

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

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For the Fiscal Year Ended June 30, 2014

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, 2014**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b><i>INTRODUCTORY SECTION</i></b>	
Letter of Transmittal .....	1-8
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association .....	9
Certificate of Excellence in Financial Reporting - Association of School Business Officials International .....	10
Organizational Chart .....	11
School Division Board Members and Officials.....	12
 <b><i>FINANCIAL SECTION</i></b>	
Report of Independent Auditor .....	15 - 16
Management's Discussion and Analysis .....	18 - 29
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Governmental Activities.....	31
Statement of Activities - Governmental Activities.....	32
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	33
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	36
Fiduciary Financial Statements:	
Statement of Net Position - Fiduciary Funds.....	37
Statement of Changes in Net Position - Fiduciary Fund - Pension Trust Fund - Optional Plan.....	38
Notes to Basic Financial Statements (The notes to the financial statements are an integral part of the basic financial statements).....	40 - 68

Required Supplementary Information Other Than Management's Discussion and Analysis:	
Schedule of Revenues - Budget and Actual - General Fund.....	70 - 71
Schedule of Expenditures - Budget and Actual - General Fund .....	72 - 73
Schedule of Changes in the School Division's Net Position Liability and Related Ratios.....	74
Schedule of School Divisions Contributions.....	75
Schedule of Investments.....	76
Schedule of Funding Progress for Defined Pension Benefit Plans .....	77
Schedule of Employer Contributions.....	78
Notes to Required Supplementary Information .....	79 - 80
Other Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual - Capital Projects Fund.....	83
Schedule of Revenues and Expenditures - Budget and Actual - Non-major Special Revenue Fund.....	84
Statement of Changes in Assets and Liabilities - Agency Fund - School Activity Funds .....	85

**STATISTICAL SECTION**

Statistical Section.....	86
Net Position by Component - Accrual Basis of Accounting - Last Ten Fiscal Years .....	87 - 88
Changes in Net Position - Accrual Basis of Accounting - Last Ten Fiscal Years.....	89 - 90
Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting - Last Ten Fiscal Years .....	91 - 92
Changes in Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting - Last Ten Fiscal Years .....	93 - 94
Food Services - Breakfast and Lunch Program Rates and Participation - Last Ten Fiscal Years .....	95
Assessed Value and Estimated Actual Value of Taxable Property of the County of York, Virginia - Last Ten Calendar Years.....	96
Property Tax Rates for the County of York, Virginia - Last Ten Fiscal Years.....	97
Principal Property Taxpayers of the County of York, Virginia - Calendar Year - Current Year and Nine Years Prior .....	98
Property Tax Levies and Collections of the County of York, Virginia - Last Ten Fiscal Years .....	99
Ratio of Outstanding Debt by Type of the County of York, Virginia -	

Last Ten Fiscal Years .....	100
Ratio of General Bonded Debt Outstanding for the County of York, Virginia -	
Last Ten Fiscal Years .....	101
Demographic and Economic Statistics - Last Ten Fiscal Years .....	102
Principal Employers - Current Year and Nine Years Prior.....	103
Full-time Equivalent Division Employees by Type - Last Ten Fiscal Years .....	104
Operating Statistics - Last Ten Fiscal Years .....	105
Capital Assets Information by Governmental Activities - Last Ten Fiscal Years .....	106
School Building Information - Last Ten Fiscal Years.....	107 - 108

**COMPLIANCE SECTION**

Report of Independent Auditor 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> .....	111 - 112
Report of Independent Auditor on Compliance with Commonwealth of Virginia's	
Laws, Regulations, Contracts, and Grants.....	113

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## ***INTRODUCTORY SECTION***



November 23, 2014

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, 2014 (FY 2014), 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.

U.S. 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 auditor's 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 auditor's 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 2014 was 12,333 and projected budgeted enrollment for fiscal year 2015 (FY 2015) is 12,420. 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 approximately 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

The Virginia economy continued to show signs of recovery in FY 2014, it was also the first year of the state fiscal biennium which meant that the local composite index (the "LCI" is a measure of the local government's ability to pay) for each school division was recalculated. For FY 2014, the York County School Division's LCI decreased from .4049 to .4026. The decrease resulted in \$160,000 more in state revenue than would have otherwise been received if the LCI had not changed.

At the local level, York County's economy continued to recover as total commercial building permit values reached \$23.4 million and 15 new projects were permitted. Total building permit values (residential & commercial) exceeded \$76 million for the first time since 2009.

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 67,000.

The Office of Economic Development (OED) 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. FY 2014 economic development highlights for York County include:

- The economic development fiscal year was highlighted by Enterprise Holdings (parent corporation Enterprise, Alamo & National Car Rentals) acquiring three vacant commercial buildings totaling 23,000 sq. ft. and completing major renovations. The acquisition brought 90 high paying jobs to the County and a boost for local hotels and restaurants as Enterprise will utilize the former "President's Park" building as a statewide training center. Another highlight

was the retention/expansion of Magnolia Cleaning Services, a growing York County company serving the time share industry. The Economic Development Authority (EDA) provided an economic development grant to The Kerner Group to assist them in constructing and leasing a new 22,000 sq. ft. building to Magnolia in Busch Industrial Park. Priority Nissan announced their decision to acquire a site for a new dealership in Lightfoot. Priority will be joining Casey and Williamsburg Ford as the third new car dealership in the Lightfoot corridor. Smith/Packett, a national developer/owner of assisted living facilities, put 7.9 acres under contract at the corner of Rt. 134 and Victory Blvd for a 102 unit project.

- The Office of Economic Development (OED) and EDA continued to support the fall “Williamsburg Arts” initiative to increase tourism. The OED and EDA helped create and implement the new “Blues, Brews and BBQ” and “Art on the River” fall events in Yorktown to bolster this endeavor.
- The OED and the EDA continued to focus on improving the County’s entrepreneurial eco system and accelerating business growth. The EDA was a major sponsor of the “START Peninsula” 2.0 endeavor held at the Peninsula Technology Incubator. Start Peninsula 2.0 provided over 20 entrepreneurs an opportunity to compete for \$10,000 towards their venture and free time in an area business incubator.
- The OED, in concert with the Marquis Community Development Authority, worked cooperatively with Todd Interests, the owner of the Marquis, to attract a ground lease commitment from Sam’s Club that will help retain the existing retailers and stimulate new commercial investment. As part of that commitment Todd Interests has started construction on extending Marquis Parkway and new storm water structures.
- The OED/EDA negotiated the acquisition of 30 acres of shovel ready light industrial property in Busch Industrial Park at a cost that is less than half of the assessed value. Ownership of the property transferred in June 2014 and the EDA already has five acres under contract for a light manufacturing facility.
- The slowly recovering national economy continued to hamper significant commercial growth in the greater Hampton Roads region in which encompasses York County. However, the strong military presence in the region and the significant tourism base allowed the County to fare better than many other communities. Unemployment rates remained below state and national averages and local tax revenues stabilized. As federal sequestration is taking hold in Virginia, the impact on the region of the reductions is being monitored on an ongoing basis.

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 from the federal government related to the Department of Defense Educational Activity grant program. The total grant is \$2.5 million to be spent over a three-year period. FY 2014 marked the second year of the grant. The grant funds are funding the implementation of a Transformative Learning Initiative in the School Division. In total, federal grant revenue totaled 11.3% of total General Fund Revenue. This percentage decreased in FY 2014 as compared to FY 2013 because the overall total revenues increased at a higher percentage than federal revenue.

### 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 2013-14, 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 2013-14 curriculum and professional development efforts include:

- ◆ School Board Strategic Plan

Work on the new strategic plan for the division began in the summer of 2012. Input was solicited from parents, community members, business leaders, teachers and staff through an online survey, school visits, numerous community forums and meetings with principals and other staff. Utilizing the data collected from these events, the School Board adopted the strategic plan in January 2013 and it was implemented in FY14.

- ◆ Community Surveys

In 2010, the County Government contracted with an independent firm to survey County citizens on facilities and services in York County and about living in York County in general. The survey was conducted in December 2010 and January 2011. Respondents were asked in an open-minded question to name the main reason they live in York County. Four answers emerged as the top tier: good quality schools (20%), for their family (18%), for work (16%) and because they grew up here (15%). No other answer was given by more than 10% of respondents.

- ◆ 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.

- ◆ Elementary and Secondary Education Act

The Elementary and Secondary Education Act (ESEA) requires states to set annual measurable objectives aimed at improving student achievement and ensuring all children have the opportunity to obtain a high quality education. Under the provisions of the two-year flexibility waiver granted by the United States Department of Education on June 29, 2012, the Board of Education has set new annual measurable objectives (AMOs) for raising achievement in the Commonwealth's schools. These new annual objectives in reading and mathematics replace the Adequate Yearly Progress (AYP) targets schools were previously required to meet.

Separate AMOs have been set for student subgroups, including new Proficiency Gap Groups comprising students who historically have had difficulty meeting the Commonwealth's achievement standards:

Proficiency Gap Group 1: Students with disabilities, limited-English proficient (LEP) students and economically disadvantaged students regardless of race or ethnicity.

Proficiency Gap Group 2: African American students who are not of Hispanic origin, including those in Proficiency Gap Group 1.

Proficiency Gap Group 3: Hispanic students, of one or more races, including those also counted in Proficiency Gap Group 1.

The benchmarks are set with the goal of reducing the proficiency gaps in reading and math in half between the lowest and highest performing schools within six years. In FY 2014, 14 of 19 division schools met or exceeded all AMOs, with 13 of the 14 meeting the Higher Expectations provision.

- ◆ 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 2014 SOL test results, all York County School Division elementary, middle, and high schools were Fully Accredited.

◆ Scholastic Aptitude Test (SAT)

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

◆ York River Academy (Charter School)

York River Academy (YRA), is a charter school operated by the York County School Division on the campus of Yorktown Middle School. YRA is designed to provide selected students in grades 9 through 12 with an innovative academic and career-preparatory education in core subject areas with an emphasis on computer repair/cabling and web design. The York County School Board authorized the creation of YRA. YRA has a Governing Board comprised of the principal and student, community, teacher, and school division representatives. Students must apply and be accepted to attend YRA. There are approximately 60 students attending YRA. Students who successfully complete YRA's innovative curriculum will have the opportunity to earn professional technical certifications such as the Internet Computer Core Certification (IC3) and the Microsoft Office Specialist (MOS). YRA is funded by a combination of local, state and federal revenue sources.

◆ Career/Technical Offerings

Within the York County School Division, four career and technical education programs are offered for high school credit with concentrations that lead to career and technical education completer status. Meeting the needs of students as they prepare to work in the 21<sup>st</sup> century are offerings in Business and Information Technology, Marketing Education, Technology Education, and Trade and Industrial Education. A Career and Technical Education Program Completer is a student who has met the requirements for a career and technical concentration or specialization and all requirements for high school graduation. Of the York County Career and Technical Education Program Completers, 100% attained 80% or more of their occupational competencies.

◆ Division continues to grow with the community.

Several construction projects were started or completed during the 2013-14 school year:

- Completed a \$1.1 million HVAC renovation (Phase I) at Grafton Bethel Elementary School. This is a multi-year project with different phases in each year. Phase II will be completed in FY15.
- Completed a \$2.5 million HVAC renovation at Coventry Elementary School.
- Began construction of a \$2.07 million six-classroom addition at Seaford Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity.
- Completed the construction of a \$1.65 million gymnasium at the Grafton School Complex.

◆ 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 2015 include Phase II of the HVAC replacement at Grafton Bethel Elementary School the Grafton Complex at a cost of \$2.6 million and the addition of a gym and ten classrooms at Waller Mill Elementary School at a cost of \$8 million.

#### 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 LLP, Certified Public Accountants. The auditor's report, which includes their unmodified opinion on the basic financial statements of the School Division, is contained in this report.

#### Instructional Leadership Awards

- ◆ The Southern Association of Colleges and Schools/AdvancED administers a voluntary, independent accreditation program for division and school improvement. The AdvancED Accreditation Process is comprehensive, evaluating all functions of the school division. The process focuses on the School Board's vision and goals, evaluates teaching and learning, documentation of results, and allocation of resources. The AdvancED Standards are the foundation of the accreditation process and serve as a guide to continuous improvement.

In the spring of 2012, the York County School Division invited AdvancED to evaluate the School Division including all 19 schools using their accreditation standards. The School Division was rated as functional or highly functional in all seven standards and received district accreditation. According to the visitation team, it is very rare for school divisions to be rated as highly as the York County School Division was rated.

- ◆ In FY14, Governor Terry McAuliffe and the Virginia Board of Education announced that three York County School Division (YCS D) schools: Coventry Elementary, Mt. Vernon Elementary and Tabb Middle schools earned the Board of Education Distinguished Achievement Award as part of the 2014 Virginia Index of Performance (VIP) awards for advanced learning and achievement. The VIP award program recognizes schools and divisions that exceed minimum state and federal accountability standards and achieve excellence goals established by the governor and the board.
- ◆ The Virginia Board of Education recognized schools in the Commonwealth of Virginia as "Title I Distinguished Schools" for maintaining full state accreditation under the Commonwealth's Standards of Learning program for two consecutive years, meeting NCLB benchmarks in reading and mathematics and having average test scores in both subjects at the 60<sup>th</sup> percentile or higher. Schools that exceed the benchmarks and achieve average test scores at the 85<sup>th</sup> percentile or higher are recognized as "Title I Highly Distinguished Schools".

York County School Division received a letter celebrating its status and achievement with one Title I Highly Distinguished School and three Title I Distinguished Schools. Bethel Manor Elementary was recognized as a Title I Highly Distinguished School, and Dare Elementary, Seaford Elementary, and Waller Mill Elementary were recognized as Title I Distinguished Schools.

### 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, 2013 (FY 2013). 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 FY 2013. 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, 2014. 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, 2014. 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,



Victor D. Shandor, Ed. D.  
Division Superintendent



Dennis R. Jarrett, CPA, CPFO, SFO  
Chief Financial Officer



Government Finance Officers Association

**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, 2013**

Executive Director/CEO



# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## **York County School Division**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Terrie S. Simmons'.

