

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

SCHOOL DISTRICT OF THE CITY OF YORK, PENNSYLVANIA

YEAR ENDED JUNE 30, 2015

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# 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 activity, 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, 2015, 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  
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## **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 activity, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2015, 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 2015, the School District adopted the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*", GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of funding progress for postemployment benefits other than pensions, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 51-54 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  
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## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, 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 the School District's internal control over financial reporting and compliance.

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania  
March 31, 2016

SCHOOL DISTRICT OF THE CITY OF YORK  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 7,718,644	\$ 843,025	\$ 8,561,669
Investments	16,000,000	-	16,000,000
Taxes Receivable, net	4,376,864	-	4,376,864
Internal Balances	179,486	(179,486)	-
Due from Other Governments	1,322,355	118,675	1,441,030
Other Receivables	363,332	69,198	432,530
Inventories	196,313	24,600	220,913
Other Assets	3,702,852	196,859	3,899,711
Total Current Assets	<u>33,859,846</u>	<u>1,072,871</u>	<u>34,932,717</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	637,096	-	637,096
Investments	1,450,000	-	1,450,000
Bond Discounts, net of Amortization	381,662	-	381,662
Capital Assets, not being depreciated	2,804,679	-	2,804,679
Capital Assets, being depreciated, net	134,068,548	121,238	134,189,786
Total Noncurrent Assets	<u>139,341,985</u>	<u>121,238</u>	<u>139,463,223</u>
<b>TOTAL ASSETS</b>	<u><b>173,201,831</b></u>	<u><b>1,194,109</b></u>	<u><b>174,395,940</b></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Loss on Refunding, net of Accumulated Amortization	272,080	-	272,080
Pensions	7,914,925	244,791	8,159,716
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>8,187,005</b></u>	<u><b>244,791</b></u>	<u><b>8,431,796</b></u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	6,457,004	63,289	6,520,293
Note Payable	1,030,351	-	1,030,351
Current Portion of Long-Term Debt	7,731,059	-	7,731,059
Current Portion of Loan Payable	300,000	-	300,000
Accrued Salaries and Benefits	4,715,000	4,755	4,719,755
Accrued Interest on Long-Term Debt	874,804	-	874,804
Payroll Deductions and Withholdings	2,189,117	-	2,189,117
Unearned Revenues	258,918	8,126	267,044
Total Current Liabilities	<u>23,556,253</u>	<u>76,170</u>	<u>23,632,423</u>
Noncurrent Liabilities			
Bonds Payable	99,224,705	-	99,224,705
Bond Premiums, net of Amortization	299,837	-	299,837
Long-Term Portion of Compensated Absences	1,671,094	22,331	1,693,425
Loan Payable	2,400,000	-	2,400,000
Net Pension Liability	100,744,200	3,115,800	103,860,000
Other Post-Employment Benefit Obligations	1,659,864	87,362	1,747,226
Total Noncurrent Liabilities	<u>205,999,700</u>	<u>3,225,493</u>	<u>209,225,193</u>
<b>TOTAL LIABILITIES</b>	<u><b>229,555,953</b></u>	<u><b>3,301,663</b></u>	<u><b>232,857,616</b></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pensions	7,202,250	222,750	7,425,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>7,202,250</b></u>	<u><b>222,750</b></u>	<u><b>7,425,000</b></u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	30,189,543	121,238	30,310,781
Restricted	2,087,096	-	2,087,096
Unrestricted	(87,646,006)	(2,206,751)	(89,852,757)
<b>TOTAL NET POSITION</b>	<u><b>\$ (55,369,367)</b></u>	<u><b>\$ (2,085,513)</b></u>	<u><b>\$ (57,454,880)</b></u>

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, 2015

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
<b>Governmental Activities:</b>							
Instruction	\$ 80,501,265	\$ -	\$ 18,106,884	\$ -	\$ (62,394,381)	\$ -	\$ (62,394,381)
Instructional Student Support	7,043,308	-	2,458,345	-	(4,584,963)	-	(4,584,963)
Administrative and Financial Support Services	9,572,887	-	1,193,581	-	(8,379,306)	-	(8,379,306)
Operation and Maintenance of Plant Services	7,420,878	-	578,335	-	(6,842,543)	-	(6,842,543)
Pupil Transportation	2,004,533	-	422,799	-	(1,581,734)	-	(1,581,734)
Student Activities	471,151	-	68,039	-	(403,112)	-	(403,112)
Community Services	269,375	-	261,135	-	(8,240)	-	(8,240)
Interest on Long-Term Debt	4,901,528	-	-	4,329,638	(571,890)	-	(571,890)
<b>Total Governmental Activities</b>	<b>112,184,925</b>	<b>-</b>	<b>23,089,118</b>	<b>4,329,638</b>	<b>(84,766,169)</b>	<b>-</b>	<b>(84,766,169)</b>
<b>Business-Type Activities:</b>							
Food Services	4,394,253	129,220	4,209,278	-	-	(55,755)	(55,755)
<b>Total Primary Government</b>	<b>\$ 116,579,178</b>	<b>\$ 129,220</b>	<b>\$ 27,298,396</b>	<b>\$ 4,329,638</b>	<b>(84,766,169)</b>	<b>(55,755)</b>	<b>(84,821,924)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, net					30,273,311	-	30,273,311
Public Utility Tax					42,350	-	42,350
Earned Income Tax					2,450,295	-	2,450,295
In Lieu of Tax					121,254	-	121,254
Real Estate Transfer Tax					728,365	-	728,365
Unrestricted Grants and Subsidies					59,135,914	-	59,135,914
Unrestricted Investment Earnings					181,790	2,191	183,981
Miscellaneous Income					2,130,685	-	2,130,685
<b>Total General Revenues</b>					<b>95,063,964</b>	<b>2,191</b>	<b>95,066,155</b>
<b>Changes in Net Position</b>					<b>10,297,795</b>	<b>(53,564)</b>	<b>10,244,231</b>
<b>Net position - beginning of year as restated (see note 19):</b>					<b>(65,667,162)</b>	<b>(2,031,949)</b>	<b>(67,699,111)</b>
<b>Net position - end of year</b>					<b>\$ (55,369,367)</b>	<b>\$ (2,085,513)</b>	<b>\$ (57,454,880)</b>

