

CENTRAL BUCKS SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013



Certified Public Accountants and Business Consultants

December 16, 2013

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

We have audited the financial statements of the Central Bucks School District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 25, 2013. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated July 12, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Central Bucks School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Partners

D. Scott Detar
James M. Powers
Glenn B. Bachman
Raymond T. Mock
Robert L. Caruso
Edward J. Furman
Robert L. Boland
Donald J. Pierce
Richard A. Flanagan, IV
Craig S. Springer
Robert C. Hershey, Jr.
Gregory J. Shank
Laurie E. Harvey

Principals

Edward Fronczkowski
Mark Fuga
Jim Yiaski
Bill Breslawski
Shawn Cahill
Kathy Wileczek

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm and our network firms have complied with all relevant ethical requirements regarding independence.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Central Bucks School District is included in Note A to the financial statements. As described in Notes A and N to the financial statements, during the year, the School District changed its method of accounting for change in policy by adopting Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of accumulated depreciation and depreciation expense is based on original cost and estimated useful lives of the assets.
- Management's estimate of the other postemployment benefits (OPEB) annual contribution is based on actuarial estimates.
- Management's estimate of compensated absences is calculated based on the School District's policies relating to the amount of compensated time an employee accrues based on several factors, including position and service time.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of material misstatements that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Central Bucks School District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

REPRESENTATIONS REQUESTED FROM MANAGEMENT

We have requested certain written representations from management, which are included in the management representation letter dated November 25, 2013.

MANAGEMENT'S CONSULTATIONS WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

OTHER SIGNIFICANT MATTERS, FINDINGS OR ISSUES

In the normal course of our professional association with the Central Bucks School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Central Bucks School District's auditors.

MODIFICATION OF THE AUDITORS' REPORT

We have made the following modification to our auditors' report:

As discussed in Note N to the financial statements, for the year ended June 30, 2013, the Central Bucks School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Board of Directors and management of the Central Bucks School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Maillie LLP".

MAILLIE LLP
Certified Public Accountants and
Business Consultants

Client: 12659 - Central Bucks School District
Engagement: 12/13 - Central Bucks School District
Period Ending: 6/30/2013
Trial Balance: TB
Workpaper: 3510.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Tie in fund balances				
1-5270-939-00-00-	TRF TO TRUST & AGENCY		11,370,935.00	
1-DUE_FROM-000-	DUE FROM		15,000.00	
1-DUE_FROM-000-	DUE FROM		11,370,935.00	
5-0770-000-00-00-	Fund Balance		16,650.00	
7-0770-000-00-00-	Fund Balance		12,528,916.00	
7-DUE_FROM-000-	Unknown Name		11,370,935.00	
1-0770-000-00-00-	FUND BALANCE			11,370,935.00
1-6990-000-00-00-	MISC REVENUE			15,000.00
1-DUE_FROM-000-	DUE FROM			11,370,935.00
5-0422-000-00-00-	Accounts Payable - Other			1,650.00
5-DUE_TO-000-00-	Due to			15,000.00
7-0495-000-00-00-	Due to Student Group			1,157,981.00
7-9310-000-00-00-	Transfers from GF			11,370,935.00
7-DUE_FROM-000-	Unknown Name			11,370,935.00
Total			<u>46,673,371.00</u>	<u>46,673,371.00</u>
Adjusting Journal Entries JE # 2				
PBC Entry: To adjust CBE Non EDR Payment				
1-0155-000-00-00-	OTHER RECOV DISBURSE		9,077.00	
1-6920-000-00-00-	GIFTS & BEQUESTS			9,077.00
Total			<u>9,077.00</u>	<u>9,077.00</u>
Adjusting Journal Entries JE # 3				
PBC Entry: To accrue 12-13 Access				
1-0143-000-00-00-	FED SUB RECEIVABLE		14,681.00	
1-8820-000-00-00-	ACCESS T/S			14,681.00
Total			<u>14,681.00</u>	<u>14,681.00</u>
Adjusting Journal Entries JE # 4				
		3540.02		
PBC Entry to correct Food Service Depreciation				
5-3100-740-71-00-	FOOD SERVICE DEPRECIATION		5,251.00	
5-0244-000-00-00-	Accum Depr			5,251.00
Total			<u>5,251.00</u>	<u>5,251.00</u>
Adjusting Journal Entries JE # 5				
		3540.03		
To record PBC Entry to adjust tax allowance				
1-0422-000-00-00-	A/P		40,705.00	
1-6111-090-00-00-	COUNTY R/E CURR TAXES			40,705.00
Total			<u>40,705.00</u>	<u>40,705.00</u>
Adjusting Journal Entries JE # 6				
		3540.04		
PBC entry to adjust and reclass to correct object code				
1-1200-323-00-00-	SPEC ED, PPS PROF EDU		190,000.00	
1-1200-329-00-00-	SPEC ED, PPS PROF EDU			190,000.00
Total			<u>190,000.00</u>	<u>190,000.00</u>

11/21/2013
9:38 AM

Client: 12659 - Central Bucks School District
Engagement: 12/13 - Central Bucks School District
Period Ending: 6/30/2013
Trial Balance: TB
Workpaper: 3510.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 7		3540.05		
PBC Entry - To adjust Capital Projects Fund A/R				
3-4500-450-14-00-	CAPITAL BUCKET CONSTRUCTION		24,426.00	
3-6990-000-00-00-	Commerce Bank Reevnue		40,000.00	
3-0155-000-00-00-	OTHER RECOV DISBURSE			24,426.00
3-0155-000-00-00-	OTHER RECOV DISBURSE			40,000.00
Total			64,426.00	64,426.00
Adjusting Journal Entries JE # 8				
PBC Entry - To adjust Food Service deferred Revenue				
5-0480-000-00-00-	Deferred Revenue		82,407.00	
5-6620-000-00-00-	ALa carte lunch sales			82,407.00
Total			82,407.00	82,407.00
Adjusting Journal Entries JE # 9				
To reclass interfund transfer from General Fund to Debt Service				
Fund posted to wrong account				
4-5100-910-00-00-	DEBT SERV PRINCIPAL REDEMPTION		20,000,000.00	
4-9310-000-00-00-	TRANSFERS FROM GENERAL FUND			20,000,000.00
Total			20,000,000.00	20,000,000.00
Adjusting Journal Entries JE # 10				
To adjust Federal Subsidies overstated by Donated Commodities				
5-8531-000-00-00-	Federal Subsidies		173,829.00	
5-3100-570-71-00-	FOOD SERVICE FOOD SERV MGMT			173,829.00
Total			173,829.00	173,829.00

INTRODUCTORY SECTION

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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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note N to the financial statements, for the year ended June 30, 2013, the Central Bucks School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 5 through 19, budgetary comparison information on pages 50 and 51 and postemployment benefits other than pension funding progress on page 52 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 schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and certain state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 schedule of expenditures of federal and certain state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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.



Oaks, Pennsylvania
November 25, 2013

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

INTRODUCTION

Our discussion and analysis of Central Bucks School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Central Bucks School District exceeded its liabilities at the close of the most recent fiscal year by \$308,203,504 (net position). Of this amount, \$35,208,360 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, unassigned fund balance for the General Fund was \$17,481,643 or 7.0% of the total General Fund expenditures. It is the intent of the Board to use all available funds over 3-5% to offset pension and GASB 45 obligations, to establish a long term Capital Reserve Account, and to reduce the majority of future Debt Service obligations.

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Central Bucks School District, assets exceeded liabilities and deferred inflows of resources by \$308,203,504 at the close of the most recent fiscal year.

Condensed Statements of Net Position
June 30, 2013 and 2012

	Governmental Activities	
	2013	2012
ASSETS		
Current and other assets	\$ 84,050,674	\$ 122,038,692
Capital assets	437,661,229	440,085,093
TOTAL ASSETS	<u>521,711,903</u>	<u>562,123,785</u>
LIABILITIES		
Other liabilities	20,789,425	21,712,964
Long-term liabilities outstanding	186,204,088	265,417,613
TOTAL LIABILITIES	<u>206,993,513</u>	<u>287,130,577</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on refunding	<u>8,212,590</u>	<u>9,017,811</u>
NET POSITION		
Net investment in capital assets	272,120,420	184,011,051
Unrestricted	<u>34,385,380</u>	<u>81,964,346</u>
TOTAL NET POSITION	<u>\$ 306,505,800</u>	<u>\$ 265,975,397</u>

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. The remaining balance of unrestricted net position of \$35,208,360 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Central Bucks School District is able to report positive balances in both categories of net position.

