

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

For the Fiscal Year Ended June 30, 2013

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, 2013**

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INTRODUCTORY SECTION



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yorkcountyschools.org

November 12, 2013

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, 2013 (FY 2013), 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 2013 was 12,226 and projected budgeted enrollment for fiscal year 2014 (FY 2014) is 12,230. 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

Even though the Virginia economy showed signs of recovery in FY 2013, 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 2013, the York County School Division's LCI increased from .3737 to .4049. The increase resulted in \$2.2 million less state revenue than would have otherwise been received if the LCI had not changed.

At the local level, York County maintained a relatively stable local economy in FY 2013. York County is also fortunate to have affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 65,000.

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

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

The Office of Economic Development (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 2013 economic development highlights for York County include:

- ◆ The slowly recovering national economy continued to hamper significant commercial growth in FY 2012. 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. The sale of Western Refining to Plains All American Pipeline and the resulting cessation of oil refining in September of 2010, was somewhat offset by Plains' expansion announcement in late FY 2012. The company announced new investment, exceeding \$40 million, in rail and facility improvements and the creation of up to 100 new jobs to capitalize on new crude oil sources in the Dakotas and Canada. The closure of Altria's smokeless tobacco manufacturing facility was another significant tax loss to the county. However, Altria's \$25 million investment in upgrading and expanding the facility in 2007 has left the County with a highly marketable product. There are a very limited number of large food grade manufacturing buildings in Hampton Roads and this 135,000 square-foot facility has the potential to attract a capital intensive project with quality employment.
- ◆ The Office of Economic Development (OED) and the Economic Development Authority (EDA) continued to improve and expand programs for existing businesses in FY 2013. In fiscal year 2013, the Authority continued to successfully operate the Yorktown waterfront commercial development, Riverwalk Landing, and it has continued to be a very popular destination for tourists and locals. The anchor space, Riverwalk Restaurant, has a new owner who is a local restaurateur. The new owner leased and renovated the adjacent former retail space and that space is now a restaurant, Waterstreet Grille. With two new retail shops opening in fiscal year 2013, the Riverwalk Landing development is fully leased.
- ◆ The Marquis retail development, approved for over a million square feet, was acquired by a Dallas firm, Todd Interests in May of 2011. In 2012, the new owner was able to restructure the Community Development Authority debt, in a manner that will facilitate new financing for completing the project. Additionally, in 2013, Todd Interests sold the four anchor buildings (JC Penney, Best Buy, Kohl's and Dick's Sporting Goods) to private investors thus solidifying the stability of the development. Todd Interests have developed plans to expand the project into a mixed-use center and has continued to work closely with a real estate company to secure new commercial tenants.
- ◆ The OED and EDA fully embraced the "economic gardening" and business "incubator" strategies in FY 2012. The EDA worked to assist AVID Aerospace in securing an economic gardening grant from the Hampton Roads Partnership and provided a grant to support CW Optics, technology commercialization grant application to the Center for Innovative Technology. The EDA also approved a Memorandum of Understanding to co-sponsor a Historic Triangle Business Incubator with the James City County and the City of Williamsburg EDA's. These efforts have been augmented by working more closely with the William and Mary Office of Economic Development, who will manage the new regional business incubator.
- ◆ Casey Toyota

During FY 2013, Casey Toyota completed construction on a new 38,000 square-foot showroom and service facility in the Lightfoot Corridor. The business, which expanded from its former location on Richmond road, now employs almost 100 people and sales have increased almost 40%.

◆ Yorktown Crescent

In June 2011, the County approved its second mixed-use project, Yorktown Crescent. Located at the corner of Ft. Eustis Blvd. and Rt. 17 this 16.7 acre development will have a mixture of residential offerings and at full build out, 38,000 square feet of commercial space. The first mixed-use project approved in the County, Nelson's Grant, received site and building plan approval in FY 2011. Both of these projects are underway in FY 2013.

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. The grant funds are funding the implementation of a Transformative Learning initiative in the School Division. In total, federal grant revenue totaled 11.6% of total General Fund Revenue. This percentage decreased in FY 2013 as compared to FY 2012 because the American Recovery and Reinvestment Act of 2009 funds and the federal Job's Funds were fully expended in FY 2012.

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 2012-13, 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 2012-13 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 for implementation 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 2013, 9 of 19 division schools met or exceeded all AMOs. Seven additional schools surpassed all subgroup targets but were not designated as "Meeting All Federal AMOs" due to the new Meets Higher Expectations (MHE) 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 2013 SOL test results, all York County School Division elementary, middle, and high schools were Fully Accredited. All York County Schools have achieved the state's highest accreditation ranking (Fully Accredited) since 2002.

◆ 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.

◆ 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 21st 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, 99% attained 80% or more of their occupational competencies.

Division continues to grow with the community.

Several construction projects were started or completed during the 2012-13 school year:

- Completed construction of a \$1.95 million addition of six classrooms at Tabb Elementary School to meet classroom space needs for students enrolled that exceeded building capacity.
- Continued a \$1.1 million HVAC renovation at Grafton Bethel Elementary School. This is a multi-year project with different phases in each year.
- Continued a \$2.5 million HVAC renovation at Coventry Elementary School. This project will be completed in FY14.
- Began architectural and engineering services for a \$2.07 million six-classroom addition at Seaford Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity.
- Began 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 2014 include replacement of the cooling towers at the Grafton Complex at a cost of \$2.7 million and the addition of six classrooms at Queens Lake Middle School at a cost of \$1.6 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 unqualified 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 FY12, the York County School Division received the "What Parents Want" award. The award is given to school districts by School Match Public Priority Systems, Inc. for providing programs that meet certain criteria and match the needs of parents and children. In 2012, less than 20% of the nation's 15,571 public school districts earned this award.
- ◆ 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 60th percentile or higher. Schools that exceed the benchmarks and achieve average test scores at the 85th 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, 2012 (FY 2012). In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the FY 2012. 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, 2013. 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, 2013. This program is designed to recognize school systems for achieving excellence in their school system budget presentation. The foundation of this program is a set of criteria developed by ASBO.

Acknowledgments

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

Respectfully submitted,



Eric Williams, Ed. D.
Division Superintendent



Dennis R. Jarrett, CPA, CPFO
Chief Financial Officer



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, 2012

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

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, 2012*

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

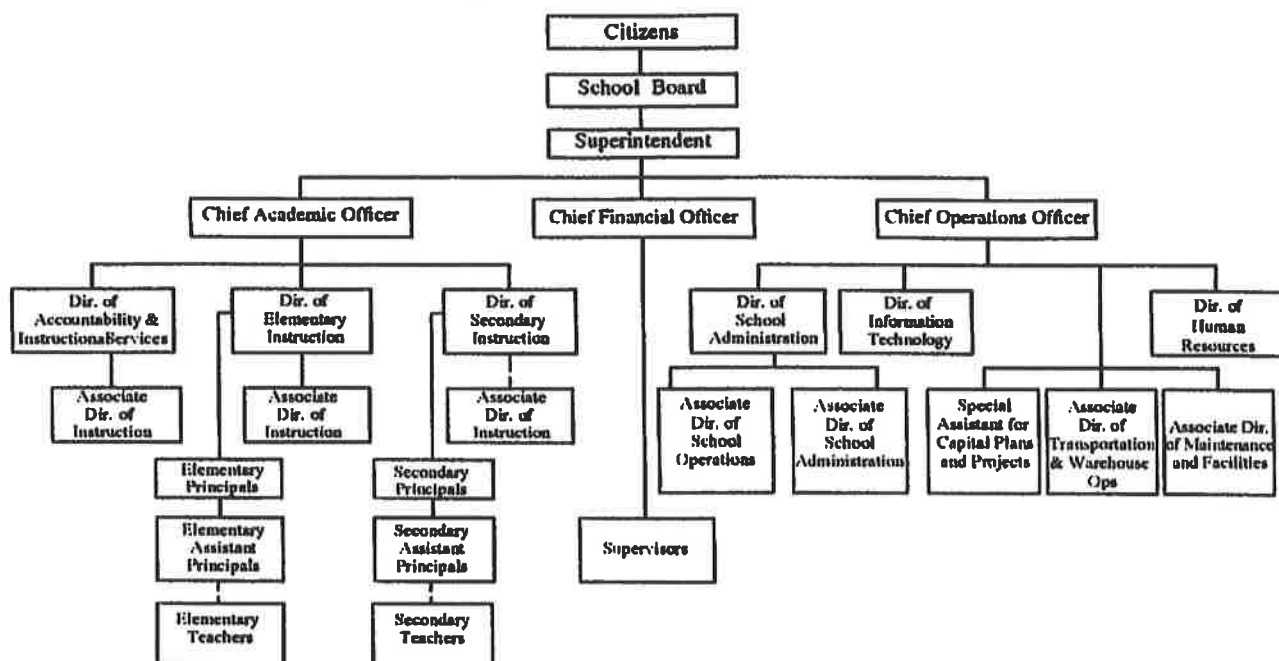


Ron McCulley, CPPB, RSBO
President

John D. Musso, CAE, RSBA
Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATIONAL CHART

As of June 30, 2013



The York County School Division

**Component Unit of the County of York, Virginia
June 30, 2013**

School Division Board Members

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

School Officials

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

Dr. Eric S. Williams
Dr. Stephanie L. Guy
Dennis R. Jarrett, CPA, CPFO, SFO
Dr. Carl L. James
Dr. Lisa L. Pennycuff
Candi Skinner
Noreen B. Becci, Esquire
Douglas E. Meade
Dr. Catherine L. Jones
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

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, 2013, 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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for defined pension benefit plans, schedule of employer contributions, and notes to the required supplementary information on pages 19-30 and 64-71 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

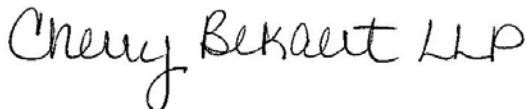
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Division's basic financial statements. The introductory section, schedules of revenues and expenditures budget and actual, statement of changes in assets and liabilities, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures budget and actual and statement of changes in assets and liabilities (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial 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 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 12, 2013, 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.



Virginia Beach, Virginia
November 12, 2013

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The York County School Division
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 2013. 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 \$118.2 million or 96.5% of all revenues, and expenditures were \$119.1 million or 92.4% of all expenditures, compared to \$115.7 million (90.5%) in revenues and \$117.0 million (94.5%) in expenditures in FY 2012.
- The School Division maintained a healthy net position of \$138.8 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 \$308,676, a decrease of \$231,253 over the beginning of year fund balance. School Division operations staff and a food service management company had been monitoring revenues and expenditures during the fiscal year. Due to an unexpected drop in sales, expenditures exceeded revenue at year end. There were several factors causing the drop in food sales, including the new federal nutrition guidelines. It should also be noted that a new food service management company has been contracted by the School Division for FY 2014. It is the goal of the School Division and the contractor to end FY 2014 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*.