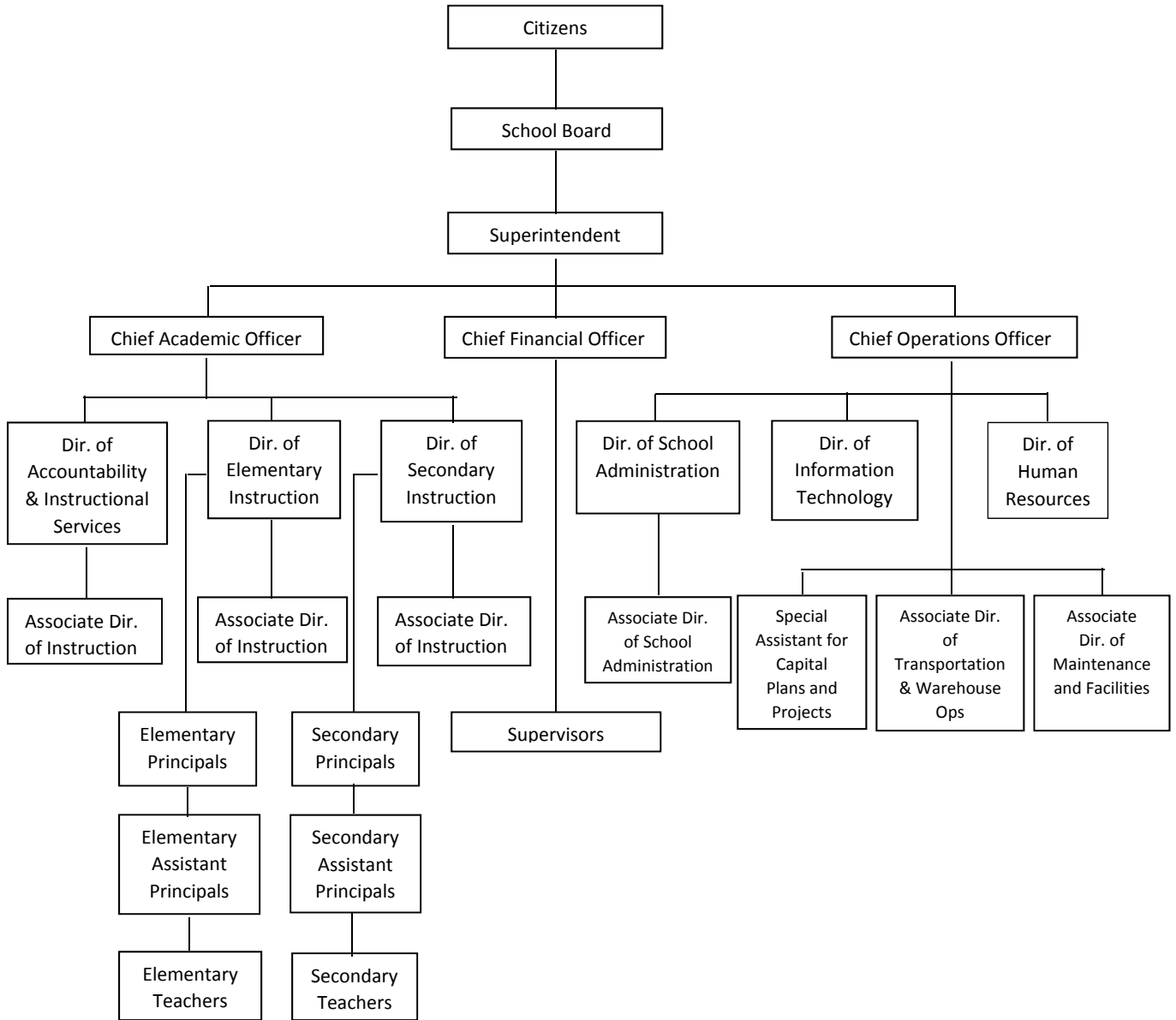
Terrie S. Simmons, RSBA, CSBO  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA  
Executive Director

# YORK COUNTY SCHOOL DIVISION ORGANIZATIONAL CHART

As of June 30, 2014



## **The York County School Division**

**Component Unit of the County of York, Virginia  
June 30, 2014**

### **School Division Board Members**

Mark A. Medford, Chair  
Robert W. George, D.D.S., Vice Chair  
Barbara S. Haywood, Chair  
Cindy Kirschke  
R. Page Minter

### **School Officials**

Superintendent of Schools	Dr. Eric S. Williams
Chief Academic Officer	Dr. Stephanie L. Guy
Chief Financial Officer	Dennis R. Jarrett, CPA, CPFO, SFO
Chief Operations Officer	Dr. Carl L. James
Director of Accountability and Instructional Services	Dr. Lisa L. Pennycuff
Director of Elementary Instruction	Candi Skinner
Director of Human Resources	Noreen B. Becci, Esquire
Director of Information Technology	Douglas E. Meade
Interim Director of School Administration	Dr. Catherine L. Jones
Director of Secondary Instruction	Dr. Kipp D. Rogers

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***FINANCIAL SECTION***

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## Report of Independent Auditor

Members of the School Board  
York County School Division

### **Report on the Financial Statements**

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 (the "School Division"), a component unit of the County of York, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Division's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the School Division, as of June 30, 2014, 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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the School Division adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This standard replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, and No. 50, *Pension Disclosures*, as they relate to the School Division's pension plan.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required information other than management discussion and analysis as described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Division's basic financial statements. The introductory section, other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financials statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2014, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Division's internal control over financial reporting and compliance.

*Cherry Bekart LLP*

Virginia Beach, Virginia  
November 23, 2014



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**The York County School Division**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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 for FY 2014. 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 \$117.7 million or 96.7% of all revenues, and expenditures were \$118.2 million or 92.9% of all expenditures, compared to \$118.2 million (96.5%) in revenues and \$119.1 million (92.4%) in expenditures in FY 2013.
- The School Division maintained a healthy net position of \$134.5 million. The value of net position reflects the financial health of the School Division and includes certain assets procured with debt issued by the County of York. 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 position.
- Food Services ended the fiscal year with a fund balance of \$458,168, an increase of \$149,492 over the beginning of year fund balance. School Division operations staff and a food service management company closely monitored revenues and expenditures during the fiscal year. The increase in fund balance can be attributed to; (1) an increase in the number of meals served, (2) an increase in the rates charged for meals, and (3) more efficient operations. It should also be noted that a new food service management company was contracted by the School Division for FY 2014. It is the goal of the School Division and the contractor to end FY 2015 with an increase in fund balance.

## 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*.

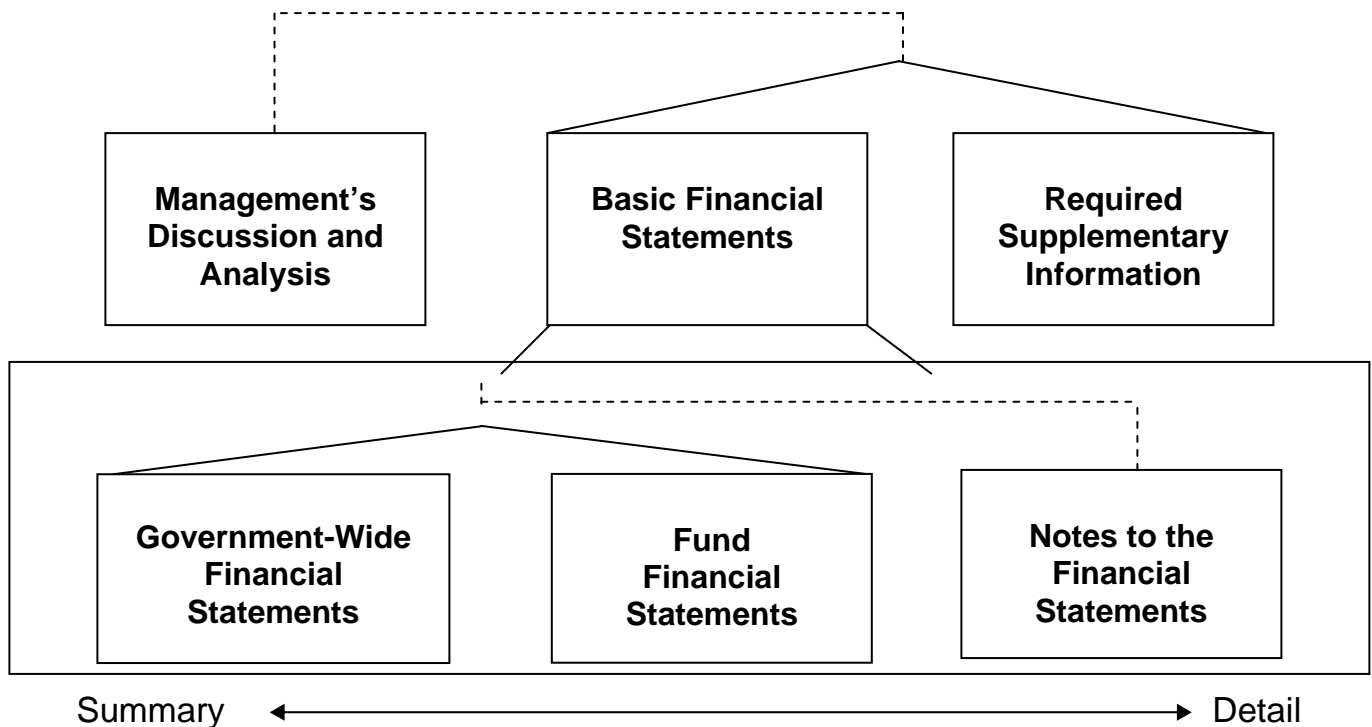
The basic financial statements include two kinds of statements that present different views of the School Division.

- 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**

<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	<b>Government-Wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
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 position *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
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 2014?" The statement of net position 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 position* and how they have changed. Net position - 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 position 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 position 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 position 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 position and a statement of changes in fiduciary net position. 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 Position

The condensed statement of net position below describes the financial position of the School Division on June 30, 2014. The School Division's financial position remained stable during FY 2014. The largest portion of the School Division net position reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 99.7% of the total net position and have increased by \$1.5 million since June 30, 2013. The only debt the School Division nets against capital assets is for capital leases; however, there are no capital leases outstanding at June 30, 2014. 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 position. 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 position 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 position are restricted net position and unrestricted net position. Restricted net position represents those resources that have externally imposed constraints on their use. At the end of the fiscal year, restricted net position amounted to \$.4 million, which represents cash restricted for School capital projects. Unrestricted net position is 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 position amounted to \$(74k), a decrease of \$2.3 million from June 30, 2013. All three components of net position show positive balances.

<b>Condensed Statement of Net Position</b>			
(in millions)			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Total Percentage Change</b>
<b>Assets</b>			
Current and other assets	\$ 24.7	\$ 32.6	-24.2%
Capital assets	134.1	132.6	1.1%
<b>Total assets</b>	<u>158.8</u>	<u>165.2</u>	-3.9%
<b>Total liabilities</b>			
Current liabilities	19.0	20.0	-5.0%
Long-term liabilities	5.3	6.4	-17.2%
<b>Total liabilities</b>	<u>24.3</u>	<u>26.4</u>	-8.0%
<b>Net position</b>			
Net investment in capital assets	134.1	132.6	1.1%
Restricted	0.4	3.9	-89.7%
Unrestricted	-	2.3	-100.0%
<b>Total net position</b>	<u>\$ 134.5</u>	<u>\$ 138.8</u>	-3.1%

Note: Totals may not add due to rounding.

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

**Net Position (Continued)**

The following table summarizes the changes in the School Division's net position for the FY 2014, as compared with FY 2013.

<b>Changes in Net Position (in millions)</b>			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Total Percentage Change</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 3.1	\$ 2.9	6.9%
Operating grants and contributions	59.6	58.9	1.2%
General revenues			
County	46.8	48.3	-3.1%
Shared intergovernmental revenues	11.9	12.1	-1.7%
Miscellaneous revenues	0.4	0.3	33.3%
<b>Total revenues</b>	<u>121.8</u>	<u>122.5</u>	-0.6%
<b>Expenses</b>			
Instruction	88.2	89.8	-1.8%
Administration/attendance and health	6.4	6.2	3.2%
Transportation	7.6	7.4	2.7%
Operations and maintenance	11.3	10.8	4.6%
Technology	9.0	9.3	-3.2%
Food service	3.6	3.7	0.0%
<b>Total expenses</b>	<u>126.1</u>	<u>127.2</u>	-0.9%
<b>Change in net assets</b>	(4.3)	(4.7)	8.5%
<b>Net position - beginning of year</b>	<u>138.8</u>	<u>143.5</u>	-3.3%
<b>Net position - end of year</b>	<u>\$ 134.5</u>	<u>\$ 138.8</u>	-3.1%
Note: Totals may not add due to rounding.			