Business-Type Activities		Total Government	
2013	2012	2013	2012
\$ 1,393,094	\$ 1,021,702	\$ 85,443,768	\$ 123,060,394
874,724	900,776	438,535,953	440,985,869
<u>2,267,818</u>	<u>1,922,478</u>	<u>523,979,721</u>	<u>564,046,263</u>
570,114	384,534	21,359,539	22,097,498
-	-	186,204,088	265,417,613
<u>570,114</u>	<u>384,534</u>	<u>207,563,627</u>	<u>287,515,111</u>
-	-	8,212,590	9,017,811
874,724	900,776	272,995,144	184,911,827
<u>822,980</u>	<u>637,168</u>	<u>35,208,360</u>	<u>82,601,514</u>
\$ <u>1,697,704</u>	\$ <u>1,537,944</u>	\$ <u>308,203,504</u>	\$ <u>267,513,341</u>

CENTRAL BUCKS SCHOOL DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended June 30, 2013*

Governmental Activities - Governmental activities increased the Central Bucks School District's net position by \$40,530,403, thereby accounting for 99% of the total increase in net position of \$40,690,163. Key elements of this increase are as follows:

Changes in Net Position**Years Ended June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
REVENUES		
Program revenues		
Charges for services	\$ 3,840,323	\$ 3,813,027
Operating grants and contributions	44,031,906	41,568,697
Capital grants and contributions	1,585,267	1,596,608
General revenues		
Property taxes	217,645,729	213,222,679
Other taxes	20,493,553	20,699,091
Grants and contributions not restricted to specific programs	1,395,847	1,025,231
Other	2,092,114	1,675,176
TOTAL REVENUES	291,084,739	283,600,509
EXPENSES		
Instruction	151,025,751	147,115,819
Support services	77,303,637	77,342,917
Operation of non-instructional services	5,381,420	5,275,377
Debt service	7,579,280	12,147,859
Facilities acquisition, construction and improvement services	9,264,248	8,765,181
Food service	-	-
TOTAL EXPENSES	250,554,336	250,647,153
CHANGE IN NET POSITION	40,530,403	32,953,356
NET POSITION AT BEGINNING OF YEAR, as restated	265,975,397	233,022,041
NET POSITION AT END OF YEAR	\$ 306,505,800	\$ 265,975,397

Business-Type Activities		Total Government	
2013	2012	2013	2012
\$ 4,160,499	\$ 4,432,612	\$ 8,000,822	\$ 8,245,639
958,139	1,117,583	44,990,045	42,686,280
-	-	1,585,267	1,596,608
-	-	217,645,729	213,222,679
-	-	20,493,553	20,699,091
-	-	1,395,847	1,025,231
884	172	2,092,998	1,675,348
<u>5,119,522</u>	<u>5,550,367</u>	<u>296,204,261</u>	<u>289,150,876</u>
-	-	151,025,751	147,115,819
-	-	77,303,637	77,342,917
-	-	5,381,420	5,275,377
-	-	7,579,280	12,147,859
-	-	9,264,248	8,765,181
4,959,762	5,291,312	4,959,762	5,291,312
<u>4,959,762</u>	<u>5,291,312</u>	<u>255,514,098</u>	<u>255,938,465</u>
159,760	259,055	40,690,163	33,212,411
<u>1,537,944</u>	<u>1,278,889</u>	<u>267,513,341</u>	<u>234,300,930</u>
<u>\$ 1,697,704</u>	<u>\$ 1,537,944</u>	<u>\$ 308,203,504</u>	<u>\$ 267,513,341</u>

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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 \$17,481,643. Unassigned fund balance represents 7.0% of the total fund expenditures. It is the intent of the Board to use all available funds over 3-5% to offset pension and GASB 45 obligations and to reduce future Debt Service obligations.

General Fund revenues of the Central Bucks School District came from four basic sources. The largest source was provided by local funding totaling \$246,246,213 (84.76%), of which \$204,306,004 were current and interim real estate tax revenues. State funding amounted to \$41,930,260 (14.43%). Federal funding amounted to \$2,337,459 (.81%).

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 (15.24%) of total 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 District fall into four major categories, and the changes are as follows:

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Change</u>	<u>% Change</u>
Instruction	\$ 148,897,715	\$ 141,785,034	\$ 7,112,681	5.02%
Support services	74,205,171	73,384,273	820,898	1.12%
Non-instructional	5,381,420	5,275,377	106,043	2.01%
Debt service	28,735,021	28,732,632	2,389	0.01%
Refund of prior year revenues	<u>5,782</u>	<u>860</u>	<u>4,922</u>	572.33%
	<u>\$ 257,225,109</u>	<u>\$ 249,178,176</u>	<u>\$ 8,046,933</u>	3.23%

The Capital Projects Fund has a total fund balance of \$28,847,042, of which \$12,882,019 is reserved for encumbrances and \$15,965,023 is designated for capital improvements.

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 \$1,697,704, of which \$822,980 was unrestricted and \$874,724 was the net investment in capital assets.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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. 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 balance at June 30, 2013, of \$18,519,326 was 6.4% of the 2012-2013 operating budget of \$287,238,850. Management projects that the General Fund balance at June 30, 2014, will be approximately 6.4% of the 2013-2014 budget.

Local tax revenues exceeded the budgeted estimates by \$10,129,643.

Actual expenditures were \$257,225,109 as compared to a budget of \$277,868,850.

A history of ending fund balances follows:

June 30, 2004	\$11,800,000
June 30, 2005	18,200,000
June 30, 2006	19,700,000
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

*Includes restricted postemployment benefits.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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, 2013, amounts to \$438,525,709 (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 District continued to address several major financial issues during the fiscal year, the most important of which was to restructure outstanding debt.

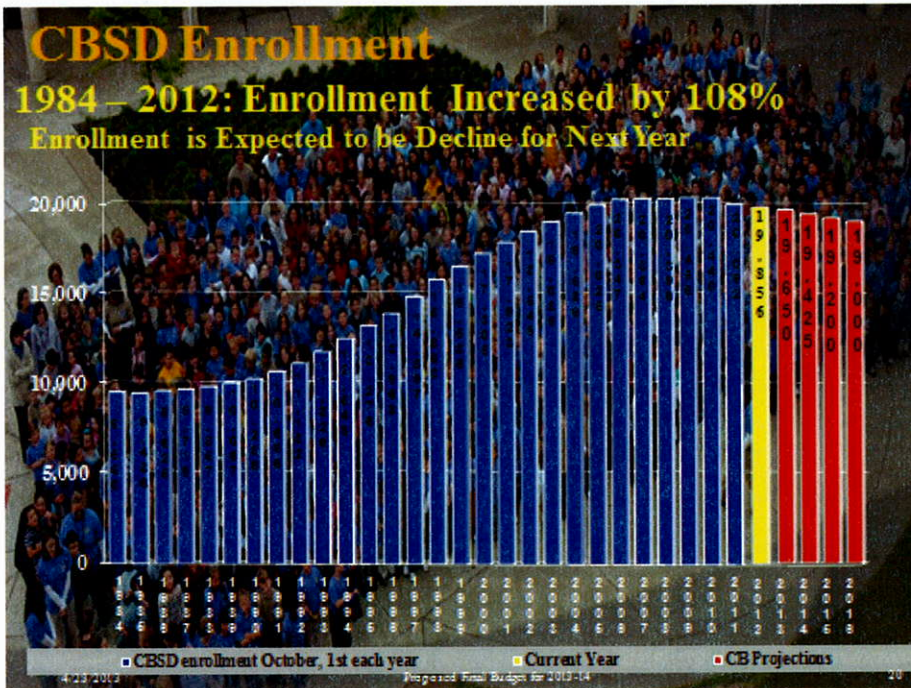
Capital Assets, Net of Depreciation

	Governmental Activities	
	2013	2012
Land	\$ 13,835,164	\$ 14,138,902
Site improvements	7,737,578	8,390,763
Buildings and improvements	373,050,267	380,621,235
Machinery and equipment	12,084,803	14,937,677
Construction in progress	30,953,417	21,996,516
	<u>\$ 437,661,229</u>	<u>\$ 440,085,093</u>

Additional information of the Central Bucks School District's capital assets can be found in Note F on page 42 of this report.

