental activities capital assets - net	<u>\$ 135,150,018</u>	<u>\$ 1,019,048</u>	<u>\$ 3,434,954</u>	<u>\$ 132,734,112</u>

3. CAPITAL ASSETS - NET (Concluded)

Depreciation expense was charged to functions as follows:

Governmental activities

Instruction	\$ 3,505,989
Administration, attendance and health services	164,095
Pupil transportation	671,391
Operations and maintenance	138,564
Food services	38,064
Total governmental activities depreciation expense	\$ 4,518,103

Construction in progress is composed of the following at June 30, 2010:

	Project Authorization	Expended Through June 30, 2010	Balance of Authorization	Future Requirements
School projects	<u>\$ 7,757,244</u>	<u>\$ 727,371</u>	<u>\$ 7,029,873</u>	<u>\$ -</u>

The majority of the capital assets was donated to the School Division by the County. The County has issued general obligation bonds and obtained literary loans from the Commonwealth of Virginia on behalf of the School Division. Certain school buildings have been pledged as collateral for the literary loans.

4. LEASES

In November 2005, the School Division financed eight new buses with a capital lease agreement. The gross value of the buses under capital lease is \$495,658. The capital lease was paid-in-full during the FY 2010.

The School Division leases certain equipment and office space under non-cancelable operating lease agreements. A summary of future minimum rental payments under non-cancelable operating leases as of June 30, 2010, is as follows:

Fiscal Year	
2011	\$ 173,290
2012	133,257
2013	92,059
2014	9,673
Total minimum payments	<u>\$ 408,279</u>

Rental expenditures for the year ended June 30, 2010 for all operating leases were \$194,236.

4. LEASES (Concluded)

Lessor - The School Division leases certain land where radio towers are located. The School Division does not own the radio towers but does own the land. The radio towers are located at York Middle School, York High School, and Waller Mill Elementary School. The School Division also leases a portion of Yorktown Middle School to the New Horizons Regional Education Center. The total cost and accumulated depreciation of the Yorktown Middle School building at June 30, 2010 is \$1,066,600 and \$748,320, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2010, is as follows:

Fiscal Year	
2011	\$ 318,524
2012	318,471
2013	318,282
2014	318,605
Total minimum payments	<u>\$ 1,273,882</u>

Rental revenue for all operating leases was \$170,061 for the year ended June 30, 2010.

5. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the Operating Fund.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Compensated absences	\$ 1,743,785	\$ 1,114,764	\$ (1,026,478)	\$ 1,832,071	\$ 1,060,000
Net OPEB liability	-	181,080	-	181,080	-
Claims liabilities	2,876,927	580,141	(415,810)	3,041,258	600,000
Capital leases payable	89,842	-	(89,842)	-	-
Total minimum payments	<u>\$ 4,710,554</u>	<u>\$ 1,875,985</u>	<u>\$ (1,532,130)</u>	<u>\$ 5,054,409</u>	<u>\$ 1,660,000</u>

6. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Division contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

Professional and non-professional employees of the School Division are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for professional employees covered by VRS for the year ended June 30, 2010, was \$62,498,365; the total payroll was \$63,292,171. The payroll for non-professional employees covered by VRS for the year ended June 30, 2010, was \$6,142,499; the total payroll was \$7,321,942.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. In addition, the School Division is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Division's contribution rate for employees for the FY 2010 was 12.10% of annual covered payroll.

6. DEFINED BENEFIT PENSION PLANS *(Continued)*

Annual Pension Cost

For FY 2010, the School Division's annual pension cost of \$743,242 for non-professional employees and \$7,043,137 for professional employees was equal to the required and actual contributions.

Three-Year Trend Information - School (non-professional)			
Year Ended June 30,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 743,242	100%	\$ -
2009	\$ 753,611	100%	\$ -
2008	\$ 635,894	100%	\$ -

Three-Year Trend Information - School (professional)			
Year Ended June 30,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 7,043,137	100%	\$ -
2009	\$ 8,711,674	100%	\$ -
2008	\$ 9,053,000	100%	\$ -

The required contributions for VRS were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2008 Experience Study. In particular it uses an assumed investment return rate of 7.50%; an assumed annual cost of living adjustment of 2.50%; projected salary increases ranging from 3.75% to 5.60% per year depending on the members service and classification; and retirement, mortality and disability and termination rates that were also based on the 2006 Experience Study prepared for the VRS. A 2.50% inflation adjustment is implicit in the investment rate of return and annual cost of living adjustment. The actuarial value of the School Division's assets is the adjusted market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period at the rate of 20% per year. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the 8% investment return assumption. The funding excess is being amortized as a level percentage of payroll on an open basis over a remaining period of 20 years.

Contributions are recognized in the period in which amounts are due pursuant to formal commitments, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are paid from the School operating fund.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the School's plan was 91.76% funded. The actual accrued liability for benefits was \$15,038,513, and the actuarial value of assets was \$13,799,075, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,239,438. The covered payroll was \$6,286,774, and the ratio of the UAAL to the covered payroll was 19.72%.

6. DEFINED BENEFIT PENSION PLANS (Continued)

Funded Status and Funding Progress

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits.

York County Public Schools - Optional Plan

Plan Description

The Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of June 30, 2010, includes 26 active participants, 75 retirees and beneficiaries, and 4 vested terminations.

Significant Accounting Policies

Basis of Accounting - The Optional Plan is accounted for and presented as a pension trust fund. The financial statements of the pension trust fund are prepared using the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Non-actuarial administrative costs are financed directly from the plan assets. Actuarial administrative costs are paid from the School operating fund.

Methods Used to Value Investments - Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the School Division's fiscal year. Investments that do not have an established market are reported at estimated fair value.

Annual Pension Cost

For FY 2010, the School Division's annual required contributions for the optional plan were \$37,710, \$55,838, and \$45,750, and actual contributions were \$200,000, \$200,000, and \$300,000 for 2010, 2009 and 2008, respectively.

Three-Year Trend Information - School (optional plan)		
Year Ended	Required	Percentage
June 30,	Contribution	Contributed
2010	\$ 37,710	100%
2009	\$ 55,838	100%
2008	\$ 45,750	100%

6. **DEFINED BENEFIT PENSION PLANS** *(Concluded)*

The required contribution was determined as part of the June 30, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. A 2.5% inflation adjustment is implicit in the investment rate of return. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 20 years. The actuarial value of the School Division's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits.

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the School Division's plan was 88.02% funded. The actual accrued liability for benefits was \$1,963,084, and the actuarial value of assets was \$1,727,814, resulting in an unfunded actuarial accrued liability (UAAL) of \$235,270.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrued liability for benefits.

7. **CONTINGENT LIABILITIES**

Risk Management

The School Division is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Division reports all of its risk management activities in its School Operating Fund and pays all claims for retained risks from School Operating Fund resources. The School Division maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The School Operating Fund retains the full risk for unemployment compensation, up to \$150,000 for each health care claim and up to \$500,000 for each workers' compensation occurrence. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the School Operating Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past six fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The School Division's health care liability at June 30 is reasonably estimated and has been included in salaries, taxes and benefits payable in the School Operating Fund. The School Division had available \$4,657,696 for health care claims and \$3,041,258 for workers' compensation claims at June 30, 2010, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

7. **CONTINGENT LIABILITIES** *(Concluded)*

Risk Management *(continued)*

Changes in the reported amounts since June 30, 2008 resulted from the following:

	2010	2009
Accrued liability/designated fund balance - beginning of year	\$ 6,301,368	\$ 5,412,604
Claim and changes in estimates	12,109,628	11,015,964
Claims payment	<u>(10,712,042)</u>	<u>(10,127,200)</u>
Accrued liability/designated fund balance - end of year	<u>\$ 7,698,954</u>	<u>\$ 6,301,368</u>

Grants

The School Division received grant funds, principally from the State and Federal Government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Division is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Division, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

Litigation

The School Division is a defendant in various lawsuits and although the outcome of these lawsuits is not presently determinable, in the opinion of the School Division's counsel, a possible claim or assertion does exist. Management estimates that the outcome will not have a material adverse effect on the financial condition of the School Division.