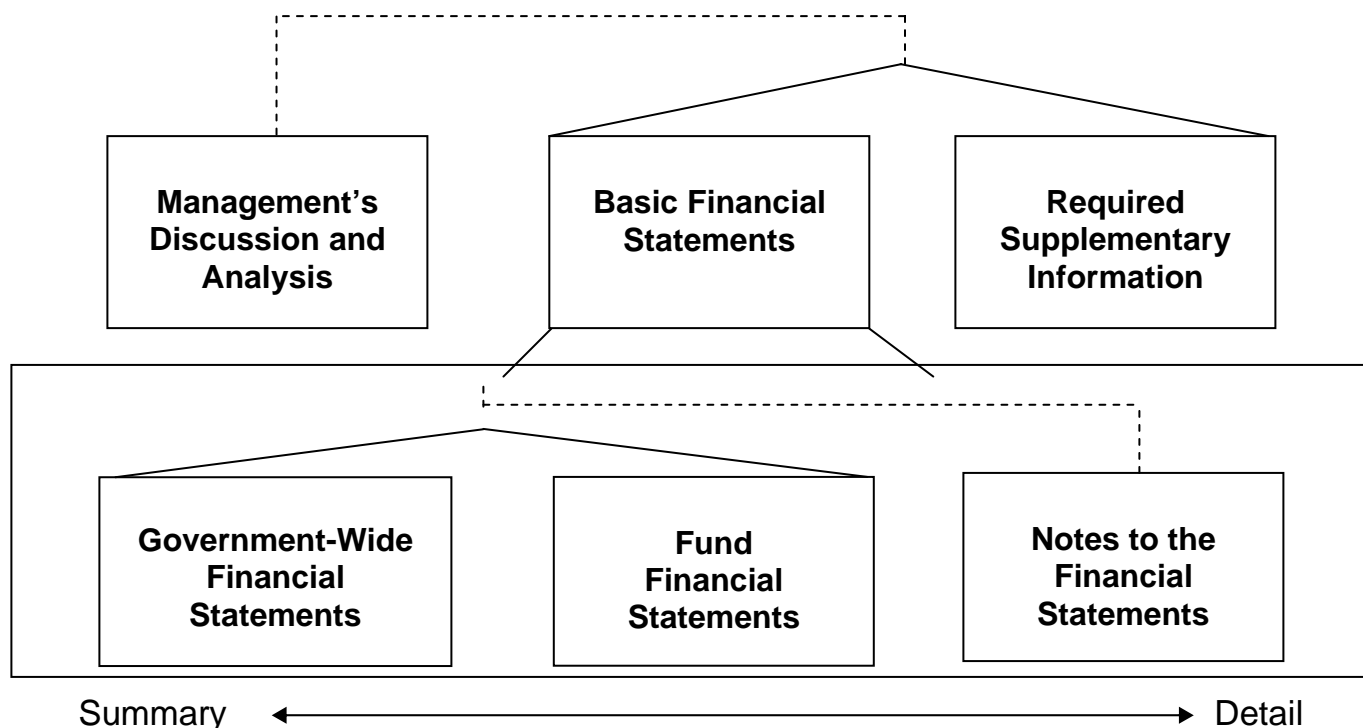
The basic financial statements include two kinds of statements that present different views of the School Division.

- 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

Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net 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 2013?" 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, 2013. The School Division's financial position remained stable during FY 2013. 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 95.5% of the total net position and have increased by \$2.3 million since June 30, 2012. The only debt the School Division nets against capital assets is for capital leases; however, there are no capital leases outstanding at June 30, 2013. 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 \$3.9 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 \$2.3 million, a decrease of \$2.6 million from June 30, 2012. All three components of net position show positive balances.

Condensed Statement of Net Position (in millions)			
	Governmental Activities 2013	Governmental Activities 2012	Total Percentage Change
Assets			
Current and other assets	\$ 32.6	\$ 35.3	-7.6%
Capital assets	132.6	130.3	1.8%
Total assets	<u>165.2</u>	<u>165.6</u>	-0.2%
Total liabilities			
Current liabilities	20.0	16.1	24.2%
Long-term liabilities	6.4	6.0	6.7%
Total liabilities	<u>26.4</u>	<u>22.1</u>	19.5%
Net position			
Net investment in capital assets	132.6	130.3	1.8%
Restricted	3.9	8.3	-52.9%
Unrestricted	2.3	4.9	-53.1%
Total net position	<u>\$ 138.8</u>	<u>\$ 143.5</u>	-3.3%
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 2013, as compared with FY 2012.

Changes in Net Position (in millions)			
	Governmental Activities 2013	Governmental Activities 2012	Total Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 2.9	\$ 3.2	-9.4%
Operating grants and contributions	58.9	59.2	-0.5%
General revenues			
County	48.3	52.8	-8.5%
Shared intergovernmental revenues	12.1	12.3	-1.6%
Miscellaneous revenues	0.3	0.3	0.0%
Total revenues	<u>122.5</u>	<u>127.8</u>	-4.1%
Expenses			
Instruction	89.8	88.3	1.7%
Administration/attendance and health	6.2	5.7	8.8%
Transportation	7.4	7.3	1.4%
Operations and maintenance	10.8	11.1	-2.7%
Technology	9.3	9.3	0.0%
Food service	3.7	4.0	0.0%
Total expenses	<u>127.2</u>	<u>125.7</u>	1.2%
Change in net assets	(4.7)	2.1	323.8%
Net position - beginning of year	<u>143.5</u>	<u>141.4</u>	1.5%
Net position - end of year	<u>\$ 138.8</u>	<u>\$ 143.5</u>	-3.3%
Note: Totals may not add due to rounding.			

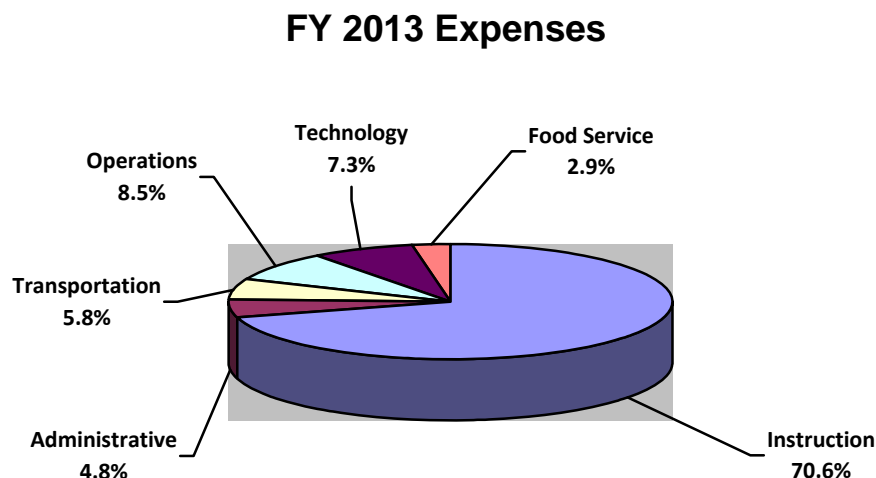
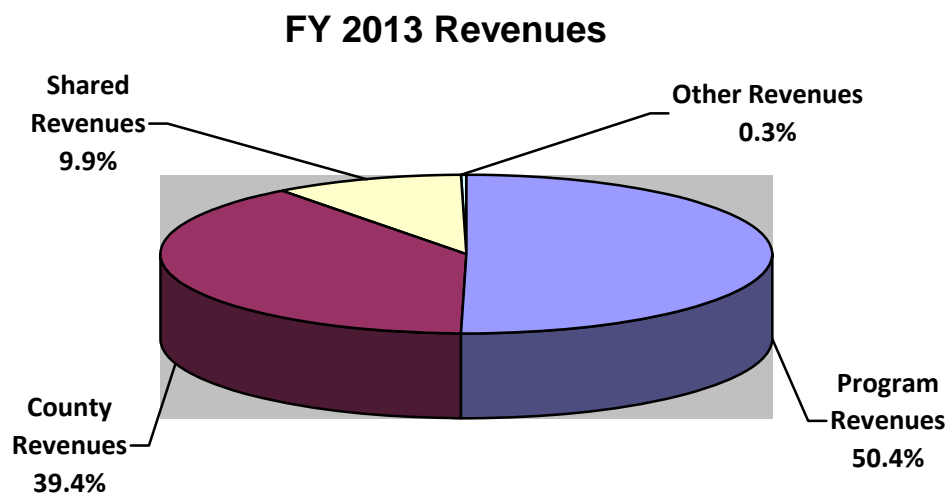
Financial Analysis of the School Division as a Whole *(Continued)*

Changes in Net Position

For the FY 2013, revenues from governmental activities totaled \$122.5 million. State and federal revenue for operating grants and contributions account for 48.1% of the School Division's resources as compared to 55.6% for the FY 2012. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$48.3 million or 39.4% of the total revenues as compared to \$52.8 million or 41.3% for the FY 2012. The decrease in County funding relates to funding for capital projects - \$0.4 million in FY 2013 as compared to \$8.2 million in FY 2012.

The total cost of all programs was \$127.2 million in FY 2013. Instruction made up 70.6% of the total costs of the School Division in FY 2013 and 70.2% in FY 2012. The School Division's operations and maintenance activities accounted for 8.5% of total costs for FY 2013 while administration/attendance and health amounted to 4.8% of total costs.

For the FY 2013, expenses exceeded revenues by a total of \$4.7 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 \$12.1 million in FY 2013.

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 2013, the School Division received \$9.2 million in impact aid funding, an increase of \$1.1 million over FY 2012; however, total federal funding decreased \$0.4 million from FY 2012. In FY 2012, the School Division received \$1.7 million in federal funding under the American Recovery and Reinvestment Act of 2009 (ARRA stimulus funds). It is important to note that all sources of stimulus funds were one-time allocations from the federal government. Since federal stimulus funds were not on-going, the use of the funds was directed to one-time costs of items such as textbooks, technology and temporary full-time positions.

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.

Net Cost of Governmental Activities				
(in millions)				
	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction	\$ 89.8	\$ 88.3	\$ 32.8	\$ 31.3
Administration/attendance and health	6.2	5.7	6.1	5.7
Transportation	7.4	7.3	7.4	7.2
Operations and maintenance	10.8	11.1	9.9	10.7
Technology	9.3	9.3	8.8	8.2
Food service	3.7	4.0	0.4	0.1
	<u>\$ 127.2</u>	<u>\$ 125.7</u>	<u>\$ 65.4</u>	<u>\$ 63.2</u>

Note: Totals may not add due to rounding.