Business-Type Activities		Totals	
2013	2012	2013	2012
\$ -	\$ -	\$ 13,835,164	\$ 14,138,902
-	-	7,737,578	8,390,763
-	-	373,050,267	380,621,235
874,724	900,776	12,959,527	15,838,453
-	-	30,953,417	21,996,516
<u>\$ 874,724</u>	<u>\$ 900,776</u>	<u>\$ 438,535,953</u>	<u>\$ 440,985,869</u>

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

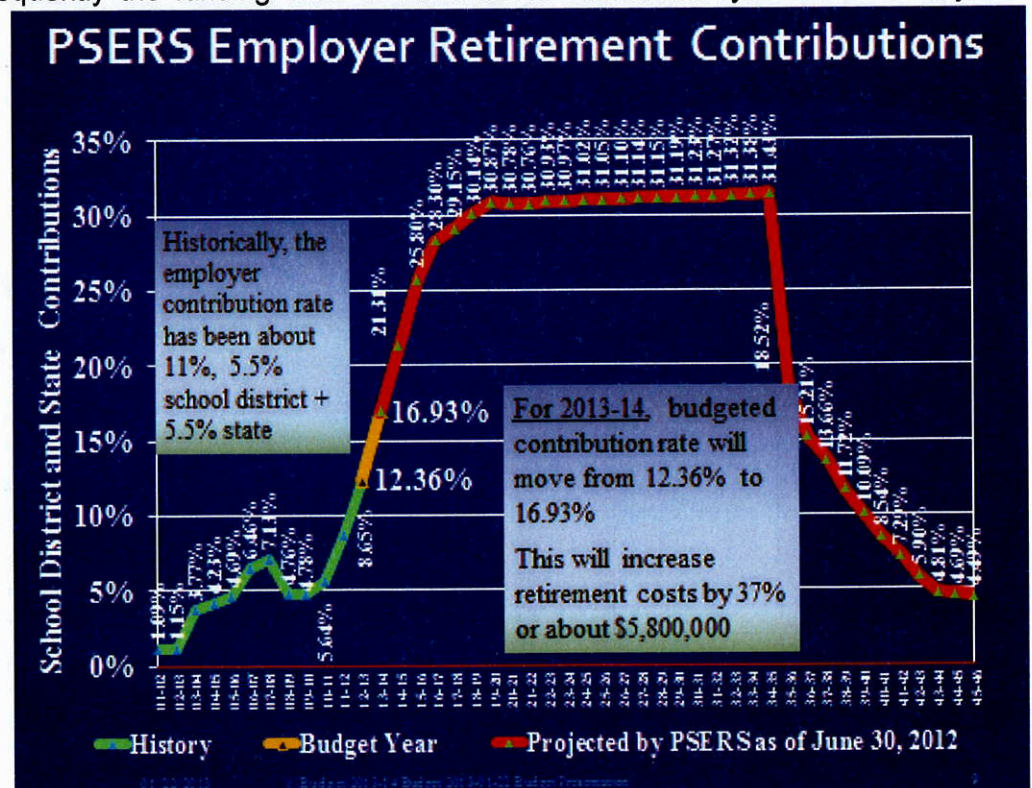


Enrollment for the 2012-13 fiscal year was 19,856 students which continues the steady enrollment decline from the peak year of 2009 at 20,456 students. Enrollment projections completed by the Pennsylvania Economy League indicate the district will continue to decline in enrollment through 2018-19 when 18,100 students are projected to be enrolled in K-12.

From 2001 through 2009, the state legislature artificially suppressed the employer contribution rates in the Pennsylvania School Employee Retirement System (PSERS). It was suppressed in hope that the stock market declines from the dot com bust would rebound as increased stock market value would help offset

losses from the recession in the early part of the century. The Great Recession of 2008 compounded earlier stock market losses and consequently 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 25 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 200 students per year due to enrollment decline. The decline is due to a reduced birthrate and the housing construction market whose growth has slowed down considerably from the mid 2000's. The reduced student enrollment has allowed the district to reduce positions without impacting the number of students per classroom.



CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

At the start of the 2011-12 school year, 37 school buses were outsourced from Central Bucks School District operations to First Student, the largest student transportation company in the country. This outsourcing was within the provisions of the transportation union contract.

During 2011-12, negotiations took place with the School District Transportation Union. Discussions centered around the ability of the School District to outsource more internal transportation operations to First Student.

An incentive of \$5,000 was given to drivers who volunteered to resign their positions with the School District. The incentive was used as a bridge for employees to purchase health care or Medicare supplements in the private market. 44 School District bus drivers were removed from District payroll as a result of the incentive. The reason for the outsourcing action is to reduce costs. Outsourcing saves the School District \$12,000 per year per bus outsourced. The savings are a result of the cost disadvantages of paying for full-time School District health care and retirement benefits for part-time work.

The transportation restructuring has reduced the number of Central Bucks Bus drivers from 165 down to 84. Starting with the 2013-14 school year, the District and the School District Transportation Union agreed that future outsourcing would be done through attrition. As Central Bucks transportation employees resign or retire, that position would be outsourced. The benefit of this agreement is that it slows down the rate of transportation outsourcing. First Student was struggling to find drivers when large numbers of positions were given to them. It is anticipated that the outsourcing process will slow down to five to eight positions per year moving forward.

The downturn in the economy and its impact on housing values has 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 have been ongoing for the past five years. The cumulative effect of the appeal process is that the School District is losing \$6.3M per year in real estate tax revenue.

Bucks County has not conducted a study comparing current property values to their taxable value since 1972. Consequently, many 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.

When looking at the overall revenue picture, revenue lines associated with real estate (real estate tax, real estate transfer tax and interim real estate taxes) have declined in the recent past but over the past two years, real estate assessed values (taxable value) are starting to grow modestly. Investment income is at historic low points. State subsidies over the years have also declined which in turn put more pressure on local real estate taxes to maintain services. An overall economy that is growing at less than 2% per year is not producing any extra revenue at the state level. Unemployment rates over 7.5% for the past five years also place a strain on government services such as unemployment compensation, food stamps and welfare programs. With a stressed state budget and federal budgets running trillion dollar deficits and the implementation of the federal sequestration plan, additional state or federal subsidies are unlikely over the next three to five years.