8. **OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

In addition to the pension benefits described in Note 6, the School Division provides post-retirement health care benefits, in accordance with School Division policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, ten years of service and a minimum of 24-months participation in the health insurance program immediately prior to retirement. Currently, two retirees participate in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed ten years or until the retiree is eligible for Medicare, whichever occurs first.

Employees retiring after July 1, 2002 and having twenty or more years of service with the School Division and receiving a VRS annuity qualify for a health insurance premium contribution from the School Division. The 20 years need not be consecutive. The retiree's Virginia Retirement System annuity may be either a full or reduced benefit. Upon becoming eligible for Medicare, the retiree no longer receives this benefit. The amount of the School Division's contribution shall be equal to 50% of the retiree's total monthly health insurance premium subject to the following provisions. The School Division's 50% contribution is reduced by the amount of any health insurance credit that the retiree may qualify for under the VRS program. Retiring employees who have 15 years of service with the VRS will qualify for the VRS Retiree Health Insurance Credit Program. At June 30, 2010, 65 retirees were participating in this program.

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy

The School Division has not advanced-funded or established a funding methodology for the annual Other Post-Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2009-2010 fiscal year, retirees and eligible dependents received post-employment health care benefits. The School Division provided required contributions of \$313,122 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, net of retiree contributions totaling \$709,448. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB Cost and Net OPEB Obligation - The following table shows the School Division's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Division's net OPEB obligation:

	Fiscal Year Ended June 30, 2010
(1) Normal cost	\$ 296,903
(2) Amortization of Unfunded Accrued Liability	211,329
(3) Interest	22,870
(4) Annual Required Contribution	531,102
(5) Interest on Net OPEB Obligation (NOO)	1,400
(6) Amortization of NOO	(1,649)
(7) Annual OPEB Cost (AOC)	530,853
(8) Actual Contribution Towards OPEB Cost	(313,122)
(9) Increase in NOO	217,731
(10) NOO Beginning of Year	(36,651)
(11) NOO End of Year	\$ 181,080

The Division's historic annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Three-Year Trend Information			
Fiscal Year	AOC	Percentage of AOC Contributed	NOO
June 30, 2010	\$ 530,853	59%	\$ 181,080
June 30, 2009	\$ 449,146	108%	\$ (36,651)

Since 2009 was the transition year, only 2009 and 2010 information is provided above. Going forward, information for the current year and each of the two preceding years will be provided.

Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$5,629,250, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,629,250. The covered payroll (annual payroll for active participating employees) was \$74,140,073 for the 2009-2010 fiscal years and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.59%.

8. OTHER POST-EMPLOYMENT BENEFITS *(Concluded)*

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2010, the first year of implementation.

Pursuant to an agreement dated September 19, 2002 entitled, *Post Employment Benefit Fund Agreement Between the County of York and the County School Board of York County*, a reserve fund was created in FY 2003 to accumulate, over time, funds for paying post employment benefits for retired School Division employees. Funds accumulated in the reserve fund from contributions from the School Division, plus accrued interest, are under the control and authority of the County pursuant to the agreement. The total balance in the reserve fund as of June 30, 2010 was \$3,958,480.

Actuarial Methods and Assumptions

In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (discount rate) and an annual healthcare cost trend rate of 10.5%, grading to a rate of 5.0% for fiscal year ending June 30, 2015 (FY 2015). The School Division's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on a closed basis within a period of 30 years.

9. DEFERRED COMPENSATION PLAN

The School Division offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all School Division employees, permits them to defer a portion of their salary to future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship and/or reaching age 59½. The School Division offers a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION

The following activities took place between the Primary Government and the School Division during the year ended June 30, 2010:

	Amount
School Operating Fund	\$ 44,341,087
Capital Projects Fund	5,776,911
Payments from the County of York	<u>\$ 50,117,998</u>
Purpose	
School operations	\$ 44,736,097
School construction - bond proceeds	4,201,101
School construction - cash for projects	1,172,000
School technology	403,810
Year-end reversion entry	(395,010)
	<u>\$ 50,117,998</u>

10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION
(Concluded)

	<u>Due From</u>
Primary Government:	
General Fund	<u>\$ 14,442,026</u>
Purpose	
Operations support	<u>\$ 14,442,026</u>

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

The York County School Division

Schedule of Revenues Budget and Actual - General Fund Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Intergovernmental				
County of York	\$ 44,736,097	\$ 44,736,097	\$ 44,341,087	\$ (395,010)
Commonwealth of Virginia				
State sales tax	11,930,331	11,930,331	11,291,540	(638,791)
Basic aid	37,764,736	35,173,959	34,085,563	(1,088,396)
Adult education	3,712	3,712	10,819	7,107
Foster home children	55,000	55,000	60,269	5,269
Gifted and talented	365,364	365,364	359,157	(6,207)
Remedial programs	227,338	227,338	223,475	(3,863)
Remedial summer school	124,634	124,634	131,163	6,529
Reading intervention	80,104	80,104	74,243	(5,861)
Enrollment loss	-	-	262,161	262,161
Special education - SOQ	3,101,534	3,101,534	3,048,842	(52,692)
Homebound	28,862	28,862	33,883	5,021
Comprehensive services act	200,000	200,000	173,729	(26,271)
Free textbooks	962,288	962,288	-	(962,288)
VOC ED - SOQ	389,722	389,722	383,101	(6,621)
Special education support	346,122	346,122	397,132	51,010
Employer share benefits	4,465,560	4,465,560	3,767,156	(698,404)
Occupation prep adult education	-	-	13,732	13,732
Other CAT/VOC ED	23,742	23,742	25,206	1,464
Career switchers program	-	-	3,000	3,000
At-risk	51,742	51,742	49,897	(1,845)
National board certification	-	-	27,500	27,500
K-3 initiative	202,013	202,013	200,218	(1,795)
SOL algebra readiness	33,968	33,968	31,930	(2,038)
Tech initiative - FY2008	544,000	544,000	-	(544,000)
Pre-school initiative	25,000	25,000	26,746	1,746
Additional state support	737,792	737,792	921,437	183,645
Miscellaneous grants	457,696	457,696	173,246	(284,450)
LEP	149,430	149,430	97,872	(51,558)
Total from the Commonwealth of Virginia	62,270,690	59,679,913	55,873,017	(3,806,896)

The York County School Division

Schedule of Revenues Budget and Actual - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Federal government				
Title I	379,877	355,915	432,558	76,643
Adult education	31,000	31,000	31,679	679
Title II A	287,270	286,654	297,677	11,023
Title II D	6,139	6,346	7,553	1,207
Title III A	24,543	24,862	29,592	4,730
Title IV A	22,497	21,152	15,296	(5,856)
Title V A	12,881	-	-	-
Basic aid	-	2,590,777	2,590,777	-
Federal SFSF stimulus grant	-	4,169,407	4,169,407	-
Title VI B school age stimulus	-	1,359,354	1,356,745	(2,609)
Title VI B pre-school stimulus	-	45,768	45,768	-
Impact aid	9,300,000	9,300,000	9,277,072	(22,928)
DOD - heavily impacted	600,000	600,000	791,861	191,861
Medicaid reimbursement	-	-	51,463	51,463
Title VI B	1,921,398	1,921,398	1,884,112	(37,286)
NJROTC	105,000	105,000	119,565	14,565
Miscellaneous grants	769,735	808,013	138,952	(669,061)
Total from the federal government	13,460,340	21,625,646	21,240,077	(385,569)
Miscellaneous revenues				
Use of money and property	759,900	759,900	684,245	(75,655)
Charges for services	366,300	366,300	501,057	134,757
Miscellaneous	70,500	70,500	218,828	148,328
Total miscellaneous revenues	1,196,700	1,196,700	1,404,130	207,430
Total revenues and other financing sources	\$ 121,663,827	\$ 127,238,356	\$ 122,858,311	\$ (4,380,045)