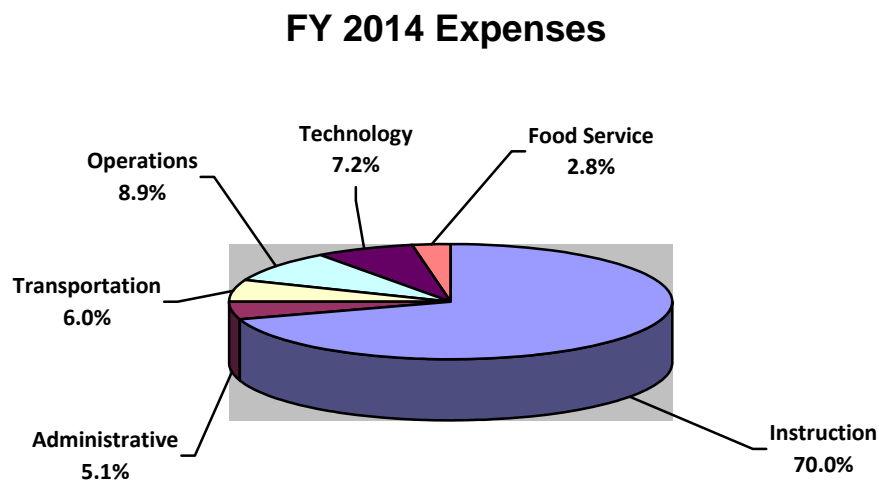
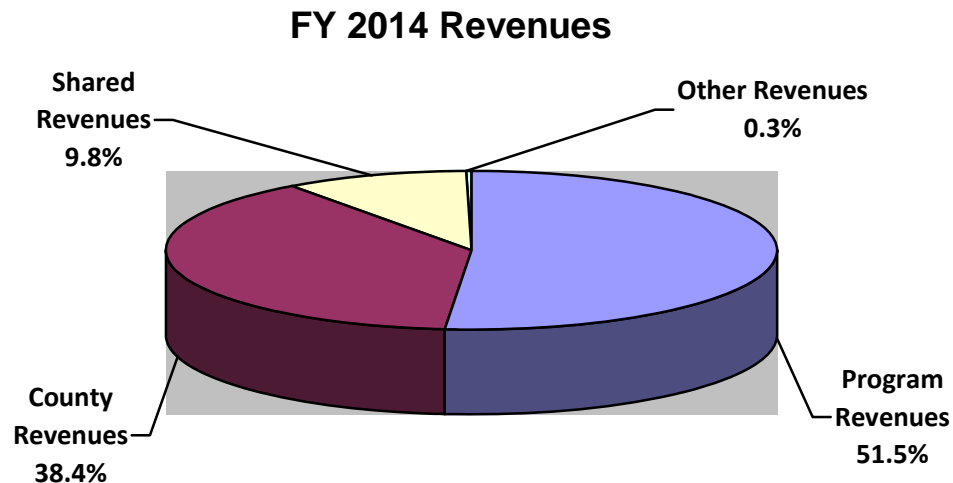
## Financial Analysis of the School Division as a Whole (Continued)

### Changes in Net Position

For the FY 2014, revenues from governmental activities totaled \$121.8 million. State and federal revenue for operating grants and contributions account for 57.1% of the School Division's resources as compared to 48.1% for FY 2013. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$46.4 million or 38.1% of the total revenues as compared to \$48.2 million or 39.4% for FY 2013. The decrease in County funding relates primarily to; (1) funding for capital projects - \$0.3 million in FY 2014 as compared to \$0.4 million in FY 2013, and (2) a reduction in carryover purchase orders - \$5.1 million in FY 2014 as compared to \$6.2 million in FY 2013.

The total cost of all programs was \$126.0 million in FY 2014. Instruction made up 70.0% of the total costs of the School Division in FY 2014 and 70.6% in FY 2013. The School Division's operations and maintenance activities accounted for 8.9% of total costs for FY 2014 while administration/attendance and health amounted to 5.1% of total costs.

For the FY 2014, expenses exceeded revenues by a total of \$4.3 million. A substantial portion of the decrease in net position results from the funding of capital projects through County contributions.





## 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 \$11.9 million in FY 2014.

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 2014, the School Division received \$8.7 million in impact aid funding, a decrease of \$.5 million over FY 2013.

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.

<b>Net Cost of Governmental Activities</b>				
<b>(in millions)</b>				
	<b>Total Cost of Services 2014</b>	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2014</b>	<b>Net Cost of Services 2013</b>
Instruction	\$ 88.2	\$ 89.8	\$ 30.2	\$ 32.8
Administration/attendance and health	6.4	6.2	6.4	6.1
Transportation	7.6	7.4	7.5	7.4
Operations and maintenance	11.3	10.8	10.8	9.9
Technology	9.0	9.3	8.5	8.8
Food service	3.6	3.7	(0.1)	0.4
	<u>\$ 126.1</u>	<u>\$ 127.2</u>	<u>\$ 63.3</u>	<u>\$ 65.4</u>

Note: Totals may not add due to rounding.

### **Significant Changes in Governmental Activities Include:**

- The cost of all governmental activities was \$126.0 million.
- The net cost of governmental activities was \$63.3 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$59.6 million.
- Most of the School Division's net cost of services of \$66.6 million was funded by the County and state taxpayers.

### **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 \$8.3 million or a \$.4 million decrease from the fund balance reported for FY 2013. The reduction in fund balance for the General Fund stems from less carryover purchase orders in FY 2014 as compared to FY 2013. The Capital Projects Fund reported a fund balance at the end of FY 2014 of \$(1.6) million or a \$5.1 million decrease from the fund balance reported for the FY 2013 due to the completion of several major projects including HVAC renovations at Grafton Bethel and Coventry Elementary schools and the completion of an auxiliary gymnasium at the Grafton School Complex along with continued progress on several other capital projects. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.4 million at the end of FY 2014, representing a \$0.1 million increase from the FY 2013 reported fund balance. This increase was primarily the result of an increase in number of meals served and an increase in the cost of a meal in FY 2014. In other words, more students bought their meals even though there was a modest increase (10 cents) in the cost of the meal.

### **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 2014, the School Division amended its general fund budget as follows:

- Amended appropriation of \$5.1 million to reflect the carryover of encumbrances from fiscal year ended 2013 (FY 2013) to FY 2014.
- 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 \$(.4) million. General Fund revenues were \$117.7 million or 3.7% lower in FY 2014 as compared to FY 2013. This decrease, for the most part, was driven by decreases in the County's shared revenue percentage with the School Division and less federal revenue. Federal revenue decreased \$0.5 million or 3.6% in FY 2014 as compared to the previous fiscal year. This was due primarily to a reduction in federal impact aid funding in FY 2014 due to the timing of payments.

General Fund actual expenditures were \$9.6 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Expenditures were reduced to reflect a transfer back to the County of \$3.2 million for health insurance.
- Outstanding encumbrances at June 30, 2014 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 2014.
- Numerous budget accounts were frozen (no expenditures were allowed) during FY 2014 to accommodate a \$0.7 million shortfall in federal impact aid revenues.

## Capital Assets

At the end of FY 2014, the School Division had \$134.1 million (a 1.2% increase from FY 2013) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2014 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 4 to the financial statements.

<b>Capital Assets, net of depreciation (in millions)</b>			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Total Percentage Change</b>
Land	\$ 4.8	\$ 4.8	0.0%
Construction in progress	2.8	4.3	-34.9%
Depreciable capital assets	126.5	123.4	2.5%
<b>Total</b>	<b>\$ 134.1</b>	<b>\$ 132.5</b>	<b>1.2%</b>

### Major Capital Asset Additions for FY 2014 Included:

- Completed a \$1.1 million HVAC renovation (Phase I) at Grafton Bethel Elementary School. This is a multi-year project with different phases in each year. Phase II will be completed in FY15.
- Completed a \$2.5 million HVAC renovation at Coventry Elementary School.
- Began construction of a \$2.07 million six-classroom addition at Seaford Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity.
- Completed the construction of a \$1.65 million gymnasium at the Grafton School Complex.

### The Following Major Capital Projects are Included in the School Division's FY 2015 Capital Budget:

- Construction of a gym and additional ten classrooms at Waller Mill Elementary.
- Replacement of gym roof at Magruder Elementary.
- Roof repair/replacement at Waller Mill Elementary School.
- Additional bus parking at Tabb Middle School.

Funding for the FY 2015 capital projects includes \$12.78 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 net OPEB liability. Long-term debt remained relatively constant during FY 2014. The following table lists the long-term debt for the School Division:

<b>York County School Division - Outstanding Debt</b>			
<b>(in millions)</b>			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Total Percentage Change</b>
Compensated absences	\$ 2.4	\$ 2.3	4.3%
Workers' compensation claims	0.7	3.6	-80.6%
Net OPEB liability	3.7	0.5	100.0%
<b>Total</b>	<b>\$ 6.8</b>	<b>\$ 6.4</b>	<b>6.2%</b>

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 2015 budget provides the following significant costs and budget reductions:

- One step increase to all eligible staff. Additionally, an across the board increase was provided to licensed staff (teachers) in the amount of 0.8% and 1% for non-licensed staff. In total, in FY 2015 a 4.1% increase was provided to all staff covered by the Virginia Retirement System. This increase included shifting 1% of the VRS cost to the employee.
- A 3% decrease in the employer health insurance contribution for employees participating in the health insurance plans. The decrease relates to an overall reduction in the rates due to very positive claims experience during the period.
- The elimination of approximately 16 positions by attrition due to funding constraints.
- Funding to support the capital projects included in the FY 2015 Capital Improvements Program.

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 2015 and FY 2016 during the 2015 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time. The state has announced that there is a revenue shortfall and that school divisions will not be held harmless from reductions in FY 2016. Consequently, due to competing priorities at the state level, the impact on elementary and secondary public education funding for FY 2016 remains to be seen. The Governor is anticipated to release his proposed FY 2016 budget in late December 2014.
- Several capital projects are planned for FY 2016 including the architectural and engineering services for a new elementary school. Whether that project and other projects will be postponed due to funding considerations is being monitored.
- The federal government will be considering the budget for Impact Aid for FY 2016 during the next Congressional session. The impact on the School Division of the new federal budget is unknown at this time. There is concern related to the possibility of sequestration in January 2016 which could reduce federal funding in FY 2016. It is important to note, that as of the date of this report, the federal government has not passed a full year budget for FY 2015.
- The County government will be conducting the reassessment of real estate in 2016. The impact of that analysis on the School Division is unknown at this time.

## **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, and (757) 898-0303.

## ***BASIC FINANCIAL STATEMENTS***

# The York County School Division

## Statement of Net Position Governmental Activities June 30, 2014

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 10,784,649
Other receivables	559,988
Due from primary government	10,150,053
Due from other governments	2,767,347
Capital assets:	
Land	4,824,818
Construction in progress	2,847,920
Buildings, improvements and equipment - net	126,459,799
Total assets	<u>158,394,574</u>
<b>Liabilities</b>	
Vouchers and accounts payable	4,282,633
Retainage payable	155,590
Salaries, taxes and benefits payable	12,558,220
Unearned revenue - prepaid lunches	95,073
Due within one year	1,525,000
Due in more than one year	5,261,077
Total liabilities	<u>23,877,593</u>
<b>Net position</b>	
Net investment in capital assets	134,132,537
Restricted:	
Food service	458,168
Unrestricted	(73,724)
Total net position	<u><u>\$ 134,516,981</u></u>

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

# The York County School Division

## Statement of Activities Governmental Activities Year Ended June 30, 2014

<u>Functions/Programs</u>	Program Revenues				<u>Net Revenue (Expense) and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	
					<u>Total</u>
<b>Primary government</b>					
Governmental activities:					
Instructional	\$ 88,230,990	\$ 877,582	\$ 57,125,048	\$ -	\$ (30,228,360)
Administrative, attendance, and health services	6,379,114	-	-	-	(6,379,114)
Transportation	7,562,949	-	82,551	-	(7,480,398)
Operations and maintenance	11,253,356	-	418,211	-	(10,835,145)
Technology	9,048,406	-	544,000	-	(8,504,406)
Food services	3,558,256	2,257,018	1,409,602	-	108,364
Total governmental activities	126,033,071	3,134,600	59,579,412	-	(63,319,059)
Total primary government	\$ 126,033,071	\$ 3,134,600	\$ 59,579,412	\$ -	(63,319,059)
General revenues					
Payments from the County of York (unrestricted)					46,784,869
Shared intergovernmental revenues (unrestricted)					11,905,068
Investment income (unrestricted)					4,594
Miscellaneous					348,728
Total general revenues					59,043,259
Change in net position					(4,275,800)
Net position - beginning					138,792,781
Net position - ending					\$ 134,516,981

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



# The York County School Division

## Balance Sheet Governmental Funds June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and temporary investments	\$ 10,347,581	\$ -	\$ 437,068	\$ 10,784,649
Other receivables	358,182	-	201,806	559,988
Due from primary government	10,599,918	-	-	10,599,918
Due from other governments	2,714,064	-	53,283	2,767,347
Total assets	<u>\$ 24,019,745</u>	<u>\$ -</u>	<u>\$ 692,157</u>	<u>\$ 24,711,902</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Vouchers and accounts payable	\$ 3,163,654	\$ 985,795	\$ 133,184	\$ 4,282,633
Retainage payable	5,000	150,590	-	155,590
Salaries, taxes and benefits payable	12,552,488	-	5,732	12,558,220
Unearned revenue	-	-	95,073	95,073
Due to primary government	-	449,865	-	449,865
Total liabilities	<u>15,721,142</u>	<u>1,586,250</u>	<u>233,989</u>	<u>17,541,381</u>
Fund balances:				
Restricted	-	-	458,168	458,168
Committed	3,662,355	-	-	3,662,355
Assigned	4,636,248	-	-	4,636,248
Unassigned	-	(1,586,250)	-	(1,586,250)
Total fund balances	<u>8,298,603</u>	<u>(1,586,250)</u>	<u>458,168</u>	<u>7,170,521</u>
Total liabilities and fund balances	<u>\$ 24,019,745</u>	<u>\$ -</u>	<u>\$ 692,157</u>	<u>\$ 24,711,902</u>

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 Position June 30, 2014

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

Total fund balances - governmental funds	\$ 7,170,521
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	134,132,537
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,786,077)</u>
Net position of governmental activities	<u><u>\$ 134,516,981</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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental:				
From the County of York	\$ 46,446,567	\$ 338,302	\$ -	\$ 46,784,869
From the Commonwealth of Virginia	56,303,707	-	53,498	56,357,205
From the federal government	13,270,776	-	1,355,737	14,626,513
Revenues from use of money and property	640,507	2,404	367	643,278
Charges for services	877,582	-	2,257,018	3,134,600
Miscellaneous	209,071	1,735	-	210,806
Total revenues	<u>117,748,210</u>	<u>342,441</u>	<u>3,666,620</u>	<u>121,757,271</u>
<b>Expenditures</b>				
Current - education:				
Instruction	84,047,592	-	-	84,047,592
Administration, attendance and health services	6,181,470	-	-	6,181,470
Public transportation	7,173,435	-	-	7,173,435
Operations and maintenance	11,906,865	-	-	11,906,865
Technology	8,889,363	-	-	8,889,363
Total education	<u>118,198,725</u>	<u>-</u>	<u>-</u>	<u>118,198,725</u>
Food services	-	-	3,517,128	3,517,128
Capital outlay	-	5,499,987	-	5,499,987
Total expenditures	<u>118,198,725</u>	<u>5,499,987</u>	<u>3,517,128</u>	<u>127,215,840</u>
Excess (deficiency) of revenues over expenditures	<u>(450,515)</u>	<u>(5,157,546)</u>	<u>149,492</u>	<u>(5,458,569)</u>
Fund balance - beginning	<u>8,749,118</u>	<u>3,571,296</u>	<u>308,676</u>	<u>12,629,090</u>
Fund balance - ending	<u>\$ 8,298,603</u>	<u>\$ (1,586,250)</u>	<u>\$ 458,168</u>	<u>\$ 7,170,521</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, 2014**

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

Net change in fund balances - total governmental funds \$ (5,458,569)

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 capital outlays exceeds depreciation expense.