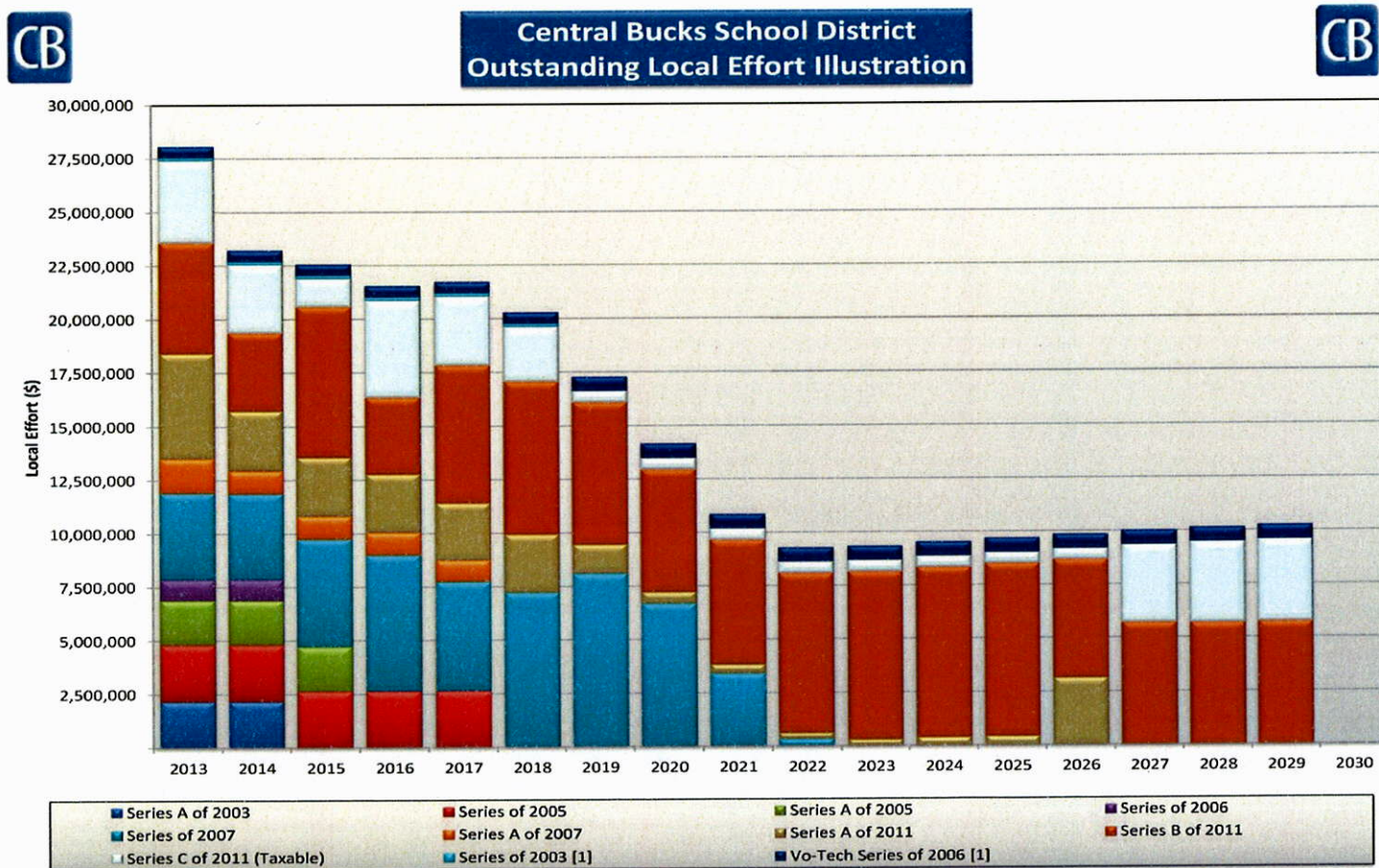
CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2013

To combat revenue losses and higher retirement system expenses, the District has eliminated positions, outsourced services, renegotiated contracts, implemented energy efficiency measures saving \$1.5M per year, made general cost reductions, restructured debt, paid off debt and has entered into more cooperative purchasing agreements. On a brighter note, we are seeing an improvement in interim real estate taxes. This is a revenue line that is historically difficult to project since it is revenue derived from expanded real estate values through new construction or renovations to existing structures. Hopefully this is an indication of an improving economy for the long-term and not just a one-year movement associated with current low interest rates on mortgages.

During 2012-13 fiscal year, the District had an opportunity to restructure/prepay some of its existing debt associated with construction and renovation of school buildings. Any reductions in principal or interest payments on outstanding debt will help offset cost increases associated with the state retirement system contributions and revenue losses incurred to date.



This graph shows the reduction in principal and interest payments in future years due to the restructuring of outstanding debt and prepayment of debt. Prior to the debt restructuring in 2011 and debt prepayment in 2013, the School District had principal and interest payments on outstanding debt of over \$29M per year which would have continued through fiscal year 2026-27.

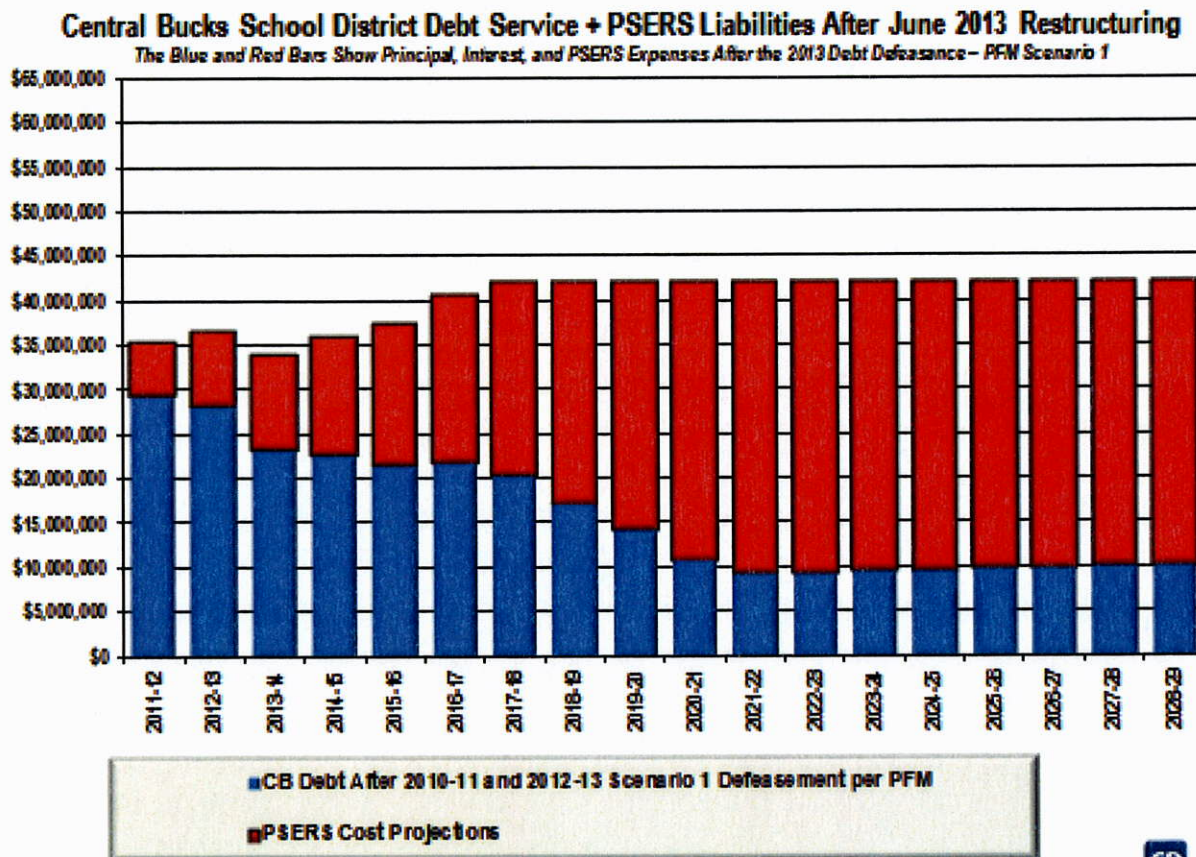
CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2013

The 2012-13 school year was a busy year for the School District Business Office. During the year, the department implemented a new financial accounting software system, developed a budget with no real estate tax increase and developed/implemented a plan to pay off \$73M in outstanding long-term debt. The reduction in future debt payments will help the School District pay for the escalating costs of the state retirement system contributions without major tax increases.

If we consider future projected payments into the state retirement system as if it were debt, the resulting graph shows an increase in costs which further illustrates the escalation of state retirement system payments in the future. In the graph below, the blue portion of each year represents the new principal and interest payment structure on existing debt, while the red portion represents projected retirement payments. As you can see, even with declining debt, the state retirement system will increase expenses through 2017-18.



During 2007-08, Moody's rating agency upgraded Central Bucks School District's financial creditworthiness from a 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 saving the District interest costs of \$1,500,000 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 about \$73M in long-term debt which will save the District about \$24M in interest expenses over the next 16 years or about \$1.5M per year. Paying off this debt early will also result in reduced principal payments of \$1M in 2013-14 to \$7M in fiscal year 2024-25.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

The interesting thing about the debt prepayment is that it may actually lower the District's credit rating since the rating agencies prefer organizations to have extra cash on hand and are less interested in reducing outstanding debt. For the School District, it is more important to realize the budgetary savings each year than to preserve a credit rating since it is not anticipated that the District will need to borrow money for construction in the near future. Paying off debt in 2013 combined with a similar effort in 2011 will go a long way towards defusing the future financial liabilities associated with the state pension crisis - at least from the Central Bucks School District perspective. Paying off debt will eliminate the need for yearly maximum real estate tax increases to meet mandated state pension contribution requirements.