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Education				
Instruction				
Classroom instruction services				
Regular education	\$ 55,601,301	\$ 54,830,876	\$ 50,579,688	\$ 4,251,188
Special education	9,237,420	8,567,810	6,932,798	1,635,012
Vocational education	2,916,814	2,911,461	2,615,116	296,345
Gifted and talented	380,525	377,299	359,105	18,194
Other programs	4,171,350	11,319,963	12,549,966	(1,230,003)
Instructional support - student				
Guidance	2,928,405	2,824,587	2,633,757	190,830
Homebound	60,194	60,194	79,026	(18,832)
Instructional support - staff				
Management and staff development	3,676,082	3,671,374	3,502,494	168,880
Media services	1,907,255	1,861,405	1,719,214	142,191
Instructional support - school administration				
Principals' offices	7,364,813	7,181,508	6,900,392	281,116
School carryover	2,735,450	2,735,450	2,245,730	489,720
Technology				
Classroom instruction	4,564,724	3,694,363	3,347,387	346,976
Instructional support	1,650,959	1,695,470	1,649,705	45,765
Administration	1,073,568	1,101,135	1,085,762	15,373
Operations and maintenance	1,576,071	1,586,565	1,057,494	529,071
Other programs - grants	90,448	90,448	87,670	2,778
School carryover	1,158,448	1,158,448	523,190	635,258
Total instruction	101,093,827	105,668,356	97,868,494	7,799,862
Administration, attendance and health services				
Board services	139,769	140,941	112,651	28,290
Executive services	525,162	528,151	515,850	12,301
Communication services	395,259	414,994	376,688	38,306
Human resources	1,223,034	1,220,002	980,815	239,187
Fiscal services	1,055,872	1,063,332	959,202	104,130
Health services	1,474,590	1,448,058	1,277,032	171,026
Psychological services	573,001	578,492	543,631	34,861
Speech and audiology services	652,896	645,613	619,503	26,110
School carryover	143,387	143,387	110,148	33,239
Total administration, attendance and health services	6,182,970	6,182,970	5,495,520	687,450

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating costs				
Pupil transportation				
Vehicle operation services	5,932,609	5,979,951	5,324,015	655,936
Vehicle maintenance services	1,154,770	1,307,428	1,213,642	93,786
School carryover	510,636	510,636	507,273	3,363
Total pupil transportation	<u>7,598,015</u>	<u>7,798,015</u>	<u>7,044,930</u>	<u>753,085</u>
Operations and maintenance				
Management and direction	188,655	190,660	181,625	9,035
Building services	9,238,769	10,032,087	8,742,175	1,289,912
Grounds services	1,129,722	1,129,722	-	1,129,722
Vehicle services	344,376	351,826	259,982	91,844
Warehouse and distribution services	407,219	404,446	375,424	29,022
School carryover	2,332,401	2,332,401	1,961,095	371,306
Total operations and maintenance	<u>13,641,142</u>	<u>14,441,142</u>	<u>11,520,301</u>	<u>2,920,841</u>
Total operating costs	<u>21,239,157</u>	<u>22,239,157</u>	<u>18,565,231</u>	<u>3,673,926</u>
Total education	<u>128,515,954</u>	<u>134,090,483</u>	<u>121,929,245</u>	<u>12,161,238</u>
Debt Service				
Principal	89,842	89,842	89,842	-
Interest	4,269	4,269	4,269	-
Total debt service	<u>94,111</u>	<u>94,111</u>	<u>94,111</u>	<u>-</u>
Total expenditures	<u>\$ 128,610,065</u>	<u>\$ 134,184,594</u>	<u>\$ 122,023,356</u>	<u>\$ 12,161,238</u>

The York County School Division

Schedule of Funding Progress for Defined Pension Benefit Plans (Unaudited) Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age ⁽¹⁾ Projected Unit ⁽²⁾	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a % of Payroll
School Division Plan - Non-Professional ⁽¹⁾						
June 30, 2007	\$ 11,580,115	\$ 12,694,145	\$ 1,114,030	91.22%	\$ 6,100,258	18.26%
June 30, 2008	\$ 13,220,810	\$ 13,963,359	\$ 742,549	94.68%	\$ 6,164,001	12.05%
June 30, 2009	\$ 13,799,075	\$ 15,038,513	\$ 1,239,438	91.76%	\$ 6,286,774	19.72%
Optional Plan ⁽²⁾						
June 30, 2005	\$ 1,193,367	\$ 1,855,924	\$ 662,557	64.30%	\$ -	N/A
June 30, 2006	\$ 1,174,655	\$ 2,140,987	\$ 966,332	54.87%	\$ -	N/A
June 30, 2007	\$ 1,754,350	\$ 2,094,391	\$ 340,041	83.76%	\$ -	N/A
June 30, 2008	\$ 1,795,341	\$ 2,147,410	\$ 352,069	83.60%	\$ -	N/A
June 30, 2009	\$ 1,607,917	\$ 2,119,957	\$ 512,040	75.85%	\$ -	N/A
June 30, 2010	\$ 1,727,814	\$ 1,963,084	\$ 235,270	88.02%	\$ -	N/A
Other Post Employment Benefits (OPEB)⁽¹⁾						
June 30, 2009*	\$ -	\$ 4,683,004	\$ 4,683,004	0.00%	\$ 74,222,736	6.31%
June 30, 2010	\$ -	\$ 5,629,250	\$ 5,629,250	0.00%	\$ 74,140,073	7.59%

*2009 was the year of implementation for GASB Statement No. 45. There is no data available prior to this valuation.

The York County School Division

Schedule of Employer Contributions (Unaudited) Year Ended June 30, 2010

School Board - Optional Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	\$ 96,878	100%
2006	\$ 124,695	100%
2007	\$ 69,186	100%
2008	\$ 45,750	100%
2009	\$ 55,838	100%
2010	\$ 37,710	100%

Other Post-Employment Benefits (OPEB)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009*	\$ 449,146	108%
2010	\$ 530,853	59%

*2009 was the year of implementation for GASB Statement No. 45. There is no data available prior to this valuation.

THE YORK COUNTY SCHOOL DIVISION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

1. BUDGETARY DATA

The School Division follows these procedures in establishing the budgetary data reflected in the basic financial statements:

As required under Section 22.1-92 of the *Code of Virginia*, the Division Superintendent prepares an estimate of the amount of money deemed to be needed in the General Fund, Special Revenue Fund and Capital Projects Fund during the next fiscal year for the support of the public schools of the School Division. The estimate is required to be allocated for each major classification prescribed by the State Division of Education. Section 22.1-115 of the *Code of Virginia* states "the Division shall prescribe the following major classifications for expenditures of school funds: (i) instruction, (ii) administration, attendance and health (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (vi) facilities, and (vii) debt and fund transfers."

The Superintendent's proposed budget is based on budget requests prepared by administrative and supervisory staff. The Superintendent also receives input from the School Division, Employee Associations, Parent Teacher Associations, County Administrator, etc., in formulating the budget proposal. Citizen input is provided via a public forum early in the budget process. After the Superintendent's budget is made public, the School Division conducts a public hearing on the proposed budget.

The School Division is required by State law (Section 22.1-92 of the *Code of Virginia*) to conduct a public hearing on the proposed budget to receive the views of citizens. The School Division also holds several work sessions on the proposed budget and modifies the proposed budget if necessary. The School Division must approve the budget by April 1 and submit it to the Division of Supervisors for the County of York for its approval.