Significant Changes in Governmental Activities Include:

- The cost of all governmental activities was \$127.2 million.
- The net cost of governmental activities was \$65.4 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$58.9 million.
- Most of the School Division's net cost of services of \$65.4 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 \$8.7 million or a \$1.0 million decrease from the fund balance reported for FY 2012. The reduction in fund balance for the General Fund stems from less carryover purchase orders in FY 2013 as compared to FY 2012. The Capital Projects Fund reported a fund balance at the end of FY 2013 of \$3.6 million or a \$5.4 million decrease from the fund balance reported for the FY 2012 due to the completion of the addition of six classrooms at Tabb Elementary School and continued progress on several other capital projects. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.3 million at the end of FY 2013, representing a \$0.2 million decrease from the FY 2012 reported fund balance. This reduction was primarily the result of a reduction in sales in FY 2013 as compared to FY 2012 attributable in part to the new federal nutrition guidelines. In other words, more students brought their lunches to school.

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 2013, the School Division amended its general fund budget as follows:

- Amended appropriation of \$6.2 million to reflect the carryover of encumbrances from fiscal year ended 2012 (FY 2012) to FY 2013.
- Amended appropriation of \$0.8 million for an allocation from the federal government related to the Department of Defense Education Activity program.
- Amended appropriations among the major budget expenditure categories to accommodate changes in programs and services. This budget amendment did not change the total amount of the budget.

The actual results for the year show a net change in fund balance of \$0.9 million. General Fund revenues were \$118.2 million or 2.8% higher in FY 2013 as compared to FY 2012. This increase, for the most part, was driven by increases in the County's shared revenue percentage with the School Division. Federal revenue decreased \$0.4 million or 2.6% in FY 2013 as compared to the previous fiscal year. This was due primarily to the FY 2012 one-time stimulus funding.

General Fund actual expenditures were \$7.7 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Outstanding encumbrances at June 30, 2013 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 2013.
- Numerous budget accounts were frozen (no expenditures were allowed) during FY 2013 to accommodate a \$0.52 million shortfall in state basic aid and state sales tax and a \$0.27 million shortfall in federal impact aid revenues.

Capital Assets

At the end of FY 2013, the School Division had \$132.5 million (a 1.8% decrease from FY 2012) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2013 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 4 to the financial statements.

Capital Assets, net of depreciation (in millions)			
	Governmental Activities 2013	Governmental Activities 2012	Total Percentage Change
Land	\$ 4.8	\$ 4.8	0.0%
Construction in progress	4.3	0.6	616.7%
Depreciable capital assets	123.4	124.9	-1.2%
Total	\$ 132.5	\$ 130.3	1.7%

Major Capital Asset Additions for FY 2013 Included:

- Completed construction of a \$1.95 million addition of six classrooms at Tabb Elementary School to meet classroom space needs for students enrolled that exceeded building capacity.
- Continued a \$1.1 million HVAC renovation at Grafton Bethel Elementary School. This is a multi-year project with different phases in each year.
- Continued a \$2.5 million HVAC renovation at Coventry Elementary School. This project will be completed in FY 2014.
- Began architectural and engineering services for a \$2.07 million six classroom addition at Seaford Elementary School to meet classroom space needs for students presently enrolled that exceed building capacity.
- Began 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 2014 Capital Budget:

- Phase II HVAC Replacement at Grafton Bethel Elementary.
- Replacement of kitchen equipment at five schools.
- Roof repair/replacement at Magruder Elementary School.
- Additional bus parking at Tabb Middle School.

Funding for the FY 2014 capital projects includes \$5.8 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 2013. The following table lists the long-term debt for the School Division:

York County School Division - Outstanding Debt			
(in millions)			
	Governmental Activities 2013	Governmental Activities 2012	Total Percentage Change
Compensated absences	\$ 2.3	\$ 2.0	15.0%
Workers' compensation claims	3.6	3.5	2.9%
Net OPEB liability	0.5	0.5	100.0%
Total	\$ 6.4	\$ 6.0	6.7%

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 2014 budget provides the following significant costs and budget reductions:

- No step increase or average market salary adjustment was provided to licensed staff (teachers) and non-licensed staff due to budget constraints in four fiscal years, fiscal years 2010 through 2013. In FY 2014 a 4.2% increase was provided to all staff covered by the Virginia Retirement System. This increase included shifting 2% of the VRS cost to the employee.
- A significant increase in the employer health insurance contribution for employees participating in the health insurance plans.
- The elimination of approximately 19 positions by attrition due to funding constraints.
- Funding to support the capital projects included in the FY 2014 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 biennium budget for FY 2015 and FY 2016 during the 2014 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time. The state has experienced a modest improvement in the economic conditions. However, due to competing priorities at the state level, the impact on elementary and secondary public education funding remains to be seen. The Governor is anticipated to release his proposed FY 2015 budget in late December 2013.
- Several capital projects are planned for FY 2015. Whether those projects will be postponed due to funding considerations is being monitored.
- The federal government will be considering the budget for Impact Aid for FY 2015 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 2014 which could reduce federal funding by approximately 8.2% in FY 2015.
- The County government will be conducting the reassessment of real estate in 2014. 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, 2013

	Governmental Activities
Assets	
Cash and investments	\$ 14,558,830
Restricted cash and investments	3,626,741
Other receivables	164,566
Due from primary government	11,876,936
Due from other governments	2,415,339
Capital assets:	
Land	4,826,359
Construction in progress	4,347,965
Buildings, improvements and equipment - net	123,364,951
Total assets	<u>165,181,687</u>
Liabilities	
Vouchers and accounts payable	5,205,431
Retainage payable	174,897
Salaries, taxes and benefits payable	14,533,210
Unearned revenue - prepaid lunches	99,784
Due within one year	1,550,000
Due in more than one year	4,825,584
Total liabilities	<u>26,388,906</u>
Net position	
Net investment in capital assets	132,539,275
Restricted:	
Capital projects	3,626,741
Food service	308,676
Unrestricted	2,318,089
Total net position	<u><u>\$ 138,792,781</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, 2013

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating	Capital	Total
			Grants and Contributions	Grants and Contributions	
Primary government					
Governmental activities:					
Instructional	\$ 89,826,521	\$ 877,091	\$ 56,167,651	\$ -	\$ (32,781,779)
Administrative, attendance, and health services	6,158,654	-	-	-	(6,158,654)
Transportation	7,376,543	-	5,762	-	(7,370,781)
Operations and maintenance	10,787,363	-	835,428	-	(9,951,935)
Technology	9,316,847	-	544,000	-	(8,772,847)
Food services	3,698,382	1,996,950	1,306,349	-	(395,083)
Total governmental activities	127,164,310	2,874,041	58,859,190	-	(65,431,079)
Total primary government	\$ 127,164,310	\$ 2,874,041	\$ 58,859,190	\$ -	(65,431,079)
General revenues					
Payments from the County of York (unrestricted)					48,246,996
Shared intergovernmental revenues (unrestricted)					12,126,120
Investment income (unrestricted)					19,688
Miscellaneous					312,752
Total general revenues					60,705,556
Change in net position					(4,725,523)
Net position - beginning					143,518,304
Net position - ending					\$ 138,792,781

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

The York County School Division

Balance Sheet Governmental Funds June 30, 2013

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 12,799,057	\$ 1,283,648	\$ 476,125	\$ 14,558,830
Restricted cash and temporary investments	-	3,626,741	-	3,626,741
Other receivables	35,618	46	128,902	164,566
Due from primary government	11,876,936	-	-	11,876,936
Due from other governments	2,368,592	-	46,747	2,415,339
	<u>27,080,203</u>	<u>4,910,435</u>	<u>651,774</u>	<u>32,642,412</u>
Total assets	<u>\$ 27,080,203</u>	<u>\$ 4,910,435</u>	<u>\$ 651,774</u>	<u>\$ 32,642,412</u>
Liabilities and fund balances				
Liabilities:				
Vouchers and accounts payable	\$ 3,796,964	\$ 1,166,306	\$ 242,161	\$ 5,205,431
Retainage payable	2,064	172,833	-	174,897
Salaries, taxes and benefits payable	14,532,057	-	1,153	14,533,210
Unearned revenue	-	-	99,784	99,784
Total liabilities	<u>18,331,085</u>	<u>1,339,139</u>	<u>343,098</u>	<u>20,013,322</u>
Fund balances:				
Restricted	-	3,626,741	308,676	3,935,417
Committed	3,625,296	-	-	3,625,296
Assigned	5,123,822	-	-	5,123,822
Unassigned	-	(55,445)	-	(55,445)
Total fund balances	<u>8,749,118</u>	<u>3,571,296</u>	<u>308,676</u>	<u>12,629,090</u>
Total liabilities and fund balances	<u>\$ 27,080,203</u>	<u>\$ 4,910,435</u>	<u>\$ 651,774</u>	<u>\$ 32,642,412</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, 2013

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

Total fund balances - governmental funds	\$ 12,629,090
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	132,539,275
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,375,584)</u>
Net position of governmental activities	<u><u>\$ 138,792,781</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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
From the County of York	\$ 47,810,190	\$ 436,806	\$ -	\$ 48,246,996
From the Commonwealth of Virginia	55,058,498	-	59,869	55,118,367
From the federal government	13,779,273	-	1,246,480	15,025,753
Revenues from use of money and property	637,789	15,140	869	653,798
Charges for services	748,205	-	2,125,836	2,874,041
Insurance recovery	-	368,760	-	368,760
Miscellaneous	149,547	1,525	-	151,072
Total revenues	<u>118,183,502</u>	<u>822,231</u>	<u>3,433,054</u>	<u>122,438,787</u>
Expenditures				
Current - education:				
Instruction	85,789,332	-	-	85,789,332
Administration, attendance and health services	5,974,176	-	-	5,974,176
Public transportation	6,994,450	-	-	6,994,450
Operations and maintenance	11,423,130	-	-	11,423,130
Technology	8,932,377	-	-	8,932,377
Total education	<u>119,113,465</u>	<u>-</u>	<u>-</u>	<u>119,113,465</u>
Food services	-	-	3,664,307	3,664,307
Capital outlay	-	6,184,455	-	6,184,455
Total expenditures	<u>119,113,465</u>	<u>6,184,455</u>	<u>3,664,307</u>	<u>128,962,227</u>
Excess of revenues over expenditures	<u>(929,963)</u>	<u>(5,362,224)</u>	<u>(231,253)</u>	<u>(6,523,440)</u>
Net change in fund balances	(929,963)	(5,362,224)	(231,253)	(6,523,440)
Fund balance - beginning	<u>9,679,081</u>	<u>8,933,520</u>	<u>539,929</u>	<u>19,152,530</u>
Fund balance - ending	<u><u>\$ 8,749,118</u></u>	<u><u>\$ 3,571,296</u></u>	<u><u>\$ 308,676</u></u>	<u><u>\$ 12,629,090</u></u>

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

The York County School Division

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds \$ (6,523,440)