Capital outlay	\$ 6,516,665	
Depreciation expense	<u>(4,889,565)</u>	1,627,100

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

Gross value of capital asset disposals	(665,953)	
Depreciation of capital asset disposals	<u>632,115</u>	(33,838)

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	(131,691)	
OPEB	(241,743)	
Worker's compensation claims	<u>(37,059)</u>	<u>(410,493)</u>

Change in net position of governmental activities \$ (4,275,800)

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

The York County School Division

Statement of Fiduciary Net Position  
June 30, 2014

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	<u>Pension Trust Fund Optional Plan</u>	<u>Agency Fund - School Activity Funds</u>
<b>Assets</b>		
Cash and investments	\$ -	\$ 1,627,040
Restricted cash	75,733	-
Restricted investments:		
Corporate obligations	518,585	-
Commercial paper	1,495,212	-
Total restricted investments	<u>2,013,797</u>	<u>-</u>
Accrued income	10,608	-
Total assets	<u>2,100,138</u>	<u>\$ 1,627,040</u>
<b>Liabilities</b>		
Assets held for others	-	\$ 1,627,040
Total liabilities	<u>-</u>	<u>\$ 1,627,040</u>
<b>Net position</b>		
Net position restricted for pensions	<u>\$ 2,100,138</u>	

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

The York County School Division

Statement of Changes in Fiduciary  
Net Position  
Year Ended June 30, 2014

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	<b><u>Pension Trust Fund Optional Plan</u></b>
<b>Additions</b>	
Investment income	
Earning from investments	\$ 55,894
Net appreciation in the fair value of investments	229,712
Other receipts	39
	<u>285,645</u>
Less investment expense	<u>(20,279)</u>
Net investment income	<u>265,366</u>
Total additions	<u>265,366</u>
<b>Deductions</b>	
Benefits payments	172,605
Administrative expenses	<u>1,827</u>
Total deductions	<u>174,432</u>
Net change in net position	90,934
<b>Net position restricted for pensions</b>	
Net position - beginning	<u>2,009,204</u>
Net position - ending	<u><u>\$ 2,100,138</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, 2014

### 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 below.

In fiscal year 2014, the School Division adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement classified items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources or recognized certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The School Division does not have any deferred inflows or outflows of resources.

In fiscal year 2014, the School Division adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to the School Division's pension plan.

#### ***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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

# The York County School Division

## Notes to Basic Financial Statements June 30, 2014

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

**Government-Wide Financial Statements:** The statement of net position 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.

The statement of net position 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:

# The York County School Division

## Notes to Basic Financial Statements

June 30, 2014

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

#### ***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:

**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.

# The York County School Division

## Notes to Basic Financial Statements

June 30, 2014

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

#### ***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.

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. Other receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

The York County School Division

Notes to Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 donated goods are received and expenditures are recorded as these 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.

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:

Table with 2 columns: Description and Useful Lives. Rows include Buildings (25-80 years), Improvements other than buildings (30-80 years), and 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).

Fund Balances/Net Position

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

Nonspendable - includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

# The York County School Division

## Notes to Basic Financial Statements

June 30, 2014

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

#### ***Fund Balances/Net Position*** *(continued)*

**Restricted** – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Committed** – includes amounts that can be used only for the specific purposes determined by School Board Policy of the School Division's Board of Directors and cannot be used for any other purpose unless the School Division removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used by the School Division for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, the School Board has authorized the Superintendent of Schools to assign fund balance.

**Unassigned** – is the residual classification for the School Division's general fund and includes all spendable amounts not contained in other classifications.

The School Division's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within unrestricted fund balance, it is the School Division's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable and restricted amounts exceed the positive fund balance for that fund.

Net Position in government-wide financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position 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.

#### ***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.

# The York County School Division

## Notes to Basic Financial Statements June 30, 2014

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

#### ***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.

#### ***Reclassification***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

### 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 primarily 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, 2014, cash and investments of the School Division consisted of:

Bank deposits	\$ 10,689,243
Investments	<u>94,806</u>
Cash and cash equivalents with York County Treasurer	10,784,049
Petty cash	<u>600</u>
Total cash and cash equivalents	<u><u>\$ 10,784,649</u></u>

Cash and investments of the School Division's pension trust fund and school activity funds at June 30, 2014 consisted of:

Bank deposits	\$ 1,627,040
Restricted cash	75,733
Investments	<u>2,013,797</u>
	<u><u>\$ 3,716,570</u></u>

# The York County School Division

## Notes to Basic Financial Statements

June 30, 2014

### 2. DEPOSITS AND INVESTMENTS *(Continued)*

#### ***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, 2014, all of the County's investments were held in a bank's trust department in the County's name.

#### ***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 York County School Division

### Notes to Basic Financial Statements June 30, 2014

#### 2. DEPOSITS AND INVESTMENTS *(Concluded)*

##### **Credit Risk** *(continued)*

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

As of June 30, 2014, the School Division's investments held by the County Treasurer consisted of \$94,806 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:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>B</u>	<u>Not Rated</u>
Commercial paper	\$ -	\$ -	\$ 803,312	\$ 538,856	\$ 153,044
Corporate obligations	25,828	53,892	361,155	52,350	25,360
Total investments	<u>\$ 25,828</u>	<u>\$ 53,892</u>	<u>\$ 1,164,467</u>	<u>\$ 591,206</u>	<u>\$ 178,404</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, 2014, the School Division's portfolio held with the County Treasurer complied with the State statute.

As of June 30, 2014, 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, 2014, the carrying values and weighted average maturity of the School Division's investments held with the County Treasurer were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Virginia LGIP	<u>\$ 94,806</u>

As of June 30, 2014, the carrying values and weighted average maturity of the School Division's Pension trust fund investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity in Years</u>
Commercial paper	\$ 1,495,212	-
Corporate obligations	518,585	2.638
Total investments	<u>\$ 2,013,797</u>	
Weighted average of portfolio		0.65

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**3. 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, 2014:

	<b>Due From</b>	
School Operating Fund	\$ 10,599,918	
Capital Projects Fund	(449,865)	
Due from Primary Government	\$ 10,150,053	
Purpose		
School operations	\$ 10,150,053	
		<b>Intergovernmental Revenues</b>
School Operating Fund	\$ 46,446,567	
Capital Projects Fund	338,302	
Intergovernmental Revenues from the County of York	\$ 46,784,869	
Purpose		
School operations	\$ 50,034,444	
School technology	338,302	
Year-end reversion entry	(335,074)	
Year-end reversion entry for health insurance	(3,252,803)	
	\$ 46,784,869	

# The York County School Division

## Notes to Basic Financial Statements June 30, 2014

### 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
<b>Governmental activities</b>				
Capital assets not depreciated:				
Land	\$ 4,826,359	\$ 2,635	\$ 4,176	\$ 4,824,818
Construction in progress	4,347,965	5,606,313	7,106,358	2,847,920
<b>Total non-depreciable capital assets</b>	<u>9,174,324</u>	<u>5,608,948</u>	<u>7,110,534</u>	<u>7,672,738</u>
Capital assets depreciated				
Buildings	175,319,936	7,356,359	90,700	182,585,595
Improvements	4,912,942	-	-	4,912,942
Machinery and equipment	2,798,722	317,781	55,566	3,060,937
Motor vehicles	11,814,460	339,935	515,511	11,638,884
<b>Total depreciable capital assets</b>	<u>194,846,060</u>	<u>8,014,075</u>	<u>661,777</u>	<u>202,198,358</u>
Less accumulated depreciation for				
Buildings	61,388,530	3,677,122	75,353	64,990,299
Improvements	2,315,753	187,483	-	2,503,236
Machinery and equipment	1,637,123	228,421	46,733	1,818,811
Motor vehicles	6,139,703	796,539	510,029	6,426,213
<b>Total accumulated depreciation</b>	<u>71,481,109</u>	<u>4,889,565</u>	<u>632,115</u>	<u>75,738,559</u>
<b>Total depreciable capital assets - net</b>	<u>123,364,951</u>	<u>3,124,510</u>	<u>29,662</u>	<u>126,459,799</u>
<b>Total governmental activities capital assets - net</b>	<u>\$ 132,539,275</u>	<u>\$ 8,733,458</u>	<u>\$ 7,140,196</u>	<u>\$ 134,132,537</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>	
Instruction	\$ 3,772,905
Administration, attendance and health services	197,644
Pupil transportation	723,967
Operations and maintenance	153,921
Food services	41,128
<b>Total governmental activities depreciation expense</b>	<u>\$ 4,889,565</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.

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**4. CAPITAL ASSETS** *(Concluded)*

Construction in progress is composed of the following at June 30, 2014:

	<b>Project Authorization</b>	<b>Expended Through June 30, 2014</b>	<b>Balance of Authorization</b>	<b>Future Requirements</b>
School projects	<u>\$ 7,543,826</u>	<u>\$ 2,847,920</u>	<u>\$ 4,695,906</u>	<u>\$ -</u>

**5. LONG-TERM LIABILITIES**

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2014 follows:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Due Within One Year</b>
Compensated absences	\$ 2,268,868	\$ 1,182,279	\$ (1,050,588)	\$ 2,400,559	\$ 1,000,000
Net OPEB obligation	481,420	792,359	(550,616)	723,163	-
Claims liabilities	3,625,296	392,802	(355,743)	3,662,355	525,000
Total minimum payments	<u>\$ 6,375,584</u>	<u>\$ 2,367,440</u>	<u>\$ (1,956,947)</u>	<u>\$ 6,786,077</u>	<u>\$ 1,525,000</u>

The liability for compensated absences is generally liquidated by the fund for which the employee works, which is typically the General Fund. The net OPEB obligation and claims liabilities are typically liquidated by the General Fund.

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**6. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School Division is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Governmental Funds</u>
<b>Restricted</b>				
Food Service	\$ -	\$ -	\$ 458,168	\$ 458,168
<b>Total Restricted</b>	<u>-</u>	<u>-</u>	<u>458,168</u>	<u>458,168</u>
<b>Committed</b>				
Self-insurance	3,662,355	-	-	3,662,355
<b>Total Committed</b>	<u>3,662,355</u>	<u>-</u>	<u>-</u>	<u>3,662,355</u>
<b>Assigned</b>				
Instruction	3,058,258	-	-	3,058,258
Administration, attendance, health	146,562	-	-	146,562
Transportation	190,663	-	-	190,663
Operations and maintenance	855,726	-	-	855,726
Technology	385,039	-	-	385,039
<b>Total Assigned</b>	<u>4,636,248</u>	<u>-</u>	<u>-</u>	<u>4,636,248</u>
<b>Unassigned</b>	-	(1,586,250)	-	(1,586,250)
<b>Total fund balances</b>	<u>\$ 8,298,603</u>	<u>\$ (1,586,250)</u>	<u>\$ 458,168</u>	<u>\$ 7,170,521</u>

Significant encumbrances of the School Division relate to contractual services for special education and building replacement and maintenance. Encumbrances are classified primarily within the School Division's assigned fund balance.

**7. LEASES**

**Lessee**

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, 2014, is as follows:

<u>Fiscal Year</u>	
2015	\$ 267,406
2016	266,902
2017	215,098
2018	33,824
2019	-
Total minimum payments	<u>\$ 783,230</u>

# The York County School Division

## Notes to Basic Financial Statements June 30, 2014

### 7. LEASES (Concluded)

Rental expenditures for the year ended June 30, 2014 for all operating leases were \$267,406.

#### **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, 2014 is \$1,066,600 and \$801,650, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2014, is as follows:

<u>Fiscal Year</u>	
2015	\$ 335,398
2016	335,417
2017	335,266
2018	335,914
2019	335,353
Total minimum payments	<u>\$ 1,677,348</u>

Rental revenue for all operating leases was \$331,609 for the year ended June 30, 2014.

### 8. 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.

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three difference benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as defined below:

##### **VRS Plan 1**

##### ***About VRS Plan 1***

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

## The York County School Division

### Notes to Basic Financial Statements June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Eligible Members*

Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

###### *Hybrid Opt-In Election*

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

###### *Retirement Contributions*

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

###### *Creditable Service*

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

###### *Vesting*

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

###### *Calculating the Benefit*

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

## The York County School Division

### Notes to Basic Financial Statements

June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Average Final Compensation*

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

###### *Service Retirement Multiplier*

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty member is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

###### *Normal Retirement Age*

Age 65.

###### *Earliest Unreduced Retirement Eligibility*

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

###### *Earliest Reduced Retirement Eligibility*

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

###### *Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

###### *Eligibility*

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

###### *Exceptions to COLA Effective Dates*

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: the member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013; the member retires on disability; the member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP); the member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program; or the member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.



## The York County School Division

### Notes to Basic Financial Statements June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Disability Coverage*

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

###### *Purchase of Prior Service*

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

###### VRS Plan 2

###### *About VRS Plan 2*

VRS Plan 2 is a defined benefit. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

###### *Eligible Members*

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

###### *Hybrid Opt-In Election*

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1m 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

###### *Retirement Contributions*

Same as VRS Plan 1, noted above.

###### *Creditable Service*

Same as VRS Plan 1, noted above.

###### *Vesting*

Same as VRS Plan 1, noted above.

###### *Calculating the Benefit*

Same as VRS Plan 1, noted above.

## The York County School Division

### Notes to Basic Financial Statements June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Average Final Compensation*

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

###### *Service Retirement Multiplier*

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

###### *Normal Retirement Age*

Normal Social Security retirement age.