The Board of Supervisors is required by State law to approve a School Division budget by May 1. If the Board of Supervisors approves a local appropriation that is less than the amount the School Division requested, the School Division must reduce the proposed budget accordingly.

The School Division appropriates funds on a major classification level and may make supplemental appropriations based on the availability of financial resources. The Division Superintendent may only authorize the transfer of funds within the major classification, the legal level of budgetary control.

1. BUDGETARY DATA *(Continued)*

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvement program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the required supplementary information are as originally adopted or as amended by the School Division. The General Fund's budget is adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

2. LEGALLY ADOPTED BUDGETS

The general, capital projects, and special revenue funds have legally adopted annual budgets.

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OTHER SUPPLEMENTARY INFORMATION

The York County School Division

**Schedule of Revenues and Expenditures Budget and Actual
Capital Projects Fund
Year Ended June 30, 2010**

	Capital Projects Fund		Variance With Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues			
Intergovernmental			
From the County of York	\$ 5,775,810	\$ 5,776,911	\$ 1,101
Revenue from the use of money	-	10,819	10,819
Miscellaneous	-	125	125
Total revenues	<u><u>\$ 5,775,810</u></u>	<u><u>\$ 5,787,855</u></u>	<u><u>\$ 12,045</u></u>
Expenditures			
Capital outlay	\$ 7,757,244	\$ 2,019,822	\$ 5,737,422
Total expenditures	<u><u>\$ 7,757,244</u></u>	<u><u>\$ 2,019,822</u></u>	<u><u>\$ 5,737,422</u></u>

The York County School Division

Schedule of Revenues and Expenditures Budget and Actual Non-major Special Revenue Fund Year Ended June 30, 2010

	School Food Service Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental				
From the Commonwealth of Virginia	\$ 74,000	\$ 74,000	\$ 64,925	\$ (9,075)
From the federal government	1,277,415	1,277,415	1,255,880	(21,535)
Revenue from the use of money	24,000	24,000	1,636	(22,364)
Charges for services	3,636,683	3,636,683	2,651,924	(984,759)
Total revenues	<u>\$ 5,012,098</u>	<u>\$ 5,012,098</u>	<u>\$ 3,974,365</u>	<u>\$ (1,037,733)</u>
Expenditures				
Food Services				
Contractual services and purchases for resale	\$ 3,412,612	\$ 3,414,071	\$ 2,766,059	\$ 648,012
Donated commodities	327,415	327,415	205,349	122,066
Salaries and wages	879,865	689,389	536,026	153,363
Fringe benefits	370,206	560,682	314,458	246,224
Equipment replacement	12,000	12,000	-	12,000
Employee development	5,000	5,000	132	4,868
Travel	5,000	5,000	530	4,470
Total expenditures	<u>\$ 5,012,098</u>	<u>\$ 5,013,557</u>	<u>\$ 3,822,554</u>	<u>\$ 1,191,003</u>

The York County School Division

**Statement of Changes in Assets and Liabilities
Agency Fund - School Activity Funds
Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and temporary investments	<u>\$ 1,586,842</u>	<u>\$ 5,243,355</u>	<u>\$ 5,224,160</u>	<u>\$ 1,606,037</u>
Liabilities				
Amounts held for others	<u>\$ 1,586,842</u>	<u>\$ 5,243,355</u>	<u>\$ 5,224,160</u>	<u>\$ 1,606,037</u>

STATISTICAL SECTION
(Unaudited)

Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School Division's overall financial health.

Contents:

Financial Trends (pages 76 - 79)

These schedules contain trend information to help the reader understand how the School Division's financial performance and well-being have changed over time.

Revenue Capacity (pages 80 - 84)

These schedules contain information to help the reader assess the School Division's most significant local revenue source, Food Services charges for services. They also include the County's most significant local revenue source, property taxes, as the County provides significant revenues to the School Division.

Debt Capacity (pages 85 - 86)

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the County incurs significant debt for the School Division's use.

Demographic and Economic Information (pages 87 - 88)

These schedules offer demographic and economic indicators to help the reader understand how the environment within which the School Division's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (pages 89 - 92)

These schedules contain service and infrastructure data to help the reader understand how the information in the School Division's financial report relates to the services the School provides and the activities it performs.

The York County School Division

Net Assets by Component - Accrual Basis of Accounting Last Seven Fiscal Years ⁽¹⁾ (unaudited)

	2010	2009	2008	2007	2006	2005	2004
Governmental activities							
Invested in capital assets, net of related debt	\$ 132,734,112	\$ 135,060,176	\$ 132,335,874	\$ 126,097,687	\$ 118,521,776	\$ 107,919,412	\$ 108,311,650
Restricted	3,682,691	-	-	8,470,345	5,331,245	-	796,427
Unrestricted	8,154,443	7,552,683	4,941,291	3,262,537	3,326,399	3,592,674	3,761,644
Total primary government net assets	\$ 144,571,246	\$ 142,612,859	\$ 137,277,165	\$ 137,830,569	\$ 127,179,420	\$ 111,512,086	\$ 112,869,721

⁽¹⁾ Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division

Changes in Net Assets - Accrual Basis of Accounting Last Seven Fiscal Years ⁽¹⁾ (unaudited)

	2010	2009	2008	2007	2006	2005	2004
Expenses							
Governmental activities							
Instruction	\$ 102,105,888	\$ 100,323,693	\$ 93,310,028	\$ 90,085,862	\$ 81,915,003	\$ 76,669,205	\$ 69,082,634
Administrative, attendance and health services	5,659,615	6,092,564	9,114,161	8,554,642	7,517,621	6,412,274	5,837,793
Transportation	6,689,204	6,556,444	6,655,318	6,028,267	6,716,845	5,242,264	4,968,615
Operations maintenance	12,342,550	11,191,453	12,257,005	12,101,456	11,140,232	10,918,247	10,145,537
Food services	3,860,618	4,186,429	4,406,639	4,063,833	4,016,427	3,852,601	3,455,830
Interest on capital leases	4,269	8,341	12,576	19,093	7,126	8,189	18,933
Total primary government expenses	<u>130,662,144</u>	<u>128,358,924</u>	<u>125,755,727</u>	<u>120,853,153</u>	<u>111,313,254</u>	<u>103,102,780</u>	<u>93,509,342</u>
Program revenues							
Governmental activities							
Charges for services							
Instruction	501,057	512,906	387,460	391,741	376,286	538,102	511,710
Food services	2,651,924	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203
Operating grants and contributions	67,519,302	67,573,788	63,836,659	61,453,196	56,670,894	51,993,529	46,002,007
Capital grants and contributions	-	1,231,042	1,845,686	1,208,972	1,272,416	1,660,145	1,623,841
Total primary government program revenues	<u>70,672,283</u>	<u>72,172,697</u>	<u>68,826,421</u>	<u>65,824,038</u>	<u>61,123,692</u>	<u>56,838,100</u>	<u>50,405,761</u>
Net (expense)/revenue							
Total primary government net expense	<u>(59,989,861)</u>	<u>(56,186,227)</u>	<u>(56,929,306)</u>	<u>(55,029,115)</u>	<u>(50,189,562)</u>	<u>(46,264,680)</u>	<u>(43,103,581)</u>
General revenues and other changes in net assets							
Governmental activities							
Payments from York County	50,117,998	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975
Shared intergovernmental revenues	11,291,540	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139
Revenues from the use of money and property	207,705	214,513	2,196,245	1,195,331	886,946	536,367	512,158
Miscellaneous	331,005	222,179	363,643	403,067	321,693	426,186	226,840
Total primary government	<u>61,948,248</u>	<u>61,521,921</u>	<u>56,375,902</u>	<u>65,680,264</u>	<u>65,856,896</u>	<u>44,907,045</u>	<u>44,488,112</u>
Changes in net assets							
Total primary government	<u>\$ 1,958,387</u>	<u>\$ 5,335,694</u>	<u>\$ (553,404)</u>	<u>\$ 10,651,149</u>	<u>\$ 15,667,334</u>	<u>\$ (1,357,635)</u>	<u>\$ 1,384,531</u>

