

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2016



The York County School Division
County of York, Virginia

(A Component Unit of the County of York, Virginia)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

THE YORK COUNTY SCHOOL DIVISION **(Component Unit of the County of York, Virginia)**

For the Fiscal Year Ended June 30, 2016

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
(A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2016**

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INTRODUCTORY SECTION



November 18, 2016

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, 2016 (FY 2016), 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 auditor.

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 federal 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 report, 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 2016 was 12,522 and projected budgeted enrollment for fiscal year 2017 (FY 2017) is 12,620. Students are offered a broad range of services including regular education, special education, career and technical education, and gifted education. The oldest school building was built in the early 1950's and the newest school building was built in the mid 1990's. All school facilities undergo a complete renovation approximately every 20 years.

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

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

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

Economic Condition and Outlook

The Virginia economy continued to show signs of recovery in FY 2016. It was also the second 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 not recalculated. In FY 2015, the first year of the biennium, the York County School Division's LCI decreased from .4049 to .4026. The decrease resulted in over \$160,000 more in state revenue than would have otherwise been received if the LCI had not changed.

York County is fortunate to have affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional, and leisure opportunities, including numerous colleges and universities, theme parks, historical areas, and much more. During the year, population grew to more than 67,000.

Commercial building permit values remained steady in FY16 totaling \$33.8 million compared to \$36.2 million in FY 2015. However, the number of commercial structures built in FY16 dropped to 10 compared to 37 in FY 2015. Residential building permit values decreased considerably from \$53.6 million in FY15 to \$33.8 million in FY 2016.

At the end of FY 2015, Kroger opened its new 90,000 square foot concept store in Kiln Creek along with a fueling station. This \$16 million investment sparked new interest in this retail hub and was followed by announcements from Taco Bell and Panda Express of their intention to build on outparcels in front of Kroger. The Gateway Crossing area (Ft Eustis Blvd. & Rt. 17) continued to lead new retail development in the Rt. 17 corridor. Boulevard Crossing, a new retail center of 12,565 square feet was completed in the



summer of 2016, with signed tenants Starbucks and Verizon. Roberts Furniture opened a new store on Rt. 17 near Ft Eustis Blvd. in the former House Key space, becoming the county's largest stand-alone furniture retailer.

One of the fiscal year's largest investments was made by Smith/Packet, a multi-state, senior living facility developer, who broke ground on a new assisted-living community near the intersection of Hampton Highway and Victory Blvd. The 102-unit called *The Crossings on the Peninsula* will employ 75-100 full and part-time employees. The nearly \$12 million state-of-the-art facility plans to open in the fall of 2016.

The new regional (James City County, York County, City of Williamsburg) economic development marketing organization, The Greater Williamsburg Partnership (GWP), fully organized in FY 2016 and launched its web site www.GWPVA.com. The GWP will also serve as the governing body for the Greater Williamsburg Business Incubator, "Launchpad." Launchpad moved into new office space in New Town that will accommodate up to 12 clients and has 2,500 square feet of open space for training and collaboration. Another successful regional effort on the entrepreneurial front was the 4th annual Peninsula-wide business plan competition, *START Peninsula*, which was held in November at the Applied Research Center in Newport News.

The Office of Economic Development (OED), in partnership with the Economic Development Authority (EDA) and York County Chamber of Commerce, co-hosted the area's first Home-Based Business Resource Fair & Conference. This event was very successful and boasted over 125 attendees, 20 speakers, and 22 exhibitors. The conference highlighted the County's new focus on nurturing and growing its extensive home-based business sector.

The EDA leveraged just \$88,000 of incentives to garner over \$2.56 million of commercial investment in new manufacturing activities. These incentives were comprised of grants to three local businesses: the Virginia Beer Company, Brass Canon Brewing, and Williamsburg AleWerks, all craft breweries. Two of the breweries further leveraged their grants by securing matching dollars from the new Virginia Tourism Growth Fund. The EDA sold 5.51 acres in Busch Industrial Park to Marina Electrical Equipment (MEE) for a new manufacturing facility. MEE has been so successful with their new product lines that they needed additional space to accommodate their growth. In April, the EDA executed a sales agreement with Bakerner Properties for 4.28 acres in Busch Industrial Park. Bakerner intends to construct a minimum of 15,000 square feet of light industrial flex space on the property that will be available to lease.

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 \$1.5 million to be spent over a three-year period. FY 2016 marked the first year of the grant. The grant will fund efforts to improve student achievement in literacy in the School Division. In total, federal grant revenue comprised 14.7% of total General Fund Revenue. This percentage increased in FY 2016 as compared to FY 2015 because of one-time prior year Impact Aid payments from the federal government.

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, Special Revenue Fund and Internal Service Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

Major Initiatives

In 2015-16, 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 2015-16 curriculum and professional development efforts include:

- ◆ School Board Strategic Plan

Work on the current 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. Implementation of the plan began in FY 2014 and continued to guide the work of the school division in FY 2015 and FY 2016.

- ◆ 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.

In the spring of 2012, the School Board conducted an online survey to gain feedback regarding the division Strategic Plan. The survey was designed to allow community members to identify progress made towards goals identified in the existing Strategic Plan and determine which objectives the community rated as most important. More than 1,200 community members participated in the survey and the survey results were reviewed by the School Board at their strategic planning retreat.



The School Board conducted a survey and public forum in May 2014 to give citizens the opportunity to identify the preferred leadership characteristics in the school system's next superintendent. Nearly 1,000 community members participated and this feedback assisted in developing the qualifications for candidates in the application process.

In the spring of 2015, the School Division initiated a new series of surveys to gain parent and staff input in identifying the competencies and qualifications sought in building principals. This survey tool is used as part of the principal selection process for each building principal vacancy as they occur.

- ◆ 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 federal No Child Left Behind Act (NCLB) previously required states to establish Annual Measurable Objectives (AMO) for raising reading and mathematics performance for specific subgroups. Additionally, rather than fixed targets established with state accreditation, the AMO targets increased each year. In December of 2015, the Every Student Succeeds Act (ESSA) replaced NCLB. Under ESSA, states will develop new federal accountability systems this year, to be implemented in the 2017-18 school year.

While AMO targets are no longer part of the state accountability system, the division continues to use the previously established targets to monitor student achievement.

- ◆ 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 2016 SOL test results, all York County School Division elementary, middle, and high schools were Fully Accredited.



◆ Scholastic Aptitude Test (SAT)

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

◆ York River Academy (Charter School)

York River Academy (YRA), is a charter school operated by the York County School Division on the campus of Yorktown Middle School. YRA is designed to provide selected students in grades 9 through 12 with an innovative academic and career-preparatory education in core subject areas with an emphasis on computer repair/cabling and web design. The York County School Board authorized the creation of YRA. YRA has a Governing Board comprised of the principal and student, community, teacher, and school division representatives. Students must apply and be accepted to attend YRA. There are approximately 72 students attending YRA. Students who successfully complete YRA's innovative curriculum will have the opportunity to earn professional technical certifications such as the Internet Computer Core Certification (IC3) and the Microsoft Office Specialist (MOS). YRA is funded by a combination of local, state, and federal revenue sources.

◆ Career/Technical Offerings

Within the York County School Division, four career and technical education programs are offered for high school credit with concentrations that lead to career and technical education completer status. Meeting the needs of students as they prepare to work in the 21st century are offerings in Business and Information Technology, Health & Medical Science (offered at Bruton High School only), Marketing Education, and Technology 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. The percentage of completers that attained 80% of the essential competencies on the state-provided, industry-validated competency lists was 99.47%--the performance measure set forth by the state is 87.00%.

◆ The School Division continues to grow with the community. Several construction projects were started or completed during the 2015-16 school year:

- Completed a roof replacement at Magruder Elementary School.
- Began design services for the renovation of halls 300 and 400 at Bethel Manor Elementary School. Projected total cost of project is \$2,900,000.
- Completed the replacement of the HVAC, windows, and doors at Yorktown Middle School.
- Began construction of a gym and ten classrooms at Waller Mill Elementary School at a cost of \$8 million.



◆ 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 new federal *Every Student Succeeds Act* legislation.

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

Major facility improvements planned for FY 2017 include the replacement of the HVAC, windows, and doors at Yorktown Elementary School at a cost of \$4,470,000; replacement of the roof at Grafton High and Grafton Middle Schools at a cost of \$2,000,000; and replacement of the HVAC at Tabb Elementary School at a cost of \$4,050,000.

Independent Audit

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

Instructional Leadership Awards

- ◆ In FY16, Governor Terry McAuliffe and the Virginia Board of Education announced that ten York County School Division (YCSD) schools earned 2016 Virginia Index of Performance awards for advanced learning and achievement. Mt. Vernon and Waller Mill elementary schools were among only 104 schools in the state to earn the Board of Education Excellence Award. Bethel Manor, Coventry, Magruder, Seaford, and Tabb elementary schools, along with Grafton, Tabb, and York high schools were among the 166 schools in the state to earn the Distinguished Achievement Award. The VIP award program recognizes schools and divisions that exceed minimum state and federal accountability standards and achieve excellence goals established by the governor and the board.
- ◆ The Virginia Board of Education recognized schools in the Commonwealth of Virginia as "Title I Distinguished Schools" for maintaining full state accreditation under the Commonwealth's Standards of Learning program for two consecutive years, meeting NCLB benchmarks in reading and mathematics and having average test scores in both subjects at the 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". The Virginia Board of Education recently recognized Bethel Manor and Dare elementary schools as high achieving Title I schools. Bethel Manor (BMES) was one of nine schools named as a Title I Highly Distinguished School, while Dare was recognized as a Title I Distinguished school for the fifth consecutive year. Additionally, Bethel Manor was one of two schools in the state recognized as a National Title I Distinguished School.



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, 2015 (FY 2015). In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for FY 2015. 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, 2016. 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, 2016. This program is designed to recognize school systems for achieving excellence in their school system budget presentation. The foundation of this program is a set of criteria developed by ASBO.

Acknowledgments

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

Respectfully submitted,



Victor D. Shandor, Ed. D.
Division Superintendent



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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**The York County School Division
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



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, 2015

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

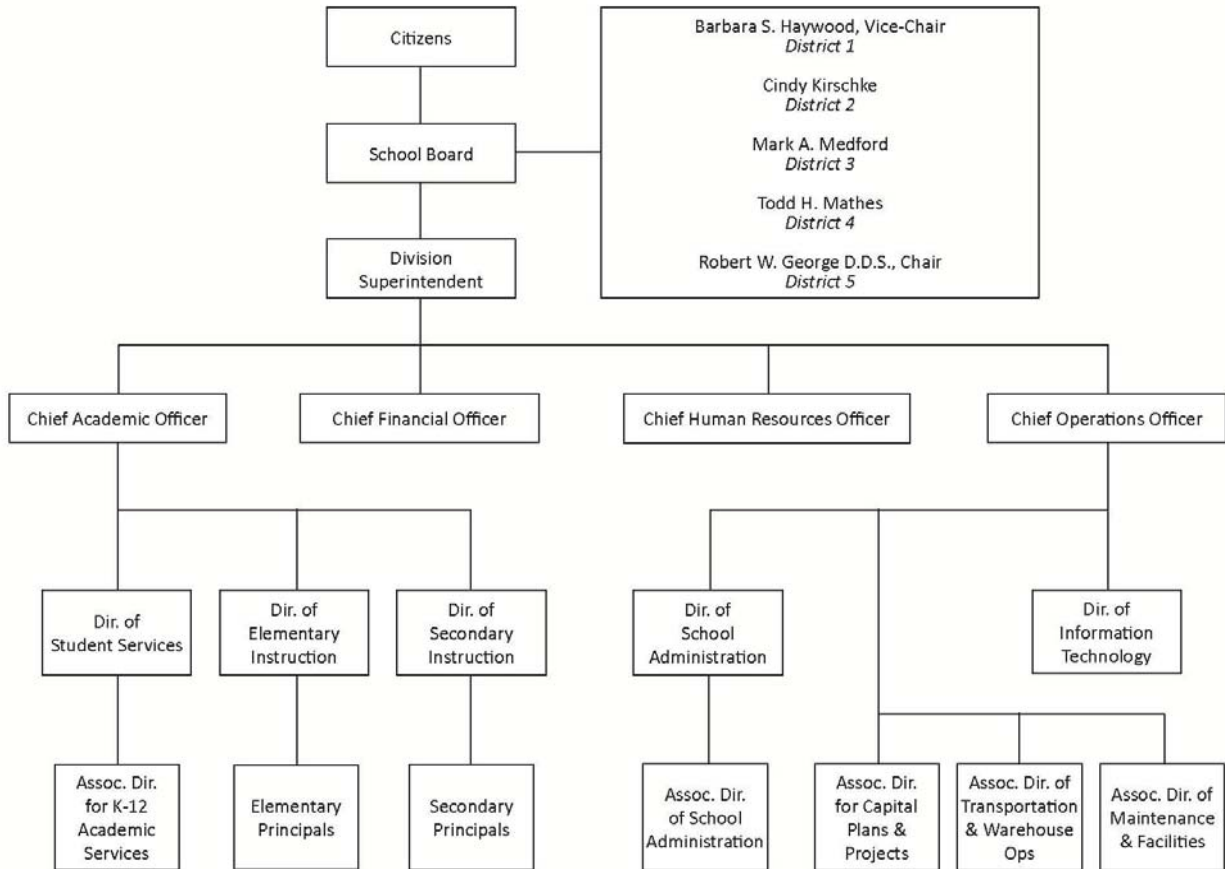
John D. Musso

John D. Musso, CAE, RSBA
Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATIONAL CHART

Effective June 30, 2016

The organizational chart shown below is a visual depiction of the way work is distributed within the school division. It is also meant to be a tool to help enhance our working relationship with the citizens of the County and to create clear channels of communications in order to better accomplish our goals and objectives.