###### *Earliest Unreduced Retirement Eligibility*

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

###### *Earliest Reduced Retirement Eligibility*

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

###### *Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and have of any additional increase (up to 2%), for a maximum COLA of 3%.

###### *Eligibility*

Same as VRS Plan 1.

###### *Exceptions to COLA Effective Dates*

Same as VRS Plan 1.

###### *Disability Coverage*

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

###### *Purchase of Prior Service*

Same as VRS Plan 1.

## The York County School Division

### Notes to Basic Financial Statements June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### Hybrid Retirement Plan

###### *About the Hybrid Retirement Plan*

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

###### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: State employees, school division employees, political subdivision employees, judges appointed or elected to an original term on or after January 1, 2014, and members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: members of the State Police Officer's Retirement System (SPORS), members of the Virginia Law Officers' Retirement System (VaLORS), and political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

###### *Retirement Contributions*

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

###### *Creditable Service*

**Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

## The York County School Division

### Notes to Basic Financial Statements

June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Vesting*

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested, and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.

###### *Calculating the Benefit*

Defined Benefit Component: Same as VRS Plan 1, noted above.

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

###### *Average Final Compensation*

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

###### *Service Retirement Multiplier*

The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

###### *Normal Retirement Age*

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

###### *Earliest Unreduced Retirement Eligibility*

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## The York County School Division

### Notes to Basic Financial Statements

June 30, 2014

#### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

##### Virginia Retirement System (VRS) *(continued)*

###### *Earliest Unreduced Retirement Eligibility Defined Benefit Component:*

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

###### *Cost-of-Living Adjustment (COLA) in Retirement*

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

###### *Eligibility*

Same as VRS Plan 1 and VRS Plan 2.

###### *Exceptions to COLA Effective Dates*

Same as VRS Plan 1 and VRS Plan 2.

###### *Disability Coverage*

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt ins) covered by VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

###### *Purchase of Prior Service*

Defined Benefit Component: Same as VRS Plan 1.

Defined Contribution Component: Not applicable.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and require supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**8. DEFINED BENEFIT PENSION PLANS** *(Continued)*

**Virginia Retirement System (VRS)** *(continued)*

***Funding Policy***

Plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. Beginning July 1, 2012 new employees were required to the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 *Code of Virginia* and approved by the VRS Board of Trustees.

The School Division's contribution rate for non-professional employees for the fiscal year ended June 30, 2014 was 8.99% of the annual covered payroll.

The School Division's contribution rate for professional employees for the fiscal year ended June 30, 2014 was 8.99% of the annual covered payroll. The School Division's required contribution for professional employees to the teacher cost-sharing pool for fiscal years ended June 30, 2014, 2013 and 2012 was \$7,081,843, \$6,906,219 and \$6,876,567, respectively, and was fully funded for each fiscal year.

***Annual Pension Cost***

For the fiscal year ended June 30, 2014 the School Division's annual pension cost of \$542,604 for non-professional employees and \$7,081,843 for professional employees was equal to the required and actual contributions.

<b>Three-Year Trend Information</b>						
<b>Nonprofessional Employees</b>				<b>Nonprofessional Employees</b>		
<b>Year Ended June 30,</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2014	\$ 792,359	100%	\$ -	\$ 7,081,843	100%	\$ -
2013	\$ 612,808	100%	\$ -	\$ 6,906,219	100%	\$ -
2012	\$ 525,911	100%	\$ -	\$ 6,876,567	100%	\$ -

The FY14 required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.50% to 5.35% per year, and (C) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%.

The York County School Division

Notes to Basic Financial Statements  
June 30, 2014

8. DEFINED BENEFIT PENSION PLANS (Continued)

Virginia Retirement System (VRS) (continued)

The actuarial value of the School Division’s assets is equal to the modified 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. The School Division’s unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Actuarial Accrued Liability (UAAL) was 30 years.

**Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the plan was 86.79% funded. The actuarial accrued liability for benefits was \$18,316,320, and the actuarial value of assets was \$15,896,573, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,419,747. The covered payroll (annual payroll of active employees covered by the plan) was \$5,798,345, and the ratio of the UAAL to the covered payroll was 41.73%.

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

**Summary of Significant Accounting Policies**

*Method 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.

**Plan Description**

*Plan Administration* - The York County School Division administers 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.

*Plan Membership* – At June 30, 2014, pension plan membership consisted of the following:

Active plan members	17
Retirees and beneficiaries	72
Inactive plan members	2
	<u>91</u>

# The York County School Division

## Notes to Basic Financial Statements June 30, 2014

### 8. DEFINED BENEFIT PENSION PLANS *(Continued)*

#### **York County Public Schools - Optional Plan** *(continued)*

*Benefits Provided* – The School Division provides retirement benefits. Retirement benefits for plan members are calculated as 1.5% of final 3-year average earnings times the member's years of participation. Plan members may retire at the age of 65 for normal retirement. Plan members may retire at the age of 55 and with 5 years of participation for early retirement. Benefits are reduced actuarially for early commencement.

*Contributions* – 2.50% of pay contribution was required as a condition of participation; however, no employee contributions were required after June 30, 1992. Employee contributions are accumulated with interest at 5.00%. For the year ended, June 30, 2014, the average active member contribution rate was 0% of annual, and the School Division's average contribution rate was 0% percent of annual payroll.

#### ***Investments***

*Investment Policy* – The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the School Division Board. It is the policy of the School Division Board to pursue an investment strategy that reduces the risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of no-load mutual funds that invest in combinations of stocks and/or bonds.

*Rate of Return* – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.93%. The money-weighted return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

#### ***Net Pension Liability of the School Division***

The components of the net pension liability of the School Division at June 30, 2014, were as follows:

Total pension liability	\$ 1,862,796
Plan fiduciary net position	<u>(2,009,204)</u>
School Division's net pension liability	<u>\$ (146,408)</u>
Plan fiduciary net position as a percentage of the total pension liability	107.86%

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Interest	7.00%
General Inflation	2.50%
Cost of Living Adjustment (COLA)	2.00%
Salary Scale	4.50%



**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

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

**York County Public Schools - Optional Plan** *(continued)*

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males of Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.00%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the School Division, calculated using the discount rate of 7.00%, as well as what the School Division’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
School Division's net pension liability	\$ (4,092)	\$ (146,408)	\$ (271,474)

**9. OTHER POST-EMPLOYMENT BENEFITS**

***Plan Description***

In addition to the pension benefits described in Note 8, 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, one retiree participates in this program. The Other Post-Employment Benefit plan is a single-employer plan. 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, 2014, 82 retirees were participating in this program.

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**9. 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 2013-2014 fiscal year, retirees and eligible dependents received post-employment health care benefits. The School Division provided required contributions of \$550,616 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 \$520,188. 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:

	<b>Year Ended June 30, 2014</b>
(1) Normal cost	\$ 483,622
(2) Amortization of Unfunded Accrued Liability	312,552
(3) Interest	-
(4) Annual Required Contribution	796,174
(5) Interest on Net OPEB Obligation (NOO)	16,850
(6) Amortization of NOO	(20,665)
(7) Annual OPEB Cost (AOC)	792,359
(8) Actual Contribution towards OPEB Cost	(550,616)
(9) Increase in NOO	241,743
(10) NOO Beginning of Year	481,420
(11) NOO End of Year	\$ 723,163

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

<b>Three-Year Trend Information</b>			
<b>Year Ended June 30,</b>	<b>AOC</b>	<b>Percentage AOC Contributed</b>	<b>NOO</b>
2014	\$ 792,359	91%	\$ 723,163
2013	\$ 612,808	97%	\$ 481,420
2012	\$ 525,911	88%	\$ 460,461

**Funded Status and Funding Progress**

As of June 30, 2014, the actuarial accrued liability for benefits was \$7,536,270, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,536,270. The covered payroll (annual payroll for active participating employees) was \$67,126,751, \$45,334,607 and \$69,361,101 for the 2014, 2013 and 2012 fiscal years, respectively and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.23%, 14.11%, and 7.16% for 2014, 2013 and 2012, respectively.

## The York County School Division

### Notes to Basic Financial Statements

June 30, 2014

#### 9. OTHER POST-EMPLOYMENT BENEFITS *(Concluded)*

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.

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, 2014 was \$4,730,299.

##### **Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (discount rate) and an annual healthcare cost trend rate of 5.9%, grading to a rate of 4.5% over sixty-eight years. The underlying inflation rate used was 2.5%. The School Division's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level percentage of projected payroll with assumed growth of 3.0% per year on a closed basis within a period of 30 years.

#### 10. 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 59-½. 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.

**The York County School Division**

**Notes to Basic Financial Statements  
June 30, 2014**

**11. 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 \$300,000 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 seven 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 of \$1,467,727 at June 30, 2014 is reasonably estimated and has been included in salaries, taxes and benefits payable in the School Operating Fund. School Division's workers' compensation claims liability of \$3,662,355 at June 30, 2014 is included in long-term debt, and is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

Changes in the reported amounts workers' compensation liabilities since June 30, 2012 resulted from the following:

	<b>2014</b>	<b>2013</b>
Accrued liability/committed fund balance - beginning of year	\$ 5,308,450	\$ 6,777,738
Claims and changes in estimates	12,206,173	12,923,477
Claims payment	(12,384,541)	(14,392,765)
Accrued liability/committed fund balance - end of year	\$ 5,130,082	\$ 5,308,450

***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.

***REQUIRED SUPPLEMENTARY INFORMATION***

The York County School Division

Schedule of Revenues - Budget and Actual  
General Fund  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Intergovernmental:				
County of York	\$ 50,034,444	\$ 50,034,444	\$ 46,446,567	\$ (3,587,877)
Commonwealth of Virginia:				
State sales tax	12,375,009	12,375,009	11,905,068	(469,941)
Basic aid	31,027,467	31,027,467	31,543,761	516,294
Addl assistance from State	532,416	532,416	532,416	-
Adult education	3,712	3,712	-	(3,712)
Foster home children	39,250	39,250	39,754	504
Gifted and talented	334,791	334,791	337,601	2,810
Remedial programs	269,289	269,289	271,549	2,260
Remedial summer school	102,178	102,178	-	(102,178)
Remedial summer school lo	-	-	112,030	112,030
Reading intervention	55,739	55,739	-	(55,739)
Early reading intervention	-	-	74,318	74,318
Special education - SOQ	3,042,235	3,042,235	3,067,766	25,531
Homebound	39,142	39,142	24,144	(14,998)
Comprehensive services act	200,000	200,000	237,862	37,862
Free textbooks	485,447	485,447	-	(485,447)
Substitute Teachers	-	-	187	187
VOC ED - SOQ	327,513	327,513	330,262	2,749
Special education support	454,566	454,566	353,632	(100,934)
Employer share benefits	4,861,753	4,861,753	4,902,555	40,802
Other CAT/VOC ED	22,300	22,300	32,153	9,853
Career switchers program	-	-	5,000	5,000
At-risk	105,899	105,899	106,780	881
National board certification	32,500	32,500	25,000	(7,500)
K-3 initiative	141,160	141,160	136,968	(4,192)
SOL algebra readiness	47,509	47,509	47,598	89
Tech initiative	544,000	544,000	544,000	-
Pre-school initiative	30,000	30,000	71,412	41,412
VDEM Hurrican Irene	-	-	4,761	4,761
Textbooks - Lottery Funds	167,614	167,614	658,542	490,928
Miscellaneous grants	457,696	457,696	72,268	(385,428)
LEP	117,093	117,093	163,931	46,838
Salary Supplement	695,711	695,711	702,389	6,678
Total from the Commonwealth of Virginia	56,511,989	56,511,989	56,303,707	(208,282)

The York County School Division

Schedule of Revenues - Budget and Actual (Continued)  
 General Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Federal government:				
Title I	346,484	346,484	369,722	23,238
Adult education	32,000	32,000	-	(32,000)
Title II A	237,808	237,808	236,765	(1,043)
Title III A	18,410	18,410	61,701	43,291
Impact aid	9,450,000	9,450,000	8,743,487	(706,513)
DOD - heavily impacted	627,450	627,450	581,521	(45,929)
Medicaid reimbursement	50,000	50,000	88,232	38,232
DODEA grant	783,334	783,334	842,614	59,280
Title VI B	1,981,851	1,981,851	2,115,870	134,019
NJROTC	120,000	120,000	64,690	(55,310)
Industry certification	-	-	2,666	2,666
Miscellaneous grants	765,248	765,248	163,508	(601,740)
Total from the federal government	<u>14,412,585</u>	<u>14,412,585</u>	<u>13,270,776</u>	<u>(1,141,809)</u>
Miscellaneous revenues:				
Use of money and property	615,216	615,216	640,507	25,291
Charges for services	833,400	833,400	877,582	44,182
Miscellaneous	139,600	139,600	209,071	69,471
Total miscellaneous revenues	<u>1,588,216</u>	<u>1,588,216</u>	<u>1,727,160</u>	<u>138,944</u>
Total revenues	<u>\$ 122,547,234</u>	<u>\$ 122,547,234</u>	<u>\$ 117,748,210</u>	<u>\$ (4,799,024)</u>

The York County School Division

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Education				
Instruction:				
Classroom instruction services:				
Regular education	\$ 55,854,574	\$ 55,945,840	\$ 52,801,623	\$ 3,144,217
Special education	10,032,154	10,148,167	8,846,448	1,301,719
Vocational education	2,495,201	2,313,789	1,732,931	580,858
Gifted and talented	406,756	397,908	396,584	1,324
Other programs	4,945,198	4,945,198	4,188,777	756,421
Instructional support - student:				
Guidance	2,818,134	2,832,705	2,691,594	141,111
Homebound	60,194	60,194	58,303	1,891
Instructional support - staff:				
Management and staff development	2,982,524	2,987,920	2,795,175	192,745
Media services	1,777,450	1,799,089	1,701,280	97,809
Instructional support - school administration:				
Principals' offices	7,329,987	7,271,362	7,116,874	154,488
School carryover	2,675,122	2,675,122	1,718,003	957,119
Total instruction	<u>91,377,294</u>	<u>91,377,294</u>	<u>84,047,592</u>	<u>7,329,702</u>
Administration, attendance and health services:				
Board services	143,335	142,483	110,387	32,096
Executive services	570,918	573,149	629,914	(56,765)
Communication services	411,945	417,675	348,919	68,756
Human resources	1,020,215	1,021,409	1,004,910	16,499
Fiscal services	1,106,802	1,107,167	1,070,293	36,874
Health services	1,519,939	1,506,979	1,409,866	97,113
Psychological services	732,952	733,711	700,089	33,622
Speech and audiology services	873,920	877,453	853,641	23,812
School carryover	57,541	57,541	53,451	4,090
Total administration, attendance and health services	<u>6,437,567</u>	<u>6,437,567</u>	<u>6,181,470</u>	<u>256,097</u>