(1) Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division

Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting Last Ten Fiscal Years (unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 7,550,946	\$ 6,946,238	\$ 5,905,974	\$ 4,282,348	\$ 4,338,943	\$ 3,943,555	\$ 3,751,632	\$ 4,813,836	\$ 4,001,899	\$ 2,358,472
Unreserved	3,041,258	2,811,011	2,911,736	2,209,444	1,754,474	2,131,098	1,699,006	1,586,692	1,517,263	1,180,451
Total general fund	<u>\$ 10,592,204</u>	<u>\$ 9,757,249</u>	<u>\$ 8,817,710</u>	<u>\$ 6,491,792</u>	<u>\$ 6,093,417</u>	<u>\$ 6,074,653</u>	<u>\$ 5,450,638</u>	<u>\$ 6,400,528</u>	<u>\$ 5,519,162</u>	<u>\$ 3,538,923</u>
All Other Governmental Funds										
Reserved	\$ 1,739,816	\$ 434,066	\$ 2,226,149	\$ 7,220,504	\$ 5,442,581	\$ 960,971	\$ 1,208,122	\$ 1,855,968	\$ 3,670,236	\$ 1,620,305
Unreserved, reported in										
Special revenue fund	671,801	518,531	477,066	507,873	471,007	97,247	737,954	630,976	592,109	683,538
Capital project fund	<u>3,887,722</u>	<u>1,426,898</u>	<u>(2,015,600)</u>	<u>1,411,492</u>	<u>470,464</u>	<u>407,951</u>	<u>410,562</u>	<u>1,534,822</u>	<u>2,941,033</u>	<u>2,178,524</u>
Total all other governmental funds	<u>\$ 6,299,339</u>	<u>\$ 2,379,495</u>	<u>\$ 687,615</u>	<u>\$ 9,139,869</u>	<u>\$ 6,384,052</u>	<u>\$ 1,466,169</u>	<u>\$ 2,356,638</u>	<u>\$ 4,021,766</u>	<u>\$ 7,203,378</u>	<u>\$ 4,482,367</u>

The York County School Division

Changes in Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting Last Ten Fiscal Years (unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Federal sources										
Federal grants	\$ 21,240,077	\$ 11,443,188	\$ 12,347,579	\$ 12,797,495	\$ 13,264,274	\$ 11,781,101	\$ 11,112,236	\$ 10,369,003	\$ 10,356,463	\$ 8,838,647
Food services	1,255,880	1,246,253	1,248,847	1,124,241	1,078,654	942,366	859,717	782,113	814,525	734,918
Total federal sources	<u>22,495,957</u>	<u>12,689,441</u>	<u>13,596,426</u>	<u>13,921,736</u>	<u>14,342,928</u>	<u>12,723,467</u>	<u>11,971,953</u>	<u>11,151,116</u>	<u>11,170,988</u>	<u>9,573,565</u>
State sources										
State education basic aid	34,085,563	42,428,319	35,601,854	35,239,777	31,852,161	31,003,195	26,214,429	25,239,532	23,259,516	22,260,380
State sales tax	11,291,540	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139	7,291,953	7,254,188	7,228,441
Food services	64,925	66,944	65,939	64,283	61,065	54,920	51,053	48,969	49,350	49,559
State grants and other	10,495,914	13,067,600	15,703,458	13,435,872	11,683,201	9,872,092	9,386,313	10,395,441	9,616,908	9,523,443
Total state sources	<u>55,937,942</u>	<u>66,036,065</u>	<u>62,308,309</u>	<u>60,006,635</u>	<u>53,930,067</u>	<u>50,236,744</u>	<u>43,591,934</u>	<u>42,975,895</u>	<u>40,179,962</u>	<u>39,061,823</u>
Local sources	(1)	(1)	(1)							
Payments from York County	50,117,998	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975	37,698,293	30,450,732	27,725,788
Food service sales	2,651,924	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203	1,943,016	1,835,792	1,694,299
Interest and other income	696,700	878,873	1,176,981	1,195,331	886,946	536,367	512,158	580,480	605,155	891,193
Other revenues	720,010	623,251	646,968	795,308	701,934	964,288	740,650	585,599	727,654	681,870
Total local resources	<u>54,186,632</u>	<u>54,969,112</u>	<u>47,459,521</u>	<u>57,575,931</u>	<u>58,707,593</u>	<u>38,784,934</u>	<u>39,329,986</u>	<u>40,807,388</u>	<u>33,619,333</u>	<u>30,993,150</u>
Total revenues	<u>132,620,531</u>	<u>133,694,618</u>	<u>123,364,256</u>	<u>131,504,302</u>	<u>126,980,588</u>	<u>101,745,145</u>	<u>94,893,873</u>	<u>94,934,399</u>	<u>84,970,283</u>	<u>79,628,538</u>
Expenditures										
Instruction	97,868,494	96,297,060	87,648,146	85,684,494	79,042,519	72,199,940	64,156,077	60,385,900	56,268,252	55,176,078
Administration, attendance, and health services	5,495,520	5,937,858	8,945,661	8,329,524	7,420,691	6,404,403	5,907,512	5,429,175	4,705,618	4,250,250
Pupil Transportation	7,044,930	7,591,803	6,739,839	6,567,937	6,069,668	5,618,939	5,101,840	4,858,132	3,961,244	4,672,831
Operations and maintenance	11,520,301	11,115,340	11,205,861	11,653,064	11,080,684	11,023,760	10,111,467	8,950,532	8,022,027	7,673,108
Food services	3,822,554	4,138,012	4,197,435	4,024,382	3,977,129	3,823,924	3,416,064	2,745,592	2,798,917	2,513,444
Capital outlay	2,019,822	5,889,016	10,634,944	11,896,449	14,684,782	3,116,248	8,419,194	14,791,825	4,386,992	6,222,336
Debt service:										
Principal retirement	89,842	85,769	106,130	175,167	257,000	97,000	97,000	97,000	97,000	97,000
Interest and fiscal charges	4,269	8,341	12,576	19,093	7,126	8,189	18,933	23,975	28,983	34,128
Total expenditures	<u>127,865,732</u>	<u>131,063,199</u>	<u>129,490,592</u>	<u>128,350,110</u>	<u>122,539,599</u>	<u>102,292,403</u>	<u>97,228,087</u>	<u>97,282,131</u>	<u>80,269,033</u>	<u>80,639,175</u>
Excess of revenues over expenditures	<u>4,754,799</u>	<u>2,631,419</u>	<u>(6,126,336)</u>	<u>3,154,192</u>	<u>4,440,989</u>	<u>(547,258)</u>	<u>(2,334,214)</u>	<u>(2,347,732)</u>	<u>4,701,250</u>	<u>(1,010,637)</u>
Other financing sources (uses)										
Capital lease	-	-	-	-	495,658	-	-	-	-	-
Transfers in	-	-	-	-	500,000	-	-	-	-	-
Transfers out	-	-	-	-	(500,000)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,754,799</u>	<u>\$ 2,631,419</u>	<u>\$ (6,126,336)</u>	<u>\$ 3,154,192</u>	<u>\$ 4,936,647</u>	<u>\$ (547,258)</u>	<u>\$ (2,334,214)</u>	<u>\$ (2,347,732)</u>	<u>\$ 4,701,250</u>	<u>\$ (1,010,637)</u>
Debt service as a percentage of noncapital expenditures	0.07%	0.08%	0.10%	0.17%	0.25%	0.11%	0.13%	0.15%	0.17%	0.18%

(1) Significant increases in payments from York County are due to years in which long-term debt was issued by the County on behalf of the School Division. Capital Outlay expenditures also notably increase in these years.