**THE YORK COUNTY SCHOOL DIVISION
(A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA)
June 30, 2016**

School Division Board Members

Robert W. George, D.D.S., Chair
Barbara S. Haywood, Vice-Chair
Cindy Kirschke
Todd H. Mathes
Mark A. Medford

School Officials

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

Dr. Victor D. Shandor
Dr. Stephanie L. Guy
Dennis R. Jarrett, CPA, CPFO, SFO
Dr. James E. Carroll
Dr. Carl L. James
Candi L. Skinner
Douglas E. Meade
Dr. Catherine L. Jones
Anthony Vladu
Dr. Elaine B. Gould

FINANCIAL SECTION

Report of Independent Auditor

Members of the School Board
York County School Division

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division (the "School Division"), a component unit of the County of York, Virginia, as of and for the year ended June 30, 2016, 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 and specifications 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 and the required supplementary information other than management discussion and analysis, as described in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

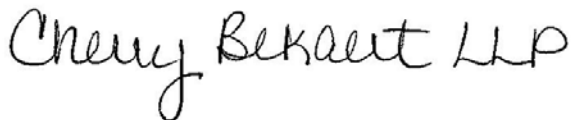
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Division's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, 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 18, 2016

**THE YORK COUNTY SCHOOL DIVISION
(A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA)**

Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

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 2016. 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

- The School Division maintained a healthy net position of \$53.0 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 are shown on the County's statement of net position.
- For the governmental funds, General Fund revenues accounted for \$126.5 million or 88.0% of all revenues, and expenditures were \$126.2 million or 90.8% of all expenditures, compared to \$125.0 million (90.4%) in revenues and \$127.4 million (91.4%) in expenditures in FY 2015.
- Food Services ended the fiscal year with a fund balance of \$918,597, an increase of \$232,581 over the beginning of year fund balance. School Division operations staff and a food service management company closely monitored revenues and expenditures during the fiscal year. The increase in fund balance can be attributed to (1) an increase in the number of breakfast meals served, (2) an increase in the rates charged for meals, and (3) more efficient operations. It should also be noted that a new food service management company was contracted by the School Division for FY 2014. It was the goal of the School Division and the contractor to end FY 2015 and FY 2016 with an increase in fund balance to put the fund in a stronger financial position.

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*.

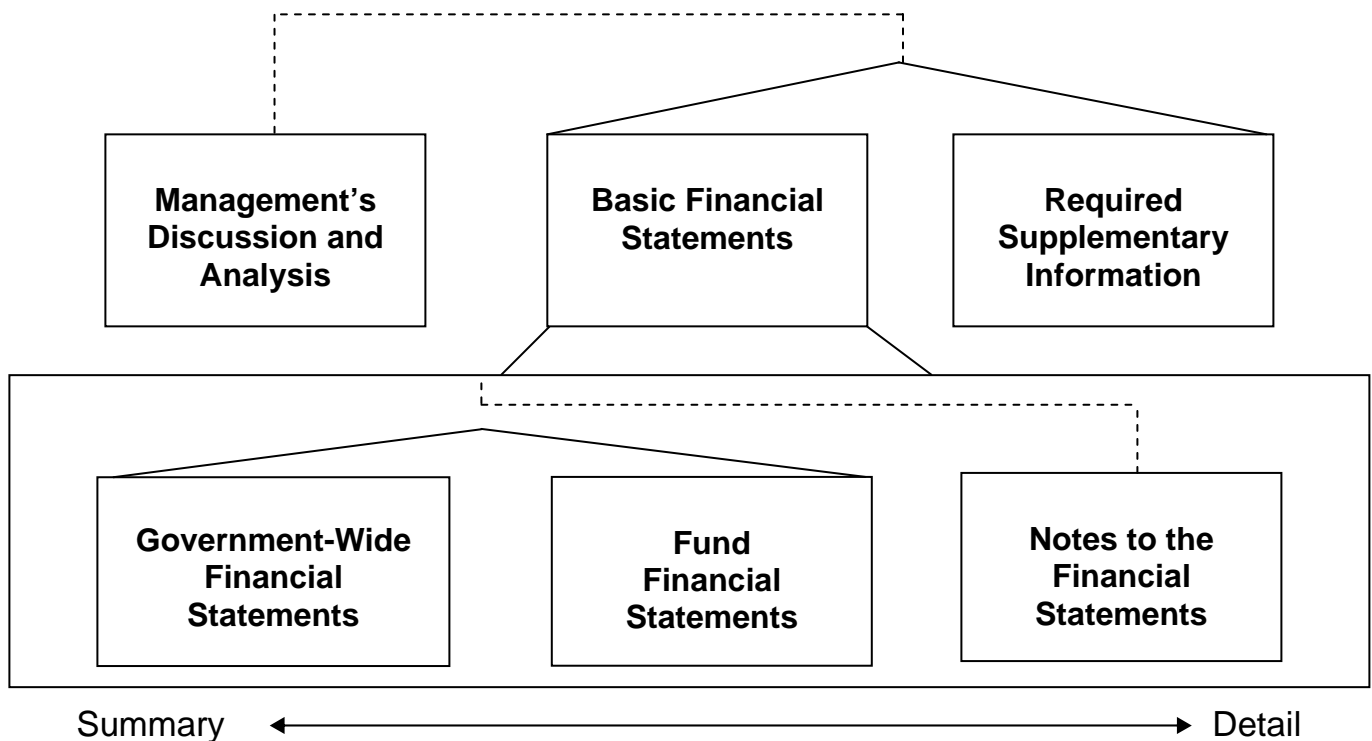
The basic financial statements include three kinds of statements that present different views of the School Division.

- 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.
- The *proprietary funds statements* offers short-term and long-term financial information about the activities that the school division operates like businesses.
- *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	Proprietary 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	Activities the School Division operates similar to private businesses; self-insurance, health insurance	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 fund net position *Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*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	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 financial and capital, and short-term and long-term	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 revenues and expenses during the year, regardless of when cash is received or paid	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 2016?" 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 plus deferred outflows and liabilities plus deferred inflows - 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 three 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.
- *Proprietary Funds*: Proprietary funds are reported on a full accrual basis and economic resources focus. The School Division uses one internal service fund (a type of proprietary fund) to report activities that provide health and dental services for the School Division.
- *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, 2016. The School Division's financial position remained stable during FY 2016. 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 261% of the total net position and have increased by \$3.9 million since June 30, 2015. The only debt the School Division nets against capital assets is for capital leases; however, there are no capital leases outstanding at June 30, 2016. 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 \$0.9 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 (deficit) amounted to \$(89.5 million), an increase of \$11.7 million from June 30, 2015. The deficit is a result of the continued implementation of GASB No. 68, Accounting for Pension Costs, requiring the school division to report its proportionate share of the net pension liability of the State Teacher Retirement Plan (Professional Plan).

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

Condensed Statement of Net Position			
(in millions)			
	Governmental Activities 2016	Governmental Activities 2015	Total Percentage Change
Assets			
Current and other assets	\$ 42.0	\$ 36.6	14.8%
Capital assets	141.6	137.7	2.8%
Total assets	<u>183.6</u>	<u>174.3</u>	5.3%
Deferred outflows of resources			
Pension costs	13.2	10.3	100.0%
Total liabilities			
Current liabilities	22.1	25.0	-11.6%
Long-term liabilities	113.0	106.2	6.4%
Total liabilities	<u>135.1</u>	<u>131.2</u>	3.0%
Deferred inflows of resources			
Pension costs	8.7	16.2	100.0%
Net position			
Net investment in capital assets	141.6	137.7	2.8%
Restricted	0.9	0.7	28.6%
Unrestricted (deficit)	(89.5)	(101.2)	-11.6%
Total net position	<u>\$ 53.0</u>	<u>\$ 37.2</u>	42.5%

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 2016, as compared with FY 2015.

Changes in Net Position (in millions)			
	Governmental Activities 2016	Governmental Activities 2015	Total Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 2.7	\$ 8.5	-68.2%
Operating grants and contributions	68.3	63.3	7.9%
General revenues			
County	60.0	59.9	0.2%
Shared intergovernmental revenues	12.6	12.2	3.3%
Miscellaneous revenues	0.2	0.1	100.0%
Total revenues	<u>143.8</u>	<u>144.0</u>	-0.1%
Expenses			
Instruction	89.2	92.7	-3.8%
Administration/attendance and health	6.8	6.5	4.6%
Transportation	6.5	7.4	-12.2%
Operations and maintenance	13.3	12.2	9.0%
Technology	8.9	11.8	-24.3%
Food service	3.3	3.2	3.1%
Total expenses	<u>128.0</u>	<u>133.8</u>	-4.3%
Change in net position	15.8	10.2	-54.6%
Net position - beginning of year	<u>37.2</u>	<u>27.0</u>	37.8%
Net position - end of year	<u>\$ 53.0</u>	<u>\$ 37.2</u>	42.4%
Note: Totals may not add due to rounding.			

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

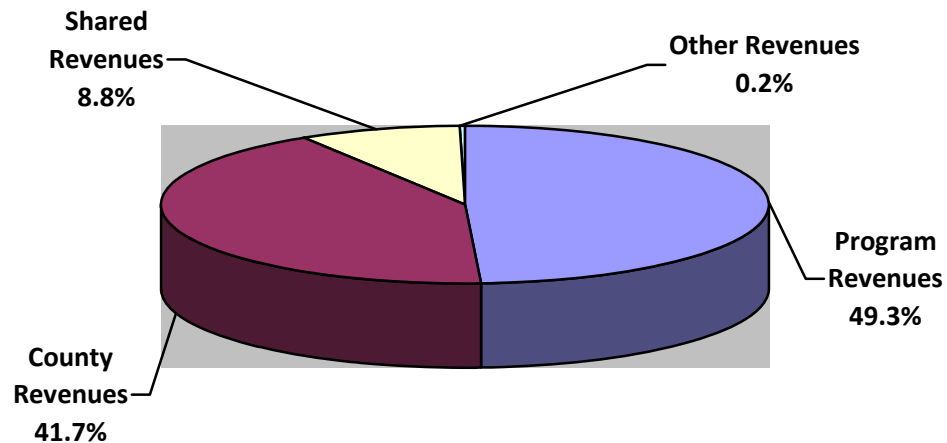
Changes in Net Position

For FY 2016, revenues from governmental activities totaled \$143 million. State and federal revenue for operating grants and contributions account for 47.5% of the School Division's resources as compared to 44.0% for FY 2015. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$60.0 million or 41.7% of the total revenues as compared to \$59.9 million or 43.3% for FY 2015. The increase in County funding relates primarily to a \$0.36 million increase in the County contribution to the School Division.

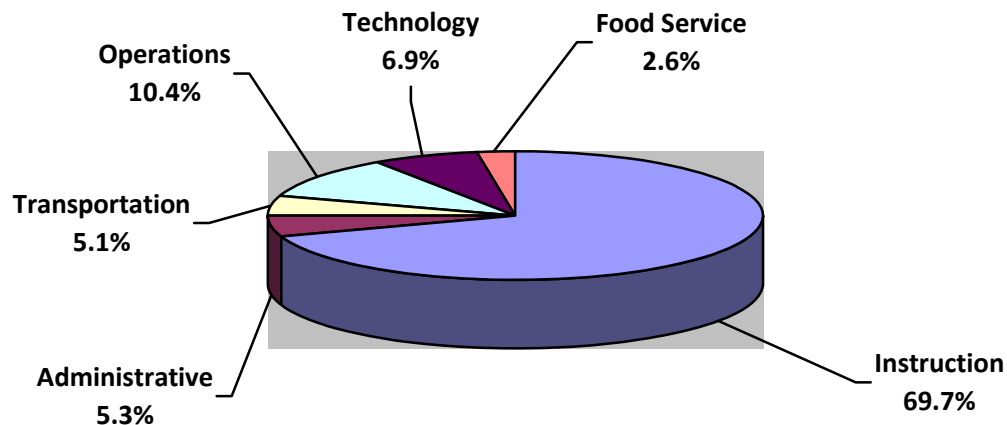
The total cost of all programs was \$128.0 million in FY 2016. Instruction made up 69.7% of the total costs of the School Division in FY 2014 and 69.3% in FY 2015. The School Division's operations and maintenance activities accounted for 10.4% of total costs for FY 2016 while administration/attendance and health amounted to 2.3% of total costs.

For FY 2016, revenues exceeded expenses by a total of \$15.8 million. A substantial portion of the increase in net position results from (1) one-time prior year impact aid payments from the federal government (2) funding of capital projects through County contributions and (3) a reduction in expenses in the operating budget.

FY 2016 Revenues



FY 2016 Expenses



Governmental Activities

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

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental Revenue) revenue totaled \$12.6 million in FY 2016.

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 2016, the School Division received \$13.9 million in impact aid funding, an increase of \$4.7 million over FY 2015.

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 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Instruction	\$ 89.2	\$ 92.7	\$ 22.8	\$ 25.4
Administration/attendance and health	6.8	6.5	6.8	6.5
Transportation	6.5	7.4	6.4	7.3
Operations and maintenance	13.3	12.2	12.8	11.7
Technology	8.9	11.8	8.4	11.2
Food service	3.3	3.2	(0.2)	(0.1)
	<u>\$ 128.0</u>	<u>\$ 133.8</u>	<u>\$ 57.0</u>	<u>\$ 62.0</u>

Note: Totals may not add due to rounding.

Significant Changes in Governmental Activities Include:

- The cost of all governmental activities was \$128.0 million.
- The net cost of governmental activities was \$57.0 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$68.3 million.
- Most of the School Division's net cost of services of \$55.8 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 \$6.2 million or a \$0.3 million increase from the fund balance reported for FY 2015. The increase in fund balance for the General Fund stems a decrease in expenditures. The Capital Projects Fund reported a fund balance at the end of FY 2016 of \$3.6 million or a \$4.2 million increase from the fund balance reported for FY 2015 due to an increase in County funding of capital projects. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.9 million at the end of FY 2016, representing a \$0.2 million increase from the FY 2015 reported fund balance. This increase was primarily the result of an increase in number of breakfast meals served and a 5 cent increase in the cost of a meal in FY 2016.

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 2016, the School Division amended its general fund budget as follows:

- Amended appropriation of \$2.05 million to reflect the carryover of encumbrances from fiscal year ended 2015 (FY 2015) to FY 2016.
- Amended appropriations upwards by \$380,500 for the addition of a \$0.08 million for a federal grant from the National Oceanic and Atmospheric Administration and the addition of a new federal (DODEA) literacy education grant of \$0.3 million.
- Amended appropriations amount 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 \$0.3 million. The increase, for the most part, was achieved by reducing expenditures. General Fund revenues were \$126.5 million or 1.2% higher in FY 2016 as compared to FY 2015. Federal revenue increased \$4.6 million or 33.2% in FY 2016 as compared to the previous fiscal year. This was due primarily to an increase in federal impact aid funding in FY 2016 due to the timing of one-time prior year payments.

