

**CENTRAL BUCKS SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2014*



*Expertise Beyond The Numbers*

*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents.....	1
FINANCIAL SECTION	
Independent Auditors' Report .....	3
Management's Discussion and Analysis (Unaudited).....	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position.....	27
Statement of Activities .....	28
<b><i>Fund Financial Statements</i></b>	
<i>Governmental Funds</i>	
Balance Sheet.....	29
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities .....	30
Statement of Revenues, Expenditures and Changes in Fund Balances .....	31
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	32
<i>Proprietary Funds</i>	
Statement of Net Position .....	33
Statement of Revenues, Expenses and Changes in Net Position .....	34
Statement of Cash Flows.....	35

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position.....	37
Statement of Changes in Fiduciary Net Position .....	38
<b>Notes to the Basic Financial Statements</b> .....	39
Required Supplementary Information	
Budgetary Comparison Schedule.....	56
Note to the Required Supplementary Information .....	57
Postemployment Benefits Other Than Pension Funding Progress .....	58
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	59
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	61
SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and Certain State Awards .....	63
Notes to the Schedule of Expenditures of Federal and Certain State Awards.....	65
Schedule of Findings and Questioned Costs .....	66

## **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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**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 26, budgetary comparison information on pages 56 and 57 and postemployment benefits other than pension funding progress on page 58 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 December 8, 2014, 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  
December 8, 2014

# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

### INTRODUCTION

Our discussion and analysis of Central Bucks School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014.

### FINANCIAL HIGHLIGHTS

- The assets of the Central Bucks School District exceeded its liabilities at the close of the most recent fiscal year by \$343,548,541 (net position). Of this amount, \$56,211,742 (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 \$12,666,634 or 4.89% 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, 2014

### **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, 2014*

**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 \$343,548,541 at the close of the most recent fiscal year.

***Condensed Statements of Net Position***  
***June 30, 2014 and 2013***

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current and other assets	\$ 117,520,635	\$ 84,050,674	\$ 124,125	\$ 1,393,094	\$ 117,644,760	\$ 85,443,768
Capital assets	435,600,933	437,661,229	983,044	874,724	436,583,977	438,535,953
<b>TOTAL ASSETS</b>	<b>553,121,568</b>	<b>521,711,903</b>	<b>1,107,169</b>	<b>2,267,818</b>	<b>554,228,737</b>	<b>523,979,721</b>
<b>LIABILITIES</b>						
Other liabilities	32,932,363	20,789,425	116,143	570,114	33,048,506	21,359,539
Long-term liabilities outstanding	170,675,467	186,204,088	-	-	170,675,467	186,204,088
<b>TOTAL LIABILITIES</b>	<b>203,607,830</b>	<b>206,993,513</b>	<b>116,143</b>	<b>570,114</b>	<b>203,723,973</b>	<b>207,563,627</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amounts on refunding	6,956,223	8,212,590	-	-	6,956,223	8,212,590
<b>NET POSITION</b>						
Net investment in capital assets	286,353,755	272,120,420	983,044	874,724	287,336,799	272,995,144
Unrestricted	56,203,760	34,385,380	7,982	822,980	56,211,742	35,208,360
<b>TOTAL NET POSITION</b>	<b>\$ 342,557,515</b>	<b>\$ 306,505,800</b>	<b>\$ 991,026</b>	<b>\$ 1,697,704</b>	<b>\$ 343,548,541</b>	<b>\$ 308,203,504</b>

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 \$56,211,742 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.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

**Governmental Activities** - Governmental activities increased the Central Bucks School District's net position by \$36,051,715. Business-type activities ended with a decrease in net position, resulting in a total change in net position of \$35,345,037. Key elements of this change in position are as follows:

**Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 4,242,751	\$ 3,840,323	\$ 4,309,823	\$ 4,160,499	\$ 8,552,574	\$ 8,000,822
Operating grants and contributions	47,329,983	44,031,906	994,631	958,139	48,324,614	44,990,045
Capital grants and contributions	4,010,153	1,585,267	-	-	4,010,153	1,585,267
General revenues						
Property taxes	218,749,247	217,645,729	-	-	218,749,247	217,645,729
Other taxes	23,516,500	20,493,553	-	-	23,516,500	20,493,553
Grants and contributions not restricted to specific programs	745,146	1,395,847	-	-	745,146	1,395,847
Other	1,023,282	2,092,114	3,943	884	1,027,225	2,092,998
<b>TOTAL REVENUES</b>	<b>299,617,062</b>	<b>291,084,739</b>	<b>5,308,397</b>	<b>5,119,522</b>	<b>304,925,459</b>	<b>296,204,261</b>
<b>EXPENSES</b>						
Instruction	157,543,288	151,025,751	-	-	157,543,288	151,025,751
Support services	83,543,924	77,303,637	-	-	83,543,924	77,303,637
Operation of non-instructional services	5,061,917	5,381,420	-	-	5,061,917	5,381,420
Debt service	7,543,402	7,579,280	-	-	7,543,402	7,579,280
Facilities acquisition, construction and improvement services	10,672,816	9,264,248	-	-	10,672,816	9,264,248
Food service	-	-	5,215,075	4,959,762	5,215,075	4,959,762
<b>TOTAL EXPENSES</b>	<b>264,365,347</b>	<b>250,554,336</b>	<b>5,215,075</b>	<b>4,959,762</b>	<b>269,580,422</b>	<b>255,514,098</b>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	<b>35,251,715</b>	<b>40,530,403</b>	<b>93,322</b>	<b>159,760</b>	<b>35,345,037</b>	<b>40,690,163</b>
<b>TRANSFERS</b>	<b>800,000</b>	<b>-</b>	<b>(800,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>36,051,715</b>	<b>40,530,403</b>	<b>(706,678)</b>	<b>159,760</b>	<b>35,345,037</b>	<b>40,690,163</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>306,505,800</b>	<b>265,975,397</b>	<b>1,697,704</b>	<b>1,537,944</b>	<b>308,203,504</b>	<b>267,513,341</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 342,557,515</b>	<b>\$ 306,505,800</b>	<b>\$ 991,026</b>	<b>\$ 1,697,704</b>	<b>\$ 343,548,541</b>	<b>\$ 308,203,504</b>

# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

### 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 \$12,666,634. Unassigned fund balance represents 4.89% 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 \$249,350,566 (83.32%), of which \$204,545,354 were current and interim real estate tax revenues. State funding amounted to \$48,307,215 (16.15%). Federal funding amounted to \$1,577,172 (.53%).

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 (16.68%) of total School District revenue.

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

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

	<u>2013-2014</u>	<u>2012-2013</u>	<u>Change</u>	<u>% Change</u>
Instruction	\$ 151,389,154	\$ 148,897,715	\$ 2,491,439	1.67%
Support services	78,401,502	74,205,171	4,196,331	5.66%
Non-instructional	5,551,917	5,381,420	170,497	3.17%
Debt service	23,749,806	28,735,021	(4,985,215)	-17.35%
Refund of prior year revenues	<u>2,042</u>	<u>5,782</u>	<u>(3,740)</u>	-64.68%
	<u>\$ 259,094,421</u>	<u>\$ 257,225,109</u>	<u>\$ 1,869,312</u>	0.73%

The Capital Projects Fund has a total fund balance of \$26,534,411, of which \$12,428,936 is reserved for encumbrances and \$14,105,475 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 \$991,026, of which \$7,982 was unrestricted and \$983,044 was the net investment in capital assets.

# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

### 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, 2014, of \$17,813,141 is 5.9% of the 2014-2015 operating budget of \$301,538,508. Management projects that the General Fund balance at June 30, 2015, will be approximately 5.7% of the 2015-2016 budget.

Local tax revenues exceeded the budgeted estimates by \$11,371,902.

Actual expenditures were \$259,094,421 as compared to a budget of \$261,938,982.

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
June 30, 2014 .....	17,813,141

\*Includes restricted postemployment benefits.

### 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, 2014, amounts to \$436,583,977 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements and furniture and equipment.