The York County School Division

Food Services - Breakfast and Lunch Program Rates and Participation Last Ten Fiscal Years (unaudited)

Fiscal Year	Breakfast Program Meal Prices				Lunch Program Rates Meal Prices				Average Percentage of Students Participating in School Lunch Program	Percentage of Students Receiving Free or Reduced Meals
	Elementary	Middle/		Reduced	Elementary	Middle/		Reduced		
		High	Adult			High	Adult			
2010	\$1.10	\$1.20	\$1.55	\$0.30	\$2.05	\$2.15	\$2.80	\$0.40	40.97%	15.10%
2009	\$0.95	\$1.05	\$1.30	\$0.30	\$2.00	\$2.10	\$2.75	\$0.40	40.56%	15.70%
2008	\$0.95	\$1.05	\$1.30	\$0.30	\$1.90	\$2.00	\$2.60	\$0.40	41.79%	14.41%
2007	\$0.95	\$1.05	\$1.30	\$0.30	\$1.85	\$1.95	\$2.50	\$0.40	43.75%	14.18%
2006	\$0.85	\$1.05	\$1.30	\$0.30	\$1.75	\$1.85	\$2.50	\$0.40	46.42%	13.92%
2005	\$0.75	\$0.95	\$1.20	\$0.30	\$1.65	\$1.75	\$2.25	\$0.40	48.18%	14.15%
2004	\$0.75	\$0.95	\$1.05	\$0.30	\$1.65	\$1.75	\$2.25	\$0.40	45.88%	13.49%
2003	\$0.75	\$0.95	\$1.05	\$0.30	\$1.65	\$1.65	\$2.25	\$0.40	42.51%	13.26%
2002	\$0.75	\$0.95	\$1.05	\$0.30	\$1.55	\$1.65	\$2.15	\$0.40	52.99%	14.25%
2001	\$0.95	\$0.95	\$1.05	\$0.30	\$1.45	\$1.45	\$2.05	\$0.40	53.37%	14.35%

Source: York County School Division

The York County School Division

Assessed Value and Estimated Actual Value of Taxable Property of the County of York, Virginia Last Ten Calendar Years (unaudited)

Year	Real Estate	Personal Property	Mobile Home	Public Utility			Total Taxable Assessed Value	Total Direct Tax Rate
				Real Estate	Personal Property	CPC Equipment		
2010	\$8,961,227,100	\$ 486,463,825	\$ 4,021,600	\$ 366,503,738	\$ 129,147	\$ 69,774,070	\$ 9,888,119,480	\$0.8211
2009	8,993,599,500	460,168,335	4,725,400	346,268,796	147,871	72,185,117	9,877,095,019	0.8123
2008	8,769,689,200	515,107,210	4,276,100	308,145,734	148,765	67,877,755	9,665,244,764	0.8348
2007	7,645,795,200	487,921,335	4,224,900	326,639,988	174,188	75,653,448	8,540,409,059	0.8850
2006	7,454,449,300	476,044,805	4,234,365	281,865,579	147,630	56,217,994	8,272,959,673	0.8866
2005	5,342,391,200	438,975,665	4,533,300	308,441,261	195,614	108,900,347	6,203,437,387	1.0399
2004	5,177,858,100	389,936,240	4,048,700	311,750,291	103,116	83,427,310	5,967,123,757	1.0628
2003	4,332,695,900	372,586,710	4,483,220	383,517,402	81,725	47,572,000	5,140,936,957	1.0860
2002	4,164,948,589	357,154,465	4,710,800	373,094,854	67,399	45,232,394	4,945,208,501	1.0852
2001	3,731,519,800	341,671,410	5,499,500	396,014,109	75,058	48,741,804	4,523,521,681	1.0954

Note: Values are net of tax exempt property. Property in the County is reassessed every two years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Source: County of York, Virginia

Comprehensive Annual Financial Report Fiscal Year 2010

The York County School Division

Property Tax Rates for the County of York, Virginia Last Ten Fiscal Years (unaudited)

Fiscal Year	Real Estate (1) (2) (3)	Personal Property (1)	Mobile Home (1) (3)	CPC Equipment (1) (3)
2010	\$ 0.6575	\$ 4.00	\$ 0.6575	\$ 0.526
2009	0.6575	4.00	0.6575	0.526
2008	0.6975/0.6575	4.00	0.6975/0.6575	0.558/0.526
2007	0.6975	4.00	0.6975	0.558
2006	0.8175/0.6975	4.00	0.8175/0.6975	0.654/0.558
2005	0.8175	4.00	0.8175	0.654
2004	0.86/0.8175	4.00	0.86/0.8175	0.688/0.654
2003	0.86	4.00	0.86	0.688
2002	0.86	4.00	0.86	0.688
2001	0.86	4.00	0.86	0.688

⁽¹⁾ Tax rate per \$100 of assessed valuation.

⁽²⁾ The amount designated for school operating is \$0.502 for fiscal year 2010.

⁽³⁾ The tax rate, 1st half/2nd half.

Note: The County has no overlapping taxes with other governments.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2010

The York County School Division

Principal Property Taxpayers of the County of York, Virginia - Calendar Year Current Year and Nine Years Prior (unaudited)

Taxpayer	Description	2009 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2000 Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Virginia Power Company	Generating plant	\$ 366,433,825	1	3.67%	\$ 371,961,690	1	8.51%
Lawyers Title/Fairfield Resorts	Timeshare condos	194,941,940	2	1.95%	89,183,980	2	2.04%
Western Refining Yorktown, Inc.	Refinery	149,651,350	3	1.50%	81,329,335	3	1.86%
City of Newport News	Water system	87,703,200	4	0.88%	65,338,600	4	1.49%
Kings Creek Plantation	Timeshare condos	69,688,965	5	0.70%			
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	64,828,025	6	0.65%			
Premier Properties	Marquis shopping center	48,225,200	7	0.48%			
Busch Entertainment	Water park	46,613,770	8	0.47%	42,807,960	5	0.98%
Wal-Mart	Retail sales	35,853,505	9	0.36%			
Phillip Morris	Manufacturer	19,353,240	10	0.19%	12,471,000	9	0.29%
Bell Atlantic	Telephone company				24,055,063	6	0.55%
Virginia Natural Gas	Natural gas company				19,204,128	7	0.44%
Kiln Creek Shopping Center	Retail sales				17,878,400	8	0.41%
K-Mart	Retail sales				10,564,170	10	0.24%
Total		<u>\$ 1,083,293,020</u>		<u>10.84%</u>	<u>\$ 734,794,326</u>		<u>16.81%</u>

Source: Commissioner of the Revenue of the County of York, Virginia.