General Fund actual expenditures were \$5.5 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Outstanding encumbrances at June 30, 2015 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 2016.
- Managed savings in numerous budget accounts.

Proprietary Funds

The School Division's internal service fund, a proprietary fund type, is presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements. FY15 was the first year of operation for the fund. Since the fund began operating on October 1, 2014, there was only 9 months of financial activity provided in the prior fiscal year. The actual results for the year show a net change in fund balance of (\$0.6) million. The decrease was driven by charges for services of \$15.6 million and payments for contractual services of \$16.2 million.

Capital Assets

At the end of FY 2016, the School Division had \$141.6 million (a 2.8% increase from FY 2015) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2016 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 5 to the financial statements.

Capital Assets, net of depreciation (in millions)			
	Governmental Activities 2016	Governmental Activities 2015	Total Percentage Change
Land	\$ 4.8	\$ 4.8	0.0%
Construction in progress	5.5	5.4	1.9%
Depreciable capital assets	131.3	127.5	3.0%
Total	\$ 141.6	\$ 137.7	2.8%

Major Capital Asset Additions for FY 2016 Included:

- Completed a roof replacement at Magruder Elementary School.
- Began design services for the renovation of halls 300 and 400 at Bethel Manor Elementary School. Projected total cost of project is \$2,900,000.
- Completed the replacement of the HVAC, windows, and doors at Yorktown Elementary.
- Began construction of a gym and ten classrooms at Waller Mill Elementary School at a cost of \$8 million.

The Following Major Capital Projects are Included in the School Division's FY 2017 Capital Budget:

- Replacement of HVAC, windows, and doors at Yorktown Elementary School.
- Replacement of HVAC at Tabb Elementary School.
- Roof replacement at Grafton High School and Grafton Middle School.

Funding for the FY 2017 capital projects includes \$9.0 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.

Factors Influencing Future Budgets

The FY 2017 budget provides the following significant costs and budget reductions:

- One current step increase to all eligible staff. Additionally, a 0.6% across the board increase was provided to licensed staff (teachers). In total, in FY 2017, a 2.0% average increase was provided to all staff covered by the Virginia Retirement System.
- A 5.0% increase in the employer health insurance contribution for employees participating in the health insurance plans. Participating employees were required to pay their share of the increase.
- The addition of 5 teacher positions to meet enrollment growth and special education needs.
- Funding to support the capital projects included in the FY 2017 Capital Improvements Program.

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

- The Commonwealth of Virginia will be considering the second year of the biennium budget for FY 2017 and FY 2018 during the 2017 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time. The state has experienced modest improvements in the economic conditions; however, it has not met expectations. The state recently announced the revenue growth has not met budget projections for FY 2017 and will require the state budget for FY 2017 to be adjusted. It is anticipated, due to competing priorities at the state level, that elementary and secondary public education funding for FY 2017 and FY 2018 will be reduced from the amounts that were originally approved in the state biennium budget. The Governor is anticipated to release his proposed FY 2017 and FY 2018 revised budgets in late December 2016.
- Several capital projects are planned for FY 2017 and FY 2018 including the architectural and engineering services for a new elementary school. The A&E services for a new elementary school will most likely be funded from County reserve funds when needed. Whether that project and other projects will be postponed due to funding considerations is being monitored.
- The federal government will be considering the budget for Impact Aid for FY 2018 during the next Congressional session. The impact on the School Division related to the new federal budget is unknown at this time. There is concern related to the possibility of sequestration in January 2017 or 2018 which could reduce federal funding in FY 2018. It is important to note, that as of the date of this report, the federal government has not passed a full year budget for FY 2017.
- The County government will not be conducting the reassessment of real estate in 2017.

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, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 21,484,249
Receivables:	
Other receivables	19,778
Due from the County of York, Virginia	12,063,814
Due from other governments	2,644,375
Prepaid expenses	1,173,800
OPEB asset	4,594,106
Capital assets:	
Land	4,824,818
Construction in progress	5,527,774
Buildings, improvements, and equipment - net	131,258,146
Total assets	183,590,860
Deferred outflows of resources	
Net difference between projected and actual earnings on pension plan investments	96,122
Net difference between expected and actual pension expense	93,639
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,228,000
Employer contributions subsequent to the measurement date	9,770,592
Total deferred outflows of resources	13,188,353
Liabilities	
Vouchers and accounts payable	5,007,361
Retainage payable	212,653
Salaries, taxes, and benefits payable	13,282,632
Unearned revenues	141,648
Due within one year	3,475,000
Due in more than one year	112,990,634
Total liabilities	135,109,928
Deferred inflows of resources	
Net difference between projected and actual earnings on pension plan investments	7,194,432
Net difference between expected and actual pension expense	1,482,000
Total deferred inflows of resources	8,676,432
Net position	
Net investment in capital assets	141,610,738
Restricted:	
Food service	918,597
Unrestricted (deficit)	(89,536,482)
Total net position	\$ 52,992,853

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, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary Government					
Governmental activities:					
Instructional	\$ 89,230,595	\$ 733,664	\$ 65,719,240	\$ -	\$ (22,777,691)
Administrative, attendance, and health services	6,778,996	-	-	-	(6,778,996)
Transportation	6,500,649	-	93,658	-	(6,406,991)
Operations and maintenance	13,275,449	-	426,656	-	(12,848,793)
Technology	8,933,514	-	544,000	-	(8,389,514)
Food services	3,329,231	1,977,639	1,508,204	-	156,612
Total governmental activities	<u>128,048,434</u>	<u>2,711,303</u>	<u>68,291,758</u>	<u>-</u>	<u>(57,045,373)</u>
Total Primary Government	<u>\$ 128,048,434</u>	<u>\$ 2,711,303</u>	<u>\$ 68,291,758</u>	<u>\$ -</u>	<u>(57,045,373)</u>
General revenues:					
Payments from the County of York (unrestricted)					60,055,486
Shared intergovernmental revenues (unrestricted)					12,594,334
Investment income (unrestricted)					22,026
Miscellaneous					202,427
Total general revenues					<u>72,874,273</u>
Change in net position					15,828,900
Net position - beginning					<u>37,163,953</u>
Net position - ending					<u>\$ 52,992,853</u>

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

THE YORK COUNTY SCHOOL DIVISION

**Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and temporary investments	\$ 6,729,824	\$ 5,713,812	\$ 1,121,584	\$ 13,565,220
Other receivables	19,778	-	-	19,778
Due from the County of York, Virginia	12,063,814	-	-	12,063,814
Due from other governments	2,558,117	-	86,258	2,644,375
	<u>21,371,533</u>	<u>5,713,812</u>	<u>1,207,842</u>	<u>28,293,187</u>
Total assets	<u>\$ 21,371,533</u>	<u>\$ 5,713,812</u>	<u>\$ 1,207,842</u>	<u>\$ 28,293,187</u>
Liabilities and fund balances				
Liabilities:				
Vouchers and accounts payable	\$ 1,918,474	\$ 1,857,205	\$ 162,759	\$ 3,938,438
Retainage payable	-	212,653	-	212,653
Salaries, taxes, and benefits payable	13,247,327	1,569	33,736	13,282,632
Unearned revenues	-	-	92,750	92,750
Total liabilities	<u>15,165,801</u>	<u>2,071,427</u>	<u>289,245</u>	<u>17,526,473</u>
Fund balances:				
Restricted	-	155,251	918,597	1,073,848
Committed	3,895,668	-	-	3,895,668
Assigned	2,310,064	3,487,134	-	5,797,198
Total fund balances	<u>6,205,732</u>	<u>3,642,385</u>	<u>918,597</u>	<u>10,766,714</u>
Total liabilities and fund balances	<u>\$ 21,371,533</u>	<u>\$ 5,713,812</u>	<u>\$ 1,207,842</u>	<u>\$ 28,293,187</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, 2016**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 10,766,714
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	141,610,738
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,489,153)
The net pension liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(108,176,481)
The OPEB asset is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.	4,594,106
Deferred outflows and inflows of resources related to the net pension obligation are not recognized in the funds.	4,511,921
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	<u>6,175,008</u>
Net position of governmental activities	<u><u>\$ 52,992,853</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, 2016**

	<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, Virginia	\$ 46,247,442	\$ 13,808,044	\$ -	\$ 60,055,486
From the Commonwealth of Virginia	60,305,713	-	51,963	60,357,676
From the federal government	18,551,861	-	1,456,241	20,008,102
Revenues from use of money and property	642,327	6,297	3,294	651,918
Charges for services	702,980	-	2,008,323	2,711,303
Miscellaneous	92,019	830	-	92,849
Total revenues	<u>126,542,342</u>	<u>13,815,171</u>	<u>3,519,821</u>	<u>143,877,334</u>
Expenditures				
Current - education:				
Instruction	92,381,922	-	-	92,381,922
Administration, attendance, and health services	6,566,995	-	-	6,566,995
Public transportation	6,910,247	-	-	6,910,247
Operations and maintenance	11,535,722	-	-	11,535,722
Technology	8,836,453	-	-	8,836,453
Total education	<u>126,231,339</u>	<u>-</u>	<u>-</u>	<u>126,231,339</u>
Food services	-	-	3,283,240	3,283,240
Capital outlay	-	9,578,199	-	9,578,199
Total expenditures	<u>126,231,339</u>	<u>9,578,199</u>	<u>3,283,240</u>	<u>139,092,778</u>
Excess of revenues over expenditures	<u>311,003</u>	<u>4,236,972</u>	<u>236,581</u>	<u>4,784,556</u>
Other financing sources (uses)				
Transfers in	4,000	-	-	4,000
Transfers out	-	-	(4,000)	(4,000)
Total other financing sources (uses), net	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	315,003	4,236,972	232,581	4,784,556
Fund balance - beginning	<u>5,890,729</u>	<u>(594,587)</u>	<u>686,016</u>	<u>5,982,158</u>
Fund balance - ending	<u>\$ 6,205,732</u>	<u>\$ 3,642,385</u>	<u>\$ 918,597</u>	<u>\$ 10,766,714</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, 2016**

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

Net change in fund balances - total governmental funds \$ 4,784,556

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

Capital outlay	\$ 9,036,373	
Depreciation expense	<u>(5,109,905)</u>	3,926,468

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	(461,658)	
Depreciation of capital asset disposals	<u>454,856</u>	(6,802)

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	(171,293)	
Pension costs	2,390,734	
OPEB	5,587,344	
Worker's compensation claims	<u>(59,759)</u>	7,747,026

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.

(622,348)

Change in net position of governmental activities \$ 15,828,900

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

THE YORK COUNTY SCHOOL DIVISION

Statement of Net Position
Proprietary Fund
June 30, 2016

	Governmental Activity Internal Service Fund
	<u> </u>
Assets	
Current assets:	
Cash and investments	\$ 7,919,029
Prepaid expenses	1,173,800
Total current assets	<u>9,092,829</u>
 Total assets	 <u>9,092,829</u>
 Liabilities	
Current liabilities:	
Vouchers and accounts payable	1,068,923
Unearned revenues	48,898
Claims payable	1,800,000
Total current liabilities	<u>2,917,821</u>
 Total liabilities	 <u>2,917,821</u>
 Net position	
Unrestricted	 <u>\$ 6,175,008</u>

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

THE YORK COUNTY SCHOOL DIVISION

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2016

	Governmental Activity Internal Service Fund
	<u> </u>
Operating revenues	
Charges for services	\$ 15,649,903
Operating expenses	
Contractual services	<u>16,272,251</u>
Operating loss	<u>(622,348)</u>
Change in net position	(622,348)
Net position - beginning	<u>6,797,356</u>
Net position - ending	<u><u>\$ 6,175,008</u></u>

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

THE YORK COUNTY SCHOOL DIVISION

Statement of Cash Flows Proprietary Fund Year Ended June 30, 2016

	Governmental Activity Internal Service Fund
	<u> </u>
Cash Flows from Operating Activities	
Received from users	\$ 15,427,141
Payments for services	<u>(18,157,908)</u>
Net cash used in operating activities	<u>(2,730,767)</u>
Net decrease in cash	(2,730,767)
Cash - beginning	<u>10,649,796</u>
Cash - ending	<u><u>\$ 7,919,029</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (622,348)
Change in:	
Prepaid expenses	(11,500)
Accounts and vouchers payable	(210,664)
Unearned revenues	(1,332,880)
Due to other funds	(353,375)
Claims payable	<u>(200,000)</u>
Net cash used in operating activities	<u><u>\$ (2,730,767)</u></u>

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, 2016**

	Pension Trust Fund Optional Plan	Agency Fund School Activity Funds
Assets		
Cash and investments	\$ -	\$ 1,565,045
Restricted cash	169,769	-
Restricted investments:		
Corporate obligations	332,354	-
Commercial paper	1,297,262	-
Total restricted investments	1,629,616	-
Accrued income	18,529	-
Total assets	\$ 1,817,914	\$ 1,565,045
Liabilities		
Assets held for others	\$ -	\$ 1,565,045
Total liabilities	-	\$ 1,565,045
Net position		
Net position restricted for pensions	\$ 1,817,914	

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, 2016

	Pension Trust Fund Optional Plan
	<u> </u>
Additions	
Contributions:	
Employer	\$ 10,000
Total contributions	<u>10,000</u>
Investment income	
Earning from investments	52,260
Net appreciation in the fair value of investments	37,126
Other receipts	185
Net investment income	<u>89,571</u>
Total additions	<u>99,571</u>
Deductions	
Benefit payments	194,429
Administrative expenses	<u>21,276</u>
Total deductions	<u>215,705</u>
Net change in net position	(116,134)
Net position restricted for pensions	
Net position - beginning	<u>1,934,048</u>
Net position - ending	<u><u>\$ 1,817,914</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

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 (GAAP) 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 2016, the School Division adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements.

The Financial Reporting Entity

The School Division is considered a component unit of the County of York, Virginia (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'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. The accounting policies of the School Division conform with GAAP 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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.

Proprietary Fund - Internal Service Fund

The Internal Service Fund accounts for the financing of services provided by one fund to other funds of the School Board. The Health and Dental Fund accounts for the payment of claims on liability claims arising from operations of the School Board. Operating expenses include cost of services. The Internal Service Fund is included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess of revenue over expenses for the fund are allocated to the appropriate functional activity.

