

CENTRAL BUCKS SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016



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INTRODUCTORY SECTION

CENTRAL BUCKS SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Central Bucks School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Central Bucks 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Central Bucks School District as of June 30, 2016, 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.

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Emphasis of Matter

For the year ended June 30, 2016, the Central Bucks School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 27, budgetary comparison information on pages 61 and 62, schedule of the school district's proportionate share of the net pension liability on page 63, schedule of the school district's contributions on page 64 and postemployment benefits other than pension funding progress on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Bucks School District's basic financial statements. The supplementary information listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the Central Bucks 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 Central Bucks School District's internal control over financial reporting and compliance.

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

Oaks, Pennsylvania
December 13, 2016

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

INTRODUCTION

Our discussion and analysis of Central Bucks School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- The impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, resulted in the liabilities of the district exceeding its assets at the close of the most recent fiscal year by \$39,916,847. At the close of the 2015-16 school year the district was required to recognize \$475,386,000 as its share of the state pension liability and the impact of that on the ending net position was to take it from a positive balance of \$451,062,364 to a negative balance of \$24,323,636. The basis of this entry is further discussed in Note N of the audit statement.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$13,997,592 or 4.39% of the total General Fund subsequent year's budget amount of \$318,775,592. In addition, there was a non-spendable fund balance of \$4,521,870 and an assigned fund balance of \$16,503,657. The non-spendable funds are amounts that are not in a spendable form and are primarily composed of prepaid health expenses. The assigned funds are amounts that have been constrained to specific purposes by the School District. Assigned Funds have been put aside to comply with GASB 45 which provides direction to put funds aside to meet post-employment benefit and healthcare obligations in the amount of \$11,864,592 and funds in the amount of \$4,639,065 have been put in a budgetary reserve to be used in future budget years as a supplement to revenues. As such the Assigned funds can only be used for other purposes if direction to do so is provided by the Board of Directors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Central Bucks School District's basic financial statements. The Central Bucks School District basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Central Bucks School District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Central Bucks School District's assets and liabilities, with the difference between the two reported as net position.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Central Bucks School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Central Bucks School District include general operations of public education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Central Bucks School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Central Bucks School District can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The Central Bucks School District maintains three individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances. Data from other Governmental Funds is combined into a single, aggregated presentation.

The Central Bucks School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Proprietary Fund - The Central Bucks School District maintains one Proprietary Fund which is Food Service. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

The Proprietary Fund provides the same type of information in the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Food Service function.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Central Bucks School District's own programs. The accounting used for Fiduciary Funds is much like that used for the Proprietary Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

It was previously noted that the net position may serve over time as a useful indicator of a government's financial position and in spite of the district's current negative position resulting from recognizing their portion of the state pension liability, the net position still indicates a strong financial standing given that the net position will continue to improve and move back toward a positive position as the district pays off debt and as the pension liability is addressed. It is important to note that without the entry for the pension liability that was made in accordance with GASB 68, the district's net position at the close of the most recent fiscal year would be a positive balance of \$452,053,661.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Condensed Statements of Net Position
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$ 122,335,867	\$ 101,602,419	\$ 748,647	\$ 628,227	\$ 123,084,514	\$ 102,230,646
Capital assets	429,087,062	433,125,782	799,426	923,855	429,886,488	434,049,637
TOTAL ASSETS	551,422,929	534,728,201	1,548,073	1,552,082	552,971,002	536,280,283
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow s of resources, pension activity	51,200,000	30,778,000	-	-	51,200,000	30,778,000
LIABILITIES						
Other liabilities	36,454,587	47,010,996	556,776	532,329	37,011,363	47,543,325
Long-term liabilities outstanding	581,069,802	520,140,041	-	-	581,069,802	520,140,041
TOTAL LIABILITIES	617,524,389	567,151,037	556,776	532,329	618,081,165	567,683,366
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow s of resources, pension activity	3,854,000	31,279,000	-	-	3,854,000	31,279,000
Deferred amounts on refunding	5,568,176	6,993,011	-	-	5,568,176	6,993,011
	<u>9,422,176</u>	<u>38,272,011</u>	<u>-</u>	<u>-</u>	<u>9,422,176</u>	<u>38,272,011</u>
NET POSITION						
Net investment in capital assets	337,058,587	330,381,504	799,426	923,855	337,858,013	331,305,359
Unrestricted	(361,382,223)	(370,298,351)	191,871	95,898	(361,190,352)	(370,202,453)
TOTAL NET POSITION	\$ (24,323,636)	\$ (39,916,847)	\$ 991,297	\$ 1,019,753	\$ (23,332,339)	\$ (38,897,094)

A portion of the Central Bucks School District's net position represents resources that are subject to external restrictions on how they may be used. While the remaining balances of unrestricted net position reflect a negative \$361,190,352, this amount would be a positive \$114,195,648 had the pension liability entry not been required and is reflective of the amount available to meet the district's ongoing obligations to citizens and creditors.

While at the end of the current fiscal year, the Central Bucks School District is not able to report positive balances in the unrestricted category of net position, it is important to note that this is entirely due to the district's requirement to recognize a share of the state pension liability under GASB 68.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Governmental Activities - Governmental activities increased the Central Bucks School District's net position by \$15,593,211. Business-type activities ended with a decrease in net position, resulting in a total change in net position of \$15,564,755. Key elements of this change in position are as follows:

Changes in Net Position
Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 4,300,723	\$ 3,928,732	\$ 4,243,703	\$ 4,340,974	\$ 8,544,426	\$ 8,269,706
Operating grants and contributions	55,554,205	51,226,541	771,596	797,357	56,325,801	52,023,898
Capital grants and contributions	2,303,178	1,170,987	-	-	2,303,178	1,170,987
General revenues						
Property taxes	226,125,430	224,325,197	-	-	226,125,430	224,325,197
Other taxes	23,675,752	22,523,152	-	-	23,675,752	22,523,152
Grants and contributions not restricted to specific programs	1,620,741	1,974,590	-	-	1,620,741	1,974,590
Other	1,086,043	361,377	1,530	510	1,087,573	361,887
TOTAL REVENUES	314,666,072	305,510,576	5,016,829	5,138,841	319,682,901	310,649,417
EXPENSES						
Instruction	179,759,586	162,513,061	-	-	179,759,586	162,513,061
Support services	94,194,967	86,024,724	-	-	94,194,967	86,024,724
Operation of non-instructional services	6,468,413	6,109,513	-	-	6,468,413	6,109,513
Debt service	4,616,150	11,600,050	-	-	4,616,150	11,600,050
Facilities acquisition, construction and improvement services	14,033,745	10,522,590	-	-	14,033,745	10,522,590
Food service	-	-	5,045,285	5,110,114	5,045,285	5,110,114
TOTAL EXPENSES	299,072,861	276,769,938	5,045,285	5,110,114	304,118,146	281,880,052
CHANGE IN NET POSITION	15,593,211	28,740,638	(28,456)	28,727	15,564,755	28,769,365
NET POSITION AT BEGINNING OF YEAR	(39,916,847)	(68,657,485)	1,019,753	991,026	(38,897,094)	(67,666,459)
NET POSITION AT END OF YEAR	\$ (24,323,636)	\$ (39,916,847)	\$ 991,297	\$ 1,019,753	\$ (23,332,339)	\$ (38,897,094)

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Central Bucks School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Central Bucks School District's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Central Bucks School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Central Bucks School District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,997,592. Unassigned fund balance represents 4.49% of the total fund expenditures for 2015-2016. It is the intent of the Board to use all available funds over 3-5% to build a reserve for future capital projects.

General Fund revenues of the Central Bucks School District came from four basic sources. The largest source was provided by local funding totaling \$252,693,316 (80.14%), of which \$212,305,401 were current and interim real estate tax revenues. State funding amounted to \$60,915,426 (19.31%). Federal funding amounted to \$1,725,342 (.55%).

According to State criteria, Central Bucks is a relatively wealthy District and, as such, State and Federal funding continue to provide a relatively small percentage (19.86%) of total School District revenue.

The Food Service Program revenues are intended to offset daily operating costs to provide that service, such as labor, product, utilities and equipment.

General Fund expenses of the School District fall into four major categories, and the changes are as follows:

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Change</u>	<u>% Change</u>
Instruction	\$ 168,365,381	\$ 160,827,534	\$ 7,537,847	4.69%
Support services	84,885,168	82,244,592	2,640,576	3.21%
Non-instructional	6,468,413	6,109,513	358,900	5.87%
Debt service	<u>19,560,144</u>	<u>22,842,225</u>	<u>(3,282,081)</u>	<u>-14.37%</u>
	<u>\$ 279,279,106</u>	<u>\$ 272,023,864</u>	<u>\$ 7,255,242</u>	<u>2.67%</u>

The Capital Projects Fund has a total fund balance of \$15,268,165, of which \$1,236,334 is reserved for encumbrances and \$14,031,831 is designated for capital improvements.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Proprietary Fund: The Central Bucks School District's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail. Net position of the Food Service Fund at the end of the year amounted to a balance of \$991,297, of which \$191,871 was unrestricted and \$799,426 was the net investment in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary line transfers were required to meet actual expenditures, which exceeded original estimates. These transfers were approved by the Board throughout the year. All of these transfers were relatively immaterial.

Assets and liabilities remained relatively unchanged, with the exception of recognizing the pension liability as required by GASB 68, which did move the district into a negative net position (see note N of the financials). With regard to the General Fund operating balance the Board of Directors has adopted a practice to maintain a General Fund operating balance at a minimum range of 3% to 5% of the subsequent year's budget. The District's ending unassigned fund balance at June 30, 2016 of \$13,997,592 is 4.39% of the 2016-17 operating budget of \$318,775,592. Management projects that the General Fund balance at June 30, 2017 will remain at the same percentage level of the 2017-2018 budget. In addition to the unassigned fund balance there is also a non-spendable fund balance of \$4,521,870 and an assigned fund balance of \$16,503,657, which represents funds set aside to meet post-employment benefit obligations as required by GASB 45 and to set up a reserve to be used in future budget years as a supplement to revenues.

Local tax revenues exceeded the budgeted estimates by \$2,868,039.

Actual expenditures were \$279,279,106 as compared to a budget of \$284,695,047. These totals exclude transfer to other fund expenditures.