The York County School Division

Property Tax Levies and Collections of the County of York, Virginia Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Tax Levy (1) (2)	Current Tax Collections (1)	Percent of Levy Collected	Collections in Subsequent Year	Total Collections to Date	
					Amount	Percentage of Levy
2010	\$ 79,967,238	\$ 74,592,412	93.28%	\$ -	\$ 74,592,412	93.28%
2009	77,519,190	74,221,594	95.75%	1,304,823	75,526,417	97.43%
2008	72,552,762	70,122,593	96.65%	1,920,261	72,042,854	99.30%
2007	69,290,160	67,367,845	97.23%	1,311,237	68,679,082	99.12%
2006	67,054,087	64,874,238	96.75%	1,547,138	66,421,376	99.06%
2005	65,863,726	63,315,662	96.13%	1,640,431	64,956,093	98.62%
2004	60,823,449	58,099,636	95.52%	2,009,797	60,109,433	98.83%
2003	57,471,361	55,137,811	95.94%	1,877,683	57,015,494	99.21%
2002	53,335,585	51,353,839	96.28%	1,663,363	53,017,202	99.40%
2001	50,512,862	48,624,757	96.26%	1,575,088	50,199,845	99.38%

⁽¹⁾ Effective for 2006, the Commonwealth of Virginia passed legislation changing the nature of the Personal Property Tax Relief Act "PPTRA" (Virginia State Code, Title 58.1, Chapter 35) from a reimbursement based entitlement program to a block grant. Consequently, the levy and collections for the first half of calendar year 2006 (second half of fiscal year 2006), excludes the Commonwealth's non-categorical aid for PPTRA. Figures for the second half of calendar year 2005 (first half of fiscal year 2006) and for applicable prior years include the Commonwealth's reimbursement for PPTRA.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2010

The York County School Division

Ratio of Outstanding Debt By Type of the County of York, Virginia ⁽¹⁾ Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Primary Government - County of York, Virginia							Total School Division		Percentage of Personal Income	Per Capita
	General		Literary Loans	(2)	Lease		Total	Capital Leases	Total		
	Obligation Bonds	Revenue Bonds		Capital Leases	Revenue Bonds	Note Payable	Primary Government		School Division		
2010	\$ 58,510,000	\$ 8,484,413	\$ 200,000	\$ 2,853,785	\$ 30,565,000	\$ 1,341,604	\$ 101,954,802	\$ -	\$ -	2.65%	\$ 1,561
2009	58,395,000	8,785,933	300,000	3,513,765	31,715,000	1,620,440	104,330,138	89,842	89,842	2.87%	1,608
2008	56,910,000	9,071,898	400,000	1,683,896	15,595,000	1,879,758	85,540,552	175,611	175,611	2.50%	1,324
2007	60,925,000	9,347,334	550,000	1,881,448	16,680,000	2,120,925	91,504,707	281,741	281,741	2.76%	1,434
2006	53,455,000	9,612,267	710,000	1,915,883	17,740,000	2,345,211	85,778,361	456,908	456,908	2.74%	1,355
2005	41,655,000	9,886,722	870,000	1,274,189	18,780,000	2,553,797	75,019,708	218,250	218,250	2.57%	1,202
2004	44,785,000	9,310,721	1,030,000	1,525,471	19,795,000	2,747,783	79,193,975	315,250	315,250	3.00%	1,281
2003	43,740,000	9,484,287	1,190,000	1,766,247	3,070,000	2,928,191	62,178,725	412,250	412,250	2.46%	1,026
2002	38,715,000	9,652,440	1,350,000	1,931,455	3,385,000	3,095,971	58,129,866	509,250	509,250	2.45%	979
2001	41,265,000	9,810,200	1,535,700	5,609,780	-	3,252,007	61,472,687	606,250	606,250	2.76%	1,049

(1) Bonds are shown at gross, excluding premiums and/or discounts and deferred revenue amounts on refundings.

(2) 2001 amount includes \$3,470,000 in certificates of participation.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2010

The York County School Division

Ratio of General Bonded Debt Outstanding for the County of York, Virginia Last Ten Fiscal Years (unaudited)

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2010	\$ 58,510,000	\$ -	\$ 58,510,000	0.59%	\$ 896
2009	58,395,000	-	58,395,000	0.59%	900
2008	56,910,000	-	56,910,000	0.59%	881
2007	60,925,000	-	60,925,000	0.71%	955
2006	53,455,000	-	53,455,000	0.65%	844
2005	41,655,000	-	41,655,000	0.67%	668
2004	44,785,000	-	44,785,000	0.75%	725
2003	43,740,000	-	43,740,000	0.85%	722
2002	38,715,000	-	38,715,000	0.78%	652
2001	44,735,000	-	44,735,000	0.99%	763

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2010

The York County School Division

Demographic and Economic Statistics

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (Thousands)	Per Capita Income ⁽¹⁾	Median Age ⁽³⁾	Education Level In Years of Formal Schooling ⁽⁴⁾	Student Average Daily Membership ⁽⁵⁾	Unemployment Rate ⁽⁶⁾
2010	65,300	\$ 3,840,860	\$ 50,343	40.00	13.00	12,533	6.1%
2009	64,900	3,636,013	48,048	39.80	13.00	12,732	5.3%
2008	64,600	3,428,766	46,844	39.40	13.00	12,745	3.3%
2007	63,800	3,318,788	45,256	39.20	13.00	12,649	2.4%
2006	63,300	3,129,681	42,858	38.90	13.00	12,797	2.6%
2005	62,400	2,924,572	40,209	38.40	13.00	12,442	3.0%
2004	61,800	2,642,632	36,743	38.30	12.80	12,363	3.0%
2003	60,600	2,525,179	35,352	38.00	12.80	12,184	3.2%
2002	59,400	2,376,111	33,576	37.40	12.80	12,010	3.1%
2001	58,600	2,230,997	32,131	37.00	12.80	11,750	2.5%

Source:

⁽¹⁾ County Planning Division.

⁽²⁾ County Planning Division (2010 - 2009 (estimated)); U.S. Bureau of Economic Analysis (2008 - 2001). The U.S. Bureau of Economic Analysis figures include the City of Poquoson.

⁽³⁾ County Planning Division 2010 (estimated); U.S. Bureau of Economic Analysis (2009 - 2001)

⁽⁴⁾ Educational Attainment data published in the U.S. Census Bureau.

⁽⁵⁾ County School Division

⁽⁶⁾ Local Area Unemployment Statistics Program and the Bureau of Labor Statistics.

The York County School Division

Principal Employers Current Year and Nine Years Prior (unaudited)

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Naval Weapons Station / Cheatham Annex	2,682	1	12.19%	2,830	1	16.55%
York County School Division	1,659	2	7.54%	1,622	2	9.49%
Wal-Mart	970	3	4.41%			
York County Government	857	4	3.90%	729	3	4.26%
U.S. Coast Guard Station	826	5	3.75%			
Sentara Williamsburg Regional Medical Center	778	6	3.54%			
Water Country	777	7	3.53%	603	4	3.53%
Great Wolf Lodge	483	8	2.20%			
Windham Vacation Ownership	435	9	1.98%			
Kings Creek Plantation	240	10	1.09%			
K-Mart				423	5	2.47%
BP Amoco				219	6	1.28%
Food Lion				213	7	1.25%
Cybernetics				150	8	0.88%
Virginia Power				108	9	0.63%
Coca-Cola Bottling				96	10	0.56%
Total	9,707		44.12%	6,993		40.89%

Source: County Office of Economic Development.