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 School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits, and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

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

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

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

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

Basis of Accounting

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

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

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

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. The primary revenues susceptible to accrual include from the County, 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 in State Treasurer's Local Government Investment Pool (LGIP) are recorded at amortized cost. All others are reported at fair value. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. Investments with original maturities of 90 days or less are considered cash equivalents.

Receivables and Due from Other Governments

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

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

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.

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:

<u>Description</u>	<u>Useful Lives</u>
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).

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

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

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 the School Board via School Board Policy 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. Only the School Board can modify or rescind a fund balance commitment via School Board Policy legislation.

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 via School Board Policy legislation.

Unassigned – The residual classification for the School Division's General Fund and includes all spendable amounts not contained in other classifications.

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

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

Interfund Activity

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

Retirement Plan

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

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School Division's deferred outflows of resources consist of employer contributions subsequent to the measurement date related to pensions.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School Division's deferred inflows of resources consist of the net difference between projected and actual earnings on pension plan investments and the net difference between expected and actual pension expense.

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.

Unearned Revenues

The School Division reports unearned revenues on its government-wide financial statements, when revenues are received prior to the period in which all eligibility requirements have been met. Unearned revenue at the fund level arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Statement of Cash Flows

For purposes of the statement of cash flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments.

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 and the 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.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. or covered by Federal depository insurance. At June 30, 2016, cash and investments of the School Division consisted of:

Bank deposits	\$ 16,374,981
Investments	5,108,668
Cash and cash equivalents with York County Treasurer	21,483,649
Petty cash	600
Total cash and cash equivalents	\$ 21,484,249

Cash and investments of the School Division’s pension trust fund and school activity funds at June 30, 2016 consisted of:

Bank deposits	\$ 1,565,045
Restricted cash	169,769
Investments	1,629,616
	\$ 3,364,430

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, bankers’ acceptances, repurchase agreements and the LGIP. LGIP is managed in accordance with the “2a7 like pool” risk limiting requirements of GAAP with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All investments stated at amortized cost approximate the fair value. The fair value of the County’s position in the LGIP is the same as the value of the pool shares. All other investments are stated at fair value. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

Investment Policy

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

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 YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

2. DEPOSITS AND INVESTMENTS *(Continued)*

Investment Policy *(continued)*

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, 2016, 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, 2016, the School Division’s investments held by the County Treasurer consisted of \$5,108,668 invested in LGIP, with a Standard & Poor’s rating of AAA.

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

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>B</u>	<u>Not Rated</u>
Commercial paper	\$ -	\$ -	\$ 623,275	\$ 498,477	\$ 175,510
Corporate obligations	-	77,160	124,683	105,285	25,226
Total investments	<u>\$ -</u>	<u>\$ 77,160</u>	<u>\$ 747,958</u>	<u>\$ 603,762</u>	<u>\$ 200,736</u>

Concentration of Credit Risk

State statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The County’s policy does not set additional credit concentration limits. As of June 30, 2016, the School Division’s portfolio held with the County Treasurer complied with the State statute.

As of June 30, 2016, there was one investment in the School Division’s Pension trust portfolio that exceeded 5% of the total portfolio.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

2. DEPOSITS AND INVESTMENTS *(Continued)*

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, 2016, the carrying values and weighted average maturity of the School Division's investments held with the County Treasurer were as follows:

Investment Type	Fair Value
LGIP	\$ 5,108,668

As of June 30, 2016, the carrying values and weighted average maturity of the School Division's Pension trust fund investments were as follows:

Investment Type	Fair Value	Average Maturity in Years
Commercial paper	\$ 1,297,262	-
Corporate obligations	332,354	3.152
Total investments	\$ 1,629,616	
Weighted average of portfolio		0.64

Fair Value

The School Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School Division has the following recurring fair value measurements as of June 30, 2016:

- Commercial paper of \$1,297,262 are valued using quoted market prices (Level 1 inputs)
- Corporate obligations of \$332,354 are valued using quoted market prices (Level 1 inputs).

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

3. TRANSACTIONS BETWEEN THE COUNTY AND THE SCHOOL DIVISION

The following activities took place between the County and the School Division during the year ended June 30, 2016:

	Due From
School Operating Fund:	
Due from County	\$ 12,063,814
Purpose:	
School operations	\$ 12,063,814
	Intergovernmental Revenues
School Operating Fund	\$ 46,247,442
Capital Projects Fund	13,808,044
Intergovernmental Revenues from the County of York	\$ 60,055,486
Purpose:	
School operations	\$ 65,083,488
Year-end reversion entry	(5,028,002)
	\$ 60,055,486

4. TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2016, \$4,000 was transferred from the School Food Service Fund to the General Fund for the School Food Service Fund's portion of worker's compensation.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities				
Capital assets not depreciated:				
Land	\$ 4,824,818	\$ -	\$ -	\$ 4,824,818
Construction in progress	5,357,317	7,290,673	7,120,216	5,527,774
Total non-depreciable capital assets	<u>10,182,135</u>	<u>7,290,673</u>	<u>7,120,216</u>	<u>10,352,592</u>
Capital assets depreciated:				
Buildings	186,800,016	7,424,749	20,300	194,204,465
Improvements	5,518,045	46,584	-	5,564,629
Machinery and equipment	3,113,223	259,666	22,299	3,350,590
Motor vehicles	12,660,882	1,134,917	419,059	13,376,740
Total depreciable capital assets	<u>208,092,166</u>	<u>8,865,916</u>	<u>461,658</u>	<u>216,496,424</u>
Less accumulated depreciation for:				
Buildings	68,747,019	3,879,448	20,300	72,606,167
Improvements	2,719,403	218,650	-	2,938,053
Machinery and equipment	1,907,831	210,281	22,299	2,095,813
Motor vehicles	7,208,976	801,526	412,257	7,598,245
Total accumulated depreciation	<u>80,583,229</u>	<u>5,109,905</u>	<u>454,856</u>	<u>85,238,278</u>
Total depreciable capital assets - net	<u>127,508,937</u>	<u>3,756,011</u>	<u>6,802</u>	<u>131,258,146</u>
Total governmental activities capital assets - net	<u>\$ 137,691,072</u>	<u>\$ 11,046,684</u>	<u>\$ 7,127,018</u>	<u>\$ 141,610,738</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 3,973,351
Administration, attendance, and health services	212,001
Pupil transportation	725,319
Operations and maintenance	153,243
Food services	45,991
Total governmental activities depreciation expense	<u>\$ 5,109,905</u>

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

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

5. CAPITAL ASSETS *(Concluded)*

Construction in progress is composed of the following at June 30, 2016:

	Project Authorization	Expended Through June 30, 2016	Balance of Authorization	Future Requirements
School projects	\$ 18,224,207	\$ 5,527,774	\$ 12,696,433	\$ -

6. LONG-TERM LIABILITIES

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2016 follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 2,422,192	\$ 1,333,960	\$ (1,162,667)	\$ 2,593,485	\$ 1,150,000
Net OPEB obligations (asset)	993,238	189,820	(5,777,164)	(4,594,106)	-
Net pension liability	100,169,607	28,694,403	(20,687,529)	108,176,481	-
Claims liabilities	5,835,909	408,017	(548,258)	5,695,668	2,325,000
Total minimum payments	<u>\$109,420,946</u>	<u>\$ 30,626,200</u>	<u>\$ (28,175,618)</u>	<u>\$111,871,528</u>	<u>\$ 3,475,000</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 or the Internal Service Fund.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

7. FUND BALANCES

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Governmental Funds</u>
Restricted				
Food Service	\$ -	\$ -	\$ 918,597	\$ 918,597
Capital Projects	-	155,251	-	155,251
Total Restricted	<u>-</u>	<u>155,251</u>	<u>918,597</u>	<u>1,073,848</u>
Committed				
Self-insurance	<u>3,895,668</u>	-	-	<u>3,895,668</u>
Total Committed	<u>3,895,668</u>	<u>-</u>	<u>-</u>	<u>3,895,668</u>
Assigned				
Instruction	264,667	-	-	264,667
Transportation	443,387	-	-	443,387
Operations and maintenance	759,260	-	-	759,260
Technology	842,750	-	-	842,750
Capital projects	-	3,487,134	-	3,487,134
Total Assigned	<u>2,310,064</u>	<u>3,487,134</u>	<u>-</u>	<u>5,797,198</u>
Total Fund Balances	<u>\$ 6,205,732</u>	<u>\$ 3,642,385</u>	<u>\$ 918,597</u>	<u>\$ 10,766,714</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.

8. 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, 2016, is as follows:

<u>Fiscal Year</u>	
2017	\$ 211,943
2018	33,146
Total minimum payments	<u>\$ 245,089</u>

Rental expenditures for the year ended June 30, 2016 for all operating leases were \$270,831.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

8. LEASES (Concluded)

Lessor

The School Division leases certain land where radio towers are located. The School Division does not own the radio towers but does own the land. The radio towers are located at York Middle School, York High School, and Waller Mill Elementary School. The School Division also leases a portion of Yorktown Middle School to the New Horizons Regional Education Center. The total cost and accumulated depreciation of the Yorktown Middle School building at June 30, 2016 is \$1,066,600 and \$828,314, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2016, is as follows:

<u>Fiscal Year</u>	
2017	\$ 332,237
2018	328,423
2019	327,549
2020	327,898
2021	328,030
Total minimum payments	<u>\$ 1,644,137</u>

Rental revenue for all operating leases was \$415,462 for the year ended June 30, 2016.

9. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System

The Virginia Retirement System (VRS) Teacher Employee Plan (Professional Plan) is a multiple employer, cost-sharing plan. The Virginia Retirement System Political Subdivision Retirement Plan (Nonprofessional Plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the York County Schools (Schools) Professional and Nonprofessional Retirement Plans and the additions to/deductions from the Schools Professional and Nonprofessional Retirement Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent (nonprofessional) employees of the Political Subdivision are automatically covered by the VRS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>About Plan 1</u> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><u>About Plan 2</u> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><u>About the Hybrid Plan</u> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members").</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Eligible Members</u> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><u>Eligible Members</u> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Retirement Contributions</u> Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><u>Retirement Contributions</u> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><u>Retirement Contributions</u> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><u>Creditable Service</u> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><u>Creditable Service</u> Same as Plan 1.</p>	<p><u>Creditable Service</u> <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Vesting</u> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least 5 years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><u>Vesting</u> Same as Plan 1.</p>	<p><u>Vesting</u> <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach 5 years (60 months) of creditable service. Plan 1 or Plan 2 members with at least 5 years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to minimum length of service a member needs to be eligible to withdraw employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After 2 years, a member is 50% vested and may withdraw 50% of employer contributions. • After 3 years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Calculating the Benefit</u> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><u>Calculating the Benefit</u> See definition under Plan 1.</p>	<p><u>Calculating the Benefit</u> <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><u>Service Retirement Multiplier</u> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p>	<p><u>Service Retirement Multiplier</u> Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For and non-hazardous duty members The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p><u>Service Retirement Multiplier</u> <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Normal Retirement Age</u> Age 65.</p>	<p><u>Normal Retirement Age</u> Normal Social Security retirement age.</p>	<p><u>Normal Retirement Age</u> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Earliest Unreduced Retirement Eligibility</u> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><u>Earliest Unreduced Retirement Eligibility</u> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p><u>Earliest Unreduced Retirement Eligibility</u> <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Earliest Reduced Retirement Eligibility</u> Members may retire with a reduced benefit as early as age 55 with at least 5 years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><u>Earliest Reduced Retirement Eligibility</u> Members may retire with a reduced benefit as early as age 60 with at least 5 years (60 months) of creditable service.</p>	<p><u>Earliest Unreduced Retirement Eligibility</u> <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least 5 years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within 5 years of qualifying for an unreduced retirement benefit as of Jan. 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Exceptions to COLA Effective Dates</u> (continued):</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Eligible school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

1. Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following Nonprofessional employees (non-teacher) were covered by the benefit terms of the pension plan:

Nonprofessional Employees (non-teacher):

Inactive Members or Their Beneficiaries Currently Receiving Benefits	<u>164</u>
Inactive Members:	
Vested Inactive Members	25
Non-Vested Inactive Members	192
Inactive Members Active Elsewhere in VRS	<u>53</u>
Total Inactive Members	270
Active Members	<u>305</u>
Total Covered Employees	<u><u>739</u></u>

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

2. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay 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 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Professional Plan (Teacher Retirement Plan) was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Division were \$9,271,511 and \$9,180,878 for the years ended June 30, 2016 and June 30, 2015, respectively.

In addition, for the Nonprofessional (non-teacher) employees, the School Division is contractually required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Division contribution rate for the fiscal year ended 2016 was 8.99% of annual covered payroll. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$489,081 and \$475,903 for the years ended June 30, 2016 and June 30, 2015, respectively.

3. Net Pension Liability

At June 30, 2016, the School Division reported a net pension liability of \$107,618,000 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan (Professional). The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Division's proportion of the Net Pension Liability was based on the School Division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Division's proportion was 0.85504% as compared to 0.83118% at June 30, 2014.

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

In addition, the School Division's Net Pension Liability for the Nonprofessional (non-teacher) Retirement Plan was measured as of June 30, 2015. The total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. At June 30, 2016, the School Division reported a liability of \$508,434 for the Nonprofessional (non-teacher) Retirement Plan.

4. Pension Expense

For the year ended June 30, 2016, the School Division recognized pension expense of \$8,615,000 of the Teacher Retirement Plan (Professional). Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

In addition, for the year ended June 30, 2016, the School Division recognized pension expense of \$191,320 for the Nonprofessional (non-teacher) Retirement Plan.

