

**SCHOOL DISTRICT OF THE
CITY OF YORK
YORK, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

SCHOOL DISTRICT OF THE CITY OF YORK, PENNSYLVANIA

YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report on Financial Statements	1 - 3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Position – Fiduciary Funds	13
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	14
Notes to Financial Statements	15 - 42
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	44
Schedule of Funding Progress – Other Postemployment Benefits – Post-Retirement Healthcare Benefits Plan	45

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

To the Board of School Directors
School District of the City of York
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the City of York (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District'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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of 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.

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Zelenkofske Axelrod LLC

To the Board of School Directors
School District of the City of York
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Principles

As discussed in Note 1 to the financial statements, in 2014, the School District adopted the provisions of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", GASB Statement No. 66, "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*", GASB Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", and GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of funding progress for postemployment benefits other than pensions on pages 44-45 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.

Omission of Management's Discussion and Analysis

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

To the Board of School Directors
School District of the City of York
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the School District'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 School District's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
March 30, 2015

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF NET POSITION
JUNE 30, 2014

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and Cash Equivalents	\$ 4,002,553	\$ 520,481	\$ 4,523,034
Investments	7,500,000	-	7,500,000
Taxes Receivable, net	4,313,180	-	4,313,180
Internal Balances	451,036	(451,036)	-
Due from Other Governments	1,331,543	1,006,767	2,338,310
Other Receivables	452,970	117,670	570,640
Inventories	187,711	23,790	211,501
Other Assets	3,339,475	181,111	3,520,586
Total Current Assets	21,578,468	1,398,783	22,977,251
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	982,036	-	982,036
Investments	1,695,000	-	1,695,000
Capital Assets, not being depreciated	2,804,679	-	2,804,679
Capital Assets, being depreciated, net	139,333,245	140,674	139,473,919
Total Noncurrent Assets	144,814,960	140,674	144,955,634
TOTAL ASSETS	166,393,428	1,539,457	167,932,885
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Loss on Refunding, net of Accumulated Amortization	345,052	-	345,052
TOTAL DEFERRED OUTFLOWS OF RESOURCES	345,052	-	345,052
 <u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	5,558,007	363,767	5,921,774
Note Payable	3,655,482	-	3,655,482
Current Portion of Long-Term Debt	8,040,059	-	8,040,059
Accrued Salaries and Benefits	4,600,758	13,810	4,614,568
Accrued Interest on Long-Term Debt	992,269	-	992,269
Payroll Deductions and Withholdings	1,659,225	-	1,659,225
Unearned Revenues	467,143	60,845	527,988
Total Current Liabilities	24,972,943	438,422	25,411,365
Noncurrent Liabilities			
Bonds Payable	106,395,764	-	106,395,764
Bond Premiums, net of Amortization	154,287	-	154,287
Long-Term Portion of Compensated Absences	1,811,254	41,529	1,852,783
Other Post-Employment Benefit Obligations	1,262,023	66,423	1,328,446
Total Noncurrent Liabilities	109,623,328	107,952	109,731,280
TOTAL LIABILITIES	134,596,271	546,374	135,142,645
 <u>NET POSITION</u>			
Net Investment in Capital Assets	30,567,351	140,674	30,708,025
Restricted	2,677,036	-	2,677,036
Unrestricted	(1,102,178)	852,409	(249,769)
TOTAL NET POSITION	\$ 32,142,209	\$ 993,083	\$ 33,135,292

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

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 80,842,707	\$ 3,225	\$ 15,119,993	\$ -	\$ (65,719,489)	\$ -	\$ (65,719,489)
Instructional Student Support	6,652,955	-	2,496,160	-	(4,156,795)	-	(4,156,795)
Administrative and Financial Support Services	8,772,289	-	845,801	-	(7,926,488)	-	(7,926,488)
Operation and Maintenance of Plant Services	6,343,043	-	329,764	-	(6,013,279)	-	(6,013,279)
Pupil Transportation	2,153,973	-	402,468	-	(1,751,505)	-	(1,751,505)
Student Activities	383,410	24,336	24,497	-	(334,577)	-	(334,577)
Community Services	194,070	-	203,022	-	8,952	-	8,952
Interest on Long-Term Debt	4,979,704	-	-	2,120,243	(2,859,461)	-	(2,859,461)
Depreciation - Unallocated	55,285	-	-	-	(55,285)	-	(55,285)
Total Governmental Activities	110,377,436	27,561	19,421,705	2,120,243	(88,807,927)	-	(88,807,927)
Business-Type Activities:							
Food Services	4,655,108	604,663	3,953,455	-	-	(96,990)	(96,990)
Total Primary Government	\$ 115,032,544	\$ 632,224	\$ 23,375,160	\$ 2,120,243	(88,807,927)	(96,990)	(88,904,917)
General Revenues:							
Taxes:							
					30,721,203	-	30,721,203
					42,712	-	42,712
					1,922,579	-	1,922,579
					130,557	-	130,557
					521,222	-	521,222
					59,136,494	-	59,136,494
					22,402	2,238	24,640
					2,197,300	-	2,197,300
					(220,346)	-	(220,346)
Total General Revenues					94,474,123	2,238	94,476,361
Changes in Net Position					5,666,196	(94,752)	5,571,444
Net position - beginning of year as restated (see note 20)					26,476,013	1,087,835	27,563,848
Net position - end of year					\$ 32,142,209	\$ 993,083	\$ 33,135,292

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

SCHOOL DISTRICT OF THE CITY OF YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,002,553	\$ -	\$ -	\$ 4,002,553
Investments	7,500,000	-	-	7,500,000
Taxes Receivable, net allowance of \$479,242	4,313,180	-	-	4,313,180
Due from Other Funds	451,036	-	-	451,036
Due From Other Governments	1,331,543	-	-	1,331,543
Other Receivables	452,970	-	-	452,970
Inventories	187,711	-	-	187,711
Prepaid Expenses	3,339,475	-	-	3,339,475
Restricted Assets:				
Cash and Cash Equivalents	-	979,485	2,551	982,036
Investments	-	1,695,000	-	1,695,000
TOTAL ASSETS	\$ 21,578,468	\$ 2,674,485	\$ 2,551	\$ 24,255,504
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 5,390,188	\$ 167,819	\$ -	\$ 5,558,007
Accrued Salaries and Benefits	4,600,758	-	-	4,600,758
Payroll Deductions and Withholdings	1,659,225	-	-	1,659,225
Deferred Revenue	467,143	-	-	467,143
TOTAL LIABILITIES	12,117,314	167,819	-	12,285,133
DEFERRED INFLOWS OF RESOURCES				
Unavailable Tax Revenues - Property Taxes	3,660,397	-	-	3,660,397
TOTAL DEFERRED INFLOWS OF RESOURCES	3,660,397	-	-	3,660,397
FUND BALANCES				
Nonspendable	3,527,186	-	-	3,527,186
Restricted	-	2,506,666	2,551	2,509,217
Unassigned	2,273,571	-	-	2,273,571
TOTAL FUND BALANCES	5,800,757	2,506,666	2,551	8,309,974
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 21,578,468	\$ 2,674,485	\$ 2,551	\$ 24,255,504