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

SCHOOL DISTRICT OF THE CITY OF YORK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,718,644	\$ -	\$ -	\$ 7,718,644
Investments	16,000,000	-	-	16,000,000
Taxes Receivable, net allowance of \$456,536	4,376,864	-	-	4,376,864
Due from Other Funds	179,486	-	-	179,486
Due From Other Governments	1,322,355	-	-	1,322,355
Other Receivables	363,332	-	-	363,332
Inventories	196,313	-	-	196,313
Prepaid Expenses	3,702,852	-	-	3,702,852
Restricted Assets:				
Cash and Cash Equivalents	-	637,096	-	637,096
Investments	-	1,450,000	-	1,450,000
<b>TOTAL ASSETS</b>	<b>\$ 33,859,846</b>	<b>\$ 2,087,096</b>	<b>\$ -</b>	<b>\$ 35,946,942</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,457,004	\$ -	\$ -	\$ 6,457,004
Accrued Salaries and Benefits	4,715,000	-	-	4,715,000
Payroll Deductions and Withholdings	2,189,117	-	-	2,189,117
Deferred Revenue	258,918	-	-	258,918
<b>TOTAL LIABILITIES</b>	<b>13,620,039</b>	<b>-</b>	<b>-</b>	<b>13,620,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Tax Revenues - Property Taxes	3,985,758	-	-	3,985,758
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,985,758</b>	<b>-</b>	<b>-</b>	<b>3,985,758</b>
<b>FUND BALANCES</b>				
Nonspendable	3,899,165	-	-	3,899,165
Restricted	-	2,087,096	-	2,087,096
Unassigned	12,354,884	-	-	12,354,884
<b>TOTAL FUND BALANCES</b>	<b>16,254,049</b>	<b>2,087,096</b>	<b>-</b>	<b>18,341,145</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 33,859,846</b>	<b>\$ 2,087,096</b>	<b>\$ -</b>	<b>\$ 35,946,942</b>

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, 2015

Total fund balance - governmental funds \$ 18,341,145

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 \$134,042,701 accumulated depreciation	131,810,522	
Furniture and Equipment, net of \$22,455,853 accumulated depreciation	<u>2,258,026</u>	
 Total capital assets		 136,873,227

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. 3,985,758

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	(106,955,764)	
Note Payable	(1,030,351)	
Loan Payable	(2,700,000)	
Accrued Interest on Long-Term Debt	(874,804)	
Deferred Loss on Refunding, net of Amortization	272,080	
Deferred Outflows of Resources	7,862,545	
Deferred Inflows of Resources	(7,202,250)	
Bond Premium/Discount, net of Amortization	81,825	
Compensated Absences	(1,671,094)	
Net Pension Liability	(100,744,200)	
Other Post-Employment Benefit Obligations	<u>(1,659,864)</u>	
		(214,621,877)

The current year amortization of the excess pension contributions made by the School District for the measurement period 52,380

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (55,369,367)

SCHOOL DISTRICT OF THE CITY OF YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 27,322,819	\$ -	\$ -	\$ 27,322,819
Other Taxes	3,342,264	-	-	3,342,264
Investment Income	177,544	4,246	-	181,790
Other Revenue	657,994	-	-	657,994
Total Local Sources	31,500,621	4,246	-	31,504,867
State Sources	79,000,459	-	-	79,000,459
Federal Sources	9,026,902	-	-	9,026,902
Total Revenues	119,527,982	4,246	-	119,532,228
<b>EXPENDITURES</b>				
Instructional Services	74,694,495	-	-	74,694,495
Support Services	23,750,883	-	-	23,750,883
Noninstructional Services	669,671	-	-	669,671
Capital Outlay	-	423,816	-	423,816
Debt Service				
Principal	11,043,532	-	-	11,043,532
Interest	4,725,735	-	-	4,725,735
Total Expenditures	114,884,316	423,816	-	115,308,132
Excess of Revenues Over (Under) Expenditures	4,643,666	(419,570)	-	4,224,096
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Refunding Bonds	9,840,000	-	-	9,840,000
Payment to Refunded Bond Escrow Agent	(7,032,925)	-	-	(7,032,925)
Loan Proceeds	3,000,000	-	-	3,000,000
Transfers In (Out)	2,551	-	(2,551)	-
Total Other Financing Sources (Uses)	5,809,626	-	(2,551)	5,807,075
Net Changes in Fund Balance	10,453,292	(419,570)	(2,551)	10,031,171
Fund Balances - Beginning of Year	5,800,757	2,506,666	2,551	8,309,974
Fund Balances - End of Year	\$ 16,254,049	\$ 2,087,096	\$ -	\$ 18,341,145