A history of ending fund balances follows:

June 30, 2007	\$16,816,000
June 30, 2008	\$21,470,091
June 30, 2009	\$26,841,685
June 30, 2010	\$42,299,055
June 30, 2011	\$34,066,395
June 30, 2012	\$33,476,973
June 30, 2013	\$18,519,326
June 30, 2014	\$17,813,141
June 30, 2015*	\$25,744,989
June 30, 2016*	\$35,023,119

*Includes restricted postemployment benefits of \$11,819,434 which were transferred into the general fund from the fiduciary fund to comply with accounting guidance.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

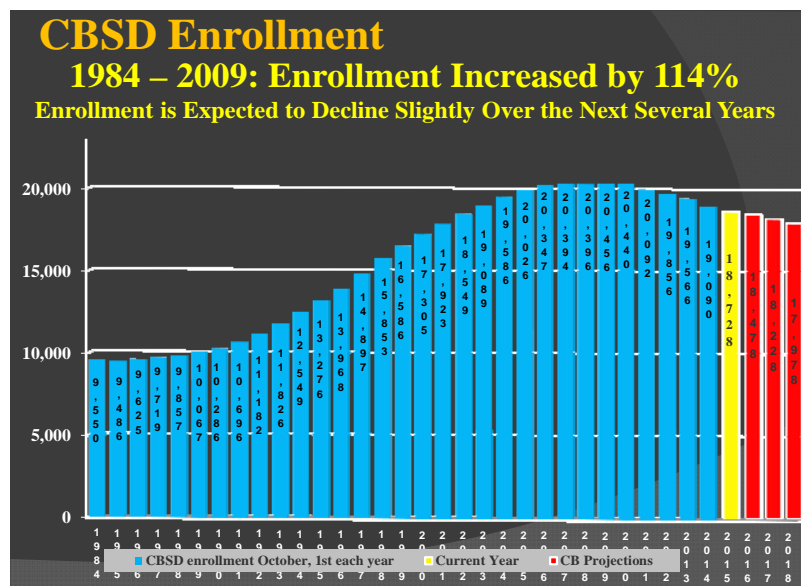
The Central Bucks School District's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$429,886,488 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements and furniture and equipment.

The School District continued to address several major financial issues during the fiscal year, the most important of which was to transfer additional funds to the Debt Service Reserve to accumulate funds towards a future debt defeasance. This action will help to position the School District to address future increases in the employee PSERS contribution rate.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 13,812,064	\$ 13,835,164	\$ -	\$ -	\$ 13,812,064	\$ 13,835,164
Site improvements	12,779,606	11,442,776	-	-	12,779,606	11,442,776
Buildings and improvements	381,969,288	393,504,507	-	-	381,969,288	393,504,507
Machinery and equipment	6,522,320	7,728,642	799,426	923,855	7,321,746	8,652,497
Construction in progress	14,003,784	6,614,693	-	-	14,003,784	6,614,693
	<u>\$ 429,087,062</u>	<u>\$ 433,125,782</u>	<u>\$ 799,426</u>	<u>\$ 923,855</u>	<u>\$ 429,886,488</u>	<u>\$ 434,049,637</u>

Additional information of the Central Bucks School District's capital assets can be found in Note F on page 54 of this report.

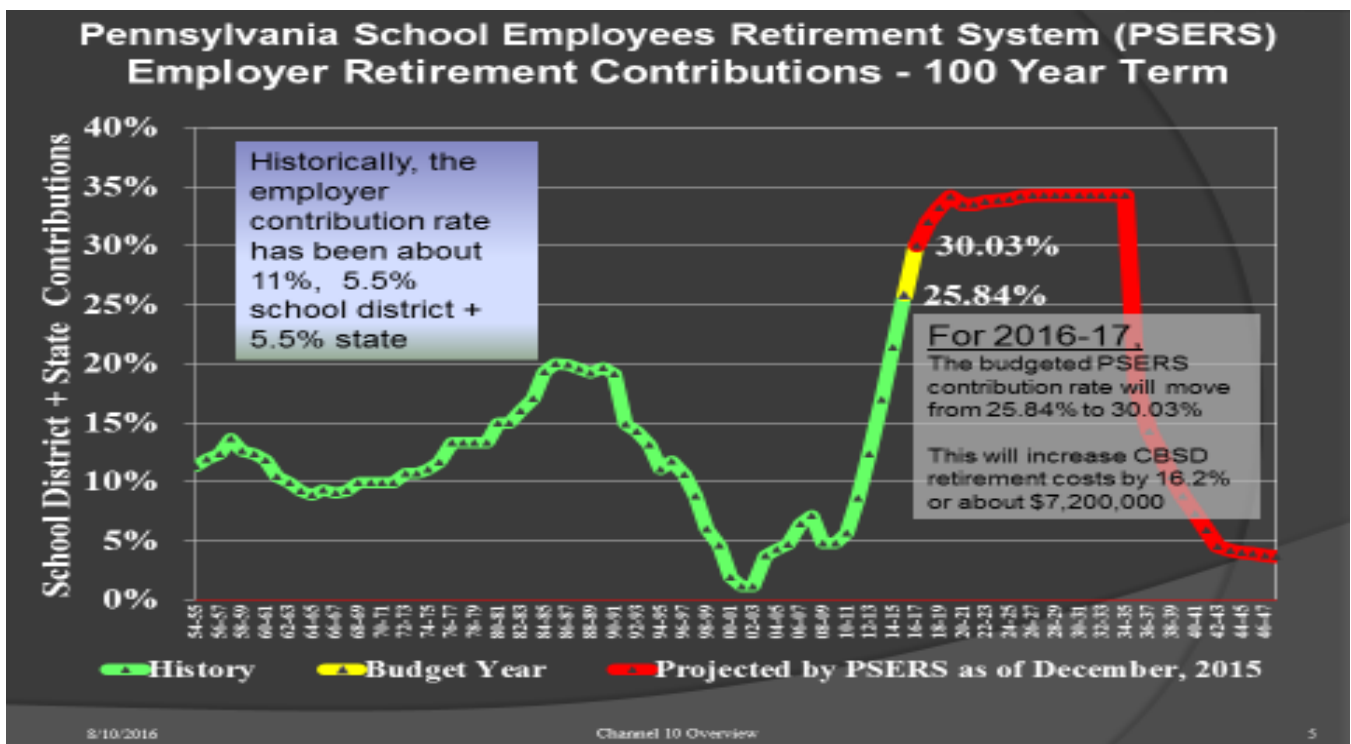


Enrollment for the 2015-16 fiscal year was 18,728 students which continues the gradual enrollment decline from the peak year of 2009 at 20,456 students. Enrollment projections completed by the Pennsylvania Economy League indicate the district will continue to decline in enrollment through 2018-19 and beyond when 18,000 students are projected to be enrolled K-12. The decreased enrollment has not impacted any one area of the district significantly, so we do not expect the declines to result in any school closures or major realignment of attendance boundaries in the near term.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

We also do not expect any loss of state subsidies as a result of enrollment declines. Even with declining enrollment, the district is seeing pockets of elementary school enrollment growth due to new housing development. Localized growth may mean the district needs to add portable classrooms or realign some minor attendance boundaries in new neighborhoods to shift student populations to lower enrolled schools. Because of the decreased enrollment being widespread it has not had much impact on staffing. Any staff decreases have been offset by the district’s STEM-QUEST initiative and increased staffing needs in the special education area.

CONTINUING DISCLOSURE

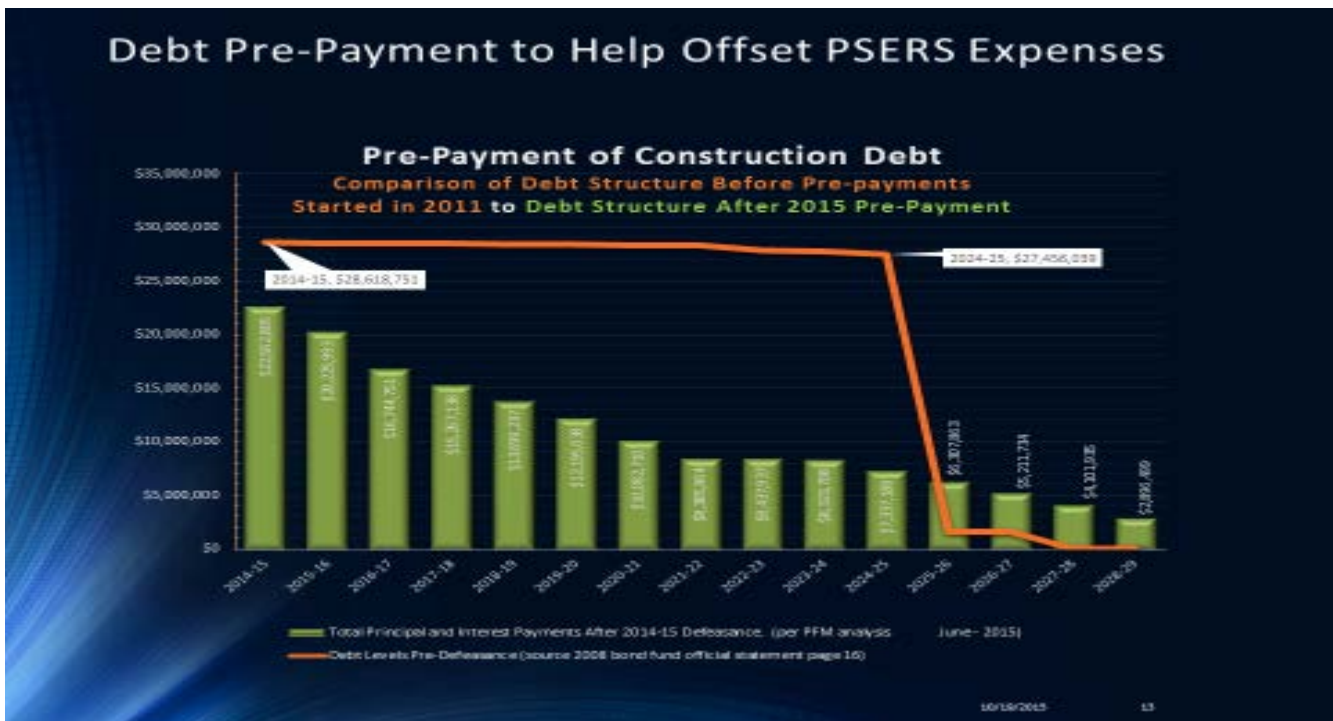


From 2001 through 2015, the state legislature artificially suppressed the employer contribution rates below the actuarial requirements for the Pennsylvania School Employee Retirement System (PSERS). It was suppressed in hope that the stock market declines from the dot com bust of 2001 would rebound as increased stock market value would help offset losses from the recession in the early part of the century.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The Great Recession of 2008 compounded earlier stock market losses and consequently further impacted the funding level of the PSERS retirement system. Artificially low employer contribution rates and stock market losses have now caused the future employer contribution rates into the PSERS system to increase dramatically. These high contribution rates will remain in place for over 20 years. The employer contribution rate is the percentage of gross payroll that must be contributed equally by the Central Bucks School District and the State of Pennsylvania. The increased employer contribution rate is one of the major influences causing financial stress within the district. Luckily, over the past few years, the district is losing approximately 250 students per year due to enrollment decline. The decline is due to a reduced birthrate and the housing construction market where growth has slowed down considerably from the mid 2000's. The reduced student enrollment has allowed the district to reduce staff positions without impacting the number of students per classroom in the 14-15 school year. However, teaching positions were added for the STEM-QUEST initiative adding 6 in 14-15 and 4 in the 15-16 school year.