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

Capital outlay	\$ 6,991,883	
Depreciation expense	<u>(4,746,017)</u>	2,245,866

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	(427,095)	
Depreciation of capital asset disposals	<u>380,941</u>	(46,154)

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	(241,172)	
OPEB	(20,959)	
Worker's compensation claims	<u>(139,664)</u>	<u>(401,795)</u>

Change in net position of governmental activities \$ (4,725,523)

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

The York County School Division

Statement of Net Position Fiduciary Funds June 30, 2013

	Pension Trust Fund Optional Plan	Agency Fund - School Activity Funds
Assets		
Cash and investments	\$ -	\$ 1,676,733
Restricted cash	112,508	-
Restricted investments:		
Federal agency bonds and notes	-	-
Corporate obligations	577,286	-
Commercial paper	1,313,455	-
Total restricted investments	<u>1,890,741</u>	<u>-</u>
Accrued income	5,955	-
Total assets	<u>2,009,204</u>	<u>1,676,733</u>
Liabilities		
Assets held for others	-	1,676,733
Total liabilities	<u>-</u>	<u>1,676,733</u>
Net position		
Net position held in trust for pension benefits	<u>\$ 2,009,204</u>	

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

The York County School Division
Statement of Changes in Net Position
Fiduciary Fund
Year Ended June 30, 2013

	<u>Pension Trust Fund Optional Plan</u>
Additions	
Contributions - member	\$ 100,000
Investment income :	
Earning from investments	58,021
Net appreciation in the fair value of net assets	173,149
Other receipts	888
	<u>232,058</u>
Less investment expense	<u>(19,579)</u>
Net investment income	<u>212,479</u>
Total additions	<u>312,479</u>
Deductions	
Benefits	170,384
Administrative expenses	<u>1,892</u>
Total deductions	<u>172,276</u>
Change in net position	140,203
Net position - beginning	<u>1,869,001</u>
Net position - ending	<u><u>\$ 2,009,204</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, 2013

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 2013, the School Division adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement changed the reporting from a statement of net assets to a statement of net position and allowed for new categories of reporting called deferred outflows of resources and deferred inflows of resources.

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.

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 York County School Division

Notes to Basic Financial Statements June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements (continued)

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:

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 York County School Division

Notes to Basic Financial Statements June 30, 2013

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

Governmental Funds *(continued)*

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.

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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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

Basis of Accounting *(continued)*

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

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

Cash, Cash Equivalents and Temporary Investments

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

Receivables and Due from Other Governments

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

Inventory

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

Prepays

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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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

Capital Assets

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

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

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

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

Compensated Absences

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

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.

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 a formal action 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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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

Fund Balances/Net Position *(continued)*

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 assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute.

Interfund Activity

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

Retirement Plan

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

Use of Estimates

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

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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, 2013, cash and investments of the School Division consisted of:

Bank deposits	\$ 8,565,042
Restricted cash	3,626,741
Investments	2,092,706
Cash and cash equivalents with York County Treasurer	14,284,489
Cash held with others	3,900,482
Petty cash	600
Total cash and cash equivalents	<u><u>\$ 18,185,571</u></u>

The School Divisions restricted cash at June 30, 2013 consisted of \$3,626,741 in unspent bond proceeds transferred from the County of York for capital projects.

Cash and investments of the School Division's pension trust fund and school activity funds at June 30, 2013 consisted of:

Bank deposits	\$ 1,676,733
Restricted cash	112,508
Investments	1,890,741
	<u><u>\$ 3,679,982</u></u>

Investments

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

The York County School Division

Notes to Basic Financial Statements June 30, 2013

2. DEPOSITS AND INVESTMENTS *(Continued)*

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, 2013, 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 Trust Policy does not limit credit risk to any specific category.

As of June 30, 2013, the School Division's investments held by the County Treasurer consisted of \$2,092,706 invested in Virginia LGIP, with a Standard & Poor's rating of AAA.

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

Investment Type	AAA	AA	A	B	Not Rated
Commercial paper	\$ -	\$ -	\$ 707,472	\$ 456,411	\$ 149,572
Corporate obligations	26,035	104,426	342,556	79,070	25,199
Total investments	<u>\$ 26,035</u>	<u>\$ 104,426</u>	<u>\$ 1,050,028</u>	<u>\$ 535,481</u>	<u>\$ 174,771</u>

The York County School Division

Notes to Basic Financial Statements June 30, 2013

2. DEPOSITS AND INVESTMENTS *(Concluded)*

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, 2013, the School Division's portfolio held with the County Treasurer complied with the State statute.

As of June 30, 2013, 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, 2013, 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>\$ 2,092,706</u>

As of June 30, 2013, 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	\$ 1,313,455	-
Corporate obligations	577,286	2.743
Total investments	<u>\$ 1,890,741</u>	
Weighted average of portfolio		0.79

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, 2013:

	<u>Due From</u>
School Operating Fund	\$ 11,876,936
Due from Primary Government	<u>\$ 11,876,936</u>
Purpose	
School operations	<u>\$ 11,876,936</u>

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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

	Intergovernmental Revenues
School Operating Fund	\$ 47,810,190
Capital Projects Fund	436,806
Intergovernmental Revenues from the County of York	<u>\$ 48,246,996</u>
Purpose	
School operations	\$ 48,860,951
School technology	436,806
Memorandum of understanding	(712,460)
Year-end reversion entry	<u>(338,301)</u>
	<u>\$ 48,246,996</u>

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	July 1, 2012	Increases	Decreases	June 30, 2013
Governmental activities				
Capital assets not depreciated:				
Land	\$ 4,826,359	\$ -	\$ -	\$ 4,826,359
Construction in progress	572,328	6,386,120	2,610,483	4,347,965
Total non-depreciable capital assets	<u>5,398,687</u>	<u>6,386,120</u>	<u>2,610,483</u>	<u>9,174,324</u>
Capital assets depreciated				
Buildings	172,670,881	2,649,055	-	175,319,936
Improvements	4,912,942	-	-	4,912,942
Machinery and equipment	2,705,238	210,100	116,616	2,798,722
Motor vehicles	11,767,848	357,091	310,479	11,814,460
Total depreciable capital assets	<u>192,056,909</u>	<u>3,216,246</u>	<u>427,095</u>	<u>194,846,060</u>
Less accumulated depreciation for				
Buildings	57,851,136	3,537,394	-	61,388,530
Improvements	2,128,270	187,483	-	2,315,753
Machinery and equipment	1,535,965	211,705	110,547	1,637,123
Motor vehicles	5,600,662	809,435	270,394	6,139,703
Total accumulated depreciation	<u>67,116,033</u>	<u>4,746,017</u>	<u>380,941</u>	<u>71,481,109</u>
Total depreciable capital assets - net	<u>124,940,876</u>	<u>(1,529,771)</u>	<u>46,154</u>	<u>123,364,951</u>
Total governmental activities capital assets - net	<u>\$ 130,339,563</u>	<u>\$ 4,856,349</u>	<u>\$ 2,656,637</u>	<u>\$ 132,539,275</u>

The York County School Division

Notes to Basic Financial Statements June 30, 2013

4. CAPITAL ASSETS *(Concluded)*

Depreciation expense was charged to functions as follows:

Governmental activities

Instruction	\$ 3,635,394
Administration, attendance and health services	184,478
Pupil transportation	737,671
Operations and maintenance	154,399
Food services	34,075
Total governmental activities depreciation expense	\$ 4,746,017

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.

Construction in progress is composed of the following at June 30, 2013:

	Project Authorization	Expended Through June 30, 2013	Balance of Authorization	Future Requirements
School projects	<u>\$ 8,580,505</u>	<u>\$ 4,347,965</u>	<u>\$ 4,232,540</u>	<u>\$ -</u>

5. LONG-TERM LIABILITIES

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2013 follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 2,027,696	\$ 1,096,265	\$ (855,093)	\$ 2,268,868	\$ 950,000
Net OPEB obligation	460,461	612,808	(591,849)	481,420	-
Claims liabilities	3,485,632	396,753	(257,089)	3,625,296	600,000
Total minimum payments	<u>\$ 5,973,789</u>	<u>\$ 2,105,826</u>	<u>\$ (1,704,031)</u>	<u>\$ 6,375,584</u>	<u>\$ 1,550,000</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, 2013

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:

	General	Capital Projects	Non-major Governmental	Total Governmental Funds
Restricted				
Operations and maintenance	\$ -	\$ 3,626,741	\$ -	\$ 3,626,741
Food Service	-	-	308,676	308,676
Total Restricted	-	3,626,741	308,676	3,935,417
Committed				
Self-insurance	3,625,296	-	-	3,625,296
Total Committed	3,625,296	-	-	3,625,296
Assigned				
Instruction	2,677,185	-	-	2,677,185
Administration, attendance, health	57,541	-	-	57,541
Transportation	18,148	-	-	18,148
Operations and maintenance	1,796,788	-	-	1,796,788
Technology	574,160	-	-	574,160
Total Assigned	5,123,822	-	-	5,123,822
Unassigned	-	(55,445)	-	(55,445)
Total fund balances	<u>\$ 8,749,118</u>	<u>\$ 3,571,296</u>	<u>\$ 308,676</u>	<u>\$ 12,629,090</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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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, 2013, is as follows:

Fiscal Year	
2014	\$ 264,558
2015	264,558
2016	264,053
2017	214,584
2018	33,824
Total minimum payments	<u>\$ 1,041,577</u>

Rental expenditures for the year ended June 30, 2013 for all operating leases were \$264,786.

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, 2013 is \$1,066,600 and \$788,317, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2013, is as follows:

Fiscal Year	
2014	\$ 329,570
2015	329,077
2016	329,096
2017	328,945
2018	329,593
Total minimum payments	<u>\$ 1,646,281</u>

Rental revenue for all operating leases was \$329,747 for the year ended June 30, 2013.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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.

Professional employees participate in a VRS statewide teacher cost sharing pool. The payroll for professional employees covered by the VRS for the year ended June 30, 2013, was \$59,230,011 and the total payroll was \$60,003,506. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for non-professional employees covered by VRS for the year ended June 30, 2013, was \$5,782,294 and the total payroll was \$6,913,399.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Members earn one month of service credit for each month they are employed and the School Division is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who are vested as of January 1, 2013 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who are not vested on January 1, 2013 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

8. DEFINED BENEFIT PENSION PLANS *(Continued)*

Plan Description *(continued)*

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During the years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. 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 statute and approved by the VRS Board of Trustees.

The School Division's contribution rate for the fiscal years ended June 30, 2013, 2012, and 2011 for non-professional employees was 8.99%, 11.64% and 11.64% of annual covered payroll, or \$519,830, \$699,906 and \$717,579, respectively.