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, 2015

Net changes in fund balances - total governmental funds \$ 10,031,171

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	\$ (5,833,416)	
Capital outlays	<u>568,719</u>	(5,264,697)

Bond and loan 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.

Debt issued:		
General obligation debt	(9,840,000)	
Loan Payable	(3,000,000)	
Repayments:		
General obligation debt	10,630,059	
Payment to escrow agent	6,690,000	
Loan Payable	300,000	4,780,059

Payments on collateralized borrowing during fiscal year.	<u>2,625,131</u>	2,625,131
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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	140,160	
Pension benefit expense	(2,222,154)	
Other postemployment benefits expense	(397,841)	
Amortization of debt premium/discount	236,113	
Amortization of deferred loss from refunding	(72,972)	
Accrued interest on long-term debt	<u>117,464</u>	(2,199,230)

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.

		<u>325,361</u>
Change in net position of governmental activities	<u>\$</u>	<u><u>10,297,795</u></u>

SCHOOL DISTRICT OF THE CITY OF YORK  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Enterprise Fund
	Food Service
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 843,025
Receivable from Other Governments	118,675
Other Receivables	69,198
Inventories	24,600
Prepaid Expenses	196,859
Total Current Assets	1,252,357
Noncurrent Assets	
Furniture and equipment, net	121,238
Total Noncurrent Assets	121,238
TOTAL ASSETS	1,373,595
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pensions	244,791
TOTAL DEFERRED OUTFLOWS OF RESOURCES	244,791
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	63,289
Accrued Wages Payable	4,755
Due to Other Funds	179,486
Unearned Revenue	8,126
Total Current Liabilities	255,656
Noncurrent Liabilities	
Compensated Absences Payable	22,331
Net Pension Liability	3,115,800
Other Post-Employment Benefit Obligations	87,362
Total Noncurrent Liabilities	3,225,493
TOTAL LIABILITIES	3,481,149
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pensions	222,750
TOTAL DEFERRED INFLOWS OF RESOURCES	222,750
<u>NET POSITION</u>	
Net Investment in Capital Assets	121,238
Unrestricted	(2,206,751)
TOTAL NET POSITION	\$ (2,085,513)

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, 2015

	Enterprise Fund
	Food Service
Operating Revenues	
Intergovernmental Revenues	
Federal	\$ 3,845,942
State	173,230
Donated Commodities	190,106
Food Service Revenue	129,220
Total Operating Revenues	4,338,498
Operating Expenses	
Salaries	1,083,509
Employee Benefits	734,022
Other Purchased Services	2,444,491
Supplies	111,175
Depreciation	21,056
Total Operating Expenses	4,394,253
Operating Loss	(55,755)
Nonoperating Revenues	
Investment Earnings	2,191
Total Nonoperating Revenues	2,191
Loss before Operating Transfers	(53,564)
Transfers Out	-
Total Transfers Out	-
Change in Net Position	(53,564)
Net Position - Beginning of Year as restated (see Note 19)	(2,031,949)
Net Position - End of Year	\$ (2,085,513)

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, 2015

	Enterprise Fund
	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Federal and State Agencies	\$ 5,053,569
Cash Received from User Charges	168,774
Cash Payments to Employees for Services	(1,756,118)
Cash Payments to Suppliers for Goods and Services	(2,872,702)
Internal Activity	(271,550)
	<u>321,973</u>
<b>Net Cash Provided by Operating Activities</b>	
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of Capital Asset	(1,620)
	<u>(1,620)</u>
<b>Net Cash Used in Capital Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings	2,191
	<u>2,191</u>
<b>Net Cash Provided by Investing Activities</b>	
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	
	322,544
Cash and Cash Equivalents - Beginning of Year	520,481
	<u>520,481</u>
Cash and Cash Equivalents - End of Year	\$ 843,025
	<u>843,025</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:</b>	
Donated Commodities	\$ 190,106
	<u>190,106</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (55,755)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation	21,056
Change in assets and liabilities	
Accounts Receivable	936,564
Prepaid Expense	(15,748)
Inventory	(810)
Accounts Payable	(300,478)
Accrued Salaries and Benefits	(28,253)
Net Pension Liability and Pension Deferred Inflows/Outflows	68,727
Other Postemployment Benefits	20,939
Due to/Due From Other Funds	(271,550)
Deferred Revenue	(52,719)
	<u>377,728</u>
<b>Total Adjustments</b>	<b>377,728</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 321,973</b>
	<u>321,973</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, 2015