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

SCHOOL DISTRICT OF THE CITY OF YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Total fund balance - governmental funds \$ 8,309,974

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. Those assets consist of:

Land	\$ 2,804,679	
Buildings and improvements, net of \$129,548,440 accumulated depreciation	136,304,783	
Furniture and Equipment, net of \$21,116,698 accumulated depreciation	<u>3,028,462</u>	
 Total capital assets		 142,137,924

Property taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 3,660,397

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	(114,435,823)	
Note Payable	(3,655,482)	
Accrued Interest on Long-Term Debt	(992,269)	
Deferred Loss on Refunding, net of Amortization	345,052	
Bond Premium, net of Amortization	(154,287)	
Compensated Absences	(1,811,254)	
Other Post-Employment Benefit Obligations	<u>(1,262,023)</u>	
		<u>(121,966,086)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 32,142,209

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
REVENUES				
Local Sources:				
Real Estate Taxes	\$ 27,149,744	\$ -	\$ -	\$ 27,149,744
Other Taxes	2,617,070	-	-	2,617,070
Investment Income	17,670	4,730	2	22,402
Other Revenue	2,510,053	-	-	2,510,053
Total Local Sources	<u>32,294,537</u>	<u>4,730</u>	<u>2</u>	<u>32,299,269</u>
State Sources	73,353,101	-	-	73,353,101
Federal Sources	7,040,149	-	-	7,040,149
Total Revenues	<u>112,687,787</u>	<u>4,730</u>	<u>2</u>	<u>112,692,519</u>
EXPENDITURES				
Instructional Services	77,161,420	-	-	77,161,420
Support Services	22,261,450	245	-	22,261,695
Noninstructional Services	569,722	-	-	569,722
Capital Outlay	-	685,581	-	685,581
Debt Service				
Principal	8,002,059	-	-	8,002,059
Interest	5,099,432	-	-	5,099,432
Total Expenditures	<u>113,094,083</u>	<u>685,826</u>	<u>-</u>	<u>113,779,909</u>
Excess of Revenues Over (Under) Expenditures	<u>(406,296)</u>	<u>(681,096)</u>	<u>2</u>	<u>(1,087,390)</u>
OTHER FINANCING SOURCES (USES)				
Tax Monetization Proceeds	3,530,623	-	-	3,530,623
Tax Monetization Expenses	(220,346)	-	-	(220,346)
Transfers In	163,333	-	-	163,333
Total Other Financing Sources	<u>3,473,610</u>	<u>-</u>	<u>-</u>	<u>3,473,610</u>
Net Changes in Fund Balance	3,067,314	(681,096)	2	2,386,220
Fund Balances - Beginning of Year	<u>2,733,443</u>	<u>3,187,762</u>	<u>2,549</u>	<u>5,923,754</u>
Fund Balances - End of Year	<u>\$ 5,800,757</u>	<u>\$ 2,506,666</u>	<u>\$ 2,551</u>	<u>\$ 8,309,974</u>

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

SCHOOL DISTRICT OF THE CITY OF YORK
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds \$ 2,386,220

The change in net assets reported for governmental activities in the statement of activities is different because:

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. The amount by which depreciation exceeds capital outlays in the period is as follows:

Depreciation expense	\$ (6,097,088)	
Capital outlays	<u>917,129</u>	(5,179,959)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments:		
General obligation debt	<u>8,002,059</u>	8,002,059

Tax monetization proceeds	(3,530,623)	
Payments on collateralized borrowing during fiscal year.	<u>3,141,060</u>	(389,563)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The differences for the items discussed above are:

Compensated absences expense	594,213	
Other postemployment benefits expense	(133,568)	
Amortization of debt premium/discount	118,544	
Amortization of deferred loss from refunding	(63,751)	
Accrued interest on long-term debt	<u>64,935</u>	580,373

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds.

Deferred tax revenues increased by this amount this year.		430,399
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Transfer to close out Internal Service funds into Governmental Funds		<u>(163,333)</u>
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Change in net position of governmental activities		<u><u>\$ 5,666,196</u></u>
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SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>Food Service</u>	
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 520,481	\$ -
Receivable from Other Governments	1,006,767	-
Other Receivables	117,670	-
Inventories	23,790	-
Prepaid Expenses	181,111	-
	<hr/>	<hr/>
Total Current Assets	1,849,819	-
	<hr/>	<hr/>
Noncurrent Assets		
Furniture and equipment, net	140,674	-
	<hr/>	<hr/>
Total Noncurrent Assets	140,674	-
	<hr/>	<hr/>
TOTAL ASSETS	1,990,493	-
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	363,767	-
Accrued Wages Payable	13,810	-
Due to Other Funds	451,036	-
Unearned Revenue	60,845	-
	<hr/>	<hr/>
Total Current Liabilities	889,458	-
	<hr/>	<hr/>
Noncurrent Liabilities		
Compensated Absences Payable	41,529	-
Other Post-Employment Benefit Obligations	66,423	-
	<hr/>	<hr/>
Total Noncurrent Liabilities	107,952	-
	<hr/>	<hr/>
TOTAL LIABILITIES	997,410	-
	<hr/>	<hr/>
<u>NET POSITION</u>		
Net Investment in Capital Assets	140,674	-
Unrestricted	852,409	-
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 993,083	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Internal Service Funds
	Food Service	
Operating Revenues		
Intergovernmental Revenues		
Federal	\$ 3,548,375	\$ -
State	185,712	-
Donated Commodities	219,368	-
Food Service Revenue	604,663	-
Total Operating Revenues	4,558,118	-
Operating Expenses		
Salaries	1,267,222	-
Employee Benefits	723,910	-
Other Purchased Services	2,518,963	-
Supplies	121,847	-
Depreciation	23,166	-
Total Operating Expenses	4,655,108	-
Operating Loss	(96,990)	-
Nonoperating Revenues		
Investment Earnings	2,238	-
Total Nonoperating Revenues	2,238	-
Loss before Operating Transfers	(94,752)	-
Transfers Out	-	(163,333)
Total Transfers Out	-	(163,333)
Change in Net Position	(94,752)	(163,333)
Net Position - Beginning of Year	1,087,835	163,333
Net Position - End of Year	\$ 993,083	\$ -