The School Division's required contribution for professional employees to the teacher cost-sharing pool for fiscal years ended June 30, 2013, 2012 and 2011 was \$6,906,219, \$6,876,567 and \$5,482,734, respectively. The net pension obligation for professional employees is reflected on the State's financial statements.

Annual Pension Cost

For FY 2013, the School Division's annual pension cost of \$519,830 for non-professional employees and \$6,906,219 for professional employees was equal to the required and actual contributions.

Three-Year Trend Information

Year Ended June 30,	Nonprofessional Employees			Professional Employees		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 519,830	100%	\$ -	\$ 6,906,219	100%	\$ -
2012	\$ 699,906	100%	\$ -	\$ 6,876,567	100%	\$ -
2011	\$ 717,579	100%	\$ -	\$ 5,482,734	100%	\$ -

The York County School Division

Notes to Basic Financial Statements June 30, 2013

8. DEFINED BENEFIT PENSION PLANS *(Continued)*

The required contributions for VRS were determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2012 included an investment return rate of 7.00%; projected salary increases ranging from 3.75% to 5.60% per year; and a COLA of 2.50% (Plan 1 members) or 2.25% (Plan 2 members).

A 2.50% inflation adjustment is implicit in the investment rate of return and annual cost of living adjustment. The actuarial value of the School Division's assets is the adjusted market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period at the rate of 20% per year. The unfunded actuarial accrual liability is being amortized as a level percentage of payroll on an open basis over a remaining period of 29 years (decreasing by one each year in subsequent valuations until reaching 20 years).

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

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the School's plan was 81.86% funded. The actual accrued liability for benefits was \$18,391,503, and the actuarial value of assets was \$15,054,480, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,337,023. The covered payroll (annual payroll of active employees covered by the plan) was \$5,999,289, and the ratio of the UAAL to the covered payroll was 55.62%.

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

York County Public Schools - Optional Plan

Plan Description

The Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of June 30, 2013, includes 17 active participants, 69 retirees and beneficiaries, and 6 vested terminations.

Significant Accounting Policies

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

The York County School Division

Notes to Basic Financial Statements June 30, 2013

8. DEFINED BENEFIT PENSION PLANS *(Concluded)*

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

Annual Pension Cost

For FY 2013, the School Division's annual required contributions for the optional plan were \$0, \$41,786, and \$45,923, and actual contributions were \$100,000 for 2013, 2012 and 2011, respectively.

Three-Year Trend Information - School (optional plan)		
Year Ended June 30,	Required Contribution	Percentage Contributed
2013	\$ -	100%
2012	\$ 41,786	100%
2011	\$ 45,923	100%

The required contribution was determined as part of the June 30, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. A 2.5% inflation adjustment is implicit in the investment rate of return. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 20 years. The actuarial value of the School Division's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the School Division's plan was 107.12% funded. The actual accrued liability for benefits was \$1,875,649, and the actuarial value of assets was \$2,009,204, resulting in a funding excess of \$133,555. The covered payroll was \$652,983, and the ratio of the UAAL to the covered payroll was -20.45%.

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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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, 2013, 82 retirees were participating in this program.

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 2012-2013 fiscal year, retirees and eligible dependents received post-employment health care benefits. The School Division provided required contributions of \$591,849 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 \$484,555. 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:

	Year Ended June 30, 2013
(1) Normal cost	\$ 353,996
(2) Amortization of Unfunded Accrued Liability	262,234
(3) Interest	-
(4) Annual Required Contribution	616,230
(5) Interest on Net OPEB Obligation (NOO)	16,116
(6) Amortization of NOO	(19,538)
(7) Annual OPEB Cost (AOC)	612,808
(8) Actual Contribution towards OPEB Cost	(591,849)
(9) Increase in NOO	20,959
(10) NOO Beginning of Year	460,461
(11) NOO End of Year	\$ 481,420

The York County School Division

Notes to Basic Financial Statements June 30, 2013

9. OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

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:

Three-Year Trend Information			
Year Ended June 30,	AOC	Percentage AOC Contributed	NOO
2013	\$ 612,808	97%	\$ 481,420
2012	\$ 525,911	88%	\$ 460,461
2011	\$ 562,445	61%	\$ 399,183

Funded Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$6,395,607, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,395,607. The covered payroll (annual payroll for active participating employees) was \$45,334,607, \$69,361,101 and \$69,023,976 for the 2013, 2012 and 2011 fiscal years, respectively and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.11%, 7.16%, and 8.48% for 2013, 2012 and 2011, respectively.

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, 2013 was \$4,566,134.

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.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

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

In the June 30, 2013 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 7.0%, grading to a rate of 4.8% over seventy 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.

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 \$3,900,482 at June 30, 2013 is reasonably estimated and has been included in salaries, taxes and benefits payable in the School Operating Fund. Funding in the amount of these health care liabilities is on deposit with the third-party administrator. The School Division's workers' compensation claims liability of \$3,625,296 at June 30, 2013 is included in long-term debt, and is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

The York County School Division

Notes to Basic Financial Statements June 30, 2013

11. CONTINGENT LIABILITIES *(Concluded)*

Changes in the reported amounts of health care and workers' compensation liabilities since June 30, 2011 resulted from the following:

	2013	2012
Accrued liability/committed fund balance - beginning of year	\$ 6,777,738	\$ 7,401,767
Claims and changes in estimates	15,140,804	12,791,019
Claims payment	<u>(14,392,764)</u>	<u>(13,415,048)</u>
Accrued liability/committed fund balance - end of year	<u>\$ 7,525,778</u>	<u>\$ 6,777,738</u>

Grants

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

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

The York County School Division

Schedule of Revenues - Budget and Actual General Fund Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Intergovernmental:				
County of York	\$ 48,860,951	\$ 48,860,951	\$ 47,810,190	\$ (1,050,761)
Commonwealth of Virginia:				
State sales tax	12,160,235	12,160,235	12,126,120	(34,115)
Basic aid	31,524,628	31,524,628	31,035,613	(489,015)
Addl assistance from State	532,993	532,993	532,993	-
Adult education	3,712	3,712	-	(3,712)
Foster home children	49,222	49,222	36,692	(12,530)
Gifted and talented	338,076	338,076	334,682	(3,394)
Remedial programs	271,931	271,931	269,200	(2,731)
Remedial summer school	106,400	106,400	103,585	(2,815)
Reading intervention	89,182	89,182	61,313	(27,869)
Special education - SOQ	3,064,735	3,064,735	3,033,961	(30,774)
Homebound	35,334	35,334	27,747	(7,587)
Comprehensive services act	200,000	200,000	180,386	(19,614)
Free textbooks	499,985	499,985	-	(499,985)
VOC ED - SOQ	330,727	330,727	327,406	(3,321)
Special education support	440,243	440,243	349,517	(90,726)
Employer share benefits	4,909,456	4,909,456	4,860,158	(49,298)
Other CAT/VOC ED	22,099	22,099	30,736	8,637
Career switchers program	-	-	4,000	4,000
At-risk	106,963	106,963	105,839	(1,124)
National board certification	-	-	32,500	32,500
K-3 initiative	139,178	139,178	142,634	3,456
SOL algebra readiness	45,651	45,651	47,509	1,858
Epipen	1,871	1,871	1,871	-
Tech initiative	544,000	544,000	544,000	-
Pre-school initiative	30,000	30,000	57,130	27,130
Textbooks - Lottery Funds	159,484	159,484	652,847	493,363
Miscellaneous grants	457,696	457,696	46,159	(411,537)
LEP	114,610	114,610	113,900	(710)
Total from the Commonwealth of Virginia	56,178,411	56,178,411	55,058,498	(1,119,913)

The York County School Division

Schedule of Revenues - Budget and Actual General Fund Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Federal government:				
Title I	368,600	385,600	396,836	11,236
Adult education	32,000	32,000	-	(32,000)
Title II A	252,987	252,987	246,881	(6,106)
Title III A	19,158	19,585	20,140	555
Impact aid	9,450,000	9,450,000	9,180,437	(269,563)
DOD - heavily impacted	708,000	708,000	667,425	(40,575)
Medicaid reimbursement	25,000	25,000	119,494	94,494
DODEA grant	-	833,333	809,347	(23,986)
Title VI B	2,158,076	2,154,667	2,121,170	(33,497)
NJROTC	120,000	120,000	65,660	(54,340)
Miscellaneous grants	769,735	769,735	151,883	(617,852)
Total from the federal government	13,903,556	14,750,907	13,779,273	(971,634)
Miscellaneous revenues:				
Use of money and property	604,881	604,881	637,789	32,908
Charges for services	839,400	839,400	748,205	(91,195)
Miscellaneous	102,100	102,100	149,547	47,447
Total miscellaneous revenues	1,546,381	1,546,381	1,535,541	(10,840)
Total revenues	\$ 120,489,299	\$ 121,336,650	\$ 118,183,502	\$ (3,153,148)

The York County School Division

Schedule of Expenditures - Budget and Actual General Fund Year Ended June 30, 2013

	<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	\$ 54,903,713	\$ 55,034,681	\$ 54,591,662	\$ 443,019
Special education	9,280,249	9,347,810	8,275,928	1,071,882
Vocational education	2,706,328	2,595,887	2,063,662	532,225
Gifted and talented	394,522	395,816	385,910	9,906
Other programs	4,380,295	5,227,646	4,195,415	1,032,231
Instructional support - student:				
Guidance	2,756,873	2,769,712	2,748,972	20,740
Homebound	60,194	60,194	52,000	8,194
Instructional support - staff:				
Management and staff development	3,062,756	3,067,158	2,973,638	93,520
Media services	1,846,591	1,793,050	1,726,101	66,949
Instructional support - school administration:				
Principals' offices	7,125,048	7,146,966	7,246,874	(99,908)
School carryover	2,463,715	2,463,715	1,529,170	934,545
Total instruction	<u>88,980,284</u>	<u>89,902,635</u>	<u>85,789,332</u>	<u>4,113,303</u>
Administration, attendance and health services:				
Board services	134,001	138,833	113,020	25,813
Executive services	550,822	563,079	555,659	7,420
Communication services	395,382	371,623	269,990	101,633
Human resources	1,040,466	1,029,628	958,434	71,194
Fiscal services	1,070,549	1,074,145	1,035,540	38,605
Health services	1,526,073	1,514,793	1,443,898	70,895
Psychological services	709,039	710,962	702,383	8,579
Speech and audiology services	838,744	862,013	831,091	30,922
School carryover	106,343	106,343	64,161	42,182
Total administration, attendance and health services	<u>6,371,419</u>	<u>6,371,419</u>	<u>5,974,176</u>	<u>397,243</u>

The York County School Division

Schedule of Expenditures - Budget and Actual General Fund Year Ended June 30, 2013