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 70,316	\$ 117,790
Investments	<u>200</u>	<u>1,045</u>
<b>TOTAL ASSETS</b>	<u>70,516</u>	<u>118,835</u>
<b>LIABILITIES</b>		
Other Current Liabilities	<u>-</u>	<u>118,835</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>118,835</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$ 70,516</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, 2015

	Private Purpose Trust Fund
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 11,290
Earnings on Investments	140
Total Additions	11,430
<b>DEDUCTIONS</b>	
Scholarships Awarded	6,550
Total Deductions	6,550
Change in Net Position	4,880
Net Position - Beginning of Year	65,636
Net Position - End of Year	\$ 70,516

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



SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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, 2015, for tuition and debt service was \$5,254,689. 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, 2015, was \$1,233,549. Accounts payable at June 30, 2015, includes \$169,791 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, 2015 was \$1,404,850. 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, 2015

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, 2015, was \$52,530. 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, 2015, was \$30,000. 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, 2015

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, 2015

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, 2015

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, 2015

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.

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.

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, 2015, the restricted cash balance was \$637,096 and the restricted investment balance was \$1,450,000.

4. Inventories

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

SCHOOL DISTRICT OF THE CITY OF YORK  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

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

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.

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.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

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 "measurable" 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.

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.



SCHOOL DISTRICT OF THE CITY OF YORK  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

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

- *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.

- *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.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

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

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has three items that qualify for reporting in these categories: deferred outflows/inflows on refunding bonds, deferred outflows and inflows related to pensions, and unavailable tax revenue.

Deferred outflows/inflows on refundings are the result of differences 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. Deferred outflows and inflows of resources related to pensions are described further in Note 16. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 5.15 year closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, 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.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

15. Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employee's Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms investments are reported at fair value.

G. Adoption of Governmental Accounting Standards Board Statements

The School District adopted the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*", GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*".

The adoption of GASB Statement No. 68 resulted in the restatement of net position (See Note 19). The adoption of the other statements had no effect on previously reported amounts.

H. Pending Changes in Accounting Principles

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.

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The School District is required to adopt Statement No. 73 for its fiscal year 2017 financial statements.

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The School District is required to adopt Statement No. 74 for its fiscal year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The School District is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

H. Pending Changes in Accounting Principles (Continued)

In June 2015, the GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The School District is required to adopt Statement No. 76 for its fiscal year 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, "*Tax Abatement Disclosures*". The School District is required to adopt Statement No. 77 for its fiscal year 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*". The School District is required to adopt Statement No. 78 for its fiscal year 2017 financial statements.

In December 2015, the GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The School District is required to adopt Statement No. 79 for its fiscal year 2017 financial statements.

In January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The School District is required to adopt Statement No. 80 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The School District is required to adopt Statement No. 81 for its fiscal year 2018 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.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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.

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, 2015, the School

District's cash balance was \$ 9,386,286, and its bank balance was \$ 10,271,327. At June 30, 2015, \$ 9,271,327 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 \$585 were not subject to custodial credit risk, as they were invested in a state investment pool.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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, 2015, the School District’s deposits with PSDLAF had a carrying amount of \$ 1,406,534 and book balance of \$ 1,406,534.

As of June 30, 2015, 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	\$ 585	\$ 585	\$ -	\$ -	\$ -

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, 2015, all of the District’s investments in the state investment pool were rated AAAM by Standards and Poor’s.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2015, 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		\$ 16,000,000
Capital Projects Fund		
Pennsylvania School District Liquid Asset Fund Collateralizes "CD" Investment Pool		<u>1,450,000</u>
Total Governmental Funds		<u>17,450,000</u>
<u>Fiduciary Funds:</u>		
Private Purpose Trust Fund		
Other CD's / Government Securities		200
Agency Funds		
Other CD's / Government Securities		<u>1,045</u>
Total Fiduciary Funds		<u>1,245</u>
Total Investments		<u>\$ 17,451,245</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, 2015, is 33.736 mills (\$33.736 per \$1,000 of assessed valuation). The schedule for property taxes levied for the year ended June 30, 2015, 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

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, 2015 were \$4,833,400.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Individual fund receivable and payable balances at June 30, 2015, are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General	\$ 179,486	\$ -
Total Governmental Funds	<u>179,486</u>	<u>-</u>
<u>Proprietary Funds:</u>		
Enterprise Funds:		
Food Service	-	179,486
Total Proprietary Funds	<u>-</u>	<u>179,486</u>
	<u>\$ 179,486</u>	<u>\$ 179,486</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, 2015 are as follows:

<u>Fund</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
<u>Governmental Funds:</u>		
General	\$ 2,551	\$ -
Total Governmental Funds	<u>2,551</u>	<u>-</u>
<u>Proprietary Funds:</u>		
Enterprise Funds:		
Internal Service Funds	-	2,551
Total Proprietary Funds	<u>-</u>	<u>2,551</u>
	<u>\$ 2,551</u>	<u>\$ 2,551</u>