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

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Internal Service Funds
	Food Service	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Federal and State Agencies	\$ 3,141,979	\$ -
Cash Received from User Charges	572,271	-
Cash Payments to Employees for Services	(1,309,449)	-
Cash Payments to Suppliers for Goods and Services	(3,195,520)	-
Internal Activity	940,621	-
	<u>149,902</u>	<u>-</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Transfers Out	-	(163,333)
	<u>-</u>	<u>(163,333)</u>
Net Cash Used in Non-Capital Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	2,238	-
	<u>2,238</u>	<u>-</u>
Net Cash Provided by Investing Activities		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	152,140	(163,333)
Cash and Cash Equivalents - Beginning of Year	<u>368,341</u>	<u>163,333</u>
Cash and Cash Equivalents - End of Year	<u>\$ 520,481</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated Commodities	<u>\$ 219,368</u>	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (96,990)	\$ -
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	23,166	-
Change in assets and liabilities		
Accounts Receivable	(898,931)	-
Prepaid Expense	25,574	-
Inventory	(10,271)	-
Accounts Payable	153,897	-
Accrued Salaries and Benefits	(49,257)	-
Other Postemployment Benefits	7,030	-
Due to/Due From Other Funds	940,621	-
Deferred Revenue	55,063	-
	<u>246,892</u>	<u>-</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 149,902</u>	<u>\$ -</u>

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

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 65,636	\$ 132,707
Investments	<u>-</u>	<u>1,045</u>
TOTAL ASSETS	<u>65,636</u>	<u>133,752</u>
LIABILITIES		
Other Current Liabilities	<u>-</u>	<u>133,752</u>
TOTAL LIABILITIES	<u>-</u>	<u>133,752</u>
NET POSITION		
Restricted for Scholarships	<u>\$ 65,636</u>	<u>\$ -</u>

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

SCHOOL DISTRICT OF THE CITY OF YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 279
Earnings on Investments	146
Total Additions	425
DEDUCTIONS	
Scholarships Awarded	11,694
Total Deductions	11,694
Change in Net Position	(11,269)
Net Position - Beginning of Year	76,905
Net Position - End of Year	\$ 65,636

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

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The School District of the City of York (the "District") is an educational institution located in York, Pennsylvania. It is a school district of the second class based on its population and is comprised of elementary, middle and secondary schools.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*", established the criteria to be used by the School District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the School District has no component units that are required to be included in the School District's financial statements.

C. Joint Ventures

The York County School of Technology

The School District is one of fourteen member school districts participating in the operation of the York County School of Technology. The school is operated, administered and managed by a joint operating committee consisting of board members from the fourteen member school districts. These members are elected by the individual school board of directors. The School District's share of annual operating costs of the York County School of Technology fluctuates based on the number of students enrolled. The amount paid during the year ended June 30, 2014, for tuition and debt service was \$5,167,933. Complete financial information for the York County School of Technology can be obtained at 2179 South Queen Street, York, PA 17402.

Lincoln Intermediate Unit #12 (LIU)

The LIU Board of Directors consists of 13 members elected among the school directors of the 25 constituent school districts in York, Adams and Franklin Counties. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and has primary accountability for fiscal matters. The School District of the City of York contracts with LIU for special education services for School District students, and for certain joint services. The amount paid for these services during the year ended June 30, 2014, was \$1,888,357. Accounts payable at June 30, 2014, includes \$14,079 payable to LIU. The School District also receives Federal grant funding through the LIU. The amount received by the School District from LIU under the Special Education Cluster (IDEA) (CFDA #84.027) as of June 30, 2014 was \$1,367,138. Complete financial information for LIU can be obtained at 65 Billerbeck Street, New Oxford, PA 17350.

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

C. Joint Ventures (Continued)

Lincoln Benefit Trust (LBT)

The School District is one of 20 school districts, 2 vocational/technical schools, and the LIU which are members of LBT. LBT provides a funding mechanism, plan review, comprehensive reporting, joint purchasing of administrative service providers and reinsurance, and other services related to the self-insured health benefit plans of its members. The School District's share of LBT's professional service fees and audit expenses during the year ended June 30, 2014, was \$59,011. Complete financial information for the Lincoln Benefit Trust can be obtained at 65 Billerbeck Street, New Oxford, PA 17350.

York Adams Academy

The School District is one of 18 member school districts participating in the operation of the York Adams Academy. The York Adams Academy was established to provide dropouts the opportunity to acquire a high school diploma. The York Adams Academy is governed by a board comprised of one elected board member from each participating district. The School District's share of annual operating costs of the York Adams Academy fluctuates based on the number of students enrolled. The amount paid during the year ended June 30, 2014, was \$48,000. Complete financial information for the York Adams Academy can be obtained at 300 East Seventh Avenue, York, PA 17404.

York Adams Tax Bureau

The School District participates with 20 other school districts and 110 municipalities for the collection of earned income and other locally-levied taxes. Each member appoints one representative to serve on the Bureau's Board of Directors. Collections are distributed quarterly to member taxing authorities. Operating expenses of the York Adams Tax Bureau are deducted from these distributions, and the School District records tax revenues net of these expenses. Financial information for the Bureau can be obtained at 1405 North Duke Street, York, PA 17405.

D. Measurement Focus, Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Measurement Focus, Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

2. Fund Financial Statements

The operations of the School District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, deferred inflows or resources, fund balance, revenues and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the School District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The School District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

The proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The School District Fiduciary Funds are presented in the fund financial statements as Private-Purpose Trust Fund and Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the School District, these funds are not incorporated into the government-wide financial statements. The School District's fiduciary funds are presented on the accrual basis of accounting.

E. Basis of Presentation

The School District reports the following major funds:

Governmental Fund Types:

- The General Fund is the principal operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Funds are used to account for financial resources accumulated from debt proceeds related to fixed asset acquisitions, construction, and improvements, other than those financed by the proprietary fund.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Basis of Presentation (Continued)

Proprietary Fund Types:

- The Food Service Fund accounts for all financial resources associated with the operations of the School District's cafeterias. The food service fund is authorized under Section 504 of the Public School Code of 1949. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs (expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered through user charges.
- The Internal Service Funds account for the financing of services by the School District on a cost-reimbursement basis. The Self-Insurance Fund accounts for all financial resources used to pay losses incurred which are less than the deductible clause set forth in the School District's insurance policy. The Health and Welfare Self-Insurance Fund accounts for the receipt of funds and the payment of expenditures designated as health and welfare reserve benefits. The Internal Service Funds were closed out to the General Fund at the beginning of the year.

Additionally, the School District reports the following funds:

- The Private-Purpose Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and therefore are not available to support the School District's own programs.
- Agency funds are custodial in nature and account for assets held by the School District as an agent for various student activities.

F. Assets, Liabilities, Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the School District considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

2. Investments

Investments for the School District are reported at fair value. Investments that do not have an established market value are reported at estimated values.

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balances (Continued)

3. Restricted Assets

Restricted assets for the School District represent cash and investment balances from unspent bond proceeds, capital reserves and debt service funds. At June 30, 2014, the restricted cash balance was \$982,036 and the restricted investment balance was \$1,695,000.

4. Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis and are expended when used.

5. Capital Assets

Capital assets which include property, plant, and equipment are reported in the Governmental or Business-Type Activities column in the government-wide and proprietary fund financial statements. Donated assets are stated at estimated fair value on the date donated. The School District generally capitalizes assets or groups of assets with a cost of \$4,000 or more and useful lives of greater than one year. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings and Building Improvements	15 - 40 Years
Furniture and Equipment	5 - 12 Years

6. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All receivables are shown net of an allowance for doubtful accounts.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balances (Continued)

7. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences

The School District accrues unused vacation, sick leave, and personal days as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy.

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

10. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the assignment will be reappropriated and honored in subsequent years.

11. Net Position/Fund Balances

The School District follows GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balances (Continued)

11. Net Position/Fund Balances (Continued)

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (i.e. Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint. This formal action is a Board approved Resolution.
- *Assigned Fund Balance* – Amounts the School District intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Business Manager pursuant to authorization established by the Board of School Directors.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the School District's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the School District's policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

All encumbrances are classified as Assigned Fund Balance in the General Fund, or as Restricted Fund Balance in non-general funds.

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balances (Continued)

11. Net Position/Fund Balances (Continued)

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which restricted and unrestricted net position is available, the School District is to apply restricted net position first.

12. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balances (Continued)

14. Deferred Outflows / Inflows of Resources (Continued)

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

G. Adoption of Governmental Accounting Standards Board Statements

The School District adopted the provisions of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", GASB Statement No. 66, "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*", GASB Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", and GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*".

The adoption of GASB Statement No. 65 resulted in the restatement of net position (See Note 20). The adoption of the other statements had no effect on previously reported amounts.

H. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The School District is required to adopt Statement No. 68 for its fiscal year 2015 financial statements.

In January 2014, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The School District is required to adopt Statement No. 69 for its fiscal year 2015 financial statements.

In November 2014, the GASB issued Statement No. 71, "*Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*". The School District is required to adopt Statement No. 71 for its fiscal year 2015 financial statements.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Pending Changes in Accounting Principles (Continued)

In February 2015, the GASB issued Statement No. 72, "*Fair Value Measurement and Application*". The School District is required to adopt Statement No. 72 for its fiscal year 2016 financial statements.

The School District has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures related to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the department level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code.

Management may amend the budget at the department level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

In order to preserve a portion of an appropriation for which expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as assignments of fund balances.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3: DEPOSIT AND INVESTMENT RISK

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has a policy for custodial credit risk. As of June 30, 2014, the School District's cash balance was \$5,702,829, and its bank balance was \$7,569,912. At June 30, 2014, \$6,567,361 of the bank balance was exposed to custodial credit risk, as it was uninsured and collateralized with securities held by the financial institution's trust departments not in the School District's name. The District's cash equivalents of \$584 were not subject to custodial credit risk, as they were invested in a state investment pool.

The Pennsylvania School District Liquid Asset Fund ("PSDLAF") is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PSDLAF functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PSDLAF, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time. PSDLAF has received an AAAM rating from Standard & Poor's. At June 30, 2014, the School District's deposits with PSDLAF had a carrying amount of \$1,554,839 and book balance of \$1,554,839.

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2014, the District had the following debt investments and maturities that are classified as cash equivalents:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State Investment Pool	\$ 584	\$ 584	-	-	-

Interest Rate Risk

The District's investment policy does not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of June 30, 2014, all of the District's investments in the state investment pool were rated AAAM by Standards and Poor's.

As of June 30, 2014, the School District had the following investments:

<u>Investments</u>	<u>Fair Value</u>
<u>Governmental Funds:</u>	
General Fund	
Pennsylvania School District Liquid Asset Fund Collateralizes "CD" Investment Pool	\$ 7,500,000
Capital Projects Fund	
Pennsylvania School District Liquid Asset Fund Collateralizes "CD" Investment Pool	1,695,000
Total Governmental Funds	<u>9,195,000</u>
<u>Fiduciary Funds:</u>	
Private Purpose Trust Fund	
Other CD's / Government Securities	1,045
Total Fiduciary Funds	<u>1,045</u>
Total Investments	<u>\$ 9,196,045</u>

NOTE 4: REAL ESTATE TAXES

Based upon assessed valuations provided by the County, the Treasurer for the City of York collects property taxes on behalf of the School District. The School District's tax rate for the year ended June 30, 2014, is 33.736 mills (\$33.736 per \$1,000 of assessed valuation). The schedule for property taxes levied for the year ended June 30, 2014, is as follows:

July 1	Tax Levy Date
July 1 – August 31	2% Discount Period
September 1 – October 31	Face Payment Period
November 1 – December 31	10% Penalty Period
January 1	Lien Filing Date

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 4: REAL ESTATE TAXES (CONTINUED)

On January 15, of the following year, all delinquent taxpayers are turned over for collection to the York City Tax Claim Bureau. Uncollected real estate taxes attach as an enforceable lien on property when recorded by the York City Tax Claim Bureau in January. Taxes receivable at June 30, 2014 were \$4,792,422.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Individual fund receivable and payable balances at June 30, 2014, are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General	\$ 451,036	\$ -
Total Governmental Funds	<u>451,036</u>	<u>-</u>
<u>Proprietary Funds:</u>		
Enterprise Funds:		
Food Service	<u>-</u>	<u>451,036</u>
Total Proprietary Funds	<u>-</u>	<u>451,036</u>
	<u>\$ 451,036</u>	<u>\$ 451,036</u>

NOTE 6: INTERFUND OPERATING TRANSFERS

Interfund Transfers are executed as a result of the requirements for certain funds to fund a portion of the expenditures or expenses of other funds. Interfund operating transfers for year end June 30, 2014 are as follows:

<u>Fund</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
<u>Governmental Funds:</u>		
General	\$ 163,333	\$ -
Total Governmental Funds	<u>163,333</u>	<u>-</u>
<u>Proprietary Funds:</u>		
Enterprise Funds:		
Internal Service Funds	<u>-</u>	<u>163,333</u>
Total Proprietary Funds	<u>-</u>	<u>163,333</u>
	<u>\$ 163,333</u>	<u>\$ 163,333</u>

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 7: DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2014, the following amounts are due from other governmental units:

<u>Due From</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal Grants and Subsidies	\$ 506,463	\$ 958,151
Other State Subsidies	678,984	48,616
Other LEA's	<u>146,096</u>	<u>-</u>
	<u>\$ 1,331,543</u>	<u>\$ 1,006,767</u>