5. Deferred Outflows/Inflows of Resources

At June 30, 2016, for the Teacher Retirement Plan (Professional), the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$6,590,000
Net Difference between Expected and Actual Pension Expense	-	1,482,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	3,228,000	-
Employer Contributions Subsequent to the Measurement Date	9,271,511	-
Total	\$ 12,499,511	\$8,072,000

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

Deferred outflows of resources of \$9,271,511 related to pensions resulting from the School Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2017	\$ (2,185,000)
2018	(2,185,000)
2019	(2,185,000)
2020	1,579,000
2021	132,000
Total	\$ (4,844,000)

In addition, at June 30, 2016, for the Nonprofessional (non-teacher) Retirement Plan, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 510,331
Net Difference between Expected and Actual Pension Expense	93,639	-
Employer Contributions Subsequent to the Measurement Date	489,081	-
Total	\$ 582,720	\$ 510,331

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

Deferred outflows of resources of \$489,081 related to pensions resulting from the School Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2017	\$ (150,435)
2018	(158,578)
2019	(201,328)
2020	93,649
Total	\$ (416,692)

6. Actuarial Assumptions

Professional/Teacher Retirement Plan

The total pension liability for the Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Nonprofessional (non-teacher) Retirement Plan

The total pension liability for Nonprofessional Retirement Plan (non-teacher) was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

Mortality rates: 14% of deaths are assumed to be service related.

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

7. Long-term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		5.83%
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

8. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the School Division for the VRS Professional/Teacher Retirement Plan and Nonprofessional (non-teacher) Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, School Divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

9. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Division's proportionate share of the net pension liability for the Professional/Teacher Retirement Plan using the discount rate of 7.00%, as well as what the School Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Division's Proportionate Share of the Net Pension Liability for the VRS Teacher Retirement Plan	<u>\$ 157,489,000</u>	<u>\$ 107,618,000</u>	<u>\$ 66,564,000</u>

In addition, the following presents the net pension liability of the Nonprofessional (non-teacher) Retirement Plan using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Division's Proportionate Share of the Net Pension Liability for the Nonprofessional Retirement Plan	<u>\$ 3,152,887</u>	<u>\$ 508,434</u>	<u>\$ (1,707,768)</u>

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Continued)

10. Changes in Net Pension Liability – Nonprofessional (non-teacher) Retirement Plan

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance – July 1, 2014	\$ 19,524,897	\$ 19,496,255	\$ 28,642
Changes for the fiscal year:			
Service cost	657,682	-	657,682
Interest	1,340,262	-	1,340,262
Difference between expected and actual	144,530	-	144,530
Contribution – employer	-	474,730	(474,730)
Contribution – employee	-	303,379	(303,379)
Net investment income	-	896,825	(896,825)
Benefit payments	(756,608)	(756,608)	-
Administrative expenses	-	(12,064)	12,064
Other changes	-	(188)	188
Net Changes	<u>1,385,866</u>	<u>906,074</u>	<u>479,792</u>
Balance – June 30, 2015	<u>\$ 20,910,763</u>	<u>\$ 20,402,329</u>	<u>\$ 508,434</u>

11. Pension Plan Fiduciary Net Position – Teacher Retirement Plan

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

York County Public Schools - Optional Plan

Plan Description

Plan Administration – The York County School Division administers the Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the Optional Plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan.

Plan Membership – At June 30, 2016, Optional Plan membership consisted of the following:

Active plan members	12
Retirees and beneficiaries	72
Number of vested terminations	3
	<u>87</u>

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

Contributions – 2.50% of pay contribution was required as a condition of participation; however, no employee contributions were required after June 30, 1992. Employee contributions are accumulated with interest at 5.00%. For the year ended June 30, 2016, the average active member contribution rate was 0% of annual payroll and the School Division’s average contribution rate was 0% percent of annual payroll.

Summary of Significant Accounting Policies

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

Investments

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

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Cash Equivalents	2.10%	7.00%	0.14%
Corporate Debt Instruments	28.80%	7.00%	2.02%
Equity Investments	69.10%	7.00%	4.84%
Total	<u>100.00%</u>		<u>7.00%</u>
Inflation			<u>2.50%</u>

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.88%. The money-weighted return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

Net Pension (Asset) of the School Division – Optional Plan

Based on a measurement date of July 1, 2015, the components of the net pension (asset) of the School Division’s Optional Plan at June 30, 2016 were as follows:

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) (a) – (b)</u>
Balance – July 1, 2014	\$ 1,795,745	\$ 2,100,138	\$ (304,393)
Changes for the fiscal year:			
Service cost	1,731	-	1,731
Interest	120,051	-	120,051
Change in assumptions	157,315	-	157,315
Net investment income	-	20,333	(20,333)
Benefit payments	(164,908)	(164,908)	-
Administrative expenses	-	(21,515)	21,515
Other changes	74,161	-	74,161
Net Changes	<u>188,350</u>	<u>(166,090)</u>	<u>354,440</u>
Balance – June 30, 2015	<u>\$ 1,984,095</u>	<u>\$ 1,934,048</u>	<u>\$ 50,047</u>

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

9. DEFINED BENEFIT PENSION PLANS *(Continued)*

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with Generational Projection using Scale MP.

Discount Rate – From July 1, 2016 on, it is assumed the School Division will contribute 100% of the actuarially determined contribution rates. Based on those assumptions the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability was 7.00%.

Pension Expense and Deferred Outflows/Inflows of Resources

At June 30, 2016, for the Optional Plan, the School Division reported deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 96,122	\$ 94,101
Employer Contributions Subsequent to the Measurement Date	10,000	-
Total	\$ 106,122	\$ 94,101

Deferred outflows of resources of \$10,000 related to pensions resulting from the School Division’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to the Optional Plan will be recognized in pension expense as follows:

	Deferred Amounts
2017	\$ (7,337)
2018	(7,337)
2019	(7,337)
2020	24,032
Total	\$ 2,021

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

9. DEFINED BENEFIT PENSION PLANS (Concluded)

For the year ended June 30, 2016, the School Division recognized pension expense (gain) for the Optional Plan of \$258,318.

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension (Asset) for the Optional Plan	\$ 206,762	\$ 50,047	\$ (87,071)

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The School Division’s OPEB plan is a single-employer defined benefit plan administered by the School Division. The School Division provides postemployment 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. At June 30, 2016, one retiree was participating in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 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 twenty years need not be consecutive. The retiree’s VRS 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, 2016 63 retirees were participating in this program.

In accordance with Article 8, Chapter 15, Title 15.2 of the Code of Virginia, the School Division has elected to establish a trust for the purpose of accumulating and investing assets to fund Other Post-Employment Benefits. The School Division in accordance with this election has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other post-employment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the plan administrator, VML/VACo Finance, 919 E. Main Street, Suite 1100, Richmond, Virginia 23219.

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

Contribution requirements are established and may be amended by the School Board. The required contributions were actuarially determined and are based upon projected pay-as-you-go financing requirements. The School Division currently plans to contribute amounts to the Virginia Pooled OPEB Trust Fund sufficient to fully fund the Annual Required Contribution (ARC), an actuarially determined contribution amount. The School Division also plans to continue to pay-as-you-go amounts for the employer's retiree share of the annual health insurance premiums.

The School Division's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2016, the School Division's annual OPEB costs, the amount actually contributed to the plan, and the changes in the net OPEB obligation are as follows:

	Year Ended June 30, 2016
(1) Normal cost	\$ 250,270
(2) Amortization of Unfunded Accrued Liability	(71,649)
(3) Interest	-
(4) Annual Required Contribution	<u>178,621</u>
(5) Interest on Net OPEB Obligation (NOO)	69,527
(6) Amortization of NOO	<u>(58,328)</u>
(7) Annual OPEB Cost (AOC)	189,820
(8) Actual Contribution towards OPEB Cost	<u>(5,777,164)</u>
(9) Increase in NOO	<u>(5,587,344)</u>
(10) NOO (Asset) Beginning of Year	<u>993,238</u>
(11) NOO (Asset) End of Year	<u><u>\$ (4,594,106)</u></u>

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 (Asset)
2016	\$ 189,820	3044%	\$ (4,594,106)
2015	815,561	67%	993,238
2014	792,359	69%	723,163

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

10. OTHER POSTEMPLOYMENT BENEFITS *(Concluded)*

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits from the June 30, 2016 biennial report was \$4,074,895, and the actuarial value of assets was \$5,380,376, resulting in an unfunded actuarial accrued asset of \$1,305,481. The covered payroll (annual payroll for active participating employees) was \$73,417,704, \$67,126,751, and \$45,334,607 for the 2016, 2015, and 2014 fiscal years, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was (1.78%), 11.23%, and 14.11%, for 2016, 2015, and 2014, respectively.

Actuarial valuations of an ongoing plan 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. The schedule of funding progress, presented as required supplementary information following the notes to 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of valuation and on the pattern of sharing costs between the employer and plan member. 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 members in the future.

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

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 6.9%, grading to a rate of 4.2% over 57 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.

11. DEFERRED COMPENSATION PLAN

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

THE YORK COUNTY SCHOOL DIVISION

**Notes to Basic Financial Statements
June 30, 2016**

12. 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 and health and dental benefits for employees; and natural disasters. 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 Division reports all of its risk management activities in its Operating Fund except those related to health and dental benefits. The School Operating Fund retains the full risk for unemployment compensation, and up to \$500,000, with no aggregate, for each workers’ compensation occurrence. All claims for retained risks are paid from Operating Fund resources. Risks related to health and dental benefits for employees and retirees are reported in an Internal Service Fund. The School Division’s risk for each health care claim is \$300,000.

All unemployment and workers’ compensation claims are paid through a third-party administrator through resources from the School Operating Fund, and health care claims are paid through a third-party administrator through the School Division’s Internal Service Fund. For all retained risks, claims expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Settled claims have not exceeded the amount of insurance coverage in any of the past seven fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The School Division’s health care liability of \$1,800,000 at June 30, 2016 is reasonably estimated and has been included in claims payable in the School Internal Service Fund. School Division’s workers’ compensation claims liability of \$3,895,668 at June 30, 2016 is included in long-term debt, and is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

Changes in the reported amounts of health care and workers’ compensation liabilities since June 30, 2014 resulted from the following:

	2016	2015
Accrued liability/committed fund balance - beginning of year	\$ 5,835,909	\$ 5,130,082
Claims and changes in estimates	208,017	1,055,050
Claims payment	(348,258)	(349,223)
Accrued liability/committed fund balance - end of year	\$ 5,695,668	\$ 5,835,909

THE YORK COUNTY SCHOOL DIVISION

Notes to Basic Financial Statements June 30, 2016

12. CONTINGENT LIABILITIES *(Concluded)*

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.

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REQUIRED SUPPLEMENTARY INFORMATION

THE YORK COUNTY SCHOOL DIVISION

**Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2016
(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Intergovernmental:				
County of York	\$ 51,275,444	\$ 51,275,444	\$ 46,247,442	\$ (5,028,002)
Commonwealth of Virginia:				
State sales tax	12,605,078	12,605,078	12,594,334	(10,744)
Basic aid	34,636,949	34,636,949	34,165,873	(471,076)
Supplemental support	535,383	535,383	529,192	(6,191)
Foster home children	31,083	31,083	6,314	(24,769)
Gifted and talented	355,746	355,746	351,585	(4,161)
Remedial programs	355,746	355,746	351,585	(4,161)
Remedial summer school	138,501	138,501	135,039	(3,462)
Reading intervention	73,873	73,873	75,767	1,894
Special education - SOQ	3,269,833	3,269,833	3,231,589	(38,244)
Homebound	25,085	25,085	19,018	(6,067)
Comprehensive services act	238,000	238,000	335,739	97,739
CSA - prior year	-	-	21,138	21,138
Free textbooks	238,728	238,728	45,482	(193,246)
Substitute Teachers	-	-	75	75
VOC ED - SOQ	280,055	280,055	276,780	(3,275)
Special education support	400,000	400,000	487,304	87,304
Employer share benefits	5,729,777	5,729,777	5,662,760	(67,017)
Other CAT/VOC ED	18,472	18,472	25,902	7,430
Career switchers program	-	-	1,000	1,000
At-risk	133,764	133,764	132,197	(1,567)
National board certification	35,000	35,000	42,500	7,500
K-3 initiative	150,119	150,119	166,417	16,298
SOL algebra readiness	52,380	52,380	54,369	1,989
Tech initiative	544,000	544,000	544,000	-
Pre-school initiative	75,000	75,000	150,363	75,363
Textbooks - Lottery Funds	489,567	489,567	674,295	184,728
Miscellaneous grants	457,696	457,696	45,217	(412,479)
LEP	202,000	202,000	179,879	(22,121)
Total from the Commonwealth of Virginia	<u>61,071,835</u>	<u>61,071,835</u>	<u>60,305,713</u>	<u>(766,122)</u>

THE YORK COUNTY SCHOOL DIVISION

Schedule of Revenues - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Federal government:				
Title I	791,180	791,180	826,241	35,061
Title II A	245,176	242,998	238,416	(4,582)
Title III A	46,105	30,680	69,977	39,297
Impact aid	9,450,000	9,450,000	13,915,410	4,465,410
DOD - heavily impacted	653,000	653,000	468,669	(184,331)
Medicaid reimbursement	135,000	135,000	110,567	(24,433)
DODEA grant	807,200	807,200	168,203	(638,997)
NOAA grant	-	75,000	65,342	(9,658)
DODEA - Literature Grant	-	305,500	133,767	(171,733)
Title VI B	2,089,256	2,089,256	2,151,747	62,491
DODEA SPED Grant	206,491	206,491	164,204	(42,287)
NJROTC	80,000	80,000	65,544	(14,456)
Miscellaneous grants	765,248	782,851	173,774	(609,077)
Total from the federal government	<u>15,268,656</u>	<u>15,649,156</u>	<u>18,551,861</u>	<u>2,902,705</u>
Miscellaneous revenues:				
Use of money and property	639,078	639,078	642,327	3,249
Charges for services	892,400	892,400	702,980	(189,420)
Miscellaneous	143,100	143,100	92,019	(51,081)
Total miscellaneous revenues	<u>1,674,578</u>	<u>1,674,578</u>	<u>1,437,326</u>	<u>(237,252)</u>
Total revenues and other financing sources	<u>\$ 129,290,513</u>	<u>\$ 129,671,013</u>	<u>\$ 126,542,342</u>	<u>\$ (3,128,671)</u>