## NOTE 7: DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2015, 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	\$ 365,251	\$ 116,004
Other State Subsidies	713,553	2,671
Other LEA's	243,551	-
	<u>\$ 1,322,355</u>	<u>\$ 118,675</u>



SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 8: CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital Assets not Being Depreciated (cost):				
Land	\$ 2,804,679	\$ -	\$ -	\$ 2,804,679
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	265,853,223	-	-	265,853,223
Furniture and Equipment	<u>24,145,160</u>	<u>568,719</u>	<u>-</u>	<u>24,713,879</u>
Total Capital Assets Being Depreciated	<u>289,998,383</u>	<u>568,719</u>	<u>-</u>	<u>290,567,102</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(129,548,440)	(4,494,261)	-	(134,042,701)
Furniture and Equipment	<u>(21,116,698)</u>	<u>(1,339,155)</u>	<u>-</u>	<u>(22,455,853)</u>
Total Accumulated Depreciation	<u>(150,665,138)</u>	<u>(5,833,416)</u>	<u>-</u>	<u>(156,498,554)</u>
Capital Assets Being Depreciated, Net	<u>139,333,245</u>	<u>(5,264,697)</u>	<u>-</u>	<u>134,068,548</u>
Governmental Activities, Capital Assets, Net	<u>\$ 142,137,924</u>	<u>\$ (5,264,697)</u>	<u>\$ -</u>	<u>\$ 136,873,227</u>

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 8: CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 1,040,990	\$ 1,620	\$ -	\$ 1,042,610
Total Capital Assets Being Depreciated	<u>1,040,990</u>	<u>1,620</u>	<u>-</u>	<u>1,042,610</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(900,316)	(21,056)	-	(921,372)
Total Accumulated Depreciation	<u>(900,316)</u>	<u>(21,056)</u>	<u>-</u>	<u>(921,372)</u>
Capital Assets Being Depreciated, Net	<u>140,674</u>	<u>(19,436)</u>	<u>-</u>	<u>121,238</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 140,674</u>	<u>\$ (19,436)</u>	<u>\$ -</u>	<u>\$ 121,238</u>

Depreciation Expenses were charged to governmental activities as follows:

Instruction	\$ 4,188,966
Instructional Student Support	429,464
Administration and Financial Services	710,673
Operation and Maintenance of Plant	445,002
Community Service	22,517
Student Activities	36,794
	<u>\$ 5,833,416</u>

## NOTE 9: ACCRUED SALARIES AND BENEFITS

At June 30, 2015, the School District was liable for payroll and related benefits, which are payable during July and August 2015, 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, 2015, 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, 2015, are as follows:

	General Fund	Food Service	Total
Accrued Payroll	\$ 3,606,277	\$ 3,635	\$ 3,609,912
Workers Compensation Insurance	61,706	64	61,770
Retirement	771,151	778	771,929
Social Security	275,866	278	276,144
	<u>\$ 4,715,000</u>	<u>\$ 4,755</u>	<u>\$ 4,719,755</u>

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 10: GENERAL OBLIGATION NOTES AND BONDS

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

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
<u>Governmental activities</u>					
General obligation debt	\$ 114,435,823	\$ 9,840,000	\$ (17,320,059)	\$ 106,955,764	\$ 7,731,059
Loan Payable	-	\$ 3,000,000	\$ (300,000)	\$ 2,700,000	\$ 300,000
Compensated absences	1,811,254	-	(140,160)	1,671,094	-
Governmental activities long-term liabilities	<u>\$ 116,247,077</u>	<u>\$ 12,840,000</u>	<u>\$ (17,760,219)</u>	<u>\$ 111,326,858</u>	<u>\$ 8,031,059</u>
<u>Business-type activities</u>					
Compensated absences	\$ 41,529	\$ -	\$ (19,198)	\$ 22,331	\$ -
Business-type activities long-term liabilities	<u>\$ 41,529</u>	<u>\$ -</u>	<u>\$ (19,198)</u>	<u>\$ 22,331</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:			
2016	\$ 7,731,059	\$ 3,161,476	\$ 10,892,535
2017	8,470,059	2,964,012	11,434,071
2018	8,677,059	2,770,912	11,447,971
2019	8,647,059	2,569,825	11,216,884
2020	8,767,059	2,390,550	11,157,609
2021-2025	46,562,295	8,848,963	55,411,258
2026-2029	18,101,174	2,110,780	20,211,954
	<u>\$ 106,955,764</u>	<u>\$ 24,816,518</u>	<u>\$ 131,772,282</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, 2015
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%.	\$ 3,230,000
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%.	7,280,000

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 10: GENERAL OBLIGATION NOTES AND BONDS (CONTINUED)

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2015
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%.	\$ 390,000
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%.	22,160,000
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%.	12,264,000
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%.	1,315,000
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%	18,811,764
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%.	8,985,000
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 beginning May 1, 2016 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%.	8,570,000
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%.	4,115,000

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 10: GENERAL OBLIGATION NOTES AND BONDS (CONTINUED)