Also in an effort to minimize future principal and interest payments, the District established a special long-term capital account during 2012-13 to fund future large building renovations and repairs. The goal of the long-term capital account is to pay for future building renovations with cash on hand instead of incurring more debt and the expenses associated with borrowing money and, of course, eliminating future interest payments.

Over the past five years, the Central Bucks School District has experienced revenue losses 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 a lot of financial stress. The good news is the district has successfully navigated through the financial storm to this point in time. Real estate tax increases have been very moderate over the last five years and there is no real estate tax increase for 2013-14. Moving forward, it is anticipated that future tax increases will be moderate, revenues will start to improve and there should not be any major education or extracurricular program reductions.

The District continues to provide one of the lowest educational costs in southeastern Pennsylvania, a robust curriculum and high student achievement.

The District is planning to deal with the uncertainties of local tax reform, and a significant increase in pension costs. Pension contribution rates were 12.36% in 2012-13, and are projected to increase as follows:

<u>Fiscal Year</u>	<u>Pension Rate</u>
2013-14	16.93%
2014-15	21.31%
2015-16	25.80%
2016-17	28.30%
2017-18	29.15%

Currently, one-half of the retirement system cost is funded by the State. The District is committed to implement significant cost cutting initiatives to deal with the current and expected difficult economic times.

The contract covering the professional staff is in place through June 30, 2014. The Support staff contract is in place through June 30, 2016, and provides for annual increases to bring wages in line with existing market conditions. The Administrative staff agreement is in place through fiscal 2015-16. The transportation agreement expired June 30, 2011, and is in the final stages of negotiation.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

The District maintains and plans strategic and financial tactics which are developed around the District's mission statement and goals which are outlined below:



2013-2014
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.

- Continue to emphasize the constructs of rigor, relevance, relationships, resiliency and reflection throughout our curriculum, instructional practices and assessments.
- Communicate the effective utilization of reading and writing strategies within all content areas.
- Establish consistent grading practices and other measures of student proficiency for secondary students.
- Implement the K-12 Educator Effectiveness system.
- Continue to embed principles of Growth Mindset in curriculum, instructional practice and school culture.
- Ensure the effective implementation of the PA Common Core Standards in the 2013-2014 school year.
- Redesign the Elementary Report Card aligning it with Common Core Standards.
- Coordinated data driven writing assessment model, beginning in elementary and extending to secondary.
- Research service delivery models in order to increase time students receive instruction.

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 expand and extend learning opportunities beyond the classroom (e.g. web-based, cloud-based and virtual learning environments).
- Investigate improved user-level security procedures while simultaneously seeking to improve usability of network systems.

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2013

3. Promote positive relationships between our schools and community.

- Improve District-wide communication by expanding the use of electronic media.
- Utilize security systems and continue to coordinate response efforts with local municipalities.
- Monitor new walking routes and bus stop consolidation plans.
- Revitalize Educational Foundation and Education Alliance.
- Identify public relation opportunities that highlight the strengths of District programs.
- Implement the Transportation Alert System for private school students.
- Evaluate and implement security recommendations by the Department of Homeland Security.

4. Respond to the educational needs of school-aged children through plans designed to provide safe, productive and flexible learning environments.

- Continue to implement the long range capital improvement plan to provide resources to the existing facilities.
- Evaluate and update District security equipment and practices.
- Maximize "Green Practices" to generate revenue, effectively manage our facilities and practice environmental stewardship.

5. Strengthen the financial base of the District.

- Direct time and resources to assist with shaping legislative issues dealing with education.
- Pursue ways to enhance revenues, improve efficiency and reduce expenditures while maintaining quality programs.
- Develop funding for long-term building renovation needs without borrowing money and restructuring debt.
- Evaluate CBSD's continued participation in the Bucks/Montgomery SD Health Care Trust.
- Implement the Patient Protection and Affordable Care Act (PPACA) and evaluate the impact on future labor contracts.
- Research alternative (green) fuel sources for District vehicles.
- Develop more detailed five-year budget projections including costing out scenarios for contract negotiations.
- Implement accounting procedures for the new PDE Title IX athletic reporting requirements.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

CHANGE IN LEADERSHIP

Central Bucks School District had no changes in School Board members during the 2012-2013 school year.

Several administrative changes did occur in the 2012-2013 school year.

These include:

- Dr. N. Robert Laws, Superintendent, retired and was replaced by Dr. Rodney Green, new to the District from East China School District in Michigan where he served as Superintendent 12+ years. In June of 2013, Dr. David Weitzel was named as the Interim Superintendent placing Dr. Rodney Green.
- Thomas C. McCambridge, Director of Finance, was replaced by Suzanne Vincent, Supervisor of Accounting employed by the District in the business office for the past 18 years.
- Building Principals, replaced with internal Assistant Principal staff members with the exception of one outside hire, Christina Lang.

REQUEST 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, 2013*

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 33,200,051	\$ 1,169,978	\$ 34,370,029
Investments	25,803,412	-	25,803,412
Taxes receivable, net	18,535,761	-	18,535,761
Internal balances	55,607	(55,607)	-
Due from other governments	5,719,517	68,561	5,788,078
Other receivables, net	193,643	182,074	375,717
Inventories	39,927	28,088	68,015
Prepaid expenses	502,756	-	502,756
Capital assets			
Land	13,835,164	-	13,835,164
Site improvements	15,043,367	-	15,043,367
Buildings and building improvements	528,574,781	-	528,574,781
Machinery and equipment	57,539,796	2,736,647	60,276,443
Construction in progress	30,953,417	-	30,953,417
Accumulated depreciation	(208,285,296)	(1,861,923)	(210,147,219)
TOTAL ASSETS	521,711,903	2,267,818	523,979,721
LIABILITIES			
Accounts payable	5,715,974	462,919	6,178,893
Accrued salaries and benefits	13,612,158	-	13,612,158
Unearned revenue	499,915	107,195	607,110
Accrued interest	961,378	-	961,378
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	17,147,036	-	17,147,036
Compensated absences	163,578	-	163,578
Portion due or payable after one year			
Bonds payable	163,107,924	-	163,107,924
Compensated absences	1,472,201	-	1,472,201
Net OPEB obligation	4,313,349	-	4,313,349
TOTAL LIABILITIES	206,993,513	570,114	207,563,627
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on refunding	8,212,590	-	8,212,590
NET POSITION			
Net investment in capital assets	272,120,420	874,724	272,995,144
Unrestricted	34,385,380	822,980	35,208,360
TOTAL NET POSITION	\$ 306,505,800	\$ 1,697,704	\$ 308,203,504

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 106,202,065	\$ 811,905	\$ 16,033,405	\$ -
Special programs	35,894,431	-	23,303,908	-
Vocational education	4,508,905	-	-	-
Other instructional programs	4,264,031	-	904,558	-
Adult education programs	156,319	-	-	-
Support services				
Pupil personnel services	9,183,311	-	10,167	-
Instructional staff services	9,690,529	-	26,887	-
Administration services	12,003,195	-	-	-
Pupil health services	3,163,848	-	393,493	-
Business services	1,336,313	-	-	-
Operation and maintenance of plant services	21,222,628	-	-	-
Student transportation services	18,094,419	2,987,176	-	-
Central services	2,377,347	-	-	-
Other services	232,047	-	-	-
Operation of non-instructional services				
Student activities	2,707,404	-	-	-
Community services	2,674,016	-	3,359,488	-
Facilities acquisition, construction and improvement services	9,264,248	41,242	-	-
Debt service	7,579,280	-	-	1,585,267
TOTAL GOVERNMENTAL ACTIVITIES	250,554,336	3,840,323	44,031,906	1,585,267
BUSINESS-TYPE ACTIVITIES				
Food service	4,959,762	4,160,499	958,139	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 255,514,098	\$ 8,000,822	\$ 44,990,045	\$ 1,585,267