To help combat the spiking employer contribution rate to the state retirement system, the district has been paying off debt ahead of schedule to ease the future tax burden on the community. You can see in the chart that through efforts to reduce debt in 2011, 2013, and 2015 the district has changed the debt structure from flat payments to declining payments (green bars). Prior to 2011, the district had level debt payments of approximately \$29M per year (orange line). Unfortunately, the district will see dramatically higher state retirement system payments over the years with the latest estimates capping out at around 36.4% of gross payroll. The gap between the green bars and the orange line represents the budgetary relief of prepaying construction debt. Savings on debt payments can be used to help offset the rising cost of retirement contributions. To reduce debt payments enough to help offset increasing future PSERS and health care expenses, approximately \$30M will be needed in 2017 or 2019 to pay off the 2007 and 2011A construction bonds. This would leave the 2011B construction bonds and construction bonds associated with the Middle Bucks Institute of Technology as the only outstanding debt after 2017.



CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

As the district approaches the top of the PSERS curve, 2019-20 timeframe, the Act 1 PSERS exception for real estate tax increases will go away. Assuming the district addresses the PSERS crisis through accelerated debt pay off, the district must also plan for rising future health care costs. There is no provision in the Act 1 tax reform law to give school districts a real estate tax exception for health care costs that grow at a rate that is greater than the general rate of inflation.

The downturn in the economy and its impact on housing values had caused many homeowners within the school district to file an appeal of the assessed value (taxable value) of their real estate. The tax assessment appeals had been ongoing for a five-year period from 2009 thru 2014. The cumulative effect of the appeal process is that the school district lost about \$6M per year in real estate tax revenue. Thankfully residential assessment appeals have slowed down, while commercial real estate assessment appeals continue, but at a slower rate. The Central Bucks School District is a bedroom community. As a percent of tax parcels, CBSD has a small proportion of commercial properties.

Bucks County has not conducted a study comparing current property values to their taxable value since 1972. Consequently, some home owners are overpaying their real estate taxes while others are underpaying their real estate taxes. The district has initiated an appeal process with the county to increase the taxable value of some commercial real estate properties that are projected to be under taxed by significant amounts. Below is a listing of the top 25 tax payers in the district.

25 Largest Real Estate Taxpayers	Business	Property Taxable Value
Doylestown Hospital	Health/Retirement/Skilled Care	\$7,888,500
Valley Square Lifestyle LP	Shopping Center	\$4,621,410
KRT Property Holding Inc.	Shopping Center	\$3,471,760
Capital Enterprise Inc.	Shopping Center	\$3,460,640
150 (one) Common Way Investors	Apartment Complex	\$2,538,000
Park at Westminster Assoc.	Apartment Complex	\$2,484,000
Valley Square 1 LP	Shopping Center	\$2,465,720
ERP New Britain Property Owners	Shopping Center	\$2,417,860
Doylestown Commerce Center	Shopping Center	\$2,233,910
Warrington Real Estate	Movie Complex, Fast Food	\$2,161,280
AnchorCogdell Doylestown	Office Building	\$2,132,880
Buckingham VLG LTD	Shopping Center	\$2,123,080
ERP New Britain Property Owners	Shopping Center	\$2,098,480
Cross Keys Development	Office Building	\$2,097,600
Goodman, Bruce A & Rubin Seymore	Shopping Center	\$1,910,520
Wegman's Food Market	Grocery Store	\$1,867,760
Langhorne Manor Boro Higher Ed	Shopping Center	\$1,798,000
Wal-Mart real Estate Bus. Trust	Retail Shopping	\$1,618,990
BRE RC Creekview PA LP	Apartment Complex	\$1,617,660
Heritage Warrington Ctr	Shopping Center	\$1,604,380
FW PA Mercer Square LLC	Shopping Center	\$1,589,990
F W PA Warwick Plaza LLC	Shopping Center	\$1,454,200
Ravid Lahaska	Shopping Center	\$1,444,070
Signature Living at Summer Hill	Apartment Complex	\$1,435,000
Total		\$58,535,690

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

When looking at the overall revenue picture, revenue lines associated with real estate (real estate tax, real estate transfer tax, interim real estate taxes) had declined in the period of 2009-2012, but over the last few years, real estate assessed values (taxable values) are starting to grow modestly due to new home construction and some commercial development.

Investment income is at historic low points. A bright spot is Earned Income Tax revenues. As the Act 32 tax collection law gains in efficiency and sophistication, more tax payers that fell through the cracks in the collection process are now paying the 1% wage tax and providing needed additional revenue. State subsidies over the years have declined which in turn puts more pressure on local real estate taxes to maintain services. Governor Wolf has been pushing for greater state subsidies to school districts which may yield more state support in the next several years.

As of late October 2015, the state legislature and the governor were still sparring over the budget, which ended up 10 months overdue, with the governor and the legislatures remaining at odds over the budget priorities. Since CBSD relies heavily on local community taxes, the impact of the state freeze on subsidies had a minimal impact on cash flow.

To combat revenue losses and higher retirement system expenses the district has restructured debt, paid off debt, and has entered into more cooperative purchasing agreements. On a brighter note, as mentioned above due to new construction, we are seeing an improvement in interim real estate taxes and transfer taxes. These revenue lines have historically been difficult to project since the revenue is derived from expanded real estate values through new construction or renovations to existing structures and on real estate transaction volume. This trend appears to be an indication of an improving economy for the long term, as these increases have continued for the last several years.

During 2007-08 Moody's rating agency upgraded Central Bucks School District's financial creditworthiness from AA2 to AA1 which is one step below AAA rating. This helped to reduce the district borrowing cost on the 2008 bond issue particularly since the bond issue was not insured by a third party. In March of 2011, the district refinanced \$170M in outstanding debt and prepaid \$35M in construction debt saving the district interest costs of \$1.5M per year on average and reducing yearly principal payments by \$1M in the near term to \$8M in 2025.

In June of 2013, the district paid off (defeasance) about \$72M in long term debt which will save the district about \$24M in interest expenses over the next 15 years or about \$1.5M per year. Paying off this debt early will also result in reduced principal payments of an additional \$1M in 2013-14 to \$7M in fiscal year 2024-25.

In June of 2015 the district paid off about \$40M in long term debt reducing debt payments between \$1M and \$7M in future years.

CENTRAL BUCKS SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2016

The district is setting aside sufficient funds each year to adequately maintain facilities, improve technology and replace school buses without incurring more debt. Paying off debt in 2015 combined with a similar effort in 2011 and 2013 will go a long way towards defusing the future financial liabilities associated with the state pension crisis. As stated previously, the district has a goal to pay off an additional \$30M in debt, possibly in 2019, to help minimize the budget impact of PSERS expenses and health care inflation pressures.

General Fund Debt Schedule
Budget 2015 - 2016

Issue	Balance 6/30/15	Payments Due 15/16		Retirement Date
		Principal	Interest	
2005	\$ 1,975,000	\$ 1,975,000	\$ 98,750	05/2017
2007	33,125,000	5,005,000	1,653,250	05/2022
2007A	1,950,000	990,000	78,000	05/2027
2011 A	5,735,000	2,310,000	231,800	05/2026
2011 B	54,415,000	670,000	2,476,794	05/2029
2011 C	5,065,000	3,915,000	156,550	05/2029
MBIT Bond	7,328,593	402,458	263,391	05/2029
Total	<u>\$ 109,593,593</u>	15,267,458	4,958,535	<u>\$ 20,225,993</u>
Less Other Funding:				
1300 Function		(402,458)	(263,391)	
Net, 5100 Function		<u>\$ 14,865,000</u>	<u>\$ 4,695,144</u>	<u>\$ 19,560,144</u>

Average Rate of Interest for 15-16 = 4.52%

Year Ending June 30,	Principal	Interest	Totals
2016	\$ 15,267,458	\$ 4,958,535	\$ 20,225,993
2017	12,430,500	4,314,251	16,744,751
2018	11,423,900	3,843,238	15,267,138
2019	10,377,300	3,321,937	13,699,237
2020	9,363,400	2,831,638	12,195,038
2021 to 2025	33,940,600	8,626,807	42,567,407
2026 to 2029	16,790,435	1,727,596	18,518,031
Totals	<u>\$ 109,593,593</u>	<u>\$ 29,624,002</u>	<u>\$ 139,217,595</u>

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Remaining Borrowing Capacity	Fiscal Year Ended June 30,		
	2014	2015	2016
General fund revenues	\$ 299,234,953	\$ 305,884,609	\$ 315,334,086
Add: fund transfers in	490,000	12,302,937	-
Add: proceeds on the sale of capital assets	-	2,964	22,815
Total net general fund revenues	<u>299,724,953</u>	<u>318,190,510</u>	<u>315,356,901</u>
Less: state subsidies for debt reimbursement	4,010,153	1,170,987	2,303,178
Less: nonrecurring revenue, 9000 function	490,000	12,302,937	-
Less: proceeds from disposition of capital assets or other nonrecurring revenue (9000 function revenues)	<u>-</u>	<u>2,964</u>	<u>22,815</u>
Total exclusions	<u>4,500,153</u>	<u>13,476,888</u>	<u>2,325,993</u>
Net revenues	<u>\$ 295,224,800</u>	<u>\$ 304,713,622</u>	<u>\$ 313,030,908</u>
Total net revenues for three years			<u>\$ 912,969,330</u>
Borrowing base = total net revenues for three years/3			304,323,110
Debt limit = 225% of borrowing base			684,726,998
Less: outstanding debt as of June 30th			<u>91,813,642</u>
Remaining Borrowing Capacity			<u><u>\$ 592,913,356</u></u>

Taxes and Taxing Powers - General

The School District, as a school district of the second class, is permitted to impose the following taxes under the School Code:

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An annual tax on all taxable real estate without limit to provide for the payment of:
 - (a) Salaries and increments of the teaching and supervisory staff.
 - (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority.
 - (c) Sinking fund charges incurred in connection with indebtedness authorized under the Act.
 - (d) The amortization of a bond issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident over eighteen years of age of not more than \$5.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The School District may also levy under The Local Tax Enabling Act, Act No. 511, approved December 31, 1965, as amended (the "Tax Enabling Act"), an additional per capita tax, wage taxes, and other taxes as provided for therein; provided, however, that the aggregate amount of taxes imposed under the Tax Enabling Act may not exceed 1.25% of the market valuation of the real estate in the School District as determined by the State Tax Equalization Board, and subject to certain other limitations. These taxes are also subject to apportionment between overlapping municipalities and the School District where such municipalities exercise the right of such apportionment.