Date of Issue	Amount of Original Issue	Purpose	Balance Outstanding at June 30, 2015
2015	9,840,000	In 2015, the School District issued General Obligation Bonds, Series of 2015, in the amount of \$9,840,000. The proceeds of the Bonds were used for the current refunding of a portion of the outstanding General Obligation Bonds, Series of 2005 and the advanced refunding of the General Obligation Bonds, Series of 2007, and to pay the costs of issuing the bonds. The Bonds mature serially through June 1, 2024 and carry an interest rate of 3.85% to 5.00%.	9,840,000
Total Balance Outstanding			<u>\$ 106,955,764</u>

The following is a summary of changes in general long-term obligation debt for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
GOB, Series of 2005	\$ 8,950,000	\$ -	\$ (5,720,000)	\$ 3,230,000	\$ 1,250,000
GOB, Series of 2007	14,135,000	-	(6,855,000)	7,280,000	625,000
GON, Series of 2008	770,000	-	(380,000)	390,000	390,000
GOB, Series of 2009	23,340,000	-	(1,180,000)	22,160,000	1,220,000
GON, Series A-1 of 2009	2,892,000	-	(1,413,000)	1,479,000	1,479,000
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	1,625,000	-	(310,000)	1,315,000	315,000
GON, Series of 2010	20,258,823	-	(1,447,059)	18,811,764	1,447,059
GON, Series of 2011	8,990,000	-	(5,000)	8,985,000	5,000
GOB, Series of 2012	9,995,000	-	-	9,995,000	25,000
GOB, Series A of 2013	8,575,000	-	(5,000)	8,570,000	730,000
GOB, Series B of 2013	4,120,000	-	(5,000)	4,115,000	5,000
GOB, Series of 2015	-	9,840,000	-	9,840,000	240,000
	<u>\$ 114,435,823</u>	<u>\$ 9,840,000</u>	<u>\$ (17,320,059)</u>	<u>\$ 106,955,764</u>	<u>\$ 7,731,059</u>

In March 2015, the School District issued General Obligation Bonds, Series of 2015 in the amount of \$9,840,000. The proceeds were used for the current refunding of a portion of the outstanding General Obligation Bonds, Series of 2005 in the amount of \$2,590,000 and the advanced refunding of the General Obligation Bonds, Series of 2007 in the amount of \$6,690,000. The School District defeased a portion of the 2007 General Obligation Bonds through issuance of the 2015 General Obligation Bonds. The School District transferred \$7,032,925 to a Bond Escrow agent to be used to advance refund the General Obligation Bonds, Series A of 2007. These funds were placed in an irrevocable trust to provide for future debt service payments on the 2007 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2015 \$6,690,000 of defeased bonds are still outstanding.

In addition, the School District paid bond issuance costs in the amount of \$194,250. The Bonds mature serially through June 1, 2024 and carry an interest rate of 3.85% to 5.00%.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 10: GENERAL OBLIGATION NOTES AND BONDS (CONTINUED)

This refunding transaction resulted in an estimated cash flow savings of \$730,917 and an estimated economic gain of \$741,903 for the School District.

NOTE 11: LOAN PAYABLE

The School District received 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 is non-interest bearing and shall be paid over 10 equal installments of \$300 thousand through June 30, 2024. The outstanding balance on the loan at June 30, 2016 was \$2,700,000.

Years Ended June 30:	Principal Retirements
2016	\$ 300,000
2017	300,000
2018	300,000
2019	300,000
2020	300,000
2021-2024	1,200,000
	\$ 2,700,000

NOTE 12: COMPENSATED ABSENCES

The changes in the School District's compensated absences in 2015 are summarized as follows:

	Governmental Activities	Business-Type Activities
Balance July 1, 2014	\$ 1,811,254	\$ 41,529
Change	(140,160)	(19,198)
Balance June 30, 2015	\$ 1,671,094	\$ 22,331

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

NOTE 13: 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 on annualized volumes of usage. Lease expense in the general fund during the year ended June 30, 2015 was \$249,276. The School District's future obligation under the operating lease is as follows for the fiscal years ending June 30:

Years Ended June 30:	
2016	\$ 249,276
2017	20,773
	\$ 270,049

SCHOOL DISTRICT OF THE CITY OF YORK  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

## NOTE 14: 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	\$ 196,313
Prepayments made to Lincoln Benefit Trust for employee health care costs.	3,702,852

Unassigned

Available for any purpose	12,354,884
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Capital ProjectsRestricted

Restriction of funds for capital projects.	<u>2,087,096</u>
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Total Governmental Funds, Fund Balance

\$ 18,341,145Governmental Activities

Net Investment in Capital Assets	\$ 30,189,543
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Restricted Net Position

Restricted for capital projects, net unspent bond proceeds.	2,087,096
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Unrestricted Net Position	<u>(87,646,006)</u>
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\$ (55,369,367)Business-Type Activities

Net Investment in Capital Assets	\$ 121,238
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Unrestricted Net Position	<u>(2,206,751)</u>
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\$ (2,085,513)

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 15: 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, 2015, 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	\$ 3,702,852	\$ 196,859	\$ 3,899,711