THE YORK COUNTY SCHOOL DIVISION

**Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2016
(Unaudited)**

	<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	\$ 58,789,476	\$ 58,588,691	\$ 58,056,858	\$ 531,833
Special education	11,186,619	10,990,537	10,797,713	192,824
Vocational education	2,309,931	2,147,132	2,048,085	99,047
Gifted and talented	425,870	441,272	440,147	1,125
Other programs	5,710,740	6,091,347	4,451,244	1,640,103
Instructional support - student:				
Guidance	3,141,253	3,003,214	2,968,113	35,101
Social work	64,843	64,795	64,364	431
Homebound	60,194	60,194	45,594	14,600
Instructional support - staff:				
Management and staff development	3,242,732	3,128,815	2,965,917	162,898
Media services	1,825,650	1,756,036	1,726,480	29,556
Instructional support - school administration:				
Principals' offices	7,639,294	7,605,942	7,600,057	5,885
School carryover	748,363	748,363	1,217,350	(468,987)
Total instruction	<u>95,144,965</u>	<u>94,626,338</u>	<u>92,381,922</u>	<u>2,244,416</u>
Administration, attendance, and health services:				
Board services	140,312	140,244	126,796	13,448
Executive services	595,183	644,318	623,844	20,474
Communication services	389,346	407,544	375,862	31,682
Human resources	980,095	1,079,234	1,006,108	73,126
Fiscal services	1,209,806	1,222,388	1,186,541	35,847
Health services	1,609,035	1,651,060	1,619,417	31,643
Psychological services	773,597	769,628	777,607	(7,979)
Speech and audiology services	856,673	863,328	864,936	(1,608)
School carryover	9,501	9,501	(14,116)	23,617
Total administration, attendance, and health services	<u>6,563,548</u>	<u>6,787,245</u>	<u>6,566,995</u>	<u>220,250</u>

THE YORK COUNTY SCHOOL DIVISION

Schedule of Expenditures - Budget and Actual (Continued)

General Fund

Year Ended June 30, 2016

(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Operating costs:				
Pupil transportation:				
Vehicle operation services	6,376,400	6,383,707	5,600,669	783,038
Vehicle maintenance services	1,192,111	1,231,335	1,358,842	(127,507)
School carryover	-	-	(49,264)	49,264
Total pupil transportation	<u>7,568,511</u>	<u>7,615,042</u>	<u>6,910,247</u>	<u>704,795</u>
Operations and maintenance:				
Management and direction	200,650	200,644	202,191	(1,547)
Building services	9,274,588	9,512,043	8,760,310	751,733
Grounds services	1,134,650	1,134,650	1,134,650	-
Vehicle services	296,691	436,640	334,041	102,599
Warehouse and distribution services	332,094	333,895	308,229	25,666
School carryover	1,117,180	1,117,180	796,301	320,879
Total operations and maintenance	<u>12,355,853</u>	<u>12,735,052</u>	<u>11,535,722</u>	<u>1,199,330</u>
Total operating costs	<u>19,924,364</u>	<u>20,350,094</u>	<u>18,445,969</u>	<u>1,904,125</u>
Technology:				
Classroom instruction	4,564,629	4,514,921	3,831,133	683,788
Instructional support	1,891,476	1,904,585	1,923,619	(19,034)
Administration	1,089,098	1,081,310	1,034,151	47,159
Operations and maintenance	1,878,783	2,178,722	1,855,656	323,066
Other programs - grants	108,694	102,842	103,238	(396)
School carryover	183,775	183,775	88,656	95,119
Total technology	<u>9,716,455</u>	<u>9,966,155</u>	<u>8,836,453</u>	<u>1,129,702</u>
Total expenditures	<u>\$ 131,349,332</u>	<u>\$ 131,729,832</u>	<u>\$ 126,231,339</u>	<u>\$ 5,498,493</u>

THE YORK COUNTY SCHOOL DIVISION

**Schedule of Changes in Net Pension Liability and Related Ratios -
Nonprofessional Employees
Years Ended June 30
(Unaudited)**

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 657,682	\$ 651,659
Interest	1,340,262	1,257,618
Benefit payments	(756,608)	(700,700)
Difference between expected and actual	144,530	-
Net change in total pension liability	1,385,866	1,208,577
Total pension liability - beginning	19,524,897	18,316,320
Total pension liability - ending	<u>\$ 20,910,763</u>	<u>\$ 19,524,897</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 474,730	\$ 540,694
Contributions - employee	303,379	300,981
Net investment income	896,825	2,649,679
Benefit payments	(756,608)	(700,700)
Administrative expenses	(12,064)	(14,022)
Other changes	(188)	139
Net change in plan fiduciary net position	906,074	2,776,771
Plan fiduciary net position - beginning	19,496,255	16,719,484
Plan fiduciary net position - ending	<u>\$ 20,402,329</u>	<u>\$ 19,496,255</u>
Net pension liability	<u>\$ 508,434</u>	<u>\$ 28,642</u>
Plan fiduciary net position as a percentage of total pension liability	<u>97.57%</u>	<u>99.85%</u>
Covered-employee payroll	<u>\$ 6,361,525</u>	<u>\$ 6,167,447</u>
Net pension liability as a percentage of covered employee payroll	<u>7.99%</u>	<u>0.46%</u>

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

THE YORK COUNTY SCHOOL DIVISION

Schedule of Changes in Net Pension Liability and Related Ratios - Optional Plan Years Ended June 30 (Unaudited)

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 1,731	\$ 2,224
Interest	120,051	124,341
Benefit payments	(164,908)	(193,616)
Change in assumptions	157,315	-
Other	74,161	-
Net change in total pension liability	188,350	(67,051)
Total pension liability - beginning	1,795,745	1,862,796
Total pension liability - ending	<u>\$ 1,984,095</u>	<u>\$ 1,795,745</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ -	\$ 290,495
Net investment income	20,333	-
Benefit payments	(164,908)	(177,455)
Administrative expenses	(21,515)	(22,106)
Net change in plan fiduciary net position	(166,090)	90,934
Plan fiduciary net position - beginning	2,100,138	2,009,204
Plan fiduciary net position - ending	<u>\$ 1,934,048</u>	<u>\$ 2,100,138</u>
Net pension liability (asset)	<u>\$ 50,047</u>	<u>\$ (304,393)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	<u>97.48%</u>	<u>116.95%</u>
Covered-employee payroll	<u>\$ 490,949</u>	<u>\$ 540,694</u>
Net pension liability (asset) as a percentage of covered employee payroll	<u>10.19%</u>	<u>-56.30%</u>

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

THE YORK COUNTY SCHOOL DIVISION

Schedule of Employer's Share of Net Pension Liability

Year Ended June 30, 2016

(Unaudited)

<u>Date</u>	<u>(a) Employer's Proportion of the Net Pension Liability</u>	<u>(b) Employer's Proportionate Share of the Net Pension Liability</u>	<u>(c) Employer's Covered Employee Payroll</u>	<u>(d) Employer's Proportionate Share of the NPL as a % of its Covered Employee Payroll b / c</u>	<u>(e) Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
Professional Employees					
June 30, 2016	0.85504%	\$ 107,618,000	\$ 66,367,678	162.15%	70.68%
June 30, 2015	0.83118%	100,445,000	63,559,725	158.03%	70.88%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

THE YORK COUNTY SCHOOL DIVISION

Schedule of Employer Contributions - Professional Employees

Year Ended June 30, 2016

(Unaudited)

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b) / (d)
June 30, 2016	\$ 9,271,511	\$ 9,271,511	\$ -	\$ 66,367,678	13.97%
June 30, 2015	9,180,878	9,180,878	-	63,559,725	14.44%
June 30, 2014	7,081,843	7,081,843	-	60,755,750	11.66%
June 30, 2013	6,906,219	6,906,219	-	59,230,011	11.66%
June 30, 2012	6,876,567	6,876,567	-	60,693,441	11.33%
June 30, 2011	5,482,734	5,482,734	-	61,396,807	8.93%
June 30, 2010	7,043,137	7,043,137	-	62,498,365	11.27%
June 30, 2009	8,711,674	8,711,674	-	63,082,361	13.81%
June 30, 2008	9,053,000	9,053,000	-	56,169,936	16.12%
June 30, 2007	8,354,935	8,354,935	-	58,486,868	14.29%

Changes of Benefit Terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of Assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

THE YORK COUNTY SCHOOL DIVISION

Schedule of Employer Contributions - Nonprofessional Employees

Year Ended June 30, 2016

(Unaudited)

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b) / (d)
June 30, 2016	\$ 489,081	\$ 489,081	\$ -	\$ 6,361,525	7.69%
June 30, 2015	475,903	475,903	-	6,167,447	7.72%
June 30, 2014	542,604	542,604	-	6,035,633	8.99%
June 30, 2013	519,830	519,830	-	5,782,294	8.99%
June 30, 2012	699,906	699,906	-	6,016,887	11.63%
June 30, 2011	717,579	717,579	-	6,164,768	11.64%
June 30, 2010	743,242	743,242	-	6,142,499	12.10%
June 30, 2009	753,611	753,611	-	6,227,359	12.10%
June 30, 2008	635,894	635,894	-	6,045,032	10.52%
June 30, 2007	640,174	640,174	-	6,040,567	10.60%

Changes of Benefit Terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of Assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOs:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOs:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

THE YORK COUNTY SCHOOL DIVISION

Schedule of Employer Contributions - Optional Plan

Year Ended June 30, 2016

(Unaudited)

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b) / (d)
June 30, 2016	\$ 5,370	\$ 10,000	\$ (4,630)	\$ 490,949	2.04%
June 30, 2015	-	-	-	540,694	0.00%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

No changes have been made since GASB 68 has become effective.

THE YORK COUNTY SCHOOL DIVISION

Schedule of Investments

Year Ended June 30, 2016

(Unaudited)

Date	Annual Money-Weighted Rate of Return, Net of Investment Expense
June 30, 2016	4.88%
June 30, 2015	1.26%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

THE YORK COUNTY SCHOOL DIVISION

Schedule of Funding Progress - Other Postemployment Benefits (OPEB)

Year Ended June 30, 2016

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial 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
June 30, 2010	\$ -	\$ 5,629,250	\$ 5,629,250	0.00%	\$ 74,140,073	7.59%
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%
June 30, 2014	-	7,536,270	7,536,270	0.00%	67,126,751	11.23%
June 30, 2016	5,380,376	4,074,895	(1,305,481)	132.00%	73,417,704	-1.78%

*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.

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THE YORK COUNTY SCHOOL DIVISION

Notes to Required Supplementary Information June 30, 2016 (Unaudited)

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 GAAP.

THE YORK COUNTY SCHOOL DIVISION

Notes to Required Supplementary Information June 30, 2016 (Unaudited)

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 POSTEMPLOYMENT BENEFITS 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.

OTHER SUPPLEMENTARY INFORMATION

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THE YORK COUNTY SCHOOL DIVISION

**Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2016**

	<u>Capital Projects Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Intergovernmental:				
From the County of York	\$ 8,889,000	\$ 10,216,026	\$ 13,808,044	\$ 3,592,018
Revenue from the use of money	-	-	6,297	6,297
Miscellaneous	-	-	830	830
Total revenues	<u>\$ 8,889,000</u>	<u>\$ 10,216,026</u>	<u>\$ 13,815,171</u>	<u>\$ 3,599,145</u>
Expenditures				
Capital outlay	\$ 8,889,000	\$ 22,452,179	\$ 9,578,199	\$ 12,873,980
Total expenditures	<u>\$ 8,889,000</u>	<u>\$ 22,452,179</u>	<u>\$ 9,578,199</u>	<u>\$ 12,873,980</u>

THE YORK COUNTY SCHOOL DIVISION

**Schedule of Revenues and Expenditures - Budget and Actual
Non-major Special Revenue Fund
Year Ended June 30, 2016**

	School Food Service Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 54,360	\$ 54,360	\$ 51,963	\$ (2,397)
From the federal government	1,392,000	1,392,000	1,456,241	64,241
Revenue from the use of money	1,000	1,000	3,294	2,294
Charges for services	3,514,624	3,514,624	2,008,323	(1,506,301)
Total revenues	<u>\$ 4,961,984</u>	<u>\$ 4,961,984</u>	<u>\$ 3,519,821</u>	<u>\$ (1,442,163)</u>
Expenditures				
Food Services:				
Contractual services and purchases for resale	\$ 3,490,027	\$ 3,490,027	\$ 2,357,579	\$ 1,132,448
Donated commodities	270,000	270,000	218,615	51,385
Salaries and wages	637,475	637,475	443,062	194,413
Fringe benefits	542,482	542,482	263,702	278,780
Equipment replacement	12,000	12,000	-	12,000
Employee development	5,000	5,000	-	5,000
Travel	5,000	5,000	282	4,718
Total expenditures	<u>\$ 4,961,984</u>	<u>\$ 4,961,984</u>	<u>\$ 3,283,240</u>	<u>\$ 1,678,744</u>

THE YORK COUNTY SCHOOL DIVISION

**Statement of Changes in Assets and Liabilities
Agency Fund - School Activity Funds
Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and temporary investments	<u>\$ 1,547,101</u>	<u>\$ 3,766,508</u>	<u>\$ 3,748,564</u>	<u>\$ 1,565,045</u>
Liabilities				
Amounts held for others	<u>\$ 1,547,101</u>	<u>\$ 3,766,508</u>	<u>\$ 3,748,564</u>	<u>\$ 1,565,045</u>

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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 106 - 113)

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 114 - 118)

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 119 - 120)

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 121 - 123)

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 124 - 127)

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)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities					
Net investment in capital assets	\$ 141,610,738	\$ 137,691,072	\$ 134,132,537	\$ 132,539,275	\$ 130,339,563
Restricted	918,597	686,016	458,168	3,935,417	8,279,990
Unrestricted	(89,536,482)	(101,213,135)	(73,724)	2,318,089	4,898,751
Total primary government net position	<u>\$ 52,992,853</u>	<u>\$ 37,163,953</u>	<u>\$ 134,516,981</u>	<u>\$ 138,792,781</u>	<u>\$ 143,518,304</u>

THE YORK COUNTY SCHOOL DIVISION

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities					
Net investment in capital assets	\$ 132,111,487	\$ 132,734,112	\$ 135,060,176	\$ 132,335,874	\$ 126,097,687
Restricted	2,902,899	3,682,691	-	-	8,470,345
Unrestricted	6,433,477	8,154,443	7,552,683	4,941,291	3,262,537
Total primary government net position	<u>\$ 141,447,863</u>	<u>\$ 144,571,246</u>	<u>\$ 142,612,859</u>	<u>\$ 137,277,165</u>	<u>\$ 137,830,569</u>

THE YORK COUNTY SCHOOL DIVISION

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

	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
Instruction	\$ 89,230,595	\$ 92,702,062	\$ 88,230,990	\$ 89,826,521	\$ 88,259,923
Administrative, attendance, and health services	6,778,996	6,563,077	6,379,114	6,158,654	5,979,687
Transportation	6,500,649	7,408,338	7,562,949	7,376,543	7,317,981
Operations maintenance	13,275,449	12,191,709	11,253,356	10,787,363	11,111,778
Technology*	8,933,514	11,766,850	9,048,406	9,316,847	9,078,782
Food services	3,329,231	3,223,096	3,558,256	3,698,382	3,959,082
Interest on capital leases	-	-	-	-	-
Total primary government expenses	128,048,434	133,855,132	126,033,071	127,164,310	125,707,233
Program revenues					
Governmental activities:					
Charges for services:					
Instruction	733,664	6,527,643	877,582	877,091	688,885
Food services	1,977,639	1,988,920	2,257,018	1,996,950	2,530,712
Operating grants and contributions	68,291,758	63,298,465	59,579,412	58,859,190	59,233,478
Capital grants and contributions	-	-	-	-	-
Total primary government program revenues	71,003,061	71,815,028	62,714,012	61,733,231	62,453,075
Net (expense)/revenue					
Total primary government net expense	(57,045,373)	(62,040,104)	(63,319,059)	(65,431,079)	(63,254,158)
General revenues and other changes in net position					
Governmental activities:					
Payments from York County	60,055,486	59,859,842	46,784,869	48,246,996	52,761,202
Shared intergovernmental revenues	12,594,334	12,199,662	11,905,068	12,126,120	12,272,494
Revenues from the use of money and property	22,026	2,338	4,594	19,688	13,633
Miscellaneous	202,427	124,826	348,728	312,752	277,270
Total primary government	72,874,273	72,186,668	59,043,259	60,705,556	65,324,599
Changes in net position					
Total primary government	\$ 15,828,900	\$ 10,146,564	\$ (4,275,800)	\$ (4,725,523)	\$ 2,070,441

* Previously included in Instruction Expenses.