The York County School Division

Schedule of Expenditures - Budget and Actual (Continued)  
 General Fund  
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Operating costs:				
Pupil transportation:				
Vehicle operation services	6,498,366	6,498,366	5,978,681	519,685
Vehicle maintenance services	950,715	950,715	1,180,457	(229,742)
School carryover	18,148	18,148	14,297	3,851
Total pupil transportation	<u>7,467,229</u>	<u>7,467,229</u>	<u>7,173,435</u>	<u>293,794</u>
Operations and maintenance:				
Management and direction	193,889	193,889	182,589	11,300
Building services	9,309,216	9,309,216	8,410,484	898,732
Grounds services	1,121,365	1,121,365	1,121,365	-
Vehicle services	296,537	296,537	248,568	47,969
Warehouse and distribution services	314,173	314,173	286,715	27,458
School carryover	1,796,789	1,798,853	1,657,144	141,709
Total operations and maintenance	<u>13,031,969</u>	<u>13,034,033</u>	<u>11,906,865</u>	<u>1,127,168</u>
Total operating costs	<u>20,499,198</u>	<u>20,501,262</u>	<u>19,080,300</u>	<u>1,420,962</u>
Technology:				
Classroom instruction	4,122,859	4,093,219	4,496,014	(671,770)
Instructional support	1,786,188	1,807,743	1,758,027	15,872
Administration	1,059,855	1,060,119	1,000,801	67,522
Operations and maintenance	1,718,357	1,726,178	1,013,849	920,622
Other programs - grants	97,516	97,516	102,584	(10,381)
School carryover	574,158	574,158	518,088	301,921
Total technology	<u>9,358,933</u>	<u>9,358,933</u>	<u>8,889,363</u>	<u>623,786</u>
Total education	<u>127,672,992</u>	<u>127,675,056</u>	<u>118,198,725</u>	<u>9,630,547</u>
Total expenditures	<u>\$ 127,672,992</u>	<u>\$ 127,675,056</u>	<u>\$ 118,198,725</u>	<u>\$ 9,630,547</u>

**The York County School Division**

**Schedule of Changes in the School Division's Net Pension Liability  
and Related Ratios  
Year Ended June 30, 2014**

	2014
<b>Total pension liability</b>	
Service cost	N/A
Interest	N/A
Changes of benefit terms	N/A
Differences between expected and actual experience	N/A
Changes of assumptions	N/A
Benefit payments, including refunds of member contributions	N/A
<b>Net change in total pension liability</b>	N/A
<b>Total pension liability - beginning</b>	N/A
<b>Total pension liability - ending</b>	\$ 1,862,796
 <b>Plan fiduciary net position</b>	
Contributions - employer	N/A
Contributions - member	N/A
Net investment income	N/A
Benefit payments, including refunds of member contributions	N/A
Administrative expense	N/A
Other	N/A
<b>Net change in plan fiduciary net position</b>	N/A
<b>Plan fiduciary net position - beginning</b>	N/A
<b>Plan fiduciary net position - ending</b>	\$ 2,009,204
 <b>School Division's net pension liability - ending</b>	 \$ (146,408)
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 107.86%
 <b>Covered-employee payroll</b>	 N/A
 <b>School Division's net pension liability as a percentage of covered employee payroll</b>	 N/A

**The York County School Division**  
**Schedule of School Division Contributions**  
**Year Ended June 30, 2014**

	2014
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	\$ -
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 1 year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Salary Increases	4.50%
General Inflation	2.50%
Cost of Living Increase	2.00%
Investment Rate of Return	7.00%

Mortality rates were based on the RP-2000 Generational Mortality Table for healthy Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**The York County School Division**

**Schedule of Investments**

**Last Two Fiscal Years**

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	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	14.93%	12.50%

The York County School Division

Schedule of Funding Progress (Unaudited)  
Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age <sup>(1)</sup> Projected Unit <sup>(2)</sup>	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a % of Payroll
<b>School Division Plan - Non-Professional <sup>(1)</sup></b>						
June 30, 2011	\$ 14,841,019	\$ 17,947,365	\$ 3,106,346	82.69%	\$ 6,172,968	50.32%
June 30, 2012	\$ 15,054,480	\$ 18,391,503	\$ 3,337,023	81.86%	\$ 5,999,289	55.62%
June 30, 2013	\$ 15,896,573	\$ 18,316,320	\$ 2,419,747	86.79%	\$ 5,798,345	41.73%
<b>School Division - Optional Plan <sup>(2)</sup></b>						
June 30, 2012	\$ 1,869,001	\$ 1,935,161	\$ 66,160	96.58%	N/A	N/A
June 30, 2013	\$ 2,009,204	\$ 1,875,649	\$ (133,555)	107.12%	N/A	N/A
June 30, 2014	\$ 2,100,138	\$ 1,807,117	\$ (293,021)	116.21%	N/A	N/A
<b>Other Post Employment Benefits (OPEB)<sup>(1)(3)</sup></b>						
June 30, 2012	\$ -	\$ 4,963,126	\$ 4,963,126	0.00%	\$ 69,361,101	7.16%
June 30, 2013	\$ -	\$ 6,395,607	\$ 6,395,607	0.00%	\$ 45,334,607	14.11%
June 30, 2014	\$ -	\$ 7,536,270	\$ 7,536,270	0.00%	\$ 67,126,751	11.23%

(3) For June 30, 2013, the new actuary used total payroll for employees enrolled in the health care plan, not total payroll for all employees as had been used in prior years. This change does not impact the liability calculation.

The York County School Division

Schedule of Employer Contributions (Unaudited)  
Year Ended June 30, 2014

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**School Division - Optional Plan**

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<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2009	\$ 55,838	100%
2010	\$ 37,710	100%
2011	\$ 45,923	100%
2012	\$ 41,786	100%
2013	\$ -	100%
2014	\$ -	100%

**Other Post-Employment Benefits (OPEB)**

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<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>
2012	\$ 525,911	88%
2013	\$ 612,808	97%
2014	\$ 792,359	69%

# The York County School Division

## Notes to Required Supplementary Information June 30, 2014

### 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 Board 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.

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.

## The York County School Division

### Notes to Required Supplementary Information June 30, 2014

#### **2. LEGALLY ADOPTED BUDGETS**

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

#### **3. PENSION DATA**

The supplemental information presented is intended to help users assess each system's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. Information pertaining to the retirement systems can be found in the notes to the financial statements.

#### **4. OTHER POST-EMPLOYMENT BENEFITS (OPEB) DATA**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding process presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Information pertaining to the OPEB plan can be found in the notes to the financial statements.



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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, 2014

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
From the County of York	\$ 6,167,302	\$ 6,167,302	\$ 338,302	\$ (5,829,000)
Revenue from the use of money	-	-	2,404	2,404
Miscellaneous	-	-	1,735	1,735
Total revenues	<u>\$ 6,167,302</u>	<u>\$ 6,167,302</u>	<u>\$ 342,441</u>	<u>\$ (5,824,861)</u>
<b>Expenditures</b>				
Capital outlay	<u>\$ 13,454,521</u>	<u>\$ 13,454,521</u>	<u>\$ 5,499,987</u>	<u>\$ 7,954,534</u>
Total expenditures	<u>\$ 13,454,521</u>	<u>\$ 13,454,521</u>	<u>\$ 5,499,987</u>	<u>\$ 7,954,534</u>

The York County School Division

Schedule of Revenues and Expenditures - Budget and Actual  
 Non-major Special Revenue Fund  
 Year Ended June 30, 2014

	<u>School Food Service Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 58,996	\$ 58,996	\$ 53,498	\$ (5,498)
From the federal government	1,408,000	1,408,000	1,355,737	(52,263)
Revenue from the use of money	5,000	5,000	367	(4,633)
Charges for services	3,489,988	3,489,988	2,257,018	(1,232,970)
Total revenues	<u>\$ 4,961,984</u>	<u>\$ 4,961,984</u>	<u>\$ 3,666,620</u>	<u>\$ (1,295,364)</u>
<b>Expenditures</b>				
Food Services:				
Contractual services and purchases for resale	\$ 3,490,027	\$ 3,490,027	\$ 2,414,338	\$ 1,075,689
Donated commodities	250,000	250,000	287,834	(37,834)
Salaries and wages	647,475	647,475	471,242	176,233
Fringe benefits	552,482	552,482	342,068	210,414
Equipment replacement	12,000	12,000	-	12,000
Employee development	5,000	5,000	-	5,000
Travel	5,000	5,000	166	4,834
Food service carryover	-	1,598	1,480	118
Total expenditures	<u>\$ 4,961,984</u>	<u>\$ 4,963,582</u>	<u>\$ 3,517,128</u>	<u>\$ 1,446,454</u>

The York County School Division

Statement of Changes in Assets and Liabilities  
Agency Fund - School Activity Funds  
Year Ended June 30, 2014

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	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Assets</b>				
Cash and temporary investments	<u>\$ 1,676,733</u>	<u>\$ 3,996,956</u>	<u>\$ 4,046,649</u>	<u>\$ 1,627,040</u>
<b>Liabilities</b>				
Amounts held for others	<u>\$ 1,676,733</u>	<u>\$ 3,996,956</u>	<u>\$ 4,046,649</u>	<u>\$ 1,627,040</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 90 - 96)

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 97 - 101)

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 102 - 103)

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 104 - 105)

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 106 - 110)

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 Position by Component - Accrual Basis of Accounting  
 Last Ten Fiscal Years  
 (unaudited)

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	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities:					
Net investment in capital assets	\$ 134,132,537	\$ 132,539,275	\$ 130,339,563	\$ 132,111,487	\$ 132,734,112
Restricted	458,168	3,935,417	8,279,990	2,902,899	3,682,691
Unrestricted	(73,724)	2,318,089	4,898,751	6,433,477	8,154,443
<b>Total primary government     net position</b>	<u>\$ 134,516,981</u>	<u>\$ 138,792,781</u>	<u>\$ 143,518,304</u>	<u>\$ 141,447,863</u>	<u>\$ 144,571,246</u>



**The York County School Division**

**Net Position by Component - Accrual Basis of Accounting (Continued)**  
**Last Ten Fiscal Years**  
(unaudited)

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	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Governmental activities:					
Net investment in capital assets	\$ 135,060,176	\$ 132,335,874	\$ 126,097,687	\$ 118,521,776	\$ 107,919,412
Restricted	-	-	8,470,345	5,331,245	-
Unrestricted	7,552,683	4,941,291	3,262,537	3,326,399	3,592,674
<b>Total primary government net position</b>	<b>\$ 142,612,859</b>	<b>\$ 137,277,165</b>	<b>\$ 137,830,569</b>	<b>\$ 127,179,420</b>	<b>\$ 111,512,086</b>

## The York County School Division

### Changes in Net Position - Accrual Basis of Accounting Last Ten Fiscal Years (unaudited)

	2014	2013	2012	2011	2010
<b>Expenses</b>					
Governmental activities:					
Instruction	\$ 88,230,990	\$ 89,826,521	\$ 88,259,923	\$ 88,146,183	\$ 102,105,888
Administrative, attendance and health services	6,379,114	6,158,654	5,979,687	5,621,318	5,659,615
Transportation	7,562,949	7,376,543	7,317,981	7,343,358	6,689,204
Operations maintenance	11,253,356	10,787,363	11,111,778	11,110,634	12,342,550
Technology*	9,048,406	9,316,847	9,078,782	8,702,882	-
Food services	3,558,256	3,698,382	3,959,082	4,146,776	3,860,618
Interest on capital leases	-	-	-	-	4,269
Total primary government expenses	<u>126,033,071</u>	<u>127,164,310</u>	<u>125,707,233</u>	<u>125,071,151</u>	<u>130,662,144</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
Instruction	877,582	877,091	688,885	645,255	501,057
Food services	2,257,018	1,996,950	2,530,712	2,543,614	2,651,924
Operating grants and contributions	59,579,412	58,859,190	59,233,478	60,334,335	67,519,302
Capital grants and contributions	-	-	-	-	-
Total primary government program revenues	<u>62,714,012</u>	<u>61,733,231</u>	<u>62,453,075</u>	<u>63,523,204</u>	<u>70,672,283</u>
<b>Net (expense)/revenue</b>					
Total primary government net expense	<u>(63,319,059)</u>	<u>(65,431,079)</u>	<u>(63,254,158)</u>	<u>(61,547,947)</u>	<u>(59,989,861)</u>
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Payments from York County	46,784,869	48,246,996	52,761,202	46,276,697	50,117,998
Shared intergovernmental revenues	11,905,068	12,126,120	12,272,494	11,861,997	11,291,540
Revenues from the use of money and property	4,594	19,688	13,633	30,789	207,705
Miscellaneous	348,728	312,752	277,270	255,081	331,005
Total primary government	<u>59,043,259</u>	<u>60,705,556</u>	<u>65,324,599</u>	<u>58,424,564</u>	<u>61,948,248</u>
<b>Changes in net position</b>					
Total primary government	<u>\$ (4,275,800)</u>	<u>\$ (4,725,523)</u>	<u>\$ 2,070,441</u>	<u>\$ (3,123,383)</u>	<u>\$ 1,958,387</u>