	<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	6,186,502	6,186,502	5,779,803	406,699
Vehicle maintenance services	931,197	931,197	1,033,650	(102,453)
School carryover	181,182	181,182	180,997	185
Total pupil transportation	<u>7,298,881</u>	<u>7,298,881</u>	<u>6,994,450</u>	<u>304,431</u>
Operations and maintenance:				
Management and direction	189,885	189,885	184,881	5,004
Building services	9,138,040	9,138,040	7,537,494	1,600,546
Grounds services	1,121,365	1,121,365	1,121,365	-
Vehicle services	290,517	290,517	230,484	60,033
Warehouse and distribution services	361,886	361,886	291,468	70,418
School carryover	2,586,847	2,586,847	2,057,438	529,409
Total operations and maintenance	<u>13,688,540</u>	<u>13,688,540</u>	<u>11,423,130</u>	<u>2,265,410</u>
Total operating costs	<u>20,987,421</u>	<u>20,987,421</u>	<u>18,417,580</u>	<u>2,569,841</u>
Technology:				
Classroom instruction	4,165,938	4,099,405	4,771,175	(671,770)
Instructional support	1,745,810	1,737,343	1,721,471	15,872
Administration	1,037,227	1,037,227	969,705	67,522
Operations and maintenance	1,729,311	1,729,311	808,689	920,622
Other programs - grants	97,516	97,516	107,897	(10,381)
School carryover	855,361	855,361	553,440	301,921
Total technology	<u>9,631,163</u>	<u>9,556,163</u>	<u>8,932,377</u>	<u>623,786</u>
Total education	<u>116,339,124</u>	<u>117,261,475</u>	<u>110,181,088</u>	<u>7,080,387</u>
Total expenditures	<u>\$ 125,970,287</u>	<u>\$ 126,817,638</u>	<u>\$ 119,113,465</u>	<u>\$ 7,704,173</u>

The York County School Division

Schedule of Funding Progress (Unaudited) Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age ⁽¹⁾ Projected Unit ⁽²⁾	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a % of Payroll
School Division Plan - Non-Professional ⁽¹⁾						
June 30, 2010	\$ 14,238,936	\$ 16,705,389	\$ 2,466,453	85.24%	\$ 6,308,288	39.10%
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%
School Division - Optional Plan ⁽²⁾						
June 30, 2008	\$ 1,795,341	\$ 2,147,410	\$ 352,069	83.60%	\$ 1,028,939	34.22%
June 30, 2009	\$ 1,607,917	\$ 2,119,957	\$ 512,040	75.85%	\$ 804,245	63.67%
June 30, 2010	\$ 1,727,814	\$ 1,963,084	\$ 235,270	88.02%	\$ 706,736	33.29%
June 30, 2011	\$ 1,905,910	\$ 2,137,314	\$ 231,404	89.17%	\$ 646,369	35.80%
June 30, 2012	\$ 1,869,001	\$ 1,935,161	\$ 66,160	96.58%	\$ 649,817	10.18%
June 30, 2013	\$ 2,009,204	\$ 1,875,649	\$ (133,555)	107.12%	\$ 652,983	-20.45%
Other Post Employment Benefits (OPEB)⁽¹⁾⁽³⁾						
June 30, 2011	\$ -	\$ 5,854,702	\$ 5,854,702	0.00%	\$ 69,023,976	8.48%
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%

(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, 2013

School Division - Optional Plan		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 45,750	100%
2009	\$ 55,838	100%
2010	\$ 37,710	100%
2011	\$ 45,923	100%
2012	\$ 41,786	100%
2013	\$ -	100%

Other Post-Employment Benefits (OPEB)		
Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2011	\$ 562,445	61%
2012	\$ 525,911	88%
2013	\$ 612,808	97%

The York County School Division

Notes to Required Supplementary Information June 30, 2013

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, 2013

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, 2013

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the County of York	\$ 4,089,806	\$ 4,089,806	\$ 436,806	\$ (3,653,000)
Revenue from the use of money	-	-	15,140	15,140
Insurance recoveries	-	368,760	368,760	-
Miscellaneous	-	-	1,525	1,525
Total revenues	<u>\$ 4,089,806</u>	<u>\$ 4,458,566</u>	<u>\$ 822,231</u>	<u>\$ (3,636,335)</u>
Expenditures				
Capital outlay	\$ 13,102,914	\$ 13,471,674	\$ 6,184,455	\$ 7,287,219
Total expenditures	<u>\$ 13,102,914</u>	<u>\$ 13,471,674</u>	<u>\$ 6,184,455</u>	<u>\$ 7,287,219</u>

The York County School Division

Schedule of Revenues and Expenditures - Budget and Actual Non-major Special Revenue Fund Year Ended June 30, 2013

	School Food Service Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 62,258	\$ 62,258	\$ 59,869	\$ (2,389)
From the federal government	1,371,000	1,371,000	1,246,480	(124,520)
Revenue from the use of money	5,000	5,000	869	(4,131)
Charges for services	3,523,726	3,523,726	2,125,836	(1,397,890)
Total revenues	<u>\$ 4,961,984</u>	<u>\$ 4,961,984</u>	<u>\$ 3,433,054</u>	<u>\$ (1,528,930)</u>
Expenditures				
Food Services:				
Contractual services and purchases for resale	\$ 3,490,027	\$ 3,490,027	\$ 2,684,649	\$ 805,378
Donated commodities	250,000	250,000	185,107	64,893
Salaries and wages	647,475	647,475	464,458	183,017
Fringe benefits	552,482	552,482	330,093	222,389
Equipment replacement	12,000	12,000	-	12,000
Employee development	5,000	5,000	-	5,000
Travel	5,000	5,000	-	5,000
Total expenditures	<u>\$ 4,961,984</u>	<u>\$ 4,961,984</u>	<u>\$ 3,664,307</u>	<u>\$ 1,297,677</u>

The York County School Division

**Statement of Changes in Assets and Liabilities
Agency Fund - School Activity Funds
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and temporary investments	<u>\$ 1,536,124</u>	<u>\$ 4,398,730</u>	<u>\$ 4,258,121</u>	<u>\$ 1,676,733</u>
Liabilities				
Amounts held for others	<u>\$ 1,536,124</u>	<u>\$ 4,398,730</u>	<u>\$ 4,258,121</u>	<u>\$ 1,676,733</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 78 - 81)

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 82 - 86)

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 87 - 88)

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 89 - 90)

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 91 - 95)

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 132,539,275	\$ 130,339,563	\$ 132,111,487	\$ 132,734,112	\$ 135,060,176	\$ 132,335,874	\$ 126,097,687	\$ 118,521,776	\$ 107,919,412	\$ 108,311,650
Restricted	3,935,417	8,279,990	2,902,899	3,682,691	-	-	8,470,345	5,331,245	-	796,427
Unrestricted	2,318,089	4,898,751	6,433,477	8,154,443	7,552,683	4,941,291	3,262,537	3,326,399	3,592,674	3,761,644
Total primary government net position	\$ 138,792,781	\$ 143,518,304	\$ 141,447,863	\$ 144,571,246	\$ 142,612,859	\$ 137,277,165	\$ 137,830,569	\$ 127,179,420	\$ 111,512,086	\$ 112,869,721

The York County School Division

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
Instruction	\$ 89,826,521	\$ 88,259,923	\$ 88,146,183	\$ 102,105,888	\$ 100,323,693	\$ 93,310,028	\$ 90,085,862	\$ 81,915,003	\$ 76,669,205	\$ 69,082,634
Administrative, attendance and health services	6,158,654	5,979,687	5,621,318	5,659,615	6,092,564	9,114,161	8,554,642	7,517,621	6,412,274	5,837,793
Transportation	7,376,543	7,317,981	7,343,358	6,689,204	6,556,444	6,655,318	6,028,267	6,716,845	5,242,264	4,968,615
Operations maintenance	10,787,363	11,111,778	11,110,634	12,342,550	11,191,453	12,257,005	12,101,456	11,140,232	10,918,247	10,145,537
Technology*	9,316,847	9,078,782	8,702,882	-	-	-	-	-	-	-
Food services	3,698,382	3,959,082	4,146,776	3,860,618	4,186,429	4,406,639	4,063,833	4,016,427	3,852,601	3,455,830
Interest on capital leases	-	-	-	4,269	8,341	12,576	19,093	7,126	8,189	18,933
Total primary government expenses	127,164,310	125,707,233	125,071,151	130,662,144	128,358,924	125,755,727	120,853,153	111,313,254	103,102,780	93,509,342
Program revenues										
Governmental activities:										
Charges for services										
Instruction	877,091	688,885	645,255	501,057	512,906	387,460	391,741	376,286	538,102	511,710
Food services	1,996,950	2,530,712	2,543,614	2,651,924	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203
Operating grants and contributions	58,859,190	59,233,478	60,334,335	67,519,302	67,573,788	63,836,659	61,453,196	56,670,894	51,993,529	46,002,007
Capital grants and contributions	-	-	-	-	1,231,042	1,845,686	1,208,972	1,272,416	1,660,145	1,623,841
Total primary government program revenues	61,733,231	62,453,075	63,523,204	70,672,283	72,172,697	68,826,421	65,824,038	61,123,692	56,838,100	50,405,761
Net (expense)/revenue										
Total primary government net expense	(65,431,079)	(63,254,158)	(61,547,947)	(59,989,861)	(56,186,227)	(56,929,306)	(55,029,115)	(50,189,562)	(46,264,680)	(43,103,581)
General revenues and other changes in net position										
Governmental activities:										
Payments from York County	48,246,996	52,761,202	46,276,697	50,117,998	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975
Shared intergovernmental revenues	12,126,120	12,272,494	11,861,997	11,291,540	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139
Revenues from the use of money and property	19,688	13,633	30,789	207,705	214,513	2,196,245	1,195,331	886,946	536,367	512,158
Miscellaneous	312,752	277,270	255,081	331,005	222,179	363,643	403,067	321,693	426,186	226,840
Total primary government	60,705,556	65,324,599	58,424,564	61,948,248	61,521,921	56,375,902	65,680,264	65,856,896	44,907,045	44,488,112
Changes in net position										
Total primary government	\$ (4,725,523)	\$ 2,070,441	\$ (3,123,383)	\$ 1,958,387	\$ 5,335,694	\$ (553,404)	\$ 10,651,149	\$ 15,667,334	\$ (1,357,635)	\$ 1,384,531