Real Estate Tax Collections

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Assessed valuation adjusted for Homestead	\$ 1,690,769,286	\$ 1,698,405,366	\$ 1,709,182,774	\$ 1,773,474,560	\$ 1,743,495,433
Tax levy = assessed value x applicable millage rate	204,244,930	208,564,179	209,887,645	220,088,193	216,367,783
Current collections	200,025,410	202,861,832	202,641,755	208,548,450	210,709,262
Delinquent real estate taxes	<u>2,831,894</u>	<u>3,054,958</u>	<u>2,744,140</u>	<u>2,942,983</u>	<u>2,610,694</u>
Total = current plus delinquent collections	<u>\$ 202,857,304</u>	<u>\$ 205,916,790</u>	<u>\$ 205,385,895</u>	<u>\$ 211,491,433</u>	<u>\$ 213,319,956</u>
Percent of current collections divided by tax levy	97.93%	97.27%	96.55%	94.76%	97.38%
Percent of total collections divided by tax levy	99.32%	98.73%	97.86%	96.09%	98.59%
Current Act 511 taxes - proportional assessments:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Earned income tax revenue at .50%					
Budget	\$ 18,100,000	\$ 18,400,000	\$ 19,700,000	\$ 20,775,000	\$ 22,000,000
Actual	<u>19,239,103</u>	<u>19,924,045</u>	<u>22,241,967</u>	<u>23,187,051</u>	<u>23,274,334</u>
Difference	<u>\$ 1,139,103</u>	<u>\$ 1,524,045</u>	<u>\$ 2,541,967</u>	<u>\$ 2,412,051</u>	<u>\$ 1,274,334</u>
Real estate transfer tax revenue at .50%					
Budget	\$ 3,325,000	\$ 3,050,000	\$ 3,150,000	\$ 4,000,000	\$ 4,522,500
Actual	<u>3,098,396</u>	<u>3,884,495</u>	<u>4,059,318</u>	<u>4,831,363</u>	<u>5,344,465</u>
Difference	<u>\$ (226,604)</u>	<u>\$ 834,495</u>	<u>\$ 909,318</u>	<u>\$ 831,363</u>	<u>\$ 821,965</u>

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Description	Payroll Employee Count					5 Year Change	5 Year % Change
	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016		
ADMINISTRATOR	96	96	98	102	104	8	8.3%
TEACHER	1,192	1,195	1,187	1,162	1,270	78	6.5%
LONG-TERM SUB TEACHER	90	82	87	130	28	(62)	-68.9%
12 MONTH SUPPORT_NONFACILITY	81	81	79	80	88	7	8.6%
CONFIDENTIAL SECRETARY	6	7	7	6	10	4	66.7%
10 MONTH SUPPORT STAFF	469	480	487	485	496	27	5.8%
EA + TITLE 1/BASIC SK/COM SCHL	23	15	19	27	24	1	4.3%
EA'S TRANSPORTATION	29	30	27	31	27	(2)	-6.9%
TITLE 1/BASIC SKLS ASSISTANTS	52	49	49	51	49	(3)	-5.8%
TTL 1/BASIC SKLS + EA OR COMM S	40	35	30	34	35	(5)	-12.5%
MAINT/CUSTODIAL	176	178	175	184	182	6	3.4%
TRANSPORTATION	95	88	98	94	101	6	6.3%
TRANSP.12MONTH	10	11	10	11	10	-	0.0%
PER_CERT-PER DIEM SUBS	128	125	99	95	61	(67)	-52.3%
EMERG_CERT-PER DIEM SUBS	15	16	14	12	14	(1)	-6.7%
ASSIGNED PER DIEM SUBS	15	11	13	13	18	3	20.0%
HOMEBOUND INSTRUCTOR	-	-	-	1	-	-	0.0%
COMM_SCH_CC	114	113	116	115	123	9	7.9%
COMMUNITY SCHOOL-OTHER	-	1	1	-	-	-	0.0%
AQUATICS-COMMSCHOOL	13	14	12	14	15	2	15.4%
SUB ED ASST	9	10	13	9	12	3	33.3%
STUDENT SWIM	17	19	17	13	14	(3)	-17.6%
SUB CUSTODIAL	4	2	3	3	2	(2)	-50.0%
SUB DRIVER-TRANSPORTATION	35	42	37	43	38	3	8.6%
SUB NURSE	6	6	4	-	4	(2)	-33.3%
DAILY SUB SECRETARIAL	-	-	-	-	-	-	0.0%
PRE-TERM DEPT	4	4	9	10	6	2	50.0%
EXTRA DUTY RESPONSIBILITY	-	1	2	-	-	-	0.0%
TAX COLLECTOR	3	3	3	1	3	-	0.0%
	<u>2,722</u>	<u>2,714</u>	<u>2,696</u>	<u>2,726</u>	<u>2,734</u>	<u>12</u>	<u>0.4%</u>
Student Enrollment	19,856	19,566	19,090	18,728	18,390	(1,466)	-7.4%
Percent Change per year		-1.46%	-2.43%	-1.90%	-1.80%		

It is anticipated that staffing level will be increasing slightly in the near future due to adding four additional teachers in the district STEM-QUEST Program (Questioning and Understanding through Engineering, Science, and Technology), five special education teachers and a psychologist. Actual payroll expenses for the past five years are:

2011-12	2012-13	2013-14	2014-15	2015-16
\$ <u>134,276,894</u>	\$ <u>136,274,589</u>	\$ <u>136,933,055</u>	\$ <u>142,344,257</u>	\$ <u>146,374,980</u>

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The School District currently operates 23 school buildings:

- 15 elementary schools organized K-6th grade
- 5 middle schools organized 7th-9th grade
- 3 high schools organized 10th-12th grade

In addition, the School District has two administration centers, three transportation centers, and one maintenance facility. All of the facilities are in very good condition and well maintained.

	<u>Original Construction</u>	<u>Year(s) of Additions/Renovations</u>	<u>Grades Housed</u>	<u>Rated Capacity</u>	<u>Current Enrollment</u>
Elementary:					
Barclay	1965	1968; 1971; 1990; 2006	K-6	525	511
Bridge Valley	2004		K-6	1,100	759
Buckingham	1955	1964; 1971; 2003	K-6	625	490
Butler	1964	1966; 1990; 2006	K-6	575	843
Cold Spring	1995		K-6	800	552
Doyle	1966	1968; 1990	K-6	575	480
Gayman	1960	1965; 1971; 1990; 1998	K-6	600	459
Groveland	2000		K-6	1,100	861
Jamison	1997		K-6	800	553
Kutz	1936	1954; 1958; 1963; 1971; 1990	K-6	650	606
Linden	1960	1968; 1990	K-6	700	433
Mill Creek	2000		K-6	1,100	885
Pine Run	1971	1990; 2006; 2011	K-6	700	476
Titus	1951	1955; 1957; 1962; 1979; 1990; 2003	K-6	600	637
Warwick	1958	1962; 1979; 1990; 2003	K-6	725	552
Secondary:					
Holicong Middle	1971	1998; 2005	7-9	1,106	1,080
Lenape Middle	1956	1995; 2011	7-9	931	864
Tamanend Middle	1960	1990; 1995; 2012	7-9	917	870
Tohickon Middle	2002		7-9	1,100	1,032
Unami Middle	1964	1997; 2015	7-9	1,012	875
Central Bucks East Senior High	1969	1974; 1997; 2013	10-12	1,869	1,645
Central Bucks South Senior High	2004		10-12	2,000	1,801
Central Bucks West Senior High	1950	1972; 1989; 1996; 2005; 2010	10-12	1,856	1,464
				<u>21,966</u>	<u>18,728</u>

Enrollment 18,728/capacity of 21,966 = 85.26%

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Trends in Assessed Valuations				
2015	Municipality	Market Value	Assessed Value	Assessed to Market Value
Central Bucks	Buckingham	3,176,317,009	386,093,520	12.16%
Central Bucks	Chalfont Borough	406,192,871	49,077,600	12.08%
Central Bucks	Doylestown Borough	1,189,235,327	110,866,390	9.32%
Central Bucks	Doylestown Township	2,281,603,631	268,751,860	11.78%
Central Bucks	New Britain Borough	289,427,278	32,700,800	11.30%
Central Bucks	New Britain Township	1,370,099,345	167,052,590	12.19%
Central Bucks	Plumstead Township	1,854,099,041	208,524,170	11.25%
Central Bucks	Warrington Township	2,830,192,678	336,112,540	11.88%
Central Bucks	Warwick Township	1,790,100,344	225,810,530	12.61%
School District Total		15,187,267,524	1,784,990,000	11.75%
2014	Municipality	Market Value	Assessed	Assessed to
Central Bucks	Buckingham	3,158,508,615	383,515,420	12.14%
Central Bucks	Chalfont Borough	406,853,808	49,153,480	12.08%
Central Bucks	Doylestown Borough	1,184,805,337	110,552,840	9.33%
Central Bucks	Doylestown Township	2,277,983,466	268,405,940	11.78%
Central Bucks	New Britain Borough	289,224,528	32,648,130	11.29%
Central Bucks	New Britain Township	1,358,030,724	166,201,520	12.24%
Central Bucks	Plumstead Township	1,796,954,295	201,996,650	11.24%
Central Bucks	Warrington Township	2,791,221,076	331,480,370	11.88%
Central Bucks	Warwick Township	1,774,616,882	224,119,910	12.63%
School District Total		15,038,198,731	1,768,074,260	11.76%
2013	Municipality	Market Value	Assessed	Assessed to
Central Bucks	Buckingham	3,120,850,028	383,189,200	12.28%
Central Bucks	Chalfont Borough	394,749,298	48,667,940	12.33%
Central Bucks	Doylestown Borough	1,161,024,281	110,403,750	9.51%
Central Bucks	Doylestown Township	2,254,606,219	267,579,850	11.87%
Central Bucks	New Britain Borough	305,697,621	32,727,570	10.71%
Central Bucks	New Britain Township	1,317,454,898	164,483,860	12.48%
Central Bucks	Plumstead Township	1,824,929,162	196,451,570	10.76%
Central Bucks	Warrington Township	2,717,807,416	325,415,050	11.97%
Central Bucks	Warwick Township	1,747,933,351	222,359,470	12.72%
School District Total		14,845,052,275	1,751,278,260	11.80%
2012	Municipality	Market Value	Assessed	Assessed to
Central Bucks	Buckingham	3,119,374,263	383,273,410	12.29%
Central Bucks	Chalfont Borough	394,408,256	48,593,640	12.32%
Central Bucks	Doylestown Borough	1,157,425,866	110,067,530	9.51%
Central Bucks	Doylestown Township	2,254,800,901	268,451,630	11.91%
Central Bucks	New Britain Borough	307,364,300	32,802,410	10.67%
Central Bucks	New Britain Township	1,311,988,329	164,627,080	12.55%
Central Bucks	Plumstead Township	1,784,728,552	192,034,200	10.76%
Central Bucks	Warrington Township	2,688,624,800	323,489,930	12.03%
Central Bucks	Warwick Township	1,743,892,046	221,886,050	12.72%
School District Total		14,762,607,313	1,745,225,880	11.82%
2011	Municipality	Market Value	Assessed Value	Assessed to Market Value
Central Bucks	Buckingham	3,041,520,542	382,912,400	12.59%
Central Bucks	Chalfont Borough	381,671,775	48,117,220	12.61%
Central Bucks	Doylestown Borough	1,130,887,162	110,040,190	9.73%
Central Bucks	Doylestown Township	2,231,540,701	269,425,530	12.07%
Central Bucks	New Britain Borough	330,425,708	32,810,450	9.93%
Central Bucks	New Britain Township	1,284,912,331	165,054,630	12.85%
Central Bucks	Plumstead Township	1,712,425,590	190,766,970	11.14%
Central Bucks	Warrington Township	2,647,102,357	322,590,400	12.19%
Central Bucks	Warwick Township	1,693,104,957	221,642,180	13.09%
School District Total		14,453,591,123	1,743,359,970	12.06%
2010	Municipality	Market Value	Assessed Value	Assessed to Market Value
Central Bucks	Buckingham	3,102,714,116	384,594,500	12.40%
Central Bucks	Chalfont Borough	379,551,075	47,883,320	12.62%
Central Bucks	Doylestown Borough	1,141,274,326	110,036,090	9.64%
Central Bucks	Doylestown Township	2,233,272,364	269,677,900	12.08%
Central Bucks	New Britain Borough	330,113,388	32,741,760	9.92%
Central Bucks	New Britain Township	1,298,506,161	166,421,140	12.82%
Central Bucks	Plumstead Township	1,719,970,862	191,839,070	11.15%
Central Bucks	Warrington Township	2,637,446,118	321,453,500	12.19%
Central Bucks	Warwick Township	1,691,831,897	221,780,700	13.11%
School District Total		14,534,680,307	1,746,427,980	12.02%