Changes in the School District's claims liability in fiscal years 2015 and 2014 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				
2013-2014	\$ 362,874	\$ 9,225,492	\$ (9,028,801)	\$ 559,565
2014-2015	\$ 559,565	\$ 8,159,119	\$ (8,139,001)	\$ 579,683
Enterprise Fund				
2013-2014	\$ 19,426	\$ 394,416	\$ (386,007)	\$ 27,835
2014-2015	\$ 27,835	\$ 357,707	\$ (356,825)	\$ 28,717
Total				
2013-2014	\$ 382,300	\$ 9,619,908	\$ (9,414,808)	\$ 587,400
2014-2015	\$ 587,400	\$ 8,516,826	\$ (8,495,826)	\$ 608,400

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, 2015, 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, 2015

## NOTE 16: PENSION PLAN

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917, under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.pasers.state.pa.us](http://www.pasers.state.pa.us).

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 16: PENSION PLAN (CONTINUED)

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$6,983,716 for the year ended June 30, 2015.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 16: PENSION PLAN (CONTINUED)

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability of \$103,860,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's reported covered payroll as a percentage of the collective covered payroll of all members of PSERS. At June 30, 2014, the District's proportion was 0.2624 percent, which was an increase of 0.0034 from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$9,365,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions in the Governmental and Business-Type Activities from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 7,202,250
Changes in proportions	1,088,340	-
Difference between employer contributions and proportionate share of total contributions	52,380	-
Contributions subsequent to the measurement Date	6,774,205	-
<b>Total</b>	<b>\$ 7,914,925</b>	<b>\$ 7,202,250</b>
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 222,750
Changes in proportions	33,660	-
Difference between employer contributions and proportionate share of total contributions	1,620	-
Contributions subsequent to the measurement date	209,511	-
<b>Total</b>	<b>\$ 244,791</b>	<b>\$ 222,750</b>

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 16: PENSION PLAN (CONTINUED)

\$6,983,716 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<i>(in Thousands)</i>
2016	\$ (1,530)
2017	(1,530)
2018	(1,530)
2019	42

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation – 3.00%
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 16: PENSION PLAN (CONTINUED)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to change in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

SCHOOL DISTRICT OF THE CITY OF YORK  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

## NOTE 16: PENSION PLAN (CONTINUED)

	<b>1% Decrease 6.50%</b>	<b>Current discount rate 7.50%</b>	<b>1% Increase 8.50%</b>
		<i>(in Thousands)</i>	
District's share of the net pension liability	\$ 129,551	\$ 103,860	\$ 81,927

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS financial report.

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$1,785,158 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 17: 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	All Other 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, prescription drug, dental, and vision coverage for retiree and spouse	Medical, prescription drug, dental, and vision 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  <table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td colspan="2" style="border-bottom: 1px solid black;">Years of Service - %pd</td> </tr> <tr> <td style="padding-right: 10px;">10-14</td> <td>50%</td> </tr> <tr> <td style="padding-right: 10px;">15-19</td> <td>75%</td> </tr> <tr> <td style="padding-right: 10px;">20+</td> <td>*</td> </tr> </table> * Retirees with 20+ contribute the active premium at retirement and the District pays the remainder of the premium.	Years of Service - %pd		10-14	50%	15-19	75%	20+	*	Retiree must provide payment equal to the premium determined for the purpose of COBRA
Years of Service - %pd												
10-14	50%											
15-19	75%											
20+	*											

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

## NOTE 17: 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 \$647,786 for the fiscal year ended June 30, 2015.

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:

	<u>Governmental Activities</u>	<u>Food Service Fund</u>	<u>Total Primary Government</u>
Annual Required Contribution	\$ 1,033,925	\$ 54,417	\$ 1,088,342
Interest on Net OPEB Obligation	56,790	2,989	59,779
Adjustment to Annual Required Contribution	<u>(77,477)</u>	<u>(4,078)</u>	<u>(81,555)</u>
Annual OPEB Cost	1,013,238	53,328	1,066,566
Contributions Made (Estimated)	<u>(615,397)</u>	<u>(32,389)</u>	<u>(647,786)</u>
Increase in Net OPEB Obligation	397,841	20,939	418,780
Net OPEB Obligation - Beginning of Year	<u>1,262,023</u>	<u>66,423</u>	<u>1,328,446</u>
Net OPEB Obligation - End of Year	<u>\$ 1,659,864</u>	<u>\$ 87,362</u>	<u>\$ 1,747,226</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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Obligation</u>
June 30, 2015	\$ 1,066,566	60.7%	\$ 1,747,226
June 30, 2014	\$ 728,990	80.7%	\$ 1,328,446
June 30, 2013	\$ 732,379	71.8%	\$ 1,187,848



SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$9.5 million, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.5 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 0.0%. The covered payroll was \$32.7 million, and the ratio of the UAAL to the covered payroll was 29.1%.

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, 2014 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 6.5%, 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, 2015

## NOTE 18: BUDGET APPROPRIATIONS

For the year ended June 30, 2015, the School District's total expenditures exceeded total appropriations by \$10,798,723. Increased taxes and excess fund balance provide the funds to cover the excess expenditures.