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

Gain on sale of capital assets

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, as restated

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
\$ (89,356,755)	\$ -	\$ (89,356,755)
(12,590,523)	-	(12,590,523)
(4,508,905)	-	(4,508,905)
(3,359,473)	-	(3,359,473)
(156,319)	-	(156,319)
(9,173,144)	-	(9,173,144)
(9,663,642)	-	(9,663,642)
(12,003,195)	-	(12,003,195)
(2,770,355)	-	(2,770,355)
(1,336,313)	-	(1,336,313)
(21,222,628)	-	(21,222,628)
(15,107,243)	-	(15,107,243)
(2,377,347)	-	(2,377,347)
(232,047)	-	(232,047)
(2,707,404)	-	(2,707,404)
685,472	-	685,472
(9,223,006)	-	(9,223,006)
(5,994,013)	-	(5,994,013)
(201,096,840)	-	(201,096,840)
-	158,876	158,876
(201,096,840)	158,876	(200,937,964)
217,645,729	-	217,645,729
20,189,798	-	20,189,798
303,755	-	303,755
1,395,847	-	1,395,847
409,844	884	410,728
956,465	-	956,465
725,805	-	725,805
241,627,243	884	241,628,127
40,530,403	159,760	40,690,163
265,975,397	1,537,944	267,513,341
\$ 306,505,800	\$ 1,697,704	\$ 308,203,504

CENTRAL BUCKS SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS***June 30, 2013*

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 20,318,032	\$ 12,882,019	\$ -	\$ 33,200,051
Investments	4,795,318	20,935,029	73,065	25,803,412
Taxes receivable, net	7,631,408	-	-	7,631,408
Due from other funds	11,052,199	8,006,980	-	19,059,179
Due from other governments	5,719,517	-	-	5,719,517
Other receivables	193,173	470	-	193,643
Inventories	39,927	-	-	39,927
Prepaid items	502,756	-	-	502,756
TOTAL ASSETS	\$ 50,252,330	\$ 41,824,498	\$ 73,065	\$ 92,149,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,662,161	\$ 2,053,813	\$ -	\$ 5,715,974
Due to other funds	8,079,929	10,923,643	-	19,003,572
Unearned revenue	499,915	-	-	499,915
Accrued salaries and benefits	13,612,158	-	-	13,612,158
TOTAL LIABILITIES	25,854,163	12,977,456	-	38,831,619
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	5,878,841	-	-	5,878,841
FUND BALANCES				
Nonspendable				
Inventories	39,927	-	-	39,927
Prepaid assets	502,756	-	-	502,756
Restricted for capital projects	-	12,882,019	-	12,882,019
Committed to				
Capital projects	-	15,965,023	-	15,965,023
Future budget expenditures	495,000	-	-	495,000
Debt service	-	-	73,065	73,065
Unassigned	17,481,643	-	-	17,481,643
TOTAL FUND BALANCES	18,519,326	28,847,042	73,065	47,439,433
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 50,252,330	\$ 41,824,498	\$ 73,065	\$ 92,149,893

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, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 47,439,433

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	13,835,164
Site improvements	15,043,367
Buildings and building improvements	528,574,781
Machinery and equipment	57,539,796
Construction in progress	30,953,417
Accumulated depreciation	(208,285,296)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(961,378)
Bonds payable	(180,254,960)
Deferred amounts on refundings, net of amortization	(8,212,590)
Compensated absences	(1,635,779)
Net OPEB obligation	(4,313,349)

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.

16,783,194

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 306,505,800

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, 2013

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 246,246,213	\$ 37,822	\$ 53,864	\$ 246,337,899
State sources	41,930,260	-	-	41,930,260
Federal sources	2,337,459	-	-	2,337,459
TOTAL REVENUES	<u>290,513,932</u>	<u>37,822</u>	<u>53,864</u>	<u>290,605,618</u>
EXPENDITURES				
Instruction	148,897,715	-	-	148,897,715
Support services	74,205,171	1,349,550	-	75,554,721
Operation of non-instructional services	5,381,420	-	-	5,381,420
Facilities acquisition, construction and improvement services	-	12,217,228	-	12,217,228
Debt service	28,735,021	-	72,980,799	101,715,820
Refund of prior year revenues	5,782	-	-	5,782
TOTAL EXPENDITURES	<u>257,225,109</u>	<u>13,566,778</u>	<u>72,980,799</u>	<u>343,772,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>33,288,823</u>	<u>(13,528,956)</u>	<u>(72,926,935)</u>	<u>(53,167,068)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	490,000	16,000,000	50,000,000	66,490,000
Transfers out	(48,740,935)	(3,000,000)	-	(51,740,935)
Proceeds from sale of fixed assets	4,465	952,000	-	956,465
TOTAL OTHER FINANCING SOURCES (USES)	<u>(48,246,470)</u>	<u>13,952,000</u>	<u>50,000,000</u>	<u>15,705,530</u>
NET CHANGE IN FUND BALANCES	<u>(14,957,647)</u>	<u>423,044</u>	<u>(22,926,935)</u>	<u>(37,461,538)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>33,476,973</u>	<u>28,423,998</u>	<u>23,000,000</u>	<u>84,900,971</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,519,326</u>	<u>\$ 28,847,042</u>	<u>\$ 73,065</u>	<u>\$ 47,439,433</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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (37,461,538)

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 (\$13,627,669) did not exceed depreciation (\$16,051,533) in the current period.

(2,423,864)

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.

2,278,403

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 decreased by this amount this year.

(471,562)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

78,970,000

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.

(721,044)

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.

Accrued interest not reflected in Governmental Funds

417,475

Compensated absences not reflected in Governmental Funds

(57,467)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 40,530,403

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

Year Ended June 30, 2013

	Enterprise Fund Food Service Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,169,978
Due from other governments	68,561
Other receivables	182,074
Inventories	<u>28,088</u>
TOTAL CURRENT ASSETS	<u>1,448,701</u>
CAPITAL ASSETS	
Machinery and equipment	2,736,647
Accumulated depreciation	<u>(1,861,923)</u>
TOTAL CAPITAL ASSETS	<u>874,724</u>
TOTAL ASSETS	<u>2,323,425</u>
LIABILITIES	
CURRENT LIABILITIES	
Due to other funds	55,607
Accounts payable	462,919
Unearned revenue	<u>107,195</u>
TOTAL CURRENT LIABILITIES	<u>625,721</u>
NET POSITION	
Net investment in capital assets	874,724
Unrestricted	<u>822,980</u>
TOTAL NET POSITION	<u>\$ 1,697,704</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, 2013

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>4,160,499</u>
OPERATING EXPENSES	
Purchased property service	412,340
Other purchased service	4,388,548
Supplies	80
Depreciation	131,072
Other operating expenses	<u>27,722</u>
TOTAL OPERATING EXPENSES	<u>4,959,762</u>
OPERATING LOSS	<u>(799,263)</u>
NONOPERATING REVENUES	
Interest and investment revenue	884
State sources	122,249
Federal sources	<u>835,890</u>
TOTAL NONOPERATING REVENUES	<u>959,023</u>
CHANGE IN NET POSITION	159,760
NET POSITION AT BEGINNING OF YEAR	<u>1,537,944</u>
NET POSITION AT END OF YEAR	\$ <u><u>1,697,704</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2013

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,978,425
Cash received from supplier	162,748
Payments to suppliers	<u>(4,695,049)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(553,876)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	835,589
State sources	<u>122,249</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>957,838</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(105,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>884</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	299,826
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>870,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>1,169,978</u></u>

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2013

Enterprise
Fund
Food
Service Fund

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (799,263)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	131,072
Donated foods	169,631
(Increase) decrease in	
Other receivables	(33,179)
Inventories	6,882
Increase (decrease) in	
Due to other funds	(214,599)
Accounts payable	219,215
Unearned revenue	<u>(33,635)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(553,876)</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 169,631

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 97,882	\$ 1,276,878
Investments	5,627,659	-
Other receivables	<u>6,104</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,731,645</u>	<u>\$ 1,276,878</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to student groups	\$ 1,149,872	\$ <u>1,276,878</u>
Other payables	<u>470</u>	
TOTAL LIABILITIES	<u>1,150,342</u>	
NET POSITION		
Held in trust for benefits and other purposes	<u>4,581,303</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,731,645</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, 2013*

	<u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 48,114
Investment earnings	70,598
Transfer from other funds	<u>12,740,935</u>
TOTAL ADDITIONS	<u>12,859,647</u>
DEDUCTIONS	
Scholarships awarded	45,427
Transfer to other funds	<u>27,490,000</u>
TOTAL DEDUCTIONS	<u>27,535,427</u>
CHANGE IN NET POSITION	(14,675,780)
NET POSITION AT BEGINNING OF YEAR	<u>19,257,083</u>
NET POSITION AT END OF YEAR	<u>\$ 4,581,303</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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. 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, 2013

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, 2013

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 government has two types of items that qualify for reporting in this category. The first item is the unavailable revenue, reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. The second item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Investments

Investments, which consist of certificates of deposit and deposits in the Pennsylvania School District Liquid Asset Fund, are valued at fair value.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 the General Fund, consisting principally of textbooks and instructional supplies, is not valued, since it is the consistent policy to charge these items to expense upon acquisition.