NOTE 8: CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2014, is as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Capital Assets not Being Depreciated (cost):				
Land	<u>\$ 2,804,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,804,679</u>
Total Capital Assets not Being Depreciated	<u>2,804,679</u>	<u>-</u>	<u>-</u>	<u>2,804,679</u>
Capital Assets Being Depreciated:				
Building and Building Improvements	265,496,601	356,622	-	265,853,223
Furniture and Equipment	<u>23,584,653</u>	<u>560,507</u>	<u>-</u>	<u>24,145,160</u>
Total Capital Assets Being Depreciated	<u>289,081,254</u>	<u>917,129</u>	<u>-</u>	<u>289,998,383</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(125,077,523)	(4,470,917)	-	(129,548,440)
Furniture and Equipment	<u>(19,490,527)</u>	<u>(1,626,171)</u>	<u>-</u>	<u>(21,116,698)</u>
Total Accumulated Depreciation	<u>(144,568,050)</u>	<u>(6,097,088)</u>	<u>-</u>	<u>(150,665,138)</u>
Capital Assets Being Depreciated, Net	<u>144,513,204</u>	<u>(5,179,959)</u>	<u>-</u>	<u>139,333,245</u>
Governmental Activities, Capital Assets, Net	<u>\$ 147,317,883</u>	<u>\$ (5,179,959)</u>	<u>\$ -</u>	<u>\$ 142,137,924</u>

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 8: CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 1,040,990	\$ -	\$ -	\$ 1,040,990
Total Capital Assets Being Depreciated	1,040,990	-	-	1,040,990
Less Accumulated Depreciation for:				
Furniture and Equipment	(877,150)	(23,166)	-	(900,316)
Total Accumulated Depreciation	(877,150)	(23,166)	-	(900,316)
Capital Assets Being Depreciated, Net	163,840	(23,166)	-	140,674
Business-Type Activities, Capital Assets, Net	\$ 163,840	\$ (23,166)	\$ -	\$ 140,674

Depreciation Expenses were charged to governmental activities as follows:

Instruction	\$ 4,383,785
Instructional Student Support	498,968
Administration and Financial Services	719,890
Operation and Maintenance of Plant	439,160
Unallocated Depreciation Expense	55,285
	<u>\$ 6,097,088</u>

NOTE 9: ACCRUED SALARIES AND BENEFITS

At June 30, 2014, the School District was liable for payroll and related benefits, which are payable during July and August 2014, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-instructional employees who performed services through June 30, 2014, and to retiring employees who are receiving a payout of their accumulated compensated absences. Unemployment compensation is included in workers compensation insurance for both the general fund and food service fund.

The balances at June 30, 2014, are as follows:

	General Fund	Food Service	Total
Accrued Payroll	\$ 3,651,335	\$ 11,266	\$ 3,662,601
Workers Compensation Insurance	62,260	214	62,474
Retirement	608,383	1,479	609,862
Social Security	278,780	851	279,631
	<u>\$ 4,600,758</u>	<u>\$ 13,810</u>	<u>\$ 4,614,568</u>

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 10: GENERAL OBLIGATION NOTES AND BONDS

A summary of changes in long-term debt obligations follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
<u>Governmental activities</u>					
General obligation debt	\$ 122,437,882	\$ -	\$ (8,002,059)	\$ 114,435,823	\$ 8,040,059
Compensated absences	2,405,467	-	(594,213)	1,811,254	-
Governmental activities long-term liabilities	<u>\$ 124,843,349</u>	<u>\$ -</u>	<u>\$ (8,596,272)</u>	<u>\$ 116,247,077</u>	<u>\$ 8,040,059</u>
<u>Business-type activities</u>					
Compensated absences	\$ 96,028	\$ -	\$ (54,499)	\$ 41,529	\$ -
Business-type activities long-term liabilities	<u>\$ 96,028</u>	<u>\$ -</u>	<u>\$ (54,499)</u>	<u>\$ 41,529</u>	<u>\$ -</u>

An analysis of debt service requirements to maturity on the Governmental Activities obligations follows:

	Principal Retirements	Interest Requirements	Total Debt Service Requirements
Years Ended June 30:			
2015	\$ 8,040,059	\$ 3,276,557	\$ 11,316,616
2016	8,116,059	3,063,542	11,179,601
2017	8,285,059	2,867,336	11,152,395
2018	8,502,059	2,661,570	11,163,629
2019	8,497,059	2,479,018	10,976,077
2020-2024	45,242,295	9,042,566	54,284,861
2025-2029	27,753,233	2,110,780	29,864,013
	<u>\$ 114,435,823</u>	<u>\$ 25,501,369</u>	<u>\$ 139,937,192</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2014
2005	\$ 24,685,000	In 2005, the School District issued General Obligation Bonds of 2005 to provide funds for the advance refunding of the outstanding School Revenue Bonds, Series A of 1998 and various other construction projects of the School District. The bonds mature serially through February 15, 2018 at rates of 3.00% to 5.00%.	\$ 8,950,000
2007	15,000,000	In 2007, the School District issued General Obligation Bonds, Series A of 2007 to provide funds for various construction projects of the School District. The bonds mature serially through June 1, 2024 at rates of 3.90% to 5.25%.	14,135,000

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 10: GENERAL OBLIGATION NOTES AND BONDS (CONTINUED)