\* previously included in Instruction Expenses

## The York County School Division

### Changes in Net Position - Accrual Basis of Accounting (Continued) Last Ten Fiscal Years (unaudited)

	2009	2008	2007	2006	2005
<b>Expenses</b>					
Governmental activities:					
Instruction	\$ 100,323,693	\$ 93,310,028	\$ 90,085,862	\$ 81,915,003	\$ 76,669,205
Administrative, attendance and health services	6,092,564	9,114,161	8,554,642	7,517,621	6,412,274
Transportation	6,556,444	6,655,318	6,028,267	6,716,845	5,242,264
Operations maintenance	11,191,453	12,257,005	12,101,456	11,140,232	10,918,247
Technology*	-	-	-	-	-
Food services	4,186,429	4,406,639	4,063,833	4,016,427	3,852,601
Interest on capital leases	8,341	12,576	19,093	7,126	8,189
Total primary government expenses	128,358,924	125,755,727	120,853,153	111,313,254	103,102,780
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
Instruction	512,906	387,460	391,741	376,286	538,102
Food services	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324
Operating grants and contributions	67,573,788	63,836,659	61,453,196	56,670,894	51,993,529
Capital grants and contributions	1,231,042	1,845,686	1,208,972	1,272,416	1,660,145
Total primary government program revenues	72,172,697	68,826,421	65,824,038	61,123,692	56,838,100
<b>Net (expense)/revenue</b>					
Total primary government net expense	(56,186,227)	(56,929,306)	(55,029,115)	(50,189,562)	(46,264,680)
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Payments from York County	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955
Shared intergovernmental revenues	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537
Revenues from the use of money and property	214,513	2,196,245	1,195,331	886,946	536,367
Miscellaneous	222,179	363,643	403,067	321,693	426,186
Total primary government	61,521,921	56,375,902	65,680,264	65,856,896	44,907,045
<b>Changes in net position</b>					
Total primary government	\$ 5,335,694	\$ (553,404)	\$ 10,651,149	\$ 15,667,334	\$ (1,357,635)

\* previously included in Instruction Expenses

## The York County School Division

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

	2014	2013	2012	2011	2010
General Fund (1):					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	3,662,355	3,625,296	3,485,632	3,309,690	-
Assigned	4,636,248	5,123,822	6,193,449	7,668,987	-
Unassigned	-	-	-	-	-
Reserved	-	-	-	-	7,550,946
Unreserved	-	-	-	-	3,041,258
Total general fund	<u>\$ 8,298,603</u>	<u>\$ 8,749,118</u>	<u>\$ 9,679,081</u>	<u>\$ 10,978,677</u>	<u>\$ 10,592,204</u>
All Other Governmental Funds (1):					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	458,168	3,935,417	8,279,990	542,233	-
Committed	-	-	-	-	-
Assigned	-	-	1,193,459	3,547,130	-
Unassigned	(1,586,250)	(55,445)	-	-	-
Reserved	-	-	-	-	1,739,816
Unreserved, reported in:					
Special revenue fund	-	-	-	-	671,801
Capital project fund	-	-	-	-	3,887,722
<b>Total all other governmental funds</b>	<u>\$ (1,128,082)</u>	<u>\$ 3,879,972</u>	<u>\$ 9,473,449</u>	<u>\$ 4,089,363</u>	<u>\$ 6,299,339</u>

(1) GASB 54 was implemented in 2011 and reflects new fund balance classifications for 2011. The new classifications have not been restated for 2010 and prior.

## The York County School Division

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

	2009	2008	2007	2006	2005
General Fund (1):					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	6,946,238	5,905,974	4,282,348	4,338,943	3,943,555
Unreserved	2,811,011	2,911,736	2,209,444	1,754,474	2,131,098
Total general fund	<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>
All Other Governmental Funds (1):					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	434,066	2,226,149	7,220,504	5,442,581	960,971
Unreserved, reported in:					
Special revenue fund	518,531	477,066	507,873	471,007	97,247
Capital project fund	1,426,898	(2,015,600)	1,411,492	470,464	407,951
<b>Total all other governmental funds</b>	<u>\$ 2,379,495</u>	<u>\$ 687,615</u>	<u>\$ 9,139,869</u>	<u>\$ 6,384,052</u>	<u>\$ 1,466,169</u>

(1) GASB 54 was implemented in 2011 and reflects new fund balance classifications for 2011. The new classifications have not been restated for 2010 and prior.

## The York County School Division

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

	2014	2013	2012	2011	2010
<b>Revenues</b>					
Federal sources:					
Federal grants	\$ 13,270,776	\$ 13,779,273	\$ 14,113,544	\$ 15,871,798	\$ 21,240,077
Food services	1,355,737	1,246,480	1,323,875	1,372,392	1,255,880
Total federal sources	14,626,513	15,025,753	15,437,419	17,244,190	22,495,957
State sources:					
State education basic aid	31,543,761	31,035,613	32,894,123	31,862,952	34,085,563
State sales tax	11,905,068	12,126,120	12,272,494	11,861,997	11,291,540
Food services	53,498	59,869	59,770	61,857	64,925
State grants and other	12,854,878	11,896,765	10,365,060	10,684,346	10,495,914
Total state sources	56,357,205	55,118,367	55,591,447	54,471,152	55,937,942
Local sources:					
Payments from York County	46,784,869	48,246,996	52,761,202	46,276,697	50,117,998
Food service sales	2,257,018	2,125,836	2,530,712	2,543,614	2,651,924
Interest and other income	643,278	653,798	606,530	628,793	696,700
Other revenues	1,088,388	1,268,037	850,364	783,322	720,010
Total local resources	50,773,553	52,294,667	56,748,808	50,232,426	54,186,632
Total revenues	121,757,271	122,438,787	127,777,674	121,947,768	132,620,531
<b>Expenditures</b>					
Instruction	84,047,592	85,789,332	83,857,197	83,820,381	97,868,494
Administration, attendance, and health services	6,181,470	5,974,176	5,817,828	5,462,641	5,495,520
Pupil Transportation	7,173,435	6,994,450	6,997,948	7,091,905	7,044,930
Operations and maintenance	11,906,865	11,423,130	11,119,949	10,961,577	11,520,301
Technology	8,889,363	8,932,377	9,156,293	8,601,876	-
Food services	3,517,128	3,664,307	3,922,593	4,109,497	3,822,554
Capital outlay	5,499,987	6,184,455	2,821,376	3,723,394	2,019,822
Debt service:					
Principal retirement	-	-	-	-	89,842
Interest and fiscal charges	-	-	-	-	4,269
Total expenditures	127,215,840	128,962,227	123,693,184	123,771,271	127,865,732
Excess of revenues over expenditures	(5,458,569)	(6,523,440)	4,084,490	(1,823,503)	4,754,799
<b>Other financing sources (uses)</b>					
Capital lease	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	\$ (5,458,569)	\$ (6,523,440)	\$ 4,084,490	\$ (1,823,503)	\$ 4,754,799
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.07%

(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

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

	2009	2008	2007	2006	2005
<b>Revenues</b>					
Federal sources:					
Federal grants	\$ 11,443,188	\$ 12,347,579	\$ 12,797,495	\$ 13,264,274	\$ 11,781,101
Food services	1,246,253	1,248,847	1,124,241	1,078,654	942,366
Total federal sources	12,689,441	13,596,426	13,921,736	14,342,928	12,723,467
State sources:					
State education basic aid	42,428,319	35,601,854	35,239,777	31,852,161	31,003,195
State sales tax	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537
Food services	66,944	65,939	64,283	61,065	54,920
State grants and other	13,067,600	15,703,458	13,435,872	11,683,201	9,872,092
Total state sources	66,036,065	62,308,309	60,006,635	53,930,067	50,236,744
Local sources:					
Payments from York County	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955
Food service sales	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324
Interest and other income	878,873	1,176,981	1,195,331	886,946	536,367
Other revenues	623,251	646,968	795,308	701,934	964,288
Total local resources	54,969,112	47,459,521	57,575,931	58,707,593	38,784,934
Total revenues	133,694,618	123,364,256	131,504,302	126,980,588	101,745,145
<b>Expenditures</b>					
Instruction	96,297,060	87,648,146	85,684,494	79,042,519	72,199,940
Administration, attendance, and health services	5,937,858	8,945,661	8,329,524	7,420,691	6,404,403
Pupil Transportation	7,591,803	6,739,839	6,567,937	6,069,668	5,618,939
Operations and maintenance	11,115,340	11,205,861	11,653,064	11,080,684	11,023,760
Technology	-	-	-	-	-
Food services	4,138,012	4,197,435	4,024,382	3,977,129	3,823,924
Capital outlay	5,889,016	10,634,944	11,896,449	14,684,782	3,116,248
Debt service:					
Principal retirement	85,769	106,130	175,167	257,000	97,000
Interest and fiscal charges	8,341	12,576	19,093	7,126	8,189
Total expenditures	131,063,199	129,490,592	128,350,110	122,539,599	102,292,403
Excess of revenues over expenditures	2,631,419	(6,126,336)	3,154,192	4,440,989	(547,258)
<b>Other financing sources (uses)</b>					
Capital lease	-	-	-	495,658	-
Transfers in	-	-	-	500,000	-
Transfers out	-	-	-	(500,000)	-
Total other financing sources (uses)	-	-	-	495,658	-
Net change in fund balances	\$ 2,631,419	\$ (6,126,336)	\$ 3,154,192	\$ 4,936,647	\$ (547,258)
Debt service as a percentage of noncapital expenditures	0.08%	0.10%	0.17%	0.25%	0.11%

(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)

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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			
2014	\$1.25	\$1.35	\$1.75	\$0.30	\$2.35	\$2.35	\$3.10	\$0.40	29.39%	19.53%
2013	\$1.25	\$1.35	\$1.75	\$0.30	\$2.25	\$2.35	\$3.00	\$0.40	28.00%	19.02%
2012	\$1.15	\$1.25	\$1.60	\$0.30	\$2.15	\$2.25	\$2.75	\$0.40	33.15%	17.18%
2011	\$1.20	\$1.30	\$1.60	\$0.30	\$2.15	\$2.25	\$2.85	\$0.40	38.67%	17.18%
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%

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		
2014	\$ 8,734,569,500	\$ 552,552,935	\$ 3,780,000	\$ 425,978,786	\$ 148,514	\$ -	9,717,029,735	\$ 0.9363
2013	8,690,891,300	531,217,905	3,912,100	420,994,403	186,019	-	9,647,201,727	0.9304
2012	8,638,730,000	514,828,080	3,812,600	393,773,490	69,127	-	9,551,213,297	0.9172
2011	8,949,135,600	493,248,385	4,187,400	382,175,535	96,956	68,960,274	9,897,804,150	0.8232
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

Note: Values are net of tax exempt property. Property in the County is reassessed every two years. Property is assessed on a calendar year basis and at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value. Calendar year 2012 reflects an amendment to the Virginia State Code, which exempted CPC (Certified Pollution Control) Equipment.

Source: County of York, Virginia

Comprehensive Annual Financial Report Fiscal Year 2014

**The York County School Division**

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

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<b>Fiscal Year</b>	<b>Real Estate</b> (1) (2) (3)	<b>Personal Property</b> (1)	<b>Mobile Home</b> (1) (3)	<b>Total Direct Tax Rate</b>
2014	\$ 0.7515	\$ 4.00	\$ 0.7515	\$ 0.9363
2013	0.7415/0.7515	4.00	0.7415/0.7515	0.9304
2012	0.6575/0.7415	4.00	0.6575/0.7415	0.9172
2011	0.6575	4.00	0.6575	0.8232
2010	0.6575	4.00	0.6575	0.8211
2009	0.6575	4.00	0.6575	0.8123
2008	0.6975/0.6575	4.00	0.6975/0.6575	0.8348
2007	0.6975	4.00	0.6975	0.8850
2006	0.8175/0.6975	4.00	0.8175/0.6975	0.8866
2005	0.8175	4.00	0.8175	1.0399

<sup>(1)</sup> Tax rate per \$100 of assessed valuation.

<sup>(2)</sup> The amount designated for school operating is \$0.574 per \$100 of valuation for fiscal year 2014.

<sup>(3)</sup> 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 2014

## 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	2013		Percentage		2004		Percentage	
		Taxable Assessed Value	Rank	of Total Taxable Assessed Value	Rank	Taxable Assessed Valuation	Rank	of Total Taxable Assessed Value	
Virginia Power Company	Generating plant	\$ 343,971,507	1	3.55%		\$ 344,878,615	1	5.78%	
Lawyers Title/Fairfield Resorts	Timeshare condominiums	179,429,000	2	1.85%		119,054,750	3	2.00%	
BP/Western Refining/Plains Marketing	Fuel terminal	157,925,005	3	1.63%		84,544,880	2	1.42%	
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	80,326,935	4	0.83%					
Kings Creek Plantation	Timeshare condominiums	74,454,155	5	0.77%		29,906,950	8	0.50%	
City of Newport News	Water system	76,053,500	6	0.79%		74,480,000	4	1.25%	
Sea World Parks & Entertainment LLC	Water Country	45,508,275	7	0.47%		45,456,605	5	0.76%	
Wal Mart	Retail sales	36,096,916	8	0.37%		32,243,390	6	0.54%	
1991 Ashe Partnership	Apartment complex	39,660,815	9	0.41%					
852 LLC	Apartment complex	34,433,475	10	0.36%					
Verizon Virginia Inc,	Telecommunications					24,012,735	9	0.40%	
Kiln Creek Shopping Center	Retail sales					20,051,400	10	0.34%	
Philip Morris, Inc.	Manufacturer					14,586,445	7	0.24%	
Total		\$ 1,067,859,583		11.02%		\$ 789,215,770		13.23%	

\*The County's assessment cycle is on a calendar year basis.