THE YORK COUNTY SCHOOL DIVISION

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

	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
Instruction	\$ 88,146,183	\$ 102,105,888	\$ 100,323,693	\$ 93,310,028	\$ 90,085,862
Administrative, attendance, and health services	5,621,318	5,659,615	6,092,564	9,114,161	8,554,642
Transportation	7,343,358	6,689,204	6,556,444	6,655,318	6,028,267
Operations maintenance	11,110,634	12,342,550	11,191,453	12,257,005	12,101,456
Technology*	8,702,882	-	-	-	-
Food services	4,146,776	3,860,618	4,186,429	4,406,639	4,063,833
Interest on capital leases	-	4,269	8,341	12,576	19,093
Total primary government expenses	125,071,151	130,662,144	128,358,924	125,755,727	120,853,153
Program revenues					
Governmental activities:					
Charges for services:					
Instruction	645,255	501,057	512,906	387,460	391,741
Food services	2,543,614	2,651,924	2,854,961	2,756,616	2,770,129
Operating grants and contributions	60,334,335	67,519,302	67,573,788	63,836,659	61,453,196
Capital grants and contributions	-	-	1,231,042	1,845,686	1,208,972
Total primary government program revenues	63,523,204	70,672,283	72,172,697	68,826,421	65,824,038
Net (expense)/revenue					
Total primary government net expense	(61,547,947)	(59,989,861)	(56,186,227)	(56,929,306)	(55,029,115)
General revenues and other changes in net position					
Governmental activities:					
Payments from York County	46,276,697	50,117,998	50,612,027	42,878,956	52,815,163
Shared intergovernmental revenues	11,861,997	11,291,540	10,473,202	10,937,058	11,266,703
Revenues from the use of money and property	30,789	207,705	214,513	2,196,245	1,195,331
Miscellaneous	255,081	331,005	222,179	363,643	403,067
Total primary government	58,424,564	61,948,248	61,521,921	56,375,902	65,680,264
Changes in net position					
Total primary government	\$ (3,123,383)	\$ 1,958,387	\$ 5,335,694	\$ (553,404)	\$ 10,651,149

* 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)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund (1)					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	3,895,668	3,835,909	3,662,355	3,625,296	3,485,632
Assigned	2,310,064	2,054,820	4,636,248	5,123,822	6,193,449
Unassigned	-	-	-	-	-
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
Total general fund	<u>\$ 6,205,732</u>	<u>\$ 5,890,729</u>	<u>\$ 8,298,603</u>	<u>\$ 8,749,118</u>	<u>\$ 9,679,081</u>
All other governmental funds (1)					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,073,848	686,016	458,168	3,935,417	8,279,990
Committed	-	-	-	-	-
Assigned	3,487,134	-	-	-	1,193,459
Unassigned	-	(594,587)	(1,586,250)	(55,445)	-
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Capital project fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,560,982</u>	<u>\$ 91,429</u>	<u>\$ (1,128,082)</u>	<u>\$ 3,879,972</u>	<u>\$ 9,473,449</u>

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

THE YORK COUNTY SCHOOL DIVISION

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

	2011	2010	2009	2008	2007
General fund (1)					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	3,309,690	-	-	-	-
Assigned	7,668,987	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	-	7,550,946	6,946,238	5,905,974	4,282,348
Unreserved	-	3,041,258	2,811,011	2,911,736	2,209,444
Total general fund	<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>
All other governmental funds (1)					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	542,233	-	-	-	-
Committed	-	-	-	-	-
Assigned	3,547,130	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	-	1,739,816	434,066	2,226,149	7,220,504
Unreserved, reported in:					
Special revenue fund	-	671,801	518,531	477,066	507,873
Capital project fund	-	3,887,722	1,426,898	(2,015,600)	1,411,492
Total all other governmental funds	<u>\$ 4,089,363</u>	<u>\$ 6,299,339</u>	<u>\$ 2,379,495</u>	<u>\$ 687,615</u>	<u>\$ 9,139,869</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)

	2016	2015	2014	2013	2012
Revenues					
Federal sources:					
Federal grants	\$ 18,551,861	\$ 13,927,494	\$ 13,270,776	\$ 13,779,273	\$ 14,113,544
Food services	1,456,241	1,375,528	1,355,737	1,246,480	1,323,875
Total federal sources	20,008,102	15,303,022	14,626,513	15,025,753	15,437,419
State sources:					
State education basic aid	34,165,873	34,368,771	31,543,761	31,035,613	32,894,123
State sales tax	12,594,334	12,199,662	11,905,068	12,126,120	12,272,494
Food services	51,963	49,860	53,498	59,869	59,770
State grants and other	13,545,506	12,958,096	12,854,878	11,896,765	10,365,060
Total state sources	60,357,676	59,576,389	56,357,205	55,118,367	55,591,447
Local sources:					
Payments from York County	60,055,486	59,859,842	46,784,869	48,246,996	52,761,202
Food service sales	2,008,323	1,988,920	2,257,018	2,125,836	2,530,712
Interest and other income	651,918	621,054	643,278	653,798	606,530
Other revenues	795,829	884,448	1,088,388	1,268,037	850,364
Total local resources	63,511,556	63,354,264	50,773,553	52,294,667	56,748,808
Total revenues	143,877,334	138,233,675	121,757,271	122,438,787	127,777,674
Expenditures					
Instruction	92,381,922	90,844,194	84,047,592	85,789,332	83,857,197
Administration, attendance, and health services	6,566,995	6,356,344	6,181,470	5,974,176	5,817,828
Pupil transportation	6,910,247	7,717,260	7,173,435	6,994,450	6,997,948
Operations and maintenance	11,535,722	11,608,122	11,906,865	11,423,130	11,119,949
Technology	8,836,453	10,880,109	8,889,363	8,932,377	9,156,293
Food services	3,283,240	3,182,554	3,517,128	3,664,307	3,922,593
Capital outlay	9,578,199	8,833,455	5,499,987	6,184,455	2,821,376
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	139,092,778	139,422,038	127,215,840	128,962,227	123,693,184
Excess (deficiency) of revenues over (under) expenditures	4,784,556	(1,188,363)	(5,458,569)	(6,523,440)	4,084,490
Other financing sources (uses)					
Capital lease	-	-	-	-	-
Transfers in	4,000	4,000	-	-	-
Transfers out	(4,000)	(4,000)	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	\$ 4,784,556	\$ (1,188,363)	\$ (5,458,569)	\$ (6,523,440)	\$ 4,084,490
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

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

THE YORK COUNTY SCHOOL DIVISION

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

	2011	2010	2009	2008	2007
Revenues					
Federal sources:					
Federal grants	\$ 15,871,798	\$ 21,240,077	\$ 11,443,188	\$ 12,347,579	\$ 12,797,495
Food services	1,372,392	1,255,880	1,246,253	1,248,847	1,124,241
Total federal sources	17,244,190	22,495,957	12,689,441	13,596,426	13,921,736
State sources:					
State education basic aid	31,862,952	34,085,563	42,428,319	35,601,854	35,239,777
State sales tax	11,861,997	11,291,540	10,473,202	10,937,058	11,266,703
Food services	61,857	64,925	66,944	65,939	64,283
State grants and other	10,684,346	10,495,914	13,067,600	15,703,458	13,435,872
Total state sources	54,471,152	55,937,942	66,036,065	62,308,309	60,006,635
Local sources:					
Payments from York County	46,276,697	50,117,998	50,612,027	42,878,956	52,815,163
Food service sales	2,543,614	2,651,924	2,854,961	2,756,616	2,770,129
Interest and other income	628,793	696,700	878,873	1,176,981	1,195,331
Other revenues	783,322	720,010	623,251	646,968	795,308
Total local resources	50,232,426	54,186,632	54,969,112	47,459,521	57,575,931
Total revenues	121,947,768	132,620,531	133,694,618	123,364,256	131,504,302
Expenditures					
Instruction	83,820,381	97,868,494	96,297,060	87,648,146	85,684,494
Administration, attendance, and health services	5,462,641	5,495,520	5,937,858	8,945,661	8,329,524
Pupil transportation	7,091,905	7,044,930	7,591,803	6,739,839	6,567,937
Operations and maintenance	10,961,577	11,520,301	11,115,340	11,205,861	11,653,064
Technology	8,601,876	-	-	-	-
Food services	4,109,497	3,822,554	4,138,012	4,197,435	4,024,382
Capital outlay	3,723,394	2,019,822	5,889,016	10,634,944	11,896,449
Debt service:					
Principal retirement	-	89,842	85,769	106,130	175,167
Interest and fiscal charges	-	4,269	8,341	12,576	19,093
Total expenditures	123,771,271	127,865,732	131,063,199	129,490,592	128,350,110
Excess of revenues over expenditures	(1,823,503)	4,754,799	2,631,419	(6,126,336)	3,154,192
Other financing sources (uses)					
Capital lease	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	\$ (1,823,503)	\$ 4,754,799	\$ 2,631,419	\$ (6,126,336)	\$ 3,154,192
Debt service as a percentage of noncapital expenditures	0.00%	0.07%	0.08%	0.10%	0.17%

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

THE YORK COUNTY SCHOOL DIVISION

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

Fiscal Year	Breakfast Program Meal Prices				Lunch Program Rates Meal Prices				Average Percentage of Students Participating in School Lunch Program	Percentage of Students Receiving Free or Reduced Meals
	Elementary	Middle/High	Adult	Reduced	Elementary	Middle/High	Adult	Reduced		
2016	\$ 1.40	\$ 1.50	\$ 1.90	\$ 0.30	\$ 2.50	\$ 2.60	\$ 3.25	\$ 0.40	28.19%	19.94%
2015	1.35	1.45	1.85	0.30	2.45	2.55	3.20	0.40	35.59%	20.30%
2014	1.25	1.35	1.75	0.30	2.35	2.45	3.10	0.40	29.39%	19.53%
2013	1.25	1.35	1.75	0.30	2.25	2.35	3.00	0.40	28.00%	19.02%
2012	1.15	1.25	1.60	0.30	2.15	2.25	2.75	0.40	33.15%	17.18%
2011	1.15	1.25	1.60	0.30	2.15	2.25	2.75	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%

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		
2016	#####	\$ 593,894,890	\$ 3,512,600	\$ 442,369,715	\$ 104,756	\$ -	\$10,040,644,661	0.9437
2015	8,798,868,900	561,880,260	3,939,500	430,748,916	127,592	-	9,795,565,168	0.9379
2014	8,734,569,500	552,552,935	3,780,000	425,978,786	148,514	-	9,717,029,735	0.9363
2013	8,690,891,300	531,217,905	3,912,100	420,994,403	186,019	-	9,647,201,727	0.9304
2012	8,638,730,000	514,828,080	3,812,600	393,773,490	69,127	-	9,551,213,297	0.9172
2011	8,949,135,600	493,248,385	4,187,400	382,175,535	96,956	68,960,274	9,897,804,150	0.8232
2010	8,961,227,100	486,463,825	4,021,600	366,503,738	129,147	69,774,070	9,888,119,480	0.8211
2009	8,993,599,500	460,168,335	4,725,400	346,268,796	147,871	72,185,117	9,877,095,019	0.8123
2008	8,769,689,200	515,107,210	4,276,100	308,145,734	148,765	67,877,755	9,665,244,764	0.8348
2007	7,645,795,200	487,921,335	4,224,900	326,639,988	174,188	75,653,448	8,540,409,059	0.8850

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

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2016

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)	Boats > 5 Tons (1)	Total Direct Tax Rate
2016	\$ 0.7515	\$ 4.00	\$ 0.7515	\$ 1.00	\$ 0.9437
2015	0.7515	4.00	0.7515	1.00	0.9379
2014	0.7515	4.00	0.7515	1.00	0.9363
2013	0.7415/0.7515	4.00	0.7415/0.7515	1.00	0.9304
2012	0.6575/0.7415	4.00	0.6575/0.7415	1.00	0.9172
2011	0.6575	4.00	0.6575	1.00	0.8232
2010	0.6575	4.00	0.6575	1.00	0.8211
2009	0.6575	4.00	0.6575	1.00	0.8123
2008	0.6975/0.6575	4.00	0.6975/0.6575	1.00	0.8348
2007	0.6975	4.00	0.6975	1.00	0.8850

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

⁽²⁾ The amount designated for school operating is \$0.587 per \$100 of valuation for fiscal year 2016.