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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.

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 22). 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.

Change of Accounting Principles

During the year ended June 30, 2013, the School adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013, \$23,890,959 of the School District's bank balance of \$37,489,822 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name and \$338,190 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, 2013, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities Less Than One Year</u>	<u>Fair Value</u>
Certificates of deposit	\$ <u>31,431,071</u>	\$ <u>31,431,071</u>

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, 2013, 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 2008 PSDLAF, 2008 First Niagara, Sovereign Bank and TD Post-Employment accounts. These amounts are 6.51%, 36.33%, 26.50% and 11.85% respectively, of the School District's total investments.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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 1% 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.

NOTE D ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013, 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	\$ 7,631,408	\$ -
Due from other governments	5,719,517	68,561
Other receivables	<u>193,173</u>	<u>182,074</u>
	<u>\$ 13,544,098</u>	<u>\$ 250,635</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 128,556
General Fund	Capital Project Fund	10,923,643
Capital Project Fund	General Fund	8,006,980
Food Service Fund	General Fund	72,949
		<u>\$ 19,132,128</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. The transfers from the General Fund to the Trust and Agency Funds were for future benefits of student groups and scholarship funds. Transfers to the Debt Service Fund were for debt service defeasance on General Obligation Bonds.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 16,000,000
Debt Service Fund	General Fund	20,000,000
Debt Service Fund	Capital Projects	3,000,000
Debt Service Fund	Trust and Agency Funds	27,000,000
Trust and Agency Funds	General Fund	12,740,935
General Fund	Trust and Agency Funds	490,000
		<u>\$ 79,230,935</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,138,902	\$ -	\$ (303,738)	\$ 13,835,164
Construction in progress	21,996,516	8,956,901	-	30,953,417
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	36,135,418	8,956,901	(303,738)	44,788,581
Capital assets being depreciated				
Site improvements	15,053,611	-	(10,244)	15,043,367
Buildings and building improvements	525,619,846	2,954,935	-	528,574,781
Machinery and equipment	56,068,422	2,019,571	(548,197)	57,539,796
TOTAL CAPITAL ASSETS BEING DEPRECIATED	596,741,879	4,974,506	(558,441)	601,157,944
Accumulated depreciation				
Site improvements	(6,662,848)	(653,185)	10,244	(7,305,789)
Buildings and building improvements	(144,998,611)	(10,525,903)	-	(155,524,514)
Machinery and equipment	(41,130,745)	(4,872,445)	548,197	(45,454,993)
TOTAL ACCUMULATED DEPRECIATION	(192,792,204)	(16,051,533)	558,441	(208,285,296)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	403,949,675	(11,077,027)	(558,441)	392,872,648
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	440,085,093	(2,120,126)	(862,179)	437,661,229
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	2,631,627	105,020	-	2,736,647
Accumulated depreciation	(1,730,851)	(131,072)	-	(1,861,923)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	900,776	(26,052)	-	874,724
CAPITAL ASSETS, net	\$ 440,985,869	\$ (2,146,178)	\$ (862,179)	\$ 438,535,953

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 1,800,982
SUPPORT SERVICES	
Operation and maintenance of plant services	176,567
Student transportation services	1,235,968
Central services	317,820
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES	
	12,520,196
	\$ 16,051,533

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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.

On June 25, 2013, the School District paid cash to advance refund portions of General Obligation Bonds, Series A of 2007 (\$12,965,000), Series A of 2011 (\$28,210,000) and Series C of 2011 (\$20,030,000) and pay the costs and expenses of defeasing the bonds. The advance refunding was undertaken to create overall relief of PSERS costs and reduce total debt service payments by \$88,732,054 starting in 2016-2017 and resulted in an economic gain of \$64,534,436.

The School District will defease certain bonds by placing the proceeds of new bonds or School District cash in an irrevocable trust to provide for all future debt service payments on the 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, 2013, the School District's portion of bonds outstanding that are considered defeased is \$118,105,000.

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>
2014	\$ 16,125,000	\$ 7,624,807	\$ 23,749,807
2015	15,845,000	6,997,226	22,842,226
2016	15,470,000	6,298,203	21,768,203
2017	16,230,000	5,636,003	21,866,003
2018	15,315,000	5,248,913	20,563,913
2019 to 2023	42,205,000	16,944,200	59,149,200
2024 to 2028	38,715,000	8,145,950	46,860,950
2029	9,430,000	444,160	9,874,160
	<u>\$ 169,335,000</u>	<u>\$ 57,339,462</u>	<u>\$ 226,674,462</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, 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 2006	5.00%
Series A of 2005	3.00% to 3.75%
Series of 2005	3.00% to 5.00%
Series A of 2003	1.50% to 4.00%
TOTAL GENERAL OBLIGATION BONDS	
Bond premium	
TOTAL GENERAL OBLIGATION BONDS, net	
COMPENSATED ABSENCES	
OPEB 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, 2013, deferred inflow of resources consisted of delinquent taxes receivable of \$5,878,841 and unearned revenue consisted of other donations and grants of \$499,915.

Food Service Fund

Unearned revenues represent food received in the School District's food service operations that is on hand at June 30, 2013. 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>
\$ 48,460,000	\$ -	\$ (31,225,000)	\$ 17,235,000	\$ 2,160,000
71,350,000	-	(2,015,000)	69,335,000	525,000
44,440,000	-	(22,175,000)	22,265,000	2,435,000
17,665,000	-	(13,845,000)	3,820,000	915,000
41,055,000	-	(2,220,000)	38,835,000	2,270,000
1,965,000	-	(955,000)	1,010,000	1,010,000
6,565,000	-	(2,110,000)	4,455,000	2,185,000
12,330,000	-	(2,230,000)	10,100,000	2,345,000
4,475,000	-	(2,195,000)	2,280,000	2,280,000
<u>248,305,000</u>	<u>-</u>	<u>(78,970,000)</u>	<u>169,335,000</u>	<u>16,125,000</u>
11,941,996	-	(1,022,036)	10,919,960	1,022,036
<u>260,246,996</u>	<u>-</u>	<u>(79,992,036)</u>	<u>180,254,960</u>	<u>17,147,036</u>
1,578,312	57,467	-	1,635,779	163,578
<u>3,592,305</u>	<u>721,044</u>	<u>-</u>	<u>4,313,349</u>	<u>-</u>
\$ <u><u>265,417,613</u></u>	\$ <u><u>778,511</u></u>	\$ <u><u>(79,992,036)</u></u>	\$ <u><u>186,204,088</u></u>	\$ <u><u>17,310,614</u></u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE J PENSIONS

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer 401(a) defined benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-9102).

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The *CAFR* is also available on the publications page of the PSERS website, www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member 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 service rendered on or after January 1, 2002.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

- 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 T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was \$14,736,139, \$10,179,351 and \$7,418,440, respectively, equal to the required contribution for each year.

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, 2013

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	\$ 1,500,518
Amortization of unfunded actuarial accrued liability	<u>1,315,779</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	2,816,297
Interest on net OPEB obligation	161,654
Adjustment to ARC	<u>(247,598)</u>
ANNUAL OPEB EXPENSE	2,730,353
Net OPEB contributions during the year	<u>(2,009,309)</u>
INCREASE IN NET OBLIGATION	721,044
Net OPEB obligation at beginning of year	<u>3,592,305</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 4,313,349</u></u>

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 2,384,977	92.60%	\$ 3,304,942
2012	2,628,909	89.07%	3,592,305
2013	2,730,353	73.59%	4,313,349

Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$48,295,263 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 \$136,738,545, and the ratio of the UAAL to the covered payroll was 35.3%.