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
2014	\$ 79,831,923	\$ 77,513,973	97.10%	\$ -	77,513,973	97.10%
2013	78,390,079	75,580,443	96.42%	1,932,964	77,513,407	98.88%
2012	77,167,308	75,120,925	97.35%	1,387,544	76,508,469	99.15%
2011	78,309,524	74,202,547	94.76%	1,572,739	75,775,286	96.76%
2010	79,967,238	74,592,412	93.28%	1,681,669	76,274,081	95.38%
2009	77,519,190	74,221,594	95.75%	1,747,052	75,968,646	98.00%
2008	72,552,762	70,122,593	96.65%	2,033,731	72,156,324	99.45%
2007	69,290,160	67,367,845	97.23%	1,366,310	68,734,155	99.20%
2006	67,054,087	64,874,238	96.75%	1,566,018	66,440,256	99.08%
2005	65,863,726	63,315,662	96.13%	1,650,915	64,966,577	98.64%

<sup>(1)</sup> 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 2014

**The York County School Division**

**Ratio of Outstanding Debt By Type of the County of York, Virginia <sup>(1)</sup>  
Last Ten Fiscal Years  
(unaudited)**

Fiscal Year	Total Primary Government - County of York, Virginia						Total School Division		Percentage of Personal Income	Per Capita	
	General Obligation Bonds	Revenue Bonds	Literary Loans	Capital Leases	Lease Revenue Bonds	Note Payable	Total Primary Government	Capital Leases			Total School Division
2014	\$ 49,619,991	\$ 21,706,500	\$ -	\$ 3,751,628	\$ 24,847,309	\$ -	\$ 99,925,428	\$ -	\$ -	N/A	\$ 1,480
2013	54,961,398	22,141,530	-	3,803,050	26,059,652	372,740	107,338,370	-	-	N/A	1,603
2012	59,822,805	22,570,884	-	4,147,737	27,499,214	719,393	114,760,033	-	-	2.92%	1,728
2011	56,564,037	22,984,694	100,000	5,021,889	29,052,785	1,041,781	114,765,186	-	-	3.02%	1,740
2010	59,858,071	7,924,245	200,000	2,853,785	30,792,347	1,341,604	102,970,052	-	-	2.84%	1,573
2009	59,764,486	8,194,645	300,000	3,513,765	31,951,909	1,620,440	105,345,245	89,842	89,842	2.97%	1,622
2008	58,234,825	8,449,490	400,000	1,659,793	15,437,028	1,879,758	86,060,894	175,611	175,611	2.43%	1,342
2007	62,329,170	8,693,806	550,000	1,851,783	16,511,783	2,120,925	92,057,467	281,741	281,741	2.68%	1,456
2006	54,659,184	8,927,619	710,000	1,880,656	17,561,538	2,345,211	86,084,208	456,908	456,908	2.64%	1,387
2005	42,112,832	9,170,953	870,000	1,233,400	18,591,293	2,553,797	74,532,275	218,250	218,250	2.48%	1,201

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

Source: County of York, Virginia  
Comprehensive Annual Financial Report Fiscal Year 2014

**The York County School Division**

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

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2014	\$ 49,619,991	\$ -	\$ 49,619,991	0.51%	735
2013	54,961,398	-	54,961,398	0.57%	821
2012	59,822,805	-	59,822,805	0.63%	901
2011	56,564,037	-	56,564,037	0.57%	857
2010	59,858,071	-	59,858,071	0.61%	914
2009	59,764,486	-	59,764,486	0.61%	920
2008	58,234,825	-	58,234,825	0.60%	908
2007	62,329,170	-	62,329,170	0.73%	986
2006	54,659,184	-	54,659,184	0.66%	881
2005	42,112,832	-	42,112,832	0.68%	679

Source: County of York, Virginia  
Comprehensive Annual Financial Report Fiscal Year 2014

# The York County School Division

## Demographic and Economic Statistics Last Ten Fiscal Years (unaudited)

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<b>Fiscal Year</b>	<b>Population</b> <sup>(1)</sup>	<b>Personal Income</b> <sup>(2)</sup> (Thousands)	<b>Per Capita Income</b> <sup>(2)</sup>	<b>Median Age</b> <sup>(3)</sup>	<b>Education Level In Years of Formal Schooling</b> <sup>(4)</sup>	<b>Student Average Daily Membership</b> <sup>(5)</sup>	<b>Unemployment Rate</b> <sup>(6)</sup>
2014	67,500	N/A	N/A	41.00	13.20	12,333	5.20%
2013	66,955	N/A	N/A	39.30	13.20	12,226	5.10%
2012	66,428	\$ 3,930,626	\$ 50,236	44.90	13.20	12,410	5.40%
2011	65,973	3,800,928	48,664	44.80	13.20	12,477	6.00%
2010	65,464	3,626,936	46,908	44.70	13.20	12,533	5.90%
2009	64,933	3,548,010	45,870	39.40	13.10	12,732	5.50%
2008	64,132	3,535,246	45,884	39.20	13.10	12,745	3.30%
2007	63,226	3,441,333	44,810	39.10	13.10	12,649	2.50%
2006	62,068	3,267,229	43,035	38.90	13.00	12,797	2.70%
2005	62,048	3,002,491	40,057	38.70	13.00	12,442	3.00%

N/A - This information is not available.

Source:

<sup>(1)</sup> Weldon Cooper Center for Public Service.

<sup>(2)</sup> Bureau of Economic Analysis combined amount for York County/Poquoson.

<sup>(3)</sup> County Planning Division.

<sup>(4)</sup> Educational Attainment data published in the U.S. Census Bureau.

<sup>(5)</sup> County School Division

<sup>(6)</sup> 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)

<b>Employer</b>	<b>2014</b>			<b>2005</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Naval Weapons Station / Cheatham Annex	3,420	1	15.75%	2,443	1	11.10%
York County School Division	1,730	2	7.97%	1,769	2	8.04%
U.S. Coast Guard Station	1,391	3	6.41%	1,637	3	7.44%
Wal-Mart	831	4	3.83%	1,020	4	4.63%
Water Country	820	5	3.78%	809	5	3.68%
Sentara Williamsburg Regional Medical Center	812	6	3.74%			
York County Government	721	7	3.32%	651	6	2.96%
Great Wolf Lodge	463	8	2.13%	400	7	1.82%
YMCA	443	9	2.04%			
Windham Vacation Ownership	276	10	1.27%			
Fairfield Resorts				326	8	1.48%
Kings Creek Plantation				242	9	1.10%
K-Mart				235	10	1.07%
<b>Total</b>	<b>10,907</b>		<b>50.24%</b>	<b>9,532</b>		<b>43.32%</b>

Source: County Office of Economic Development.



# The York County School Division

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Athletic Directors	4.00	4.00	4.00	4.00	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	131.00	131.00	131.00	131.00	133.00	133.00	133.00	136.00	136.00	130.00
Bus Driver Assistants	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Clerical	69.75	70.72	70.72	72.69	74.75	74.75	74.25	75.25	73.25	65.25
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00
Crossing Guards	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Custodians	94.50	94.50	97.50	103.50	108.50	108.50	100.50	100.50	100.50	85.80
Directors	8.25	7.25	7.25	10.25	9.25	10.25	9.25	11.25	9.25	9.25
Division Chiefs	3.00	3.00	3.00	3.00	4.00	4.00	4.00	3.00	0.00	0.00
Food Service Personnel	28.66	29.66	29.66	33.66	35.66	44.66	48.32	53.32	63.83	95.00
Guidance Counselors	31.50	31.50	31.50	33.00	33.50	33.50	34.00	34.00	34.00	33.50
Instructors	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	10.00
Librarians	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Mechanics	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	7.00	7.00
Nurses	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	16.00
Occupational Therapists	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.00	4.00	3.00
Para-Educators	254.50	255.50	256.50	270.00	268.00	272.00	261.00	268.50	263.00	285.93
Physical Therapists	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Principals	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00
Principals (Assistants)	27.00	27.00	27.00	27.00	27.00	27.00	27.00	25.00	23.00	23.00
Psychologists	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00
Superintendent	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Superintendent (Assistant)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	1.00
Teachers	830.55	830.55	841.79	867.80	868.16	862.16	833.25	845.72	839.58	818.32
Technical	97.92	97.67	96.47	101.79	107.17	113.96	110.26	114.54	112.54	99.22
Trades	24.00	24.00	24.00	24.00	24.00	26.00	24.00	24.00	24.00	23.00
<b>Total Full-Time Equivalents</b>	<b>1729.63</b>	<b>1731.35</b>	<b>1745.39</b>	<b>1807.69</b>	<b>1822.99</b>	<b>1839.78</b>	<b>1788.83</b>	<b>1821.58</b>	<b>1813.45</b>	<b>1795.77</b>

Source: York County School Division

# The York County School Division

## Operating Statistics Last Ten Fiscal Years (unaudited)

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<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>	<b>Percentage Change</b>
2014	12,333	\$ 121,451,528	\$ 9,848	1.1%	880.05	14.0	1.9%
2013	12,226	119,113,465	9,743	3.4%	889.05	13.8	1.8%
2012	12,410	116,949,215	9,424	1.4%	918.80	13.5	-0.4%
2011	12,477	115,938,380	9,292	-4.6%	919.80	13.6	-0.5%
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	17.1%	869.82	14.3	-3.3%

Source: York County School Division

# The York County School Division

## Capital Assets Information by Governmental Activities Last Ten Fiscal Years (unaudited)

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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Instruction:</b>										
Buildings:										
Elementary Schools	10	10	10	10	10	10	10	10	10	10
Middle Schools	4	4	4	4	4	4	4	4	4	4
High Schools	4	4	4	4	4	4	4	4	4	4
Charter Schools	1	1	1	1	1	1	1	1	1	1
Other:										
Athletic Fields	45	44	44	44	44	44	44	43	43	43
Playgrounds	30	30	30	30	30	30	20	20	20	20
<b>Pupil Transportation:</b>										
Buses	160	159	160	158	154	153	150	150	150	150
<b>Operations and Maintenance:</b>										
Vehicles	85	85	85	76	75	78	70	70	76	64

Source: York County School Division

# The York County School Division

## School Building Information Last Ten Fiscal Years (unaudited)

School	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Elementary</b>										
Bethel Manor Elementary										
Square feet	79,685	79,685	79,685	79,685	79,685	79,685	79,685	79,685	79,685	79,685
Capacity	698	698	698	698	698	698	698	698	698	698
Enrollment	493	410	382	388	525	549	565	555	598	625
Coventry Elementary										
Square feet	78,033	78,033	78,033	78,033	78,033	78,073	78,073	78,073	78,073	78,073
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	548	589	628	640	604	612	646	637	669	644
Dare Elementary										
Square feet	63,415	63,415	63,415	63,415	63,415	64,300	52,100	52,100	52,100	52,100
Capacity	867	867	867	867	867	867	427	427	427	427
*Enrollment	372	409	428	460	438	436	447	421	442	391
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	601	622	640	624	617	628	642	623	614	634
Magruder Elementary										
Square feet	74,867	74,867	74,867	74,867	74,867	74,867	70,400	70,400	70,400	70,400
Capacity	740	740	740	740	740	740	653	653	653	653
Enrollment	602	600	590	570	593	640	599	614	570	525
Mt. Vernon Elementary										
Square feet	69,689	69,689	69,689	69,689	57,999	57,999	57,999	57,999	57,999	57,999
Capacity	782	782	782	782	542	542	542	542	542	542
Enrollment	509	548	553	557	554	544	552	535	537	496
Seaford Elementary										
Square feet	61,731	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553
Capacity	656	506	506	506	506	506	506	506	506	506
Enrollment	455	479	494	521	519	532	520	508	517	496
Tabb Elementary										
Square feet	76,790	76,790	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425
Capacity	777	777	627	627	627	627	627	627	627	627
Enrollment	608	625	643	634	531	540	551	546	578	619
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	278	279	315	320	321	339	328	301	307	288
Yorktown Elementary										
Square feet	66,402	66,402	66,402	66,402	66,402	66,402	54,200	54,200	54,200	54,200
Capacity	734	734	734	734	734	734	494	494	494	494
Enrollment	624	663	636	625	584	513	489	464	497	507

# The York County School Division

## School Building Information (Continued) Last Ten Fiscal Years (unaudited)

School	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Middle</b>										
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	815	850	868	881	875	854	893	934	945	981
Queens Lake Middle										
Square feet	57,047	57,047	57,047	57,047	57,047	57,047	57,047	57,047	57,047	57,047
Capacity	681	681	681	681	681	681	681	681	681	681
Enrollment	425	448	468	473	490	543	570	545	519	484
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	857	828	786	774	829	897	954	967	1,014	936
Yorktown Middle										
Square feet	98,918	98,918	98,918	98,918	98,918	98,918	98,918	65,600	65,600	65,600
Capacity	982	982	982	982	982	982	982	629	629	629
Enrollment	717	742	759	742	752	739	713	666	699	667
<b>High</b>										
Bruton High										
Square feet	155,040	155,040	155,040	155,040	155,040	155,040	155,040	155,040	155,040	155,040
Capacity	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039
Enrollment	538	585	616	636	668	727	726	746	739	703
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	1,132	1,271	1,302	1,309	1,277	1,281	1,296	1,299	1,280	1,264
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	1,021	1,100	1,138	1,164	1,245	1,257	1,267	1,283	1,293	1,305
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	993	1,054	1,045	1,045	1,078	1,036	977	1,014	974	957
York River Academy										
Square feet	24,451	24,451	24,451	24,451	24,451	3,800	3,800	3,800	3,800	3,800
Capacity	128	128	128	128	128	40	40	40	40	40
Enrollment	66	65	56	56	58	50	50	40	37	39

\*Enrollment excludes Extend Center, which was added in 2009. Students are included in the enrollment at their home school.

Source: York County School Division

## ***COMPLIANCE SECTION***

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**Report of Independent Auditor 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, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division (the "School Division"), a component unit of the County of York, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Division's basic financial statements, and have issued our report thereon dated November 23, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School Division's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Division's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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* or the *Specifications for Audits of Counties, Cities, and Towns*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekart LLP*

Virginia Beach, Virginia  
November 23, 2014



**Report of Independent Auditor on Compliance with  
Commonwealth of Virginia’s Laws, Regulations, Contracts, and Grants**

Members of the School Board  
York County School Division

We have audited, 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, the 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, 2014, and the related notes to the financial statements and have issued our report thereon dated November 23, 2014.

**Compliance and Other Matters**

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
Cash and Investments	Procurement
Conflicts of Interest	Unclaimed Property
	Education

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia’s laws, regulations, contracts and grants and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s compliance. Accordingly, this report is not suitable for any other purpose.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 23, 2014

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