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2014
2008	\$ 2,770,000	In 2008, the School District issued General Obligation Notes of 2008 to provide funds for the current refunding of the outstanding General Obligation Bonds of 2001. The bonds mature serially through February 15, 2016 at a rate of 3.05%.	\$ 770,000
2009	28,625,000	In 2009, the School District issued General Obligation Bonds of 2009 to provide funds for various construction projects of the School District. The bonds mature serially through June 1, 2029 at rates of 2.00% to 4.65%.	23,340,000
2009	19,790,000	In 2009, the School District issued General Obligation Notes, Series A-1 through A-3 of 2009 to provide funds for the current refunding of the outstanding General Obligation Notes, Series of 2000 and General Obligation Notes of 2003. Series A-1 Notes mature serially through September 15, 2015, Series A-2 mature serially through September 25, 2020 and Series A-3 mature serially through September 25, 2022. Effective April 25, 2012, the Series A-1, A-2, and A-3 bonds were refinanced at a fixed interest rate of 1.83% from the previous variable interest rate with a maximum interest rate of 15.00%.	13,677,000
2010	6,980,000	In 2010, the School District issued General Obligation Bonds, Series of 2010 to provide funds for the current refunding of the outstanding General Obligation Bonds, Series A of 2004 and General Obligation Bonds, Series B of 2004 and to pay costs of issuing the bonds. The bonds mature serially through March 1, 2019 at rates of 0.90% to 2.75%.	1,625,000
2010	24,600,000	In 2010, the State Public School Building Authority issued Federally Taxable Revenue Bonds, Series A of 2010 (Qualified School Construction Bonds) in the amount of \$325,526,000 of which \$24,600,000 is the responsibility of the School District. The proceeds of the Note provide funds to pay issuance costs and finance costs of certain capital projects to be undertaken by the School District. The Note matures serially through September 1, 2027 and carries an interest rate of 0.17%.	20,258,823
2011	9,000,000	In 2011, the State Public School Building Authority issued Federally Taxable Revenue Bonds, Series A of 2011 (Qualified School Construction Bonds) and Series B of 2011 (Qualified Zone Academy Bonds) in the amount of \$71,308,000 of which \$9,000,000 is the responsibility of the School District. The proceeds of the Note provide funds to pay issuance costs and finance costs of certain capital projects to be undertaken by the School District. The Note matures serially through September 1, 2026 and carries an interest rate of 5.426%.	8,990,000
2012	9,995,000	In 2012, the School District issued General Obligation Bonds, Series of 2012, in the amount of \$9,995,000. The proceeds of the Bonds advance refunded a portion of the outstanding School Revenue Bonds, Series of 2003 issued for the benefit of the School District through the State Public School Building Authority and the School District's related General Obligation Note, Series B of 2003 and to pay the costs of issuing and insuring the bonds. The Bonds mature serially through May 1, 2025 and carry an interest rate of 3.834%.	9,995,000
2013	8,585,000	In 2013, the School District issued General Obligation Bonds, Series A of 2013, in the amount of \$8,585,000. The proceeds of the Bonds were used to currently refund the outstanding School Revenue Bonds, Series of 2003 issued for the benefit of the School District through the State Public Building Authority and the School District's related General Obligation Note, Series B of 2003 and to pay the costs of issuing and insuring the bonds. The Bonds mature serially through May 1, 2023 and carry an interest rate of 0.65% to 3.00%.	8,575,000
2013	4,125,000	In 2013, the School District issued General Obligation Bonds, Series B of 2013, in the amount of \$4,125,000. The proceeds of the Bonds were used to finance renovations and improvements to Jackson Elementary School and to pay the costs of issuing and insuring the bonds. The Bonds mature serially through May 1, 2026 and carry an interest rate of 1.00% to 3.25%.	4,120,000
Total Balance Outstanding			<u><u>\$ 114,435,823</u></u>

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 10: GENERAL OBLIGATION NOTES AND BONDS (CONTINUED)

The following is a summary of changes in general long-term obligation debt for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
GOB, Series of 2005	\$ 11,715,000	\$ -	\$ (2,765,000)	\$ 8,950,000	\$ 3,130,000
GOB, Series of 2007	14,225,000	-	(90,000)	14,135,000	165,000
GON, Series of 2008	1,140,000	-	(370,000)	770,000	380,000
GOB, Series of 2009	24,490,000	-	(1,150,000)	23,340,000	1,180,000
GON, Series A-1 of 2009	4,242,000	-	(1,350,000)	2,892,000	1,413,000
GON, Series A-2 of 2009	8,495,000	-	-	8,495,000	-
GON, Series A-3 of 2009	2,290,000	-	-	2,290,000	-
GOB, Series of 2010	2,440,000	-	(815,000)	1,625,000	310,000
GON, Series of 2010	21,705,882	-	(1,447,059)	20,258,823	1,447,059
GON, Series of 2011	8,995,000	-	(5,000)	8,990,000	5,000
GOB, Series of 2012	9,995,000	-	-	9,995,000	-
GOB, Series A of 2013	8,580,000	-	(5,000)	8,575,000	5,000
GOB, Series B of 2013	4,125,000	-	(5,000)	4,120,000	5,000
	<u>\$ 122,437,882</u>	<u>\$ -</u>	<u>\$ (8,002,059)</u>	<u>\$ 114,435,823</u>	<u>\$ 8,040,059</u>

NOTE 11: COMPENSATED ABSENCES

The changes in the School District's compensated absences in 2014 are summarized as follows:

	Governmental Activities	Business-Type Activities
Balance July 1, 2013	\$ 2,405,467	\$ 96,028
Change	<u>(594,213)</u>	<u>(54,499)</u>
Balance June 30, 2014	<u>\$ 1,811,254</u>	<u>\$ 41,529</u>

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 12: OPERATING LEASES

On August 20, 2010, the School District entered into a 34-month operating lease for Phillips equipment, maintenance and supplies. In June 2012, the contract was extended until July 20, 2016. The contract calls for a minimum monthly charge, which is based off of annualized volumes of usage. Lease expense in the general fund during the year ended June 30, 2014 was \$290,687. The School District's future obligation under the operating lease is as follows for the fiscal years ending June 30:

Years Ended June 30:	
2015	\$ 249,276
2016	249,276
2017	<u>20,773</u>
	<u>\$ 519,325</u>

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 13: FUND BALANCES / NET POSITION

The financial statements present fund balances / net position based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective funds can be spent. The classifications used in the financial statements are as follows:

Governmental FundsGeneral FundNonspendable

Inventory	\$ 187,711
Prepayments made to Lincoln Benefit Trust for employee health care costs.	3,339,475

Unassigned

Available for any purpose	2,273,571
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Capital ProjectsRestricted

Restriction of funds for capital projects.	2,506,666
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Debt ServiceRestricted

Restriction of funds for the payment of debt expenditures.	2,551
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Total Governmental Funds, Fund Balance

\$ 8,309,974Governmental Activities

Net Investment in Capital Assets	\$ 30,567,351
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Restricted Net Position

Restricted for capital projects, net unspent bond proceeds.	2,677,036
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Unrestricted Net Position

(1,102,178)\$ 32,142,209Business-Type Activities

Net Investment in Capital Assets	\$ 140,674
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Unrestricted Net Position

852,409\$ 993,083

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 14: RISK MANAGEMENT

Medical Insurance

The School District is exposed to risk of loss related to employee health care. In July 1989, the School District joined the Lincoln Benefit Trust, a public entity risk pool currently operating as a claim-servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to \$150,000. Claims incurred for \$150,001 to \$300,000 are paid from a stop-loss pool fund. Claims incurred for \$300,001 to \$1,000,000 are paid from a stop-loss insurance policy purchased by the Trust. The School District pays premiums from the general fund and the enterprise fund. At June 30, 2014, the School District's funding for claims exceeded the payments to date; accordingly the School District has a prepaid balance with the Lincoln Benefit Trust. The general fund prepaid balance is equally offset by a nonspendable fund balance, indicating that the balances do not constitute available, spendable resources. A liability for benefit claims payable, and benefit claims incurred but not reported is netted against the prepaid balance.