Source: Pennsylvania State Tax Equalization Board - DCED
[Link to DCED Assessed and Market Values](#)

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

2016 Realty Tax Rates (in Mills)				
Municipality	Municipal	School	County	Total
Buckingham Township	5.5000	124.1	23.20	152.80
Chalfont Borough	17.0000	124.1	23.20	164.30
Doylestown Borough	12.7250	124.1	23.20	160.03
Doylestown Township	10.8750	124.1	23.20	158.18
New Britain Borough	27.3750	124.1	23.20	174.68
New Britain Township	12.0625	124.1	23.20	159.36
Plumstead Township	13.9400	124.1	23.20	161.24
Warrington Township	12.8400	124.1	23.20	160.14
Warwick Township	15.2500	124.1	23.20	162.55
Source: Pennsylvania Department of Community and Economic Development				

Non Property Tax Rates for 2016					
Municipality	Real Estate Transfer Tax		Earned Income Tax		Local Services Tax
	Municipal	School	Municipal	School	Municipal
Buckingham Township	0.5%	0.5%	0.5%	0.5%	\$10
Chalfont Borough	0.5%	0.5%	0.5%	0.5%	\$52
Doylestown Borough	0.5%	0.5%	0.5%	0.5%	\$52
Doylestown Township	0.5%	0.5%	0.5%	0.5%	\$52
New Britain Borough	0.5%	0.5%	0.5%	0.5%	\$52
New Britain Township	0.5%	0.5%	0.5%	0.525%	\$52
Plumstead Township	0.5%	0.5%	0.5%	0.5%	\$52
Warrington Township	0.5%	0.5%	0.5%	0.5%	\$52
Warwick Township	0.5%	0.5%	0.5%	0.5%	\$52
Source: Pennsylvania Department of Community and Economic Development					
Link to DCED Data					

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016



2016-2017

Central Bucks School District Goals

The Central Bucks Schools will provide all students with the academic and problem-solving skills essential for personal development, responsible citizenship, and life-long learning.

1. **Strengthen the district's educational programs and services.**
 - Identify and meet the academic, social, and emotional needs of individual students through the integration of a rigorous and relevant curriculum, best instructional practices, focused formative and summative assessments and feedback, and a comprehensive, systematic approach to student wellness.
 - Develop ways to support student-selected reading options and increase reading volume in all K-12 content areas.
 - Continue to formulate consistent secondary grading practices which promote learning.
 - Continued implementation and refinement of the elementary standards-based Progress Reporting System.
 - Expand implementation of the special education reading and math programs to increase student understanding and independent application of strategies.
 - Focus professional development on the meaningful integration of technology into existing curriculum, the supplementation of instructional and assessment practices and the development of increased student and teacher collaboration.
2. **Improve the availability, use, and integration of technology throughout the district in both instructional and non-instructional areas.**
 - Continue the use of technology to improve efficiency of district operations, communication, management, and security.
 - Continue to monitor, evaluate and improve our network infrastructure and procedures in the area of security, high-availability of critical systems, and disaster recovery.
 - Implement, support, and promote best practices in technology integration in instruction to increase student collaboration, teacher feedback, and higher-level learning opportunities for students, and engaging instruction.
3. **Promote positive relationships between our schools and community.**
 - Increase community awareness of the Central Bucks electronic communications' app and its features.
 - Continue to encourage public relations synergies with schools and increase overall district contributions via multiple social media tools.
 - Enhance and promote community partnerships that support educational programs for the entire community (CB Cares, Doylestown Health, the Doylestown YMCA, Visiting Authors, Kids Voting, etc.)
4. **Respond to the educational needs of school-aged children through plans designed to provide safe, productive, and flexible learning environments.**
 - Continue to implement strategies and intervention models to help students cope with school issues affecting their social-emotional wellness.
 - Maximize "Green Practices" to generate revenue, effectively manage our facilities, and practice environmental stewardship. Student participation in our Green Initiatives will improve our efforts and provide a learning opportunity.
 - Integrate First Student into the CBSD GPS network to better provide "real time" observation capabilities and improve communication with parents and schools.
5. **Strengthen the financial base of the district.**
 - Pursue ways to enhance revenues, improve efficiency, and reduce expenditures while maintaining quality programs.
 - Develop funding for long term capital needs without borrowing money.
 - Research alternative fuel sources for district vehicles using potential state grants.
 - Update financial and Human Resources software to a new database design.
 - Continue to enhance centralized support for financial and personnel records to aid in budget and audit compliance.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

GOVERNANCE

The district is governed by the Board of School Directors. Nine members of the community are elected by voting region and serve for a term of four years. The Superintendent of Schools is considered a non-voting member of the board. Central Bucks School District is a second class school district (school districts in the Commonwealth of Pennsylvania are classified as first, second, third, or fourth class according to population) and operates under and pursuant to the code of education as amended and supplemented.

Central Bucks School District Macro Level Organization Chart



There were significant changes in leadership during the 2015-2016 school year. At the school board level there were six new board members. Five were newly elected and one was appointed due to a resignation. The chart above provides information on all board members, their terms and years of experience and indicates the president and vice-president positions. There are only three members with more than one year of experience. There were also changes to the superintendent and assistant superintendent positions. In April of 2016, Dr. David Weitzel, Superintendent, retired. His replacement is Mr. John Kopicki, new to the district from the Altoona School District. Dr. Nancy Silvius, Assistant Superintendent, retired and was replaced by Dr. Scott Davidheiser, formerly the principal at Central Bucks South High School.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The school district is comprised of nine municipalities including the townships of Buckingham, Doylestown, New Britain, Plumstead, Warrington, Warrick, and the boroughs of Chalfont, Doylestown, and New Britain. The school district is located in the central part of Bucks County approximately 30 miles north of the city of Philadelphia. The school district covers approximately 122 square miles.

The school district is located in the central part of Bucks County approximately 30 miles north of the city of Philadelphia. The school district covers approximately 122 square miles.

Over the past 5 years, the Central Bucks School District has experienced revenue loses and increased expense pressures from health care benefits and the state mandated PSERS retirement system. The convergence of these economic factors along with real estate tax limits imposed by Act 1 is creating financial stress. The good news is the district has successfully navigated through the financial storm to this point in time and should continue to do so in the foreseeable future. Real estate tax increases have been very moderate.

Act 1 Tax Index + Exceptions

	Act 1 Index with Allowable Exceptions in Mills	Actual CBSD Millage Increase	Status
2007-08	5.9	3.8	Actual
2008-09	5.6	4.6	Actual
2009-10	5.4	4.3	Actual
2010-11	4.7	4.4	Actual
2011-12	3.2	1.6	Actual
2012-13	3.6	2.0	Actual
2013-14	3.4	0.0	Actual
2014-15	4.9	1.3	Actual
2015-16	3.7	0.0	Actual
2016-17	4.3	0.0	Actual
Total Mills	44.8	20.7	

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Central Bucks District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Central Bucks School District, Director of Finance, 20 Welden Drive, Doylestown, PA 18901.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 63,890,118	\$ 473,870	\$ 64,363,988
Investments	22,998,464	-	22,998,464
Taxes receivable, net	18,802,902	-	18,802,902
Internal balances	(28,713)	28,713	-
Due from other governments	11,706,787	137,056	11,843,843
Other receivables, net	444,439	-	444,439
Inventories	44,713	109,008	153,721
Prepaid expenses	4,477,157	-	4,477,157
Capital assets			
Land	13,812,064	-	13,812,064
Site improvements	22,577,048	-	22,577,048
Buildings and building improvements	575,002,425	-	575,002,425
Machinery and equipment	41,296,466	1,747,896	43,044,362
Construction in progress	14,003,784	-	14,003,784
Accumulated depreciation	(237,604,725)	(948,470)	(238,553,195)
TOTAL ASSETS	<u>551,422,929</u>	<u>1,548,073</u>	<u>552,971,002</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources, pension activity	<u>51,200,000</u>	<u>-</u>	<u>51,200,000</u>
LIABILITIES			
Accounts payable	6,843,522	288,718	7,132,240
Accrued salaries and benefits	27,726,028	-	27,726,028
Unearned revenue	1,376,949	268,058	1,645,007
Other current liabilities	189	-	189
Accrued interest	507,899	-	507,899
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	12,639,276	-	12,639,276
Compensated absences	178,975	-	178,975
Portion due or payable after one year			
Bonds payable	79,174,366	-	79,174,366
Compensated absences	1,610,773	-	1,610,773
Net OPEB obligation	12,080,412	-	12,080,412
Net pension liability	475,386,000	-	475,386,000
TOTAL LIABILITIES	<u>617,524,389</u>	<u>556,776</u>	<u>618,081,165</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on refunding, net	5,568,176	-	5,568,176
Deferred inflows of resources, pension activity	3,854,000	-	3,854,000
TOTAL INFLOWS OF RESOURCES	<u>9,422,176</u>	<u>-</u>	<u>9,422,176</u>
NET POSITION			
Net investment in capital assets	337,058,587	799,426	337,858,013
Unrestricted	<u>(361,382,223)</u>	<u>191,871</u>	<u>(361,190,352)</u>
TOTAL NET POSITION	<u>\$ (24,323,636)</u>	<u>\$ 991,297</u>	<u>\$ (23,332,339)</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 132,822,125	\$ 874,699	\$ 16,863,908	\$ -
Special programs	39,114,156	-	33,668,029	-
Vocational education	4,931,796	-	-	-
Other instructional programs	2,883,886	-	882,188	-
Adult education programs	7,623	-	-	-
Support services				
Pupil personnel services	14,178,433	-	-	-
Instructional staff services	15,228,412	-	42,221	-
Administration services	14,439,139	-	-	-
Pupil health services	3,686,158	-	372,072	-
Business services	1,502,956	-	-	-
Operation and maintenance of plant services	22,771,362	-	-	-
Student transportation services	19,398,404	3,380,443	-	-
Central services	2,752,290	-	-	-
Other services	237,813	-	-	-
Operation of non-instructional services				
Student activities	3,263,251	-	-	-
Community services	3,205,162	-	3,725,787	-
Facilities acquisition, construction and improvement services	14,033,745	45,581	-	-
Debt service	4,616,150	-	-	2,303,178
TOTAL GOVERNMENTAL ACTIVITIES	299,072,861	4,300,723	55,554,205	2,303,178
BUSINESS-TYPE ACTIVITIES				
Food service	5,045,285	4,243,703	771,596	-
TOTAL BUSINESS-TYPE ACTIVITIES	5,045,285	4,243,703	771,596	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 304,118,146	\$ 8,544,426	\$ 56,325,801	\$ 2,303,178