⁽³⁾ The tax rate, 1st half/2nd half.

⁽⁴⁾ The tax rate per \$100 of assessed valuation for Disabled American Veterans has been \$1.00 since 2008.

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

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2016

THE YORK COUNTY SCHOOL DIVISION

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

<u>Taxpayer</u>	<u>Description</u>	<u>2015 Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>2006 Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Virginia Power Company	Generating plant	\$ 356,904,965	1	3.63%	\$ 283,926,006	1	3.38%
BP/Western Refining/Plains Marketing	Former Refinery	236,396,720	2	2.40%	83,621,055	3	0.99%
Lawyers Title/Fairfield Resorts	Timeshare condominiums	170,891,445	3	1.74%	161,377,170	2	1.92%
City of Newport News	Water system	135,272,300	4	1.38%	80,970,587	4	0.96%
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	80,493,065	5	0.82%	50,182,145	6	0.60%
Kings Creek Plantation	Timeshare condominiums	80,394,610	6	0.82%	46,899,465	7	0.56%
Wal Mart	Retail sales	38,297,120	7	0.39%	33,853,680	8	0.40%
1991 Ashe Partnership	Apartment complex	37,819,090	8	0.38%			
852 LLC	Apartment complex	34,978,020	9	0.36%			
Bush Entertainment/Water Country USA	Water park	<u>34,327,035</u>	10	<u>0.35%</u>	65,188,275	5	0.78%
Verizon Virginia Inc,	Telecommunications				22,194,438	9	0.26%
Virginia Natural Gas	Manufacturer				<u>21,411,374</u>	10	<u>0.25%</u>
Total		<u>\$ 1,205,774,370</u>		<u>12.27%</u>	<u>\$ 849,624,195</u>		<u>10.10%</u>

*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
2016	\$ 84,110,482	\$ 81,503,407	96.90%	\$ -	\$ 81,503,407	96.90%
2015	80,716,523	77,929,910	96.55%	2,224,984	80,154,894	99.30%
2014	79,831,923	77,513,973	97.10%	1,817,797	79,331,770	99.37%
2013	78,390,079	75,580,443	96.42%	2,308,238	77,888,681	99.36%
2012	77,167,308	75,120,925	97.35%	1,530,160	76,651,085	99.33%
2011	78,309,524	74,202,547	94.76%	1,616,869	75,819,416	96.82%
2010	79,967,238	74,592,412	93.28%	1,700,927	76,293,339	95.41%
2009	77,519,190	74,221,594	95.75%	1,756,865	75,978,459	98.01%
2008	72,552,762	70,122,593	96.65%	2,038,771	72,161,364	99.46%
2007	69,290,160	67,367,845	97.23%	1,369,212	68,737,057	99.20%

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2016

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 Obligation Bonds	Revenue Bonds	Literary Loans	Capital Leases	Lease Revenue Bonds	Note Payable	Total Primary Government	Capital Leases			Total School Division
2016	\$61,906,639	\$21,169,120	\$ -	\$ 2,420,659	\$ 23,247,569	\$ -	\$108,743,987	\$ -	\$ -	N/A	\$ 1,546
2015	53,270,668	21,696,428	-	3,185,983	23,544,723	-	101,697,802	-	-	N/A	1,464
2014	49,619,991	22,207,989	-	3,751,628	24,847,309	-	100,426,917	-	-	2.39%	1,490
2013	54,961,398	22,141,530	-	3,803,050	26,059,652	372,740	107,338,370	-	-	2.64%	1,603
2012	59,822,805	22,570,884	-	4,147,737	27,499,214	719,393	114,760,033	-	-	2.83%	1,728
2011	56,564,037	22,984,594	100,000	5,021,889	29,052,785	1,041,781	114,765,086	-	-	2.92%	1,740
2010	59,858,071	7,924,245	200,000	2,853,785	30,792,347	1,341,604	102,970,052	-	-	2.73%	1,567
2009	59,764,486	8,194,645	300,000	3,513,765	31,951,909	1,620,440	105,345,245	89,842	89,842	2.88%	1,622
2008	58,234,825	8,449,490	400,000	1,659,793	15,437,028	1,879,758	86,060,894	175,611	175,611	2.33%	1,342
2007	62,329,170	8,693,806	550,000	1,851,783	16,511,783	2,120,925	92,057,467	281,741	281,741	2.55%	1,456

(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 2016

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
2016	\$ 61,906,639	\$ -	\$ 61,906,639	0.62%	880
2015	53,270,668	-	53,270,668	0.54%	767
2014	49,619,991	-	49,619,991	0.51%	736
2013	54,961,398	-	54,961,398	0.57%	821
2012	59,822,805	-	59,822,805	0.63%	901
2011	56,564,037	-	56,564,037	0.57%	857
2010	59,858,071	-	59,858,071	0.61%	911
2009	59,764,486	-	59,764,486	0.61%	920
2008	58,234,825	-	58,234,825	0.60%	908
2007	62,329,170	-	62,329,170	0.73%	986

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2016

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⁾
2016	70,341	N/A	N/A	N/A	13.20	12,522	3.90%
2015	69,466	N/A	N/A	38.50	13.20	12,519	4.30%
2014	67,396	\$ 4,205,314	\$ 53,646	40.10	13.20	12,333	5.00%
2013	66,955	4,069,566	52,128	39.20	13.20	12,226	5.40%
2012	66,428	4,050,950	52,015	38.60	13.20	12,410	5.80%
2011	65,973	3,930,614	50,480	40.00	13.20	12,477	6.10%
2010	65,695	3,777,062	48,830	39.40	13.20	12,533	6.10%
2009	64,933	3,663,568	47,364	39.90	13.10	12,732	5.30%
2008	64,132	3,687,475	47,860	39.80	13.10	12,745	3.30%
2007	63,226	3,610,140	47,008	38.70	13.10	12,649	2.50%

N/A - This information is not available.

Source:

⁽¹⁾ Weldon Cooper Center for Public Service; 2016 estimate based on average growth over prior nine years.

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

⁽³⁾ Median Age from U.S. Census Bureau

⁽⁴⁾ Educational Attainment derived from data published by the U.S. Census Bureau.

⁽⁵⁾ County School Division

⁽⁶⁾ Local Area Unemployment Statistics Program and the Bureau of Labor Statistics; 2016 estimate per County Planning Division.

THE YORK COUNTY SCHOOL DIVISION

Principal Employers Current Year and Nine Years Prior (Unaudited)

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Naval Weapons Station / Cheatham Annex	2,956	1	13.13%	2,217	1	9.47%
York County School Division	1,711	2	7.60%	1,726	2	7.37%
U.S. Coast Guard Station	1,404	3	6.24%	798	4	3.41%
Water Country	826	4	3.67%	736	6	3.14%
Wal-Mart	798	5	3.55%	948	3	4.05%
Sentara Williamsburg Regional Medical Center	759	6	3.37%	792	5	3.38%
York County Government	729	7	3.24%	675	7	2.88%
YMCA	594	9	2.64%			
Great Wolf Lodge	480	8	2.13%	500	8	2.14%
Kroger	310	10	1.38%			
Fairfield Resorts				465	9	1.99%
Kings Creek Plantation				281	10	1.20%
Total	10,567		46.95%	9,138		39.03%

Source: County Office of Economic Development.

THE YORK COUNTY SCHOOL DIVISION

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Athletic Directors	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Board Members	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Bus Drivers	131.00	131.00	131.00	131.00	131.00	131.00	133.00	133.00	133.00	136.00
Bus Driver Assistants	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Cafeteria Monitors	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Clerical	69.75	69.75	69.75	70.72	70.72	72.69	74.75	74.75	74.25	75.25
Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Crossing Guards	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Custodians	94.50	94.50	94.50	94.50	97.50	103.50	108.50	108.50	100.50	100.50
Directors	7.25	7.25	8.25	7.25	7.25	10.25	9.25	10.25	9.25	11.25
Division Chiefs	4.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	3.00
Food Service Personnel	25.00	26.66	28.66	29.66	29.66	33.66	35.66	44.66	48.32	53.32
Guidance Counselors	33.50	33.50	31.50	31.50	31.50	33.00	33.50	33.50	34.00	34.00
Instructors	9.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	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	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00
Nurses	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Occupational Therapists	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.00
Para-Educators	264.50	259.50	254.50	255.50	256.50	270.00	268.00	272.00	261.00	268.50
Physical Therapists	1.60	1.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Principals	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Principals (Assistants)	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	25.00
Psychologists	11.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00
Superintendent	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Teachers	860.05	845.05	830.55	830.55	841.79	867.80	868.16	862.16	833.25	845.72
Technical	98.57	97.09	97.92	97.67	96.47	101.79	107.17	113.96	110.26	114.54
Trades	24.00	24.00	24.00	24.00	24.00	24.00	24.00	26.00	24.00	24.00
Total Full-Time Equivalents	1,769.22	1,749.40	1,729.63	1,731.35	1,745.39	1,807.69	1,822.99	1,839.78	1,788.83	1,821.58

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
2016	12,522	\$ 126,231,339	\$ 10,081	-0.9%	911.55	13.7	-1.6%
2015	12,519	127,406,029	10,177	6.2%	896.55	14.0	-0.4%
2014	12,333	118,198,725	9,584	-1.6%	880.05	14.0	1.9%
2013	12,226	119,113,465	9,743	3.4%	889.05	13.8	1.8%
2012	12,410	116,949,215	9,424	1.4%	918.80	13.5	-0.4%
2011	12,477	115,938,380	9,292	-4.6%	919.80	13.6	-0.5%
2010	12,533	122,023,356	9,736	2.4%	919.66	13.6	-2.2%
2009	12,732	121,036,171	9,506	5.7%	913.66	13.9	-3.2%
2008	12,745	114,658,213	8,996	1.2%	885.25	14.4	2.1%
2007	12,649	112,429,279	8,888	9.5%	897.72	14.1	-1.4%

Source: York County School Division

THE YORK COUNTY SCHOOL DIVISION

School Building Information Last Ten Fiscal Years (Unaudited)

School	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	594	554	493	410	382	388	525	549	565	555
Coventry Elementary:										
Square feet	78,033	78,033	78,033	78,033	78,033	78,033	78,033	78,073	78,073	78,073
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	577	543	548	589	628	640	604	612	646	637
Dare Elementary:										
Square feet	63,415	63,415	63,415	63,415	63,415	63,415	63,415	64,300	52,100	52,100
Capacity	867	867	867	867	867	867	867	867	427	427
*Enrollment	379	354	372	409	428	460	438	436	447	421
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	616	575	601	622	640	624	617	628	642	623
Magruder Elementary:										
Square feet	74,867	74,867	74,867	74,867	74,867	74,867	74,867	74,867	70,400	70,400
Capacity	740	740	740	740	740	740	740	740	653	653
Enrollment	626	562	602	600	590	570	593	640	599	614
Mt. Vernon Elementary:										
Square feet	69,689	69,689	69,689	69,689	69,689	69,689	57,999	57,999	57,999	57,999
Capacity	782	782	782	782	782	782	542	542	542	542
Enrollment	533	485	509	548	553	557	554	544	552	535
Seaford Elementary:										
Square feet	61,731	61,731	61,731	55,553	55,553	55,553	55,553	55,553	55,553	55,553
Capacity	656	656	656	506	506	506	506	506	506	506
Enrollment	452	437	455	479	494	521	519	532	520	508
Tabb Elementary:										
Square feet	76,790	76,790	76,790	76,790	68,425	68,425	68,425	68,425	68,425	68,425
Capacity	777	777	777	777	627	627	627	627	627	627
Enrollment	627	620	608	625	643	634	531	540	551	546
Waller Mill Elementary:										
Square feet	60,151	36,665	36,665	36,665	36,665	36,665	36,665	36,665	36,665	36,665
Capacity	460	297	297	297	297	297	297	297	297	297
Enrollment	320	267	278	279	315	320	321	339	328	301
Yorktown Elementary:										
Square feet	66,402	66,402	66,402	66,402	66,402	66,402	66,402	66,402	54,200	54,200
Capacity	734	734	734	734	734	734	734	734	494	494
Enrollment	694	610	624	663	636	625	584	513	489	464

THE YORK COUNTY SCHOOL DIVISION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</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	45	45	45	44	44	44	44	44	44	43
Playgrounds	30	30	30	30	30	30	30	30	20	20
Pupil Transportation										
Buses	162	160	160	159	160	158	154	153	150	150
Operations and Maintenance										
Vehicles	106	92	85	85	85	76	75	78	70	70

Source: York County School Division

The York County School Division

School Building Information (Continued)

Last Ten Fiscal Years

(Unaudited)

School	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Middle										
Grafton 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	459	423	425	448	468	473	490	543	570	545
Queens Lake 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	903	853	857	828	786	774	829	897	954	967
Tabb Middle:										
Square feet	98,918	98,918	98,918	98,918	98,918	98,918	98,918	98,918	98,918	65,600
Capacity	982	982	982	982	982	982	982	982	982	629
Enrollment	767	720	717	742	759	742	752	739	713	666
Yorktown Middle:										
Square feet	150,461	150,461	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	872	808	815	850	868	881	875	854	893	934
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	608	547	538	585	616	636	668	727	726	746
Grafton High:										
Square feet	164,961	164,961	159,729	159,729	159,729	159,729	159,729	159,729	159,729	159,729
Capacity	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397
Enrollment	1,176	1,104	1,132	1,271	1,302	1,309	1,277	1,281	1,296	1,299
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	1,161	1,075	1,021	1,100	1,138	1,164	1,245	1,257	1,267	1,283
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	1,060	1,015	993	1,054	1,045	1,045	1,078	1,036	977	1,014
York River Academy:										
Square feet	24,451	24,451	24,451	24,451	24,451	24,451	24,451	3,800	3,800	3,800
Capacity	128	128	128	128	128	128	128	40	40	40
Enrollment	72	74	66	65	56	56	58	50	50	40

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

Source: York County School Division

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COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
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 the *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, 2016, and the related notes to the financial statements, which collectively comprise the School Division's basic financial statements, and have issued our report thereon dated November 18, 2016.

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.

Cheryl Bekart LLP

Virginia Beach, Virginia
November 18, 2016