The York County School Division

Full-time Equivalent Division Employees by Type Last Ten Fiscal Years (unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Athletic Directors	4.00	4.00	4.00	4.00	4.00	4.00	-	-	-	-
Board Members	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Bus Drivers	133.00	133.00	133.00	136.00	136.00	130.00	128.00	129.00	126.00	124.00
Bus Driver Assistants	25.00	25.00	25.00	25.00	25.00	21.00	21.00	21.00	21.00	21.00
Cafeteria Monitors	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Chief Financial Officer	-	-	-	-	1.00	1.00	1.00	1.00	1.00	-
Clerical	74.75	74.75	74.25	75.25	73.25	65.25	66.25	71.75	70.50	72.50
Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clinic Aides	-	-	-	-	1.00	2.00	2.00	2.00	3.00	3.00
Crossing Guards	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Custodians	108.50	108.50	100.50	100.50	100.50	85.80	85.80	85.80	85.80	85.80
Directors	9.25	10.25	9.25	11.25	9.25	9.25	9.75	9.25	8.25	10.25
Division Chiefs	4.00	4.00	4.00	3.00	-	-	-	-	-	-
Food Service Personnel	35.66	44.66	48.32	53.32	63.83	95.00	95.00	95.00	95.00	95.00
Guidance Counselors	33.50	33.50	34.00	34.00	34.00	33.50	33.00	33.00	33.00	33.00
Instructors	10.00	10.00	10.00	10.00	11.00	10.00	10.00	10.00	10.00	8.00
Librarians	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Mechanics	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00
Nurses	17.00	17.00	17.00	17.00	17.00	16.00	16.00	16.00	15.00	15.00
Occupational Therapists	4.50	4.50	4.50	4.00	4.00	3.00	3.00	2.00	2.00	2.00
Para-Educators	268.00	272.00	261.00	268.50	263.00	285.93	244.93	217.93	212.92	195.92
Physical Therapists	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Principals	19.00	19.00	19.00	19.00	19.00	20.00	20.00	20.00	20.00	20.00
Principals (Assistants)	27.00	27.00	27.00	25.00	23.00	23.00	22.00	20.00	20.00	20.00
Psychologists	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	9.00	7.00
Superintendent	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Superintendent (Assistant)	-	-	-	-	2.00	1.00	1.00	1.00	1.00	1.00
Teachers	868.16	862.16	833.25	845.72	839.58	818.32	799.97	772.79	768.94	746.04
Technical	107.17	113.96	110.26	114.54	112.54	99.22	94.57	84.57	69.20	59.20
Trades	24.00	26.00	24.00	24.00	24.00	23.00	23.00	25.00	25.00	24.00
Total Full-Time Equivalents	1,822.99	1,839.78	1,788.83	1,821.58	1,813.45	1,795.77	1,725.77	1,666.59	1,636.11	1,582.21

Source: York County School Division

The York County School Division

Operating Statistics Last Ten Fiscal Years (unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio	Percentage Change
2010	12,533	\$ 122,023,356	\$ 9,736	2.4%	919.66	13.6	-2.2%
2009	12,732	121,036,171	9,506	5.7%	913.66	13.9	-3.2%
2008	12,745	114,658,213	8,996	0.1%	885.25	14.4	2.1%
2007	12,649	112,429,279	8,888	9.5%	897.72	14.1	-1.8%
2006	12,797	103,877,688	8,117	5.9%	891.58	14.4	0.3%
2005	12,442	95,355,488	7,664	10.6%	869.82	14.3	-1.5%
2004	12,363	85,675,590	6,930	5.9%	850.97	14.5	-1.8%
2003	12,184	79,744,280	6,545	4.4%	823.79	14.8	1.0%
2002	12,010	75,278,680	6,268	-0.4%	819.94	14.6	-0.6%
2001	11,750	73,954,500	6,294	5.6%	797.04	14.7	-2.3%

Source: York County School Division

The York County School Division

School Building Information Last Ten Years (unaudited)

School	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Elementary										
Bethel Manor Elementary										
Square feet	79,685	79,685	79,685	79,685	79,685	79,685	79,685	79,685	79,685	53,800
Capacity	698	698	698	698	698	698	698	698	698	430
Enrollment	525	549	565	555	598	625	595	534	520	577
Coventry Elementary										
Square feet	78,033	78,073	78,073	78,073	78,073	78,073	78,073	78,073	78,073	78,073
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	604	612	646	637	669	644	681	686	676	738
Dare Elementary										
Square feet	63,415	64,300	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100
Capacity	867	867	427	427	427	427	427	427	427	427
Enrollment	438	436	447	421	442	391	374	414	381	377
Grafton Bethel Elementary										
Square feet	68,583	68,583	68,583	68,583	68,583	68,583	68,583	68,583	68,583	68,583
Capacity	703	703	703	703	703	703	703	703	703	703
Enrollment	617	628	642	623	614	634	650	626	620	605
Magruder Elementary										
Square feet	74,867	74,867	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400
Capacity	740	740	653	653	653	653	653	653	653	653
Enrollment	593	640	599	614	570	525	527	512	531	554
Mt. Vernon Elementary										
Square feet	57,999	57,999	57,999	57,999	57,999	57,999	57,999	57,999	57,999	57,999
Capacity	542	542	542	542	542	542	542	542	542	542
Enrollment	554	544	552	535	537	496	495	581	589	521
Seaford Elementary										
Square feet	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553	41,700
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	519	532	520	508	517	496	492	489	472	495
Tabb Elementary										
Square feet	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425
Capacity	627	627	627	627	627	627	627	627	627	627
Enrollment	531	540	551	546	578	619	619	616	645	649
Waller Mill Elementary										
Square feet	36,665	36,665	36,665	36,665	36,665	36,665	36,665	36,665	36,665	36,665
Capacity	297	297	297	297	297	297	297	297	297	297
Enrollment	321	339	328	301	307	288	289	287	257	199
Yorktown Elementary										
Square feet	66,402	66,402	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200
Capacity	734	734	494	494	494	494	494	494	494	494
Enrollment	584	513	489	464	497	507	493	431	396	387

The York County School Division

School Building Information Last Ten Years (unaudited)

School	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Middle										
Grafton Middle										
Square feet	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229
Capacity	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215
Enrollment	875	854	893	934	945	981	966	947	915	985
Queens Lake Middle										
Square feet	57,047	57,047	57,047	57,047	57,047	57,047	57,047	48,100	48,100	48,100
Capacity	681	681	681	681	681	681	681	490	490	490
Enrollment	490	543	570	545	519	484	486	493	510	476
Tabb Middle										
Square feet	91,771	91,771	91,771	91,771	91,771	91,771	91,771	91,771	91,771	91,771
Capacity	1,178	1,178	1,178	1,178	1,178	1,178	1,178	1,178	1,178	1,178
Enrollment	829	897	954	967	1,014	936	994	987	964	847
Yorktown Middle										
Square feet	98,918	98,918	98,918	65,600	65,600	65,600	65,600	65,600	65,600	65,600
Capacity	982	982	982	629	629	629	629	629	629	629
Enrollment	752	739	713	666	699	667	666	630	607	576
High										
Bruton High										
Square feet	155,040	155,040	155,040	155,040	155,040	155,040	155,040	155,040	151,700	151,700
Capacity	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039
Enrollment	668	727	726	746	739	703	661	621	585	567
Grafton High										
Square feet	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229
Capacity	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397
Enrollment	1,277	1,281	1,296	1,299	1,280	1,264	1,253	1,208	1,241	1,214
Tabb High										
Square feet	160,597	160,597	160,597	160,597	160,597	160,597	160,597	160,597	160,597	160,597
Capacity	1,288	1,288	1,288	1,288	1,288	1,288	1,288	1,288	1,288	1,288
Enrollment	1,245	1,257	1,267	1,283	1,293	1,305	1,216	1,175	1,122	1,100
York High										
Square feet	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091
Capacity	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	1,078	1,036	977	1,014	974	957	960	922	866	849
York River Academy										
Square feet	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Capacity	40	40	40	40	40	40	40	40	40	40
Enrollment	58	50	50	40	37	39	42	48	45	43

Source: York County School Division

COMPLIANCE SECTION

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

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the York County School Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the York County School Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the York County School Division's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether York County School Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of York County School Division, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekert & Holland, L.L.P.

Richmond, Virginia
November 24, 2010



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH COMMONWEALTH OF VIRGINIA'S LAWS,
REGULATIONS, CONTRACTS, AND GRANTS**

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the York County School Division's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>		<u>State Agency</u>
<u>Requirements</u>		
Budget and Appropriation Laws	Retirement	Education
Cash and Investments	Procurement	
Conflicts of Interest	Unclaimed Property	

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of the York County School Division, management, the Auditor of Public Accounts and applicable State agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekert & Holland, L.L.P.

Richmond, Virginia
November 24, 2010

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