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes
 Earned income, per capita and occupation taxes
 Public utility taxes

Grants and contributions not restricted to specific programs

Investment earnings

Loss on sale of capital assets

Miscellaneous

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (115,083,518)	\$ -	\$ (115,083,518)
(5,446,127)	-	(5,446,127)
(4,931,796)	-	(4,931,796)
(2,001,698)	-	(2,001,698)
(7,623)	-	(7,623)
(14,178,433)	-	(14,178,433)
(15,186,191)	-	(15,186,191)
(14,439,139)	-	(14,439,139)
(3,314,086)	-	(3,314,086)
(1,502,956)	-	(1,502,956)
(22,771,362)	-	(22,771,362)
(16,017,961)	-	(16,017,961)
(2,752,290)	-	(2,752,290)
(237,813)	-	(237,813)
(3,263,251)	-	(3,263,251)
520,625	-	520,625
(13,988,164)	-	(13,988,164)
(2,312,972)	-	(2,312,972)
<u>(236,914,755)</u>	<u>-</u>	<u>(236,914,755)</u>
-	(29,986)	(29,986)
-	(29,986)	(29,986)
<u>(236,914,755)</u>	<u>(29,986)</u>	<u>(236,944,741)</u>
226,125,430	-	226,125,430
23,401,256	-	23,401,256
274,496	-	274,496
1,620,741	-	1,620,741
503,097	1,530	504,627
(285)	-	(285)
583,231	-	583,231
<u>252,507,966</u>	<u>1,530</u>	<u>252,509,496</u>
15,593,211	(28,456)	15,564,755
<u>(39,916,847)</u>	<u>1,019,753</u>	<u>(38,897,094)</u>
<u>\$ (24,323,636)</u>	<u>\$ 991,297</u>	<u>\$ (23,332,339)</u>

CENTRAL BUCKS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 47,671,947	\$ 16,124,985	\$ 93,186	\$ 63,890,118
Investments	3,436,000	-	19,562,464	22,998,464
Taxes receivable, net	7,898,549	-	-	7,898,549
Due from other funds	-	5,226	-	5,226
Due from other governments	11,706,787	-	-	11,706,787
Other receivables	444,439	-	-	444,439
Inventories	44,713	-	-	44,713
Prepaid items	4,477,157	-	-	4,477,157
	<u>47,671,947</u>	<u>16,124,985</u>	<u>19,655,650</u>	<u>63,890,118</u>
TOTAL ASSETS	<u>\$ 75,679,592</u>	<u>\$ 16,130,211</u>	<u>\$ 19,655,650</u>	<u>\$ 111,465,453</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,981,476	\$ 862,046	\$ -	\$ 6,843,522
Due to other funds	33,939	-	-	33,939
Unearned revenue	1,376,949	-	-	1,376,949
Accrued salaries and benefits	27,726,028	-	-	27,726,028
Other current liabilities	189	-	-	189
	<u>35,118,581</u>	<u>862,046</u>	<u>-</u>	<u>35,980,627</u>
TOTAL LIABILITIES	<u>35,118,581</u>	<u>862,046</u>	<u>-</u>	<u>35,980,627</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	5,537,892	-	-	5,537,892
	<u>5,537,892</u>	<u>-</u>	<u>-</u>	<u>5,537,892</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,537,892</u>	<u>-</u>	<u>-</u>	<u>5,537,892</u>
FUND BALANCES				
Nonspendable				
Inventories	44,713	-	-	44,713
Prepaid assets	4,477,157	-	-	4,477,157
Restricted for capital projects	-	1,236,334	-	1,236,334
Committed to				
Capital projects	-	14,031,831	-	14,031,831
Debt service	-	-	19,655,650	19,655,650
Assigned to				
OPEB and healthcare	11,864,592	-	-	11,864,592
Budgetary reserve	4,639,065	-	-	4,639,065
Unassigned	13,997,592	-	-	13,997,592
	<u>35,023,119</u>	<u>15,268,165</u>	<u>19,655,650</u>	<u>69,946,934</u>
TOTAL FUND BALANCES	<u>35,023,119</u>	<u>15,268,165</u>	<u>19,655,650</u>	<u>69,946,934</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 75,679,592</u>	<u>\$ 16,130,211</u>	<u>\$ 19,655,650</u>	<u>\$ 111,465,453</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 69,946,934
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	13,812,064
Site improvements	22,577,048
Buildings and building improvements	575,002,425
Machinery and equipment	41,296,466
Construction in progress	14,003,784
Accumulated depreciation	(237,604,725)
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental fund.</p>	
	47,346,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(507,899)
Bonds payable	(91,813,642)
Deferred amounts on refundings, net of amortization	(5,568,176)
Compensated absences	(1,789,748)
Net OPEB obligation	(12,080,412)
Net pension liability	(475,386,000)
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>16,442,245</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (24,323,636)</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 252,693,318	\$ 82,632	\$ 5,985	\$ 252,781,935
State sources	60,915,426	-	-	60,915,426
Federal sources	1,725,342	-	-	1,725,342
TOTAL REVENUES	<u>315,334,086</u>	<u>82,632</u>	<u>5,985</u>	<u>315,422,703</u>
EXPENDITURES				
Instruction	168,365,381	-	-	168,365,381
Support services	84,885,168	6,187,003	-	91,072,171
Operation of non-instructional services	6,468,413	-	-	6,468,413
Facilities acquisition, construction and improvement services	-	13,780,704	-	13,780,704
Debt service	19,560,144	-	-	19,560,144
TOTAL EXPENDITURES	<u>279,279,106</u>	<u>19,967,707</u>	<u>-</u>	<u>299,246,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>36,054,980</u>	<u>(19,885,075)</u>	<u>5,985</u>	<u>16,175,890</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	16,299,665	10,500,000	26,799,665
Transfers out	(26,799,665)	-	-	(26,799,665)
Proceeds from sale of fixed assets	22,815	-	-	22,815
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,776,850)</u>	<u>16,299,665</u>	<u>10,500,000</u>	<u>22,815</u>
NET CHANGE IN FUND BALANCES	9,278,130	(3,585,410)	10,505,985	16,198,705
FUND BALANCES AT BEGINNING OF YEAR	<u>25,744,989</u>	<u>18,853,575</u>	<u>9,149,665</u>	<u>53,748,229</u>
FUND BALANCES AT END OF YEAR	<u>\$ 35,023,119</u>	<u>\$ 15,268,165</u>	<u>\$ 19,655,650</u>	<u>\$ 69,946,934</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL	\$ 16,198,705
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, net (\$13,871,471) did not exceed depreciation (\$17,887,091) in the current period.</p>	(4,015,620)
<p>Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which deferred charges exceed amortization in the current period.</p>	2,158,703
<p>Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.</p>	(756,346)
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	14,865,000
<p>The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	(3,925,726)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.</p>	
Accrued interest not reflected in Governmental Funds	78,994
Compensated absences not reflected in Governmental Funds	(93,399)
Pension plan expense	(8,894,000)
Loss on sale of fixed assets	(23,100)
	<u>(8,931,505)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 15,593,211</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 473,870
Due from other funds	28,713
Due from other governments	137,056
Inventories	<u>109,008</u>
TOTAL CURRENT ASSETS	<u>748,647</u>
CAPITAL ASSETS	
Machinery and equipment	1,747,896
Accumulated depreciation	<u>(948,470)</u>
TOTAL CAPITAL ASSETS	<u>799,426</u>
TOTAL ASSETS	<u>1,548,073</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	288,718
Unearned revenue	<u>268,058</u>
TOTAL CURRENT LIABILITIES	<u>556,776</u>
NET POSITION	
Net investment in capital assets	799,426
Unrestricted	<u>191,871</u>
TOTAL NET POSITION	<u>\$ 991,297</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>4,243,703</u>
OPERATING EXPENSES	
Purchased property service	526,093
Other purchased service	4,317,405
Supplies	12,516
Depreciation	169,206
Other operating expenses	<u>20,065</u>
TOTAL OPERATING EXPENSES	<u>5,045,285</u>
OPERATING LOSS	<u>(801,582)</u>
NONOPERATING REVENUES	
Interest and investment revenue	1,530
State sources	86,035
Federal sources	<u>685,561</u>
TOTAL NONOPERATING REVENUES	<u>773,126</u>
CHANGE IN NET POSITION	(28,456)
NET POSITION AT BEGINNING OF YEAR	<u>1,019,753</u>
NET POSITION AT END OF YEAR	<u>\$ <u>991,297</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,405,716
Cash received from supplier	325,400
Payments to suppliers	<u>(4,848,212)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(117,096)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	360,161
State sources	<u>86,035</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>446,196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(44,777)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>1,530</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	285,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>188,017</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 473,870</u>

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (801,582)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	169,206
Donated foods	325,400
(Increase) decrease in	
Due from other funds	(23,431)
Due from other governments	104,247
Other receivables	162,013
Inventories	(77,396)
Increase (decrease) in	
Accounts payable	(77,594)
Unearned revenue	<u>102,041</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(117,096)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 325,400

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ <u>88,248</u>	\$ <u>1,422,197</u>
TOTAL ASSETS	\$ <u><u>88,248</u></u>	\$ <u><u>1,422,197</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to student groups	\$ -	\$ <u><u>1,422,197</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u>88,248</u>	
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>88,248</u></u>	

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 21,638
Investment earnings	<u>356</u>
TOTAL ADDITIONS	<u>21,994</u>
DEDUCTIONS	
Scholarships awarded	<u>23,140</u>
TOTAL DEDUCTIONS	<u>23,140</u>
CHANGE IN NET POSITION	(1,146)
NET POSITION AT BEGINNING OF YEAR, restated	<u>89,394</u>
NET POSITION AT END OF YEAR	<u><u>\$ 88,248</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Bucks School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Central Bucks School District - new. The School District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 collectible 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 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Project Fund - The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Proprietary Fund

Food Service Fund - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Private-Purpose Trust Funds - Private-Purpose Trust Funds account for the receipts and disbursements of monies contributed to the School District for scholarships and memorials.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Fund - The Agency Fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist at the explicit approval, subject to revocation, of the School District governing body. This accounting reflects the School District agency relationship with the student activity organizations. Accordingly, receipts and disbursements of the Agency Fund are not included in the revenues and expenditures of the School District. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The item is deferred outflow of resources related to pension activity, which is reported in the government-wide statement of net position. The deferred outflow of resources related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings as well as differences between expected and actual experience. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The last item is the School District's deferred amount on refunding, which is reported net of accumulated amortization on the government-wide statement of net position. The deferred amount on refunding is the result of deferred charges on debt refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt, reacquisition price, and any unamortized premium/discount on the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of certificates of deposit and deposits in the Pennsylvania School District Liquid Asset Fund. Certificates of deposit are stated at cost plus accrued interest. Deposits in the Pennsylvania School District Liquid Asset Fund are valued at amortized cost in accordance with GASB Statement No. 79.