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 52, 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, 2013

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, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5% 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 8.5% initially, reduced by decrements of 0.5% to an ultimate rate of 4.5% after eight 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 June 30, 2013, was 26 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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE N PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2013, the School District has adopted GASB Statement No. 65, which states that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred.

For the government-wide governmental activities, the School District is treating debt issuance costs of \$3,655,020 previously incurred as having been recognized in the period incurred. As a result, the prior period's amortization expense decreased by \$158,529, which increased the prior period's change in net position by \$158,529. The School District has adjusted beginning net position for the governmental activities from \$268,347,188 to \$265,975,397.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL BUCKS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 243,098,298	\$ 236,116,570	\$ 246,246,213	\$ 10,129,643
State sources	41,266,265	47,835,280	41,930,260	(5,905,020)
Federal sources	1,973,579	2,107,000	2,337,459	230,459
TOTAL REVENUES	<u>286,338,142</u>	<u>286,058,850</u>	<u>290,513,932</u>	<u>4,455,082</u>
EXPENDITURES				
Instruction	158,162,165	157,829,701	148,897,715	8,931,986
Support services	85,790,945	85,008,693	74,205,171	10,803,522
Operation of non-instructional services	5,800,010	5,645,434	5,381,420	264,014
Debt service	28,735,022	28,735,022	28,735,021	1
Refund of prior year revenues	-	-	5,782	(5,782)
Budgetary reserve	350,000	650,000	-	650,000
TOTAL EXPENDITURES	<u>278,838,142</u>	<u>277,868,850</u>	<u>257,225,109</u>	<u>20,643,741</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>7,500,000</u>	<u>8,190,000</u>	<u>33,288,823</u>	<u>25,098,823</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	490,000	490,000	-
Transfers out	(9,500,000)	(9,370,000)	(48,740,935)	(39,370,935)
Proceeds from sale of fixed assets	-	-	4,465	4,465
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,800,000)</u>	<u>(8,880,000)</u>	<u>(48,246,470)</u>	<u>(39,366,470)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,300,000)</u>	<u>\$ (690,000)</u>	<u>(14,957,647)</u>	<u>\$ (14,267,647)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>33,476,973</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 18,519,326</u>	

See accompanying note to the required supplementary information.

CENTRAL BUCKS SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

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
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended June 30, 2013

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)
2008	\$ -	\$ 38,759,208	\$ 38,759,208	0%	\$ 137,907,578	28.11%
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%

***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, 2013, 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 November 25, 2013.

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.

Maullie LLP

Oaks, Pennsylvania
November 25, 2013

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

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) Circular A-133 *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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oaks, Pennsylvania
November 25, 2013

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

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Pennsylvania Department of Education			
Title I - Improving Basic Programs	84.010	013-130069	July 1, 2012 to September 30, 2013
Title III	84.365	010-13069	July 1, 2012 to September 30, 2013
Title III	84.365	010-12069	July 1, 2011 to September 30, 2012
Title II - Improving Teacher Quality	84.367	020-130069	July 1, 2012 to September 30, 2013
Title II - Improving Teacher Quality	84.367	020-120069	July 1, 2011 to September 30, 2012
Passed through the Bucks County Intermediate Unit #22			
IDEA	84.027		July 1, 2012 to June 30, 2013
IDEA	84.027		July 1, 2011 to June 30, 2012
IDEA Section 619	84.173	131-120022	July 1, 2012 to June 30, 2013
IDEA Section 619	84.173	131-120022	July 1, 2011 to June 30, 2012
Passed through the Pennsylvania Department of Education			
Access	93.778		
TOTAL FORWARD			
PENNSYLVANIA DEPARTMENT OF EDUCATION			
Food Nutrition Service	N/A	510	July 1, 2012 to June 30, 2013
Food Nutrition Service	N/A	510	July 1, 2011 to June 30, 2012
Food Nutrition Service	N/A	511	July 1, 2012 to June 30, 2013
Food Nutrition Service	N/A	511	July 1, 2011 to June 30, 2012
Food Nutrition Service	N/A	512	July 1, 2011 to June 30, 2012
SUBTOTAL FORWARD			

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
\$ 603,638	\$ 567,048	\$ -	\$ 603,604	\$ 603,604	\$ 36,556
26,887	26,887	-	26,887	26,887	-
29,124	13,999	13,999	-	-	-
300,954	241,211	-	300,954	300,954	59,743
291,761	57,342	57,342	-	-	-
2,556,519	2,018,874	-	2,556,519	2,556,519	537,645
2,606,380	247,380	247,380	-	-	-
10,167	-	-	10,167	10,167	10,167
20,991	20,991	20,991	-	-	-
	<u>21,919</u>	<u>-</u>	<u>36,600</u>	<u>36,600</u>	<u>14,681</u>
	<u>3,215,651</u>	<u>339,712</u>	<u>3,534,731</u>	<u>3,534,731</u>	<u>658,792</u>
N/A	107,126	-	115,195	115,195	8,069
N/A	33,461	8,858	24,603	24,603	-
N/A	6,657	-	7,286	7,286	629
N/A	1,405	926	479	479	-
N/A	<u>5,577</u>	<u>4,502</u>	<u>1,075</u>	<u>1,075</u>	<u>-</u>
	<u>\$ 154,226</u>	<u>\$ 14,286</u>	<u>\$ 148,638</u>	<u>\$ 148,638</u>	<u>\$ 8,698</u>

CENTRAL BUCKS SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS***Year Ended June 30, 2013*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION			
TOTAL FORWARDED			
PENNSYLVANIA DEPARTMENT OF EDUCATION			
SUBTOTAL FORWARDED			
Food Nutrition Service	N/A	513	July 1, 2012 to June 30, 2013
Food Nutrition Service	N/A	513	July 1, 2011 to June 30, 2012
TOTAL PENNSYLVANIA DEPARTMENT OF EDUCATION			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Education			
Reg/Ndy Breakfast	10.553	365	July 1, 2012 to June 30, 2013
Reg/Ndy Breakfast	10.553	365	July 1, 2011 to June 30, 2012
Lunch Hi/Low	10.555	362	July 1, 2012 to June 30, 2013
Lunch Hi/Low	10.555	362	July 1, 2011 to June 30, 2012
Passed through the Pennsylvania Department of Agriculture			
National School Lunch Program	10.555	N/A	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AND STATE AWARDS			
Less state awards			
TOTAL FEDERAL AWARDS			

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, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
	\$ <u>3,215,651</u>	\$ <u>339,712</u>	\$ <u>3,534,731</u>	\$ <u>3,534,731</u>	\$ <u>658,792</u>
	154,226	14,286	148,638	148,638	8,698
N/A	18	-	18	18	-
N/A	<u>140</u>	<u>49</u>	<u>91</u>	<u>91</u>	<u>-</u>
	<u>154,384</u>	<u>14,335</u>	<u>148,747</u>	<u>148,747</u>	<u>8,698</u>
N/A	68,594	-	73,992	73,992	5,398
N/A	4,824	4,824	-	-	-
N/A	836,527	-	890,992	890,992	54,465
N/A	63,139	63,139	-	-	-
N/A	<u>162,748</u>	<u>(26,471)</u>	<u>169,631</u>	<u>169,631</u>	<u>(19,588)</u>
	<u>1,135,832</u>	<u>41,492</u>	<u>1,134,615</u>	<u>1,134,615</u>	<u>40,275</u>
	4,505,867	395,539	4,818,093	4,818,093	707,765
	<u>(154,384)</u>	<u>(14,335)</u>	<u>(148,747)</u>	<u>(148,747)</u>	<u>(8,698)</u>
	\$ <u><u>4,351,483</u></u>	\$ <u><u>381,204</u></u>	\$ <u><u>4,669,346</u></u>	\$ <u><u>4,669,346</u></u>	\$ <u><u>699,067</u></u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

NOTE A ORGANIZATION AND SCOPE

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

NOTE B DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Central Bucks School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Central Bucks School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the Central Bucks School District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA</u>
Improving Teacher Quality State Grants	84.367
Child Nutrition Cluster	10.553, 10.555

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Central Bucks School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.