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Prepaid Expense	\$ 3,339,475	\$ 181,111	\$ 3,520,586

Changes in the School District's claims liability in fiscal years 2014 and 2013 are:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
General Fund				
2012-2013	\$ 314,070	\$ 8,567,771	\$ (8,518,967)	\$ 362,874
2013-2014	\$ 362,874	\$ 9,225,492	\$ (9,028,801)	\$ 559,565
Enterprise Fund				
2012-2013	\$ 16,530	\$ 508,258	\$ (505,362)	\$ 19,426
2013-2014	\$ 19,426	\$ 394,416	\$ (386,007)	\$ 27,835
Total				
2012-2013	\$ 330,600	\$ 9,076,029	\$ (9,024,329)	\$ 382,300
2013-2014	\$ 382,300	\$ 9,619,908	\$ (9,414,808)	\$ 587,400

Other Risks

The School District is exposed to various risks of loss related to workers compensation; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2014, and the two previous fiscal years, no settlements exceeded insurance coverage.

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 15: PENSION PLAN

School districts in the Commonwealth participate in the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer public defined benefit pension plan. The System provides retirement, death, disability and health insurance premium assistance benefits to plan members and beneficiaries according to Commonwealth of Pennsylvania statute. The policy is set by the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535). The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125.

All of the School District's full-time employees are members of the System and part-time hourly or per diem employees are enrolled as a member after 500 hours or 80 days of employment. The payroll for employees covered by the System for the year ended June 30, 2014, was \$33,802,315; the School District's total payroll was \$33,832,764.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. The School District's retirement contributions by class are as follows:

PSERS members whose membership started prior to July 1, 2011:

Membership Class T-C	Active Members hired before July 22, 1983	5.25%
Membership Class T-C	Active Members hired on or after July 22, 1983	6.25%
Membership Class T-D	Active Members hired before July 22, 1983	6.50%
Membership Class T-D	Active Members hired on or after July 22, 1983	7.50%

PSERS members whose membership started on or after July 1, 2011 (Act 120 members):

Membership Class T-E	7.50%
Membership Class T-F	10.30%

The contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The 16.93% rate is comprised of a pension contribution rate of 16.00% and a 0.93% rate for health insurance premium assistance.

The School District's contributions to PSERS for the years ended June 30, 2014, 2013 and 2012 were \$5,722,732, \$4,045,917, and \$3,250,140, respectively. Those amounts are equal to the required contribution for each year.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 16: POST-EMPLOYMENT BENEFIT PLAN

Plan Description

Under provisions of collective bargaining and other employment-related agreements, the School District permits certain retirees to continue group medical coverage, as follows:

	Former Superintendent	Administrator/ Contracted Employees	Administrative Coordinating Personnel	Teachers and ESP Employees
Retiree Eligibility	N/A - Already Retired	Age 55 and 7 years of service with District as Administrator	Age 55 or 35 years of service	30 years of PSERS service or upon superannuation retirement.
Period of Coverage				
Retiree	Life	Until the earlier of 10 years or retiree's Medicare eligibility	Until the earlier of 10 years or retiree's Medicare eligibility	Until Medicare eligible.
Spouse	Life	If retiree dies or becomes Medicare eligible, spousal coverage is available at spouse's expense until spouse's Medicare eligible.	If retiree dies or becomes Medicare eligible, spousal coverage is available at spouse's expense until spouse's Medicare eligible.	Until retiree becomes Medicare eligible. If retiree dies or becomes Medicare eligible, Spouse coverage is available at Spouse expense until Medicare eligible.
Medical Benefits	Medical, prescription drug, and dental coverage for retiree and spouse	Medical and prescription drug coverage for retiree and spouse	Medical and prescription drug coverage for retiree and spouse	Medical and prescription drug coverage for retiree and dependents
Retiree Contributions	District pays 100% of premium	Retiree pays active premium share amount at retirement. District pays remainder of the premium. * Grandfathered retirees do not make any contribution towards coverage, District pays 100% of premiums.	District pays a percentage of premiums which varies by years of service <u>Years of Service - %pd</u> 10-14 50% 15-19 75% 20+ * * Retirees with 20+ contribute the active premium at retirement and the District pays the remainder of the premium.	Retiree must provide payment equal to the premium determined for the purpose of COBRA

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 16: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Plan Description (Continued)

The plan is governed by the School District which may amend the benefit provisions and contribution requirements by action of its Board of Directors, subject to collective bargaining where applicable. The plan is unfunded and does not issue financial statements. These benefits are accounted for in accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amounts vary depending on classification and years of services with the School District. The School District paid estimated premiums of \$588,392 for the fiscal year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following show the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's OPEB obligation:

	Governmental Activities	Food Service Fund	Total Primary Government
Annual Required Contribution	\$ 711,037	\$ 37,423	\$ 748,460
Interest on Net OPEB Obligation	50,780	2,673	53,453
Adjustment to Annual Required Contribution	(69,277)	(3,646)	(72,923)
Annual OPEB Cost	692,540	36,450	728,990
Contributions Made (Estimated)	(558,972)	(29,420)	(588,392)
Increase in Net OPEB Obligation	133,568	7,030	140,598
Net OPEB Obligation - Beginning of Year	1,128,455	59,393	1,187,848
Net OPEB Obligation - End of Year	<u>\$ 1,262,023</u>	<u>\$ 66,423</u>	<u>\$ 1,328,446</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Obligation
June 30, 2014	\$ 728,990	80.7%	\$ 1,328,446
June 30, 2013	\$ 732,379	71.8%	\$ 1,187,848
June 30, 2012	\$ 820,132	69.8%	\$ 981,025

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 16: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$7.4 million, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.4 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 0.0%. The covered payroll was \$31.5 million, and the ratio of the UAAL to the covered payroll was 23.4%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC 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 RSI following the notes to the financial statements presents trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the School District's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the School District's deposits and investments, and an annual healthcare cost trend rate of 7.5%, reduced by 0.5% annually to a rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later. The UAAL is being amortized as a level percentage of payroll over a 30 year period on an open basis.

SCHOOL DISTRICT OF THE CITY OF YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 17: BUDGET APPROPRIATIONS

For the year ended June 30, 2014, the School District's total expenditures exceeded total appropriations by \$10,915,007. Increased taxes and excess fund balance provide the funds to cover the excess expenditures.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Litigation

The School District is involved in litigation related to the renovation of Jackson Elementary School. The construction contractor sued the School District, claiming damages of approximately \$225,000 for alleged delay damages and compaction in connection with the renovation. The School District disputes this claim, has filed a counterclaim. Currently, the outcome of this matter, and any potential loss, is not determinable.

The School District is involved in various employment/health care-related lawsuits, and charges asserted by its employees and its bargaining units. The outcome of these matters cannot be determined at this time. Management believes that any potential losses from these matters will not have a material adverse effect on the School District's financial position, however the outcome of these matters, and any potential losses, are not determinable.

Grants

The School District is party to various grants with Federal and State agencies, which are subject to program and compliance audits by the grantors or under the Single Audit Act Amendments of 1996. Findings and questioned costs arising out of such audits are subject to the ultimate disposition by the grantor agency.