Deposits in savings accounts or time deposits or share accounts of institutions are 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 therefore shall be 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.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust organized under the laws of the Commonwealth of Pennsylvania. Shares of the PSDLAF are offered to certain Pennsylvania school districts, intermediate units and area vocational-technical schools. The purpose of the PSDLAF is to enable governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Inventories

Inventory of purchased food and paper supplies within the Proprietary Fund is carried at cost using the first-in, first-out method of accounting and is subsequently charged to expense when consumed. Inventory of donated foods is valued at fair market value as established by the U.S. Department of Agriculture.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$15,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements, buildings and building improvements	15-40
Furniture, fixtures and equipment	5-15
Vehicles	8

Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Unearned revenue arises when resources are received by the School District 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 revenue recognition criteria are met or when the School 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.

Long-Term Obligations

In the government-wide financial statements and the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Funds 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. Premiums received on debt issuances are 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.

Compensated Absences

Full-time School District employees (excluding teachers) earn vacation based on job classifications and length of service. Unused vacation pay is due upon termination. School District employees accumulate sick time in accordance with their applicable contracts. Compensated absences are reported as accrued in the government-wide financial statements. Governmental Funds report only matured compensated absences payable to currently terminated employees and are included in accrued salaries and benefits.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of Estimates

The preparation of 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 results could differ from those estimates.

GASB Statement No. 54

As of June 30, 2011, the School District adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of 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.
- ***Assigned*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The School District has delegated such authority to the Director of Business Affairs.
- ***Unassigned*** - All amounts not included in other spendable classifications.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The details of the fund balances are included in the Governmental Funds balance sheet (page 30). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$67,522,124 of the School District's bank balance of \$69,500,436 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name and \$325,769 is uninsured and uncollateralized. The uninsured and uncollateralized funds are placed with the Pennsylvania School District Liquid Asset Fund (PSDLAF).

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2016, the School District had the following investments and maturities:

Investment Type	Maturities Less Than One Year	Amortized Cost
Certificates of deposit	\$ 3,436,000	\$ 3,436,000
State investment pools	19,562,464	19,562,464
	\$ 22,998,464	\$ 22,998,464

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B - CASH AND INVESTMENTS (Continued)

Credit Risk - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

The School District's investment policy does not further limit its investment choices. As of June 30, 2016, the School District's investment in the state investment pool was rated AAA by Standard & Poor's.

Concentration of Credit Risk - More than 5% of the School District's investments are in Multi-Bank Securities and PSDLAF accounts. These amounts are 7.46% and 85.06% respectively, of the School District's total investments.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a .5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on March 1 and payable in the following periods:

Discount period	July 1 to August 31 - 2% of gross levy
Face period	September 1 to October 31
Penalty period	October 31 to collection - 10% of gross levy
Lien date	January 1

School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

Since taxes are recorded as revenue only when received in cash, outstanding tax levies are offset on the fund balance sheet by unearned revenue in the liabilities section. Annual interim and delinquent taxes as yet uncollected are included as unearned revenue. The School District records an allowance for uncollectible taxes at the entity-wide level based on historical data. The allowance amount as of June 30, 2016, was \$144,534.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 7,898,549	\$ -
Due from other governments	11,706,787	137,056
Other receivables	<u>444,439</u>	<u>-</u>
	<u>\$ 20,049,775</u>	<u>\$ 137,056</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 5,226
Food Service Fund	General Fund	<u>28,713</u>
		<u>\$ 33,939</u>

The amounts between the Food Service Fund and the General Fund are interfund borrowings to pay for operations. The amounts between the General Fund and the Capital Project Fund are for renovations to facilities or purchases of equipment.

Interfund Transfers

The School District typically transfers funds from the General Fund to the Capital Project Fund to pay for improvements and capital acquisitions. Transfers to the Debt Service Fund were for debt service defeasance or payments on General Obligation Bonds.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 16,299,665
Debt Service Fund	General Fund	<u>10,500,000</u>
		<u>\$ 26,799,665</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 13,835,164	\$ -	\$ (23,100)	\$ 13,812,064
Construction in progress	6,614,693	7,389,091	-	14,003,784
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	20,449,857	7,389,091	(23,100)	27,815,848
Capital assets being depreciated				
Site improvements	20,290,486	2,286,562	-	22,577,048
Buildings and building improvements	572,488,082	2,514,343	-	575,002,425
Machinery and equipment	57,097,115	1,681,475	(17,482,124)	41,296,466
TOTAL CAPITAL ASSETS BEING DEPRECIATED	649,875,683	6,482,380	(17,482,124)	638,875,939
Accumulated depreciation				
Site improvements	(8,847,710)	(949,732)	-	(9,797,442)
Buildings and building improvements	(178,983,575)	(14,049,562)	-	(193,033,137)
Machinery and equipment	(49,368,473)	(2,887,797)	17,482,124	(34,774,146)
TOTAL ACCUMULATED DEPRECIATION	(237,199,758)	(17,887,091)	17,482,124	(237,604,725)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	412,675,925	(11,404,711)	-	401,271,214
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	433,125,782	(4,015,620)	(23,100)	429,087,062
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	1,736,718	44,777	(33,599)	1,747,896
Accumulated depreciation	(812,863)	(169,206)	33,599	(948,470)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	923,855	(124,429)	-	799,426
CAPITAL ASSETS, net	\$ 434,049,637	\$ (4,140,049)	\$ (23,100)	\$ 429,886,488

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs		\$ 2,006,932
SUPPORT SERVICES		
Operation and maintenance of plant services		196,758
Student transportation services		1,377,306
Central services		354,164
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES		13,951,931
		\$ 17,887,091

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities or to refund prior year bond issues. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

In the prior year, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2016, the School District's portion of bonds outstanding that are considered defeased is \$144,285,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 12,005,000	\$ 4,063,194	\$ 16,068,194
2018	10,980,000	3,610,144	14,590,144
2019	9,915,000	3,109,444	13,024,444
2020	8,885,000	2,636,944	11,521,944
2021	7,215,000	2,192,694	9,407,694
2022 to 2026	28,960,000	6,463,720	35,423,720
2027 to 2029	9,440,000	808,278	10,248,278
	\$ 87,400,000	\$ 22,884,418	\$ 110,284,418

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Interest</u>
GENERAL OBLIGATION BONDS	
Series A of 2011	3.00% to 5.00%
Series B of 2011	3.00% to 5.00%
Series C of 2011	1.50% to 5.20%
Series A of 2007	4.00% to 4.20%
Series of 2007	3.50% to 5.00%
Series of 2005	3.00% to 5.00%
TOTAL GENERAL OBLIGATION BONDS	
Bond premiums	
TOTAL GENERAL OBLIGATION BONDS, net	
COMPENSATED ABSENCES	
OPEB OBLIGATION	
NET PENSION OBLIGATION	
TOTAL LONG-TERM LIABILITIES	

NOTE I - DEFERRED INFLOW OF RESOURCES AND UNAVAILABLE AND UNEARNED REVENUE

General Fund

Unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the School District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. In the Governmental Funds financial statements, these receivables are reported as unearned revenue.

At June 30, 2016, deferred inflow of resources consisted of delinquent taxes receivable of \$5,537,892 and unearned revenue consisted of other donations and grants of \$1,376,949.

Food Service Fund

Unearned revenues represent food received in the School District's food service operations that is on hand at June 30, 2016. Such revenues will be recognized when the food commodities are used.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 5,735,000	\$ -	\$ (2,310,000)	\$ 3,425,000	\$ 2,400,000
54,415,000	-	(670,000)	53,745,000	3,560,000
5,065,000	-	(3,915,000)	1,150,000	1,150,000
1,950,000	-	(990,000)	960,000	960,000
33,125,000	-	(5,005,000)	28,120,000	3,935,000
1,975,000	-	(1,975,000)	-	-
<u>102,265,000</u>	<u>-</u>	<u>(14,865,000)</u>	<u>87,400,000</u>	<u>12,005,000</u>
5,147,510	-	(733,868)	4,413,642	634,276
<u>107,412,510</u>	<u>-</u>	<u>(15,598,868)</u>	<u>91,813,642</u>	<u>12,639,276</u>
1,696,349	93,399	-	1,789,748	178,975
8,154,686	3,925,726	-	12,080,412	-
<u>418,645,000</u>	<u>56,741,000</u>	<u>-</u>	<u>475,386,000</u>	<u>-</u>
<u>\$ 535,908,545</u>	<u>\$ 60,760,125</u>	<u>\$ (15,598,868)</u>	<u>\$ 581,069,802</u>	<u>\$ 12,818,251</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' 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 the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan Description - 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. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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) preserves 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 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 three 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 on 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 Class T-F members, the right to benefits is vested after ten years of service.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN (Continued)

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.

Contributions

Members Contributions

- 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 services rendered on or after January 1, 2002.
- 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 the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016, was 25.0% 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 plan from the School District were \$36,244,000 for the year ended June 30, 2016.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN (Continued)

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

At June 30, 2016, the School District reported a liability of \$475,386,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 1.0975% which was an increase of 0.0398% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$45,138,000. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,962,000
Net difference between projected and actual investment earnings	-	962,000
Changes in proportions	14,956,000	-
Difference between employer contributions and proportionate share of total contributions	-	930,000
Contributions subsequent to the measurement date	<u>36,244,000</u>	<u>-</u>
	<u>\$ 51,200,000</u>	<u>\$ 3,854,000</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN (Continued)

\$36,244,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new 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:

<u>Year Ending</u> <u>June 30,</u>	
2017	\$ 1,235,000
2018	1,235,000
2019	1,235,000
2020	<u>8,327,000</u>
	<u>\$ 12,032,000</u>

Actuarial Assumptions - The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, 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 Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN (Continued)

The long-term expected rate of return on 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 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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100.0%</u>	

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, 2015.