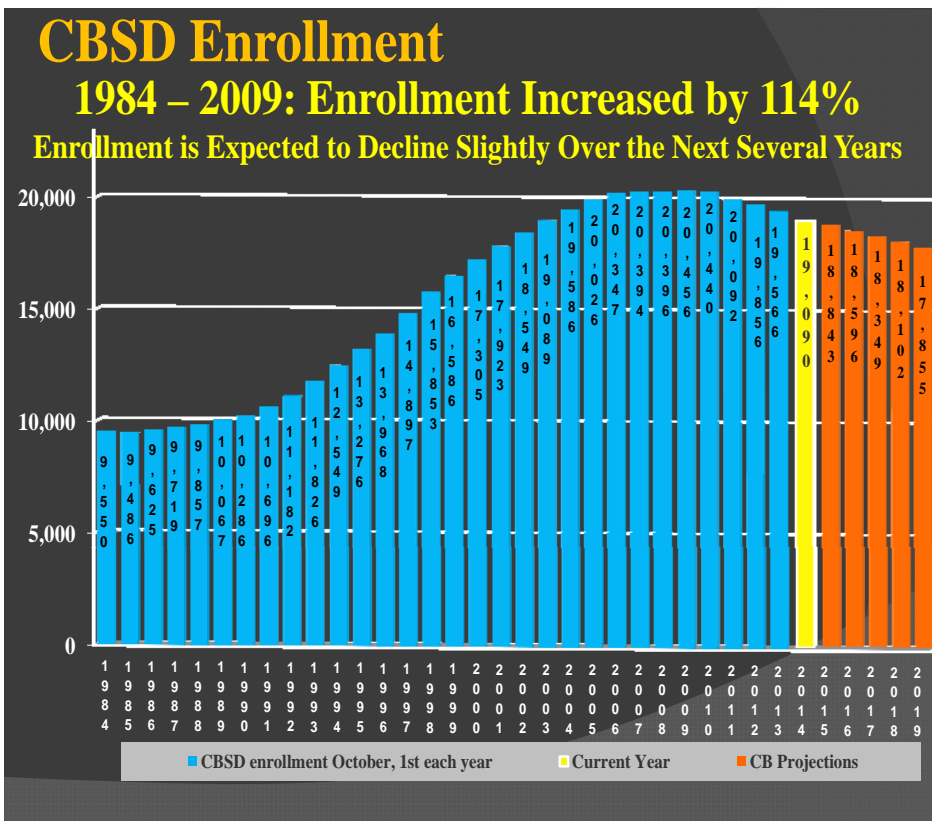
The School District continued to address several major financial issues during the fiscal year, the most important of which was to transfer additional funds to the Debt Service Reserve to accumulate funds towards a future debt defeasance. This action will help to position the School District to address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

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

**Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 13,835,164	\$ 13,835,164	\$ -	\$ -	\$ 13,835,164	\$ 13,835,164
Site improvements	7,880,891	7,737,578	-	-	7,880,891	7,737,578
Buildings and improvements	371,361,573	373,050,267	-	-	371,361,573	373,050,267
Machinery and equipment	9,943,315	12,084,803	983,044	874,724	10,926,359	12,959,527
Construction in progress	32,579,990	30,953,417	-	-	32,579,990	30,953,417
	<u>\$ 435,600,933</u>	<u>\$ 437,661,229</u>	<u>\$ 983,044</u>	<u>\$ 874,724</u>	<u>\$ 436,583,977</u>	<u>\$ 438,535,953</u>

Additional information of the Central Bucks School District's capital assets can be found in Note F on page 49 of this report.