## NOTE 19: 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.

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

The following 2015 amounts have been restated due to the adoption of GASB Statements No. 68 and No. 71.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Beginning Net Position	\$ 32,142,209	\$ 993,083
Net Pension Liability for the adoption of GASB 68	(102,844,250)	(3,180,750)
Deferral of Contributions subsequent to PSERS measurement date for the adoption of GASB 71	5,034,879	155,718
Restated Beginning Net Position	<u>\$ (65,667,162)</u>	<u>\$ (2,031,949)</u>

SCHOOL DISTRICT OF THE CITY OF YORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 21: SUBSEQUENT EVENTS

In February of 2016, the School District issued General Obligation Bonds, Series of 2016, in the amount of \$9,315,000. The notes mature on June 1, 2022. The proceeds of the notes will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2005 and Series of 2007 as well as pay the costs of issuing and insuring the Bonds.

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, 2015

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Local Sources:				
Real Estate Taxes	\$ 29,789,155	\$ 29,789,155	\$ 27,322,819	\$ (2,466,336)
Other Taxes	2,819,813	2,819,813	3,342,264	522,451
Investment Income	25,000	25,000	177,544	152,544
Other Revenue	2,229,268	2,229,268	657,994	(1,571,274)
Total Local Sources	34,863,236	34,863,236	31,500,621	(3,362,615)
State Sources	75,518,600	75,518,600	79,000,459	3,481,859
Federal Sources	5,700,657	5,700,657	9,026,902	3,326,245
Total Revenues	116,082,493	116,082,493	119,527,982	3,445,489
EXPENDITURES				
Instructional Services				
Regular Programs	49,472,297	49,472,297	43,986,745	5,485,552
Special Programs	22,180,221	22,180,221	22,136,021	44,200
Vocational Programs	5,210,783	5,210,783	4,968,252	242,531
Other Instructional Program	1,805,133	1,805,133	1,957,709	(152,576)
Nonpublic School Programs	85,000	85,000	-	85,000
Adult Education Programs	417,362	417,362	222,094	195,268
Pre-Kindergarten Programs	894,915	894,915	1,423,674	(528,759)
Total Instructional Services	80,065,711	80,065,711	74,694,495	5,371,216
Instructional Support Services				
Pupil Personnel Services	4,092,463	4,092,463	2,874,350	1,218,113
Instructional Staff Services	1,272,609	1,272,609	2,189,339	(916,730)
Administrative Services	5,077,059	5,077,059	5,316,220	(239,161)
Pupil Health	1,476,403	1,476,403	1,229,989	246,414
Business Services	1,067,352	1,067,352	1,077,634	(10,282)
Operation of Plant and Maintenance Services	6,592,836	6,592,836	7,169,588	(576,752)
Student Transportation Services	2,206,512	2,206,512	2,004,533	201,979
Central and Other Business Services	1,500,796	1,500,796	1,843,370	(342,574)
Other Support Services	18,301	18,301	45,860	(27,559)
Total Instructional Support Services	23,304,331	23,304,331	23,750,883	(446,552)
Noninstructional Services				
Student Activities	458,664	458,664	427,429	31,235
Community Services	256,887	256,887	242,242	14,645
Total Noninstructional Services	715,551	715,551	669,671	45,880
Debt Service	-	-	15,769,267	(15,769,267)
Total Expenditures	104,085,593	104,085,593	114,884,316	(10,798,723)
Excess of Revenues Over Expenditures	11,996,900	11,996,900	4,643,666	(7,353,234)
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding Bonds	-	-	9,840,000	9,840,000
Loan Proceeds	-	-	3,000,000	3,000,000
Payment to Refunded Bond Escrow Agent	-	-	(7,032,925)	(7,032,925)
Budgetary Reserve	(511,198)	(511,198)	-	511,198
Transfers In	-	-	2,551	2,551
Transfers Out	(11,485,702)	(11,485,702)	-	11,485,702
Total Other Financing Sources (Uses)	(11,996,900)	(11,996,900)	5,809,626	17,806,526
Net Changes in Fund Balance	-	-	10,453,292	10,453,292
Fund Balances - Beginning of Year	-	-	5,800,757	5,800,757
Fund Balances - End of Year	\$ -	\$ -	\$ 16,254,049	\$ 16,254,049

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, 2015

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)
1/1/2014	\$ -	\$ 9,527,699	\$ 9,527,699	0.0%	\$ 32,741,095	29.1%
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%

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>2015</u>
District's proportion of the net pension liability	0.2624%
District's proportionate share of the net pension liability	\$ 106,025,000
District's covered-employee payroll	\$ 33,486,767
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	317%
Plan fiduciary net position as a percentage of the total pension liability	57%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only one year is present in the above schedule.

## SCHEDULE OF DISTRICT CONTRIBUTIONS

	<u>2015</u>
Contractually required contribution	\$ 6,983,716
Contributions in relation to the contractually required contribution	<u>6,983,716</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	33,486,767
Contributions as a percentage of covered - employee payroll	20.86%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only one year is present in the above schedule.