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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ 585,958,000	\$ 475,386,000	\$ 382,449,000

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 net OPEB obligation to the plan are as follows:

Normal cost	\$ 3,365,835
Amortization of unfunded actuarial accrued liability	2,374,371
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>5,740,206</u>
Interest on net OPEB obligation	244,641
Adjustment to ARC	<u>(543,646)</u>
ANNUAL OPEB EXPENSE	5,441,201
Net OPEB contributions during the year	<u>(1,515,475)</u>
INCREASE IN NET OBLIGATION	3,925,726
Net OPEB obligation at beginning of year	<u>8,154,686</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 12,080,412</u></u>

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$ 3,213,936	51.21%	\$ 5,881,417
2015	3,281,550	30.73%	8,154,686
2016	5,441,201	27.85%	12,080,412

Funded Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was \$61,416,293 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$138,947,101, and the ratio of the UAAL to the covered payroll was 44.20%.

The projection of future benefit payments for an ongoing plan involves 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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 65, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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 July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, 9% in the second year and 8% in the third year, with a decline in each subsequent year to an ultimate rate of 5% in the sixth and subsequent years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at the valuation date was 24.4 years.

NOTE L - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE M - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE N - PRIOR PERIOD ADJUSTMENT

In the prior period, the School District erroneously reported \$1,157,970 as a liability (Due to Student Groups) on the Statement of Fiduciary Net Position. This amount should have been reported as Net Position (Held in trust for benefits and other purposes). The School District has adjusted beginning net position for the Trust Funds from (\$1,068,576) to \$89,394.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL BUCKS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 248,564,826	\$ 248,564,826	\$ 252,693,318	\$ 4,128,492
State sources	60,426,212	60,426,212	60,915,426	489,214
Federal sources	2,013,674	2,013,674	1,725,342	(288,332)
TOTAL REVENUES	<u>311,004,712</u>	<u>311,004,712</u>	<u>315,334,086</u>	<u>4,329,374</u>
EXPENDITURES				
Instruction	172,648,209	170,876,846	168,365,381	2,511,465
Support services	85,998,090	87,379,090	84,885,168	2,493,922
Operation of non-instructional services	6,191,646	6,582,009	6,468,413	113,596
Debt service	19,560,144	19,560,144	19,560,144	-
Budgetary reserve	296,958	296,958	-	296,958
TOTAL EXPENDITURES	<u>284,695,047</u>	<u>284,695,047</u>	<u>279,279,106</u>	<u>5,415,941</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,309,665</u>	<u>26,309,665</u>	<u>36,054,980</u>	<u>9,745,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	490,000	490,000	-	(490,000)
Transfers out	(26,799,665)	(26,799,665)	(26,799,665)	-
Proceeds from sale of fixed assets	-	-	22,815	22,815
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,309,665)</u>	<u>(26,309,665)</u>	<u>(26,776,850)</u>	<u>(467,185)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>-</u>	9,278,130	\$ <u>9,278,130</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>25,744,989</u>	
FUND BALANCE AT END OF YEAR			\$ <u>35,023,119</u>	

See accompanying note to the required supplementary information.

CENTRAL BUCKS SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Project Fund.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>1.0975%</u>	<u>1.0577%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>475,386,000</u>	\$ <u>418,645,000</u>
School District's covered-employee payroll	\$ <u>141,210,865</u>	\$ <u>134,977,166</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>336.65%</u>	<u>310.16%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>45.64%</u>	<u>57.24%</u>

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S
CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 36,244,000	\$ 28,865,000
Contributions in relation to the contractually required contribution	<u>36,244,000</u>	<u>28,865,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>
School District's covered-employee payroll	\$ <u>144,976,000</u>	\$ <u>140,587,487</u>
Contributions as a percentage of covered-employee payroll	<u>25.00%</u>	<u>20.53%</u>

CENTRAL BUCKS SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 35,548,015	\$ 35,548,015	0%	\$ 136,101,124	26.12%
2012	-	48,295,263	48,295,263	0%	136,738,545	35.32%
2014	-	61,416,293	61,416,293	0%	138,947,101	44.20%

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Central Bucks School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Central Bucks School District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Bucks School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 13, 2016

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Central Bucks School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Central Bucks School District's major federal programs for the year ended June 30, 2016. The Central Bucks School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Central Bucks School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Central Bucks School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Central Bucks School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Central Bucks School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Report on Internal Control Over Compliance

Management of the Central Bucks School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Central Bucks School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Bucks School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Central Bucks School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Central Bucks School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Central Bucks School District
Doylestown, Pennsylvania

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
December 13, 2016

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION			
Passed through the Pennsylvania Department of Education			
Title I - Improving Basic Programs	84.010	013-160069	July 1, 2015 to September 30, 2016
Title I - Improving Basic Programs	84.010	013-150069	August 6, 2014 to September 30, 2015
TOTAL TITLE I			
Title III	84.365	010-16069	July 1, 2015 to September 30, 2016
Title III	84.365	010-15069	August 8, 2014 to September 30, 2015
Title III	84.365	010-14069	August 8, 2013 to September 30, 2014
TOTAL TITLE III			
Title II - Improving Teacher Quality	84.367	020-160069	July 1, 2015 to September 30, 2016
Title II - Improving Teacher Quality	84.367	020-150069	August 8, 2014 to September 30, 2015
TOTAL TITLE II			
Access	93.778		
Passed through the Bucks County Intermediate Unit #22			
IDEA	84.027	062-160022-1	July 1, 2015 to June 30, 2016
IDEA	84.027	062-150022-1	July 1, 2014 to June 30, 2015
IDEA Section 619	84.173	131-140022	July 1, 2015 to June 30, 2016
TOTAL IDEA			
TOTAL FORWARD			

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Amounts Passed Through To Sub-Recipient</u>
\$ 600,745	\$ 473,819	\$ -	\$ 600,745	\$ 600,745	\$ 126,926	\$ -
511,661	<u>106,720</u>	<u>106,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>580,539</u>	<u>106,720</u>	<u>600,745</u>	<u>600,745</u>	<u>126,926</u>	<u>-</u>
42,221	39,406	-	42,221	42,221	2,815	-
33,932	7,271	7,271	-	-	-	-
33,399	<u>-</u>	<u>2,683</u>	<u>-</u>	<u>-</u>	<u>2,683</u>	<u>-</u>
	<u>46,677</u>	<u>9,954</u>	<u>42,221</u>	<u>42,221</u>	<u>5,498</u>	<u>-</u>
281,443	225,662	-	281,443	281,443	55,781	-
280,598	<u>59,969</u>	<u>59,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>285,631</u>	<u>59,969</u>	<u>281,443</u>	<u>281,443</u>	<u>55,781</u>	<u>-</u>
48,371	<u>36,625</u>	<u>30,780</u>	<u>48,371</u>	<u>48,371</u>	<u>42,526</u>	<u>-</u>
2,432,906	1,675,862	-	2,394,112	2,394,112	718,250	-
2,493,294	661,057	661,057	-	-	-	-
7,056	<u>7,056</u>	<u>-</u>	<u>7,056</u>	<u>7,056</u>	<u>-</u>	<u>-</u>
	<u>2,343,975</u>	<u>661,057</u>	<u>2,401,168</u>	<u>2,401,168</u>	<u>718,250</u>	<u>-</u>
	<u>\$ 3,293,447</u>	<u>\$ 868,480</u>	<u>\$ 3,373,948</u>	<u>\$ 3,373,948</u>	<u>\$ 948,981</u>	<u>\$ -</u>

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION			
TOTAL FORWARDED			
PENNSYLVANIA DEPARTMENT OF EDUCATION			
Food Nutrition Service	N/A	510	July 1, 2015 to June 30, 2016
Food Nutrition Service	N/A	510	July 1, 2014 to June 30, 2015
Food Nutrition Service	N/A	511	July 1, 2015 to June 30, 2016
Food Nutrition Service	N/A	511	July 1, 2014 to June 30, 2015
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Education			
Reg/Ndy Breakfast	10.553	365	July 1, 2015 to June 30, 2016
Reg/Ndy Breakfast	10.553	365	July 1, 2014 to June 30, 2015
Lunch Hi/Low	10.555	362	July 1, 2015 to June 30, 2016
Lunch Hi/Low	10.555	362	July 1, 2014 to June 30, 2015
TOTAL CHILD NUTRITION CLUSTER			
Passed through the Pennsylvania Department of Agriculture			
Value of U.S.D.A	10.555	N/A	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AND STATE AWARDS			
Less state awards			
TOTAL FEDERAL AWARDS			

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Amounts Passed Through To Sub-Recipient</u>
	\$ <u>3,293,447</u>	\$ <u>868,480</u>	\$ <u>3,373,948</u>	\$ <u>3,373,948</u>	\$ <u>948,981</u>	\$ <u>-</u>
N/A	72,109	-	86,063	86,063	13,954	-
N/A	9,523	9,523	-	-	-	-
N/A	5,925	-	7,221	7,221	1,296	-
N/A	<u>1,436</u>	<u>1,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>88,993</u>	<u>10,959</u>	<u>93,284</u>	<u>93,284</u>	<u>15,250</u>	<u>-</u>
N/A	62,926	-	76,774	76,774	13,848	-
N/A	12,579	12,579	-	-	-	-
N/A	553,591	-	661,548	661,548	107,957	-
N/A	<u>115,796</u>	<u>115,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>744,892</u>	<u>128,375</u>	<u>738,322</u>	<u>738,322</u>	<u>121,805</u>	<u>-</u>
N/A	<u>325,400</u>	<u>(31,612)</u>	<u>248,004</u>	<u>248,004</u>	<u>(109,008)</u>	<u>-</u>
	<u>1,070,292</u>	<u>96,763</u>	<u>986,326</u>	<u>986,326</u>	<u>12,797</u>	<u>-</u>
	4,452,732	976,202	4,453,558	4,453,558	977,028	-
	<u>(88,993)</u>	<u>(10,959)</u>	<u>(93,284)</u>	<u>(93,284)</u>	<u>(15,250)</u>	<u>-</u>
	\$ <u><u>4,363,739</u></u>	\$ <u><u>965,243</u></u>	\$ <u><u>4,360,274</u></u>	\$ <u><u>4,360,274</u></u>	\$ <u><u>961,778</u></u>	\$ <u><u>-</u></u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education and U.S. Department of Health and Human Services programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - BASIS OF ACCOUNTING

The School District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C - DONATED FOOD

Donated food has been valued according to market value estimates provided by the U.S.D.A.

NOTE D - PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

NOTE E - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance: **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Child Nutrition Cluster	10.553/10.555

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.