* 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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund (1):										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	3,625,296	3,485,632	3,309,690	-	-	-	-	-	-	-
Assigned	5,123,822	6,193,449	7,668,987	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	7,550,946	6,946,238	5,905,974	4,282,348	4,338,943	3,943,555	3,751,632
Unreserved	-	-	-	3,041,258	2,811,011	2,911,736	2,209,444	1,754,474	2,131,098	1,699,006
Total general fund	<u>\$ 8,749,118</u>	<u>\$ 9,679,081</u>	<u>\$ 10,978,677</u>	<u>\$ 10,592,204</u>	<u>\$ 9,757,249</u>	<u>\$ 8,817,710</u>	<u>\$ 6,491,792</u>	<u>\$ 6,093,417</u>	<u>\$ 6,074,653</u>	<u>\$ 5,450,638</u>
All Other Governmental Funds (1):										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,935,417	8,279,990	542,233	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	1,193,459	3,547,130	-	-	-	-	-	-	-
Unassigned	(55,445)	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	1,739,816	434,066	2,226,149	7,220,504	5,442,581	960,971	1,208,122
Unreserved, reported in:										
Special revenue fund	-	-	-	671,801	518,531	477,066	507,873	471,007	97,247	737,954
Capital project fund	-	-	-	3,887,722	1,426,898	(2,015,600)	1,411,492	470,464	407,951	410,562
Total all other governmental funds	<u>\$ 3,879,972</u>	<u>\$ 9,473,449</u>	<u>\$ 4,089,363</u>	<u>\$ 6,299,339</u>	<u>\$ 2,379,495</u>	<u>\$ 687,615</u>	<u>\$ 9,139,869</u>	<u>\$ 6,384,052</u>	<u>\$ 1,466,169</u>	<u>\$ 2,356,638</u>

(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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Federal sources:										
Federal grants	\$ 13,779,273	\$ 14,113,544	\$ 15,871,798	\$ 21,240,077	\$ 11,443,188	\$ 12,347,579	\$ 12,797,495	\$ 13,264,274	\$ 11,781,101	\$ 11,112,236
Food services	1,246,480	1,323,875	1,372,392	1,255,880	1,246,253	1,248,847	1,124,241	1,078,654	942,366	859,717
Total federal sources	15,025,753	15,437,419	17,244,190	22,495,957	12,689,441	13,596,426	13,921,736	14,342,928	12,723,467	11,971,953
State sources:										
State education basic aid	31,035,613	32,894,123	31,862,952	34,085,563	42,428,319	35,601,854	35,239,777	31,852,161	31,003,195	26,214,429
State sales tax	12,126,120	12,272,494	11,861,997	11,291,540	10,473,202	10,937,058	11,266,703	10,333,640	9,306,537	7,940,139
Food services	59,869	59,770	61,857	64,925	66,944	65,939	64,283	61,065	54,920	51,053
State grants and other	11,896,765	10,365,060	10,684,346	10,495,914	13,067,600	15,703,458	13,435,872	11,683,201	9,872,092	9,386,313
Total state sources	55,118,367	55,591,447	54,471,152	55,937,942	66,036,065	62,308,309	60,006,635	53,930,067	50,236,744	43,591,934
Local sources:										
Payments from York County	48,246,996	52,761,202	46,276,697	50,117,998	50,612,027	42,878,956	52,815,163	54,314,617	34,637,955	35,808,975
Food service sales	2,125,836	2,530,712	2,543,614	2,651,924	2,854,961	2,756,616	2,770,129	2,804,096	2,646,324	2,268,203
Interest and other income	653,798	606,530	628,793	696,700	878,873	1,176,981	1,195,331	886,946	536,367	512,158
Other revenue	1,268,037	850,364	783,322	720,010	623,251	646,968	795,308	701,934	964,288	740,650
Total local resources	52,294,667	56,748,808	50,232,426	54,186,632	54,969,112	47,459,521	57,575,931	58,707,593	38,784,934	39,329,986
Total revenues	122,438,787	127,777,674	121,947,768	132,620,531	133,694,618	123,364,256	131,504,302	126,980,588	101,745,145	94,893,873
Expenditures										
Instruction	85,789,332	83,857,197	83,820,381	97,868,494	96,297,060	87,648,146	85,684,494	79,042,519	72,199,940	64,156,077
Administration, attendance, and health services	5,974,176	5,817,828	5,462,641	5,495,520	5,937,858	8,945,661	8,329,524	7,420,691	6,404,403	5,907,512
Pupil Transportation	6,994,450	6,997,948	7,091,905	7,044,930	7,591,803	6,739,839	6,567,937	6,069,668	5,618,939	5,101,840
Operations and maintenance	11,423,130	11,119,949	10,961,577	11,520,301	11,115,340	11,205,861	11,653,064	11,080,684	11,023,760	10,111,467
Technology	8,932,377	9,156,293	8,601,876	-	-	-	-	-	-	-
Food services	3,664,307	3,922,593	4,109,497	3,822,554	4,138,012	4,197,435	4,024,382	3,977,129	3,823,924	3,416,064
Capital outlay	6,184,455	2,821,376	3,723,394	2,019,822	5,889,016	10,634,944	11,896,449	14,684,782	3,116,248	8,419,194
Debt service:										
Principal retirement	-	-	-	89,842	85,769	106,130	175,167	257,000	97,000	97,000
Interest and fiscal charges	-	-	-	4,269	8,341	12,576	19,093	7,126	8,189	18,933
Total expenditures	128,962,227	123,693,184	123,771,271	127,865,732	131,063,199	129,490,592	128,350,110	122,539,599	102,292,403	97,228,087
Excess of revenues over expenditures	(6,523,440)	4,084,490	(1,823,503)	4,754,799	2,631,419	(6,126,336)	3,154,192	4,440,989	(547,258)	(2,334,214)
Other financing sources (uses)										
Capital lease	-	-	-	-	-	-	-	495,658	-	-
Transfers in	-	-	-	-	-	-	-	500,000	-	-
Transfers out	-	-	-	-	-	-	-	(500,000)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	495,658	-	-
Net change in fund balances	\$ (6,523,440)	\$ 4,084,490	\$ (1,823,503)	\$ 4,754,799	\$ 2,631,419	\$ (6,126,336)	\$ 3,154,192	\$ 4,936,647	\$ (547,258)	\$ (2,334,214)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.07%	0.08%	0.10%	0.17%	0.25%	0.11%	0.13%

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

The York County School Division

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

Fiscal Year	Breakfast Program Meal Prices				Lunch Program Rates Meal Prices				Average Percentage of Students Participating in School	Percentage of Students Receiving Free or Reduced
									Lunch Program	Meals
	Elementary	Middle/ High	Adult	Reduced	Elementary	Middle/ High	Adult	Reduced		
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%
2004	\$0.75	\$0.95	\$1.05	\$0.30	\$1.65	\$1.75	\$2.25	\$0.40	45.88%	13.49%

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		
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
2004	5,177,858,100	389,936,240	4,048,700	311,750,291	103,116	83,427,310	5,967,123,757	1.0628

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 Equipment.

Source: County of York, Virginia

Comprehensive Annual Financial Report Fiscal Year 2013

The York County School Division

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

Fiscal Year	Real Estate (1) (2) (3)	Personal Property (1)	Mobile Home (1) (3)	Total Direct Tax Rate
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
2004	0.86/0.8175	4.00	0.86/0.8175	1.0628

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

⁽²⁾ The amount designated for school operating is \$0.563 for fiscal year 2013.

⁽³⁾ The tax rate, 1st half/2nd half.

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

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2013

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	2012		Percentage		2003	
		Taxable Assessed Value	Rank	of Total Taxable Assessed Value		Taxable Assessed Valuation	Percentage of Total Taxable Assessed Value
Virginia Power Company	Generating plant	\$ 338,845,802	1	3.52%		\$ 329,483,659	1 6.41%
Lawyers Title/Fairfield Resorts	Timeshare condos	178,964,075	2	1.86%		98,432,000	2 1.91%
BP/Western Refining/Plains Marketing	Fuel terminal	157,730,005	3	1.64%		82,489,510	3 1.60%
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	80,246,685	4	0.83%			
City of Newport News	Water system	76,446,255	5	0.79%		73,153,300	4 1.42%
Kings Creek Plantation	Timeshare condos	74,007,185	6	0.77%		24,258,195	7 0.47%
Sea World Parks & Entertainment LLC	Water park	45,110,845	7	0.47%		43,779,515	5 0.85%
1991 Ashe Partnership	Apartment complex	39,957,531	8	0.42%			
WalMart	Retail sales	36,116,895	9	0.38%		28,683,040	6 0.56%
U.S Smokeless Tobacco Products	Manufacturer	16,899,645	10	0.18%			
Verizon Virginia, Inc.	Telecommunications					22,473,915	8 0.44%
Kiln Creek Shopping Center	Retail sales					21,724,000	9 0.42%
Phillip Morris, Inc.	Manufacturer					14,560,025	10 0.28%
Total		\$ 1,044,324,923		10.85%		\$ 739,037,159	14.37%

*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
2013	\$ 78,390,079	\$ 75,580,443	96.42%	\$ -	75,580,443	96.42%
2012	77,167,308	75,120,925	97.35%	1,086,724	76,207,649	98.76%
2011	78,309,524	74,202,547	94.76%	1,470,069	75,672,616	96.63%
2010	79,967,238	74,592,412	93.28%	1,616,357	76,208,769	95.30%
2009	77,519,190	74,221,594	95.75%	1,722,515	75,944,109	97.97%
2008	72,552,762	70,122,593	96.65%	2,027,194	72,149,787	99.44%
2007	69,290,160	67,367,845	97.23%	1,363,416	68,731,261	99.19%
2006	67,054,087	64,874,238	96.75%	1,565,007	66,439,245	99.08%
2005	65,863,726	63,315,662	96.13%	1,650,564	64,966,226	98.64%
2004	60,823,449	58,099,636	95.52%	2,012,544	60,112,180	98.83%

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

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2013

The York County School Division

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

Fiscal Year	Total Primary Government - County of York, Virginia							Total School Division		Percentage of Personal Income	Per Capita
	General	Revenue Bonds	Literary Loans	Capital Leases	Lease	Note Payable	Total Primary Government	Capital	Total		
	Obligation Bonds				Revenue Bonds			Leases	School Division		
2013	\$ 52,970,000	\$ 22,551,236	\$ -	\$ 3,803,050	\$ 25,865,000	\$ 372,740	\$ 105,562,026	\$ -	\$ -	2.87%	\$ 1,573
2012	57,690,000	23,009,595	-	4,147,737	27,295,000	719,393	112,861,725	-	-	3.14%	1,685
2011	55,305,000	23,452,310	100,000	5,021,889	28,835,000	1,041,781	113,755,980	-	-	3.19%	1,708
2010	58,510,000	8,484,413	200,000	2,853,785	30,565,000	1,341,604	101,954,802	-	-	2.90%	1,557
2009	58,395,000	8,785,933	300,000	3,513,765	31,715,000	1,620,440	104,330,138	89,842	89,842	3.06%	1,608
2008	56,910,000	9,071,898	400,000	1,683,896	15,595,000	1,879,758	85,540,552	175,611	175,611	2.48%	1,324
2007	60,925,000	9,347,334	550,000	1,881,448	16,680,000	2,120,925	91,504,707	281,741	281,741	2.76%	1,434
2006	53,455,000	9,612,267	710,000	1,915,883	17,740,000	2,345,211	85,778,361	456,908	456,908	2.74%	1,355
2005	41,655,000	9,886,722	870,000	1,274,189	18,780,000	2,553,797	75,019,708	218,250	218,250	2.57%	1,202
2004	44,785,000	9,310,721	1,030,000	1,525,471	19,795,000	2,747,783	79,193,975	315,250	315,250	3.00%	1,281
2003	43,740,000	9,484,287	1,190,000	1,766,247	3,070,000	2,928,191	62,178,725	412,250	412,250	2.46%	1,026
2002	38,715,000	9,652,440	1,350,000	1,931,455	3,385,000	3,095,971	58,129,866	509,250	509,250	2.45%	979
2001	41,265,000	9,810,200	1,535,700	5,609,780	-	3,252,007	61,472,687	606,250	606,250	2.76%	1,049