Loan

On June 17, 2014 the School District was approved to receive a loan totaling \$3 million through the Pennsylvania Department of Education Financial Recovery Transitional Loan Program to assist with the elimination of accumulated deficits and replenish fund balance. The loan funds were received subsequent to year-end and as of June 30, 2014 no related expenditures had been incurred. The loan is non-interest bearing and shall be paid over 10 equal installments of \$300 thousand through June 30, 2024.

NOTE 19: TAX MONETIZATION

As of fiscal year 2013-2014, the School District pledged \$5,757,982 of delinquent taxes receivable to the Northwest Pennsylvania Incubator Association (NPIA).

The School District received \$3,530,623, less reserve expenses of \$220,346 in exchange for the pledging of the delinquent receivables. The School District shall use the proceeds resulting from the pledging of the Tax Claims in any manner authorized by the Constitution and laws of the Commonwealth.

The District shall work with NPIA to instruct the York County Tax Claim Bureau to remit directly to NPIA all delinquent tax payments, plus interest and penalties thereon, payable in connection with the real property identified in the Tax Claims.

SCHOOL DISTRICT OF THE CITY OF YORK
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 19: TAX MONETIZATION (CONTINUED)

Mandatory repurchase of the receivables will be required if the following occurs:

- 1) The District receives a notice that NPIA has defaulted on the Metro Bank Note that was initiated from the sale.
- 2) The District adopts a resolution to non-renew and cease the sale of its tax claims, in the event that there are unredeemed tax claims held by NPIA and there is a balance outstanding on the Metro Bank Note secured by the tax claims. The School District's repurchase payment obligation will be the difference between the amount then on deposit and the amount necessary to pay the principal and interest due on the Metro Bank Note on the maturity date.

The School District shall have the option, at any time on or after the later of the date on which the NPIA Note is satisfied or a resolution to non-renew and cease the sale has been adopted, to repurchase unredeemed tax claims still outstanding in exchange for a payment to NPIA equal to 5% of the current amount of the unredeemed tax claims as of the settlement date. At June 30, 2014, the Note Payable balance is \$3,655,482. The Note Payable includes transactions from 2011-2012 through 2013-2014. As taxes are paid, the Note Payable will be reduced.

NOTE 20: RESTATEMENT OF NET POSITION/CHANGE IN ACCOUNTING PRINCIPLE

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The School District has changed its manner of accounting for bond issuance costs that were amortized over the life of the debt issuance in prior years. In accordance with GASB 65, bond issuance costs are expensed when incurred. This change for governmental activities is reported as a cumulative effect of a change in accounting principle in the amount of \$1,539,763 and is reflected as a restatement of beginning net position in the governmental activities of the government-wide financial statements.

	Governmental Activities
Net Position, beginning of year, as previously stated	\$ 28,015,776
To remove bond issuance cost (net) due to the adoption of GASB 65.	<u>(1,539,763)</u>
Net Position, beginning of year, as restated	<u>\$ 26,476,013</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

SCHOOL DISTRICT OF THE CITY OF YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Local Sources:				
Real Estate Taxes	\$ 29,466,638	\$ 29,466,638	\$ 27,149,744	\$ (2,316,894)
Other Taxes	2,785,618	2,785,618	2,617,070	(168,548)
Investment Income	25,000	25,000	17,670	(7,330)
Other Revenue	2,229,268	2,229,268	2,510,053	280,785
Total Local Sources	34,506,524	34,506,524	32,294,537	(2,211,987)
State Sources	68,636,825	68,636,825	73,353,101	4,716,276
Federal Sources	5,700,657	5,700,657	7,040,149	1,339,492
Total Revenues	108,844,006	108,844,006	112,687,787	3,843,781
EXPENDITURES				
Instructional Services				
Regular Programs	48,102,324	48,102,324	45,677,400	2,424,924
Special Programs	23,372,060	23,372,060	23,569,044	(196,984)
Vocational Programs	5,058,254	5,058,254	4,726,901	331,353
Other Instructional Program	1,702,860	1,702,860	2,002,412	(299,552)
Nonpublic School Programs	85,000	85,000	-	85,000
Adult Education Programs	415,780	415,780	296,496	119,284
Pre-Kindergarten Programs	867,456	867,456	889,167	(21,711)
Total Instructional Services	79,603,734	79,603,734	77,161,420	2,442,314
Instructional Support Services				
Pupil Personnel Services	3,731,699	3,731,699	2,918,269	813,430
Instructional Staff Services	1,623,168	1,623,168	2,101,312	(478,144)
Administrative Services	4,578,680	4,578,680	4,878,043	(299,363)
Pupil Health	1,372,374	1,372,374	1,180,072	192,302
Business Services	1,050,249	1,050,249	1,179,526	(129,277)
Operation of Plant and Maintenance Services	5,847,546	5,847,546	6,282,219	(434,673)
Student Transportation Services	2,162,512	2,162,512	2,153,973	8,539
Central and Other Business Services	1,593,348	1,593,348	1,538,995	54,353
Other Support Services	18,301	18,301	29,041	(10,740)
Total Instructional Support Services	21,977,877	21,977,877	22,261,450	(283,573)
Noninstructional Services				
Student Activities	339,471	339,471	380,706	(41,235)
Community Services	257,994	257,994	189,016	68,978
Total Noninstructional Services	597,465	597,465	569,722	27,743
Debt Service	-	-	13,101,491	(13,101,491)
Total Expenditures	102,179,076	102,179,076	113,094,083	(10,915,007)
Excess of Revenues Over (Under) Expenditures	6,664,930	6,664,930	(406,296)	(7,071,226)
OTHER FINANCING SOURCES (USES)				
Tax Monetization Proceeds	-	-	3,530,623	3,530,623
Tax Monetization Expenses	-	-	(220,346)	(220,346)
Budgetary Reserve	(301,752)	(301,752)	-	301,752
Transfers In	5,122,524	5,122,524	163,333	(4,959,191)
Transfers Out	(11,485,702)	(11,485,702)	-	11,485,702
Total Other Financing Sources (Uses)	(6,664,930)	(6,664,930)	3,473,610	10,138,540
Net Changes in Fund Balance	-	-	3,067,314	3,067,314
Fund Balances - Beginning of Year	-	-	2,733,443	2,733,443
Fund Balances - End of Year	\$ -	\$ -	\$ 5,800,757	\$ 5,800,757

SCHOOL DISTRICT OF THE CITY OF YORK
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS -
POST-RETIREMENT HEALTH CARE BENEFITS PLAN
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Ratio (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 7,369,609	\$ 7,369,609	0.0%	\$ 31,492,174	23.4%
1/1/2010	-	7,147,801	7,147,801	0.0%	42,741,144	16.7%
1/1/2008	-	5,940,859	5,940,859	0.0%	37,123,948	16.0%