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

Source: County of York, Virginia

Comprehensive Annual Financial Report Fiscal Year 2013

The York County School Division

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

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2013	\$ 52,970,000	\$ -	\$ 57,690,000	0.55%	\$789
2012	57,690,000	-	57,690,000	0.60%	861
2011	55,305,000	-	55,305,000	0.56%	835
2010	58,510,000	-	58,510,000	0.59%	896
2009	58,395,000	-	58,395,000	0.59%	900
2008	56,910,000	-	56,910,000	0.59%	881
2007	60,925,000	-	60,925,000	0.71%	955
2006	53,455,000	-	53,455,000	0.65%	844
2005	41,655,000	-	41,655,000	0.67%	668
2004	44,785,000	-	44,785,000	0.75%	725

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2013

The York County School Division

Demographic and Economic Statistics

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Population ⁽¹⁾	Personal Income⁽²⁾ (Thousands)	Per Capita Income⁽²⁾	Median Age⁽³⁾	Education Level In Years of Formal Schooling⁽⁴⁾	Student Average Daily Membership⁽⁵⁾	Unemployment Rate⁽⁶⁾
2013	67,100	\$ 3,681,676	\$ 45,720	40.90	13.20	12,226	5.10%
2012	66,600	3,599,418	45,640	40.60	13.20	12,410	5.10%
2011	66,200	3,564,108	45,560	39.50	13.20	12,477	5.70%
2010	65,187	3,517,859	45,334	39.40	13.20	12,533	5.60%
2009	64,900	3,406,626	47,380	39.40	13.10	12,732	5.50%
2008	64,600	3,449,178	47,553	39.20	13.10	12,745	3.50%
2007	63,800	3,317,909	45,244	39.10	13.10	12,649	2.60%
2006	63,300	3,129,664	42,858	38.90	13.00	12,797	2.80%
2005	62,400	2,924,556	40,209	38.70	13.00	12,442	2.90%
2004	61,800	2,642,660	36,743	38.30	12.80	12,363	2.80%

Source:

⁽¹⁾ U.S. Census Bureau (2010); County Planning Division - estimated (2013 - 2011 and 2009 - 2004).

⁽²⁾ County Planning Division - estimated (2013 - 2011); U.S. Bureau of Economic Analysis - includes City of Poquoson (2010 - 2004).

⁽³⁾ County Planning Division - estimated (2013 - 2011); U.S. Census Bureau (2010 - 2004)

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

⁽⁵⁾ County School Division

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

The York County School Division

Principal Employers Current Year and Nine Years Prior (unaudited)

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Naval Weapons Station / Cheatham Annex	3,026	1	14.00%	2,443	1	12.54%
York County School Division	1,745	2	8.07%	1,726	2	8.86%
U.S. Coast Guard Station	1,437	3	6.65%	787	5	4.04%
Wal-Mart	934	4	4.32%	1,020	3	5.24%
York County Government	733	5	3.39%	626	6	3.21%
Sentara Williamsburg Regional Medical Center	722	6	3.34%			
Water Country	676	7	3.13%	809	4	4.15%
Great Wolf Lodge	624	8	2.89%	400	7	2.05%
YMCA	298	9	1.38%			
Windham Vacation Ownership	267	10	1.23%			
Kings Creek Plantation				242	9	1.24%
Fairfield Resorts				326	8	1.67%
K-Mart				235	10	1.21%
Total	10,462		48.40%	8,614		44.21%

Source: County Office of Economic Development.

The York County School Division

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Athletic Directors	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	0.00
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	133.00	133.00	133.00	136.00	136.00	130.00	128.00
Bus Driver Assistants	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	21.00	21.00
Cafeteria Monitors	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Chief Financial Officer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Clerical	70.72	70.72	72.69	74.75	74.75	74.25	75.25	73.25	65.25	66.25
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	1.00	2.00	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	97.50	103.50	108.50	108.50	100.50	100.50	100.50	85.80	85.80
Directors	7.25	7.25	10.25	9.25	10.25	9.25	11.25	9.25	9.25	9.75
Division Chiefs	3.00	3.00	3.00	4.00	4.00	4.00	3.00	0.00	0.00	0.00
Food Service Personnel	29.66	29.66	33.66	35.66	44.66	48.32	53.32	63.83	95.00	95.00
Guidance Counselors	31.50	31.50	33.00	33.50	33.50	34.00	34.00	34.00	33.50	33.00
Instructors	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	10.00	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	8.00	8.00	8.00	8.00	8.00	7.00	7.00	7.00
Nurses	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	16.00	16.00
Occupational Therapists	4.50	4.50	4.50	4.50	4.50	4.50	4.00	4.00	3.00	3.00
Para-Educators	255.50	256.50	270.00	268.00	272.00	261.00	268.50	263.00	285.93	244.93
Physical Therapists	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Principals	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00	20.00
Principals (Assistants)	27.00	27.00	27.00	27.00	27.00	27.00	25.00	23.00	23.00	22.00
Psychologists	9.00	9.00	9.00	9.00	9.00	9.00	10.00	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	2.00	1.00	1.00
Teachers	830.55	841.79	867.80	868.16	862.16	833.25	845.72	839.58	818.32	799.97
Technical	97.67	96.47	101.79	107.17	113.96	110.26	114.54	112.54	99.22	94.57
Trades	24.00	24.00	24.00	24.00	26.00	24.00	24.00	24.00	23.00	23.00
Total Full-Time Equivalents	1731.35	1745.39	1807.69	1822.99	1839.78	1788.83	1821.58	1813.45	1795.77	1725.77

Source: York County School Division

The York County School Division

Operating Statistics Last Ten Fiscal Years (unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio	Percentage Change
2013	12,226	\$ 119,113,465	\$ 9,743	3.4%	889.05	13.8	2.2%
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	10.6%	869.82	14.3	-1.5%
2004	12,363	85,675,590	6,930	5.9%	850.97	14.5	-1.8%

Source: York County School Division

The York County School Division

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction:										
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	44	44	44	44	44	44	43	43	43	43
Playgrounds	30	30	30	30	30	20	20	20	20	20
Pupil Transportation:										
Buses	159	160	158	154	153	150	150	150	150	148
Operations and Maintenance:										
Vehicles	85	85	76	75	78	70	70	76	64	65

Source: York County School Division

The York County School Division

School Building Information Last Ten Fiscal Years (unaudited)

School	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Elementary										
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	410	382	388	525	549	565	555	598	625	595
Coventry Elementary										
Square feet	78,033	78,033	78,033	78,033	78,073	78,073	78,073	78,073	78,073	78,073
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	589	628	640	604	612	646	637	669	644	681
Dare Elementary										
Square feet	63,415	63,415	63,415	63,415	64,300	52,100	52,100	52,100	52,100	52,100
Capacity	867	867	867	867	867	427	427	427	427	427
*Enrollment	409	428	460	438	436	447	421	442	391	374
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	622	640	624	617	628	642	623	614	634	650
Magruder Elementary										
Square feet	74,867	74,867	74,867	74,867	74,867	70,400	70,400	70,400	70,400	70,400
Capacity	740	740	740	740	740	653	653	653	653	653
Enrollment	600	590	570	593	640	599	614	570	525	527
Mt. Vernon Elementary										
Square feet	69,689	69,689	69,689	57,999	57,999	57,999	57,999	57,999	57,999	57,999
Capacity	782	782	782	542	542	542	542	542	542	542
Enrollment	548	553	557	554	544	552	535	537	496	495
Seaford Elementary										
Square feet	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553	55,553
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	479	494	521	519	532	520	508	517	496	492
Tabb Elementary										
Square feet	76,790	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425	68,425
Capacity	777	627	627	627	627	627	627	627	627	627
Enrollment	625	643	634	531	540	551	546	578	619	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	279	315	320	321	339	328	301	307	288	289
Yorktown Elementary										
Square feet	66,402	66,402	66,402	66,402	66,402	54,200	54,200	54,200	54,200	54,200
Capacity	734	734	734	734	734	494	494	494	494	494
Enrollment	663	636	625	584	513	489	464	497	507	493

The York County School Division

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

School	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Middle										
Grafton Middle										
Square feet	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229	145,229
Capacity	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215
Enrollment	850	868	881	875	854	893	934	945	981	966
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	448	468	473	490	543	570	545	519	484	486
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	828	786	774	829	897	954	967	1,014	936	994
Yorktown Middle										
Square feet	98,918	98,918	98,918	98,918	98,918	98,918	65,600	65,600	65,600	65,600
Capacity	982	982	982	982	982	982	629	629	629	629
Enrollment	742	759	742	752	739	713	666	699	667	666
High										
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	585	616	636	668	727	726	746	739	703	661
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	1,271	1,302	1,309	1,277	1,281	1,296	1,299	1,280	1,264	1,253
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	1,100	1,138	1,164	1,245	1,257	1,267	1,283	1,293	1,305	1,216
York High										
Square feet	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091	184,091
Capacity	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	1,054	1,045	1,045	1,078	1,036	977	1,014	974	957	960
York River Academy										
Square feet	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Capacity	40	40	40	40	40	40	40	40	40	40
Enrollment	65	56	56	58	50	50	40	37	39	42

*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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**Independent Auditor's Report 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, 2013, and the related notes to the financial statements and have issued our report thereon dated November 12, 2013.

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.

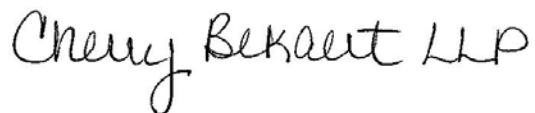
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
November 12, 2013

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, 2013, and the related notes to the financial statements and have issued our report thereon dated November 12, 2013.

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.

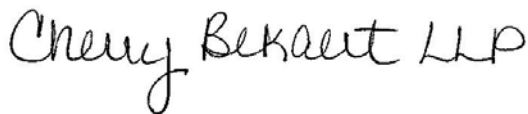
The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

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

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.



Virginia Beach, Virginia
November 12, 2013

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