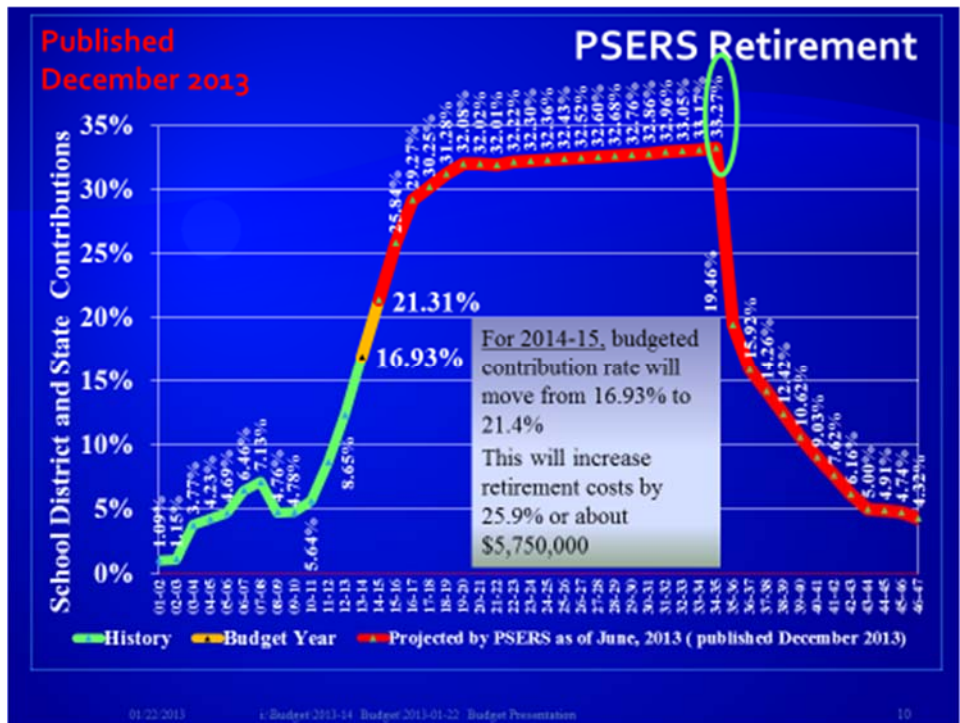


Enrollment for the 2013-14 fiscal year was 19,566 students which continues the gradual enrollment decline from the peak year of 2009 at 20,456 students. Enrollment projections completed by the Pennsylvania Economy League indicate the School District will continue to decline in enrollment through 2018-19 and beyond when 18,100 students are projected to be enrolled K-12. The decreased enrollment has not impacted any one area of the School District significantly, so we do not expect the declines to result in any school closures or realignment of attendance boundaries in the near term. We also do not expect any loss of state subsidies as a result of enrollment declines.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

**CONTINUING DISCLOSURE**

From 2001 through 2013, 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.



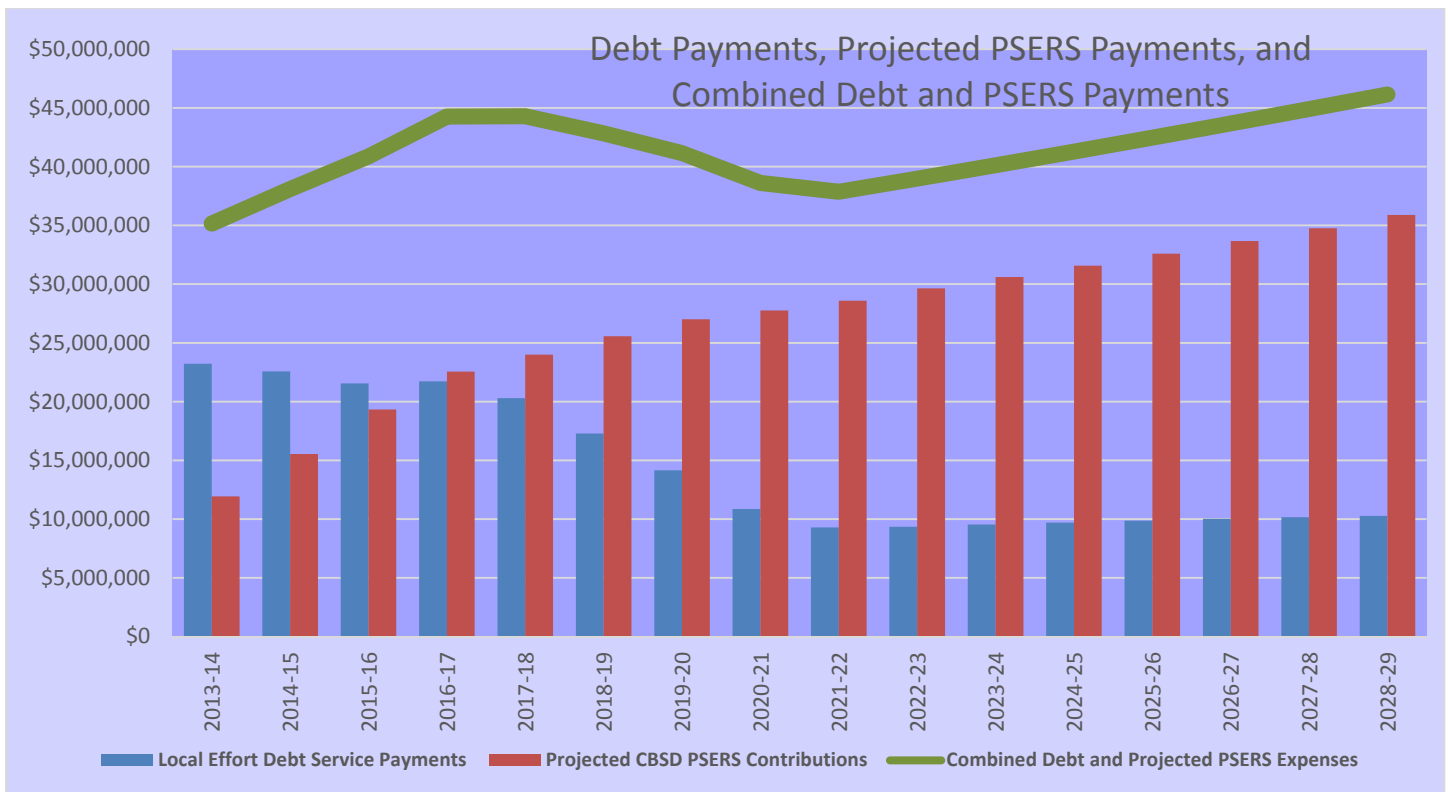
The Great Recession of 2008 compounded earlier stock market losses and consequently the funding level of the PSERS retirement system. Artificially low employer contribution rates and stock market losses have now caused the future employer contribution rates into the PSERS system to increase dramatically. 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 School District. Luckily, over the past few years, the School District is losing approximately 250 students per year due to enrollment decline. The decline is due to a reduced birthrate and the housing construction market where growth has slowed down considerably from the mid 2000's. The reduced student enrollment has allowed the School District to reduce staff positions without impacting the number of students per classroom.

# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

To help combat the spiking employer contribution rate to the state retirement system, the School District has been paying off debt ahead of schedule to ease the future tax burden on the community. You can see in the chart below that through efforts to reduce debt in 2011 and 2013, the School District has changed the debt structure from flat payments to declining payments (blue bars). Prior to 2011, the School District had level debt payments of approximately \$29M per year. Unfortunately, the School District will see dramatically higher state retirement system payments over the years with the latest estimates capping out at around 33% of gross payroll. The red bars indicated projected PSERS expenses. The final piece of the chart below is the projected combined expense for PSERS and debt payments (green line). The goal is to make the green line flat or downward sloping. This will indicate that debt payments are offsetting or more than offsetting increases in PSERS costs. To reduce debt payments enough to offset increasing PSERS expenses, approximately \$65M will be needed in the future to accelerate debt pay off through 2028-29.



As the School District approaches the top of the PSERS curve, 2018-19 time frame, the Act 1 PSERS exception for real estate tax increases will go away. Assuming the School District addresses the PSERS crisis through accelerated debt pay off, the School District must also plan for rising future health care costs. There is no provision in the Act 1 tax reform law to give school districts a real estate tax exception for health care costs that grow at a rate that is greater than the general rate of inflation.

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.



# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

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. As a result of the incentive, 34 school district bus drivers were removed from School District payroll. 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 94. Starting with the 2013-14 school year, the School 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 is struggling to find drivers when large numbers of positions are given to them. It is anticipated that the outsourcing process will slow down to three to six positions per year moving forward.

The School District currently has contracts in place for all employee groups. The transportation union agreement expires June 30, 2016. The teacher union agreement expires June 30, 2018. The support staff union agreement expires June 30, 2016. The administrative agreement expires June 30, 2016.

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. Thankfully residential assessment appeals are slowing down but commercial real estate assessment appeals appear to be ramping up. There are legal firms approaching commercial property owners to facilitate the appeal process. Commercial appeals processed during 2013-14 will result in a decline of real estate taxes of \$175,000 per year. The Central Bucks School District is a bedroom community. As a percent of tax parcels, CBSD has a small proportion of commercial properties.

Bucks County has not conducted a study comparing current property values to their taxable value since 1972. Consequently some home owners are overpaying their real estate taxes while others are underpaying their real estate taxes. The School District has initiated an appeal process with the county to increase the taxable value of some commercial real estate properties that are projected to be under taxed by significant amounts. Below is a listing of the top 10 tax payers in the School District.

<u>Ranking</u>	<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Valuation</u>
1	IS tar Harrisburg Bus Trust Valley Square	Valley Square Shopping Center	\$ 4,621,410
2	Doylestown Hospital	Hospital/Health Care	4,380,640
3	KRT Property Holding, Inc.	Barn Plaza Shopping Center	3,471,760
4	Capital Enterprise, Inc.	Doylestown Shopping Center (Bon Ton)	3,460,640
5	150 (One) Common Way Investors	Apartment Complex	3,176,280
6	Valley Square 1, LP	Shopping Center	2,465,720
7	E R P New Britain Prop Owner	County Line RD Shopping Center	2,319,600
8	Doylestown Commerce Center	Shopping Center	2,233,910
9	Warrington Real Estate	Movie Complex	2,161,280
10	Anchor HCN Doylestown, LLC	Office Building Complex	2,132,880
	<b>Total</b>		<b>\$ 30,424,120</b>

# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

*Year Ended June 30, 2014*

When looking at the overall revenue picture, revenue lines associated with real estate (real estate tax, real estate transfer tax, interim real estate taxes) have declined in the recent past but over the last two years, real estate assessed values (taxable values) are starting to grow modestly due to new home construction. Investment income is at historic low points. A bright spot is Earned Income Tax revenues. As the Act 32 tax collection law gains in efficiency and sophistication, more tax payers that fell through the cracks in the collection process are now paying the 1% wage tax and providing needed additional revenue. State subsidies over the years have declined which in turn put more pressure on local real estate taxes to maintain services. Due to the state of Pennsylvania's poor cash position, it is not likely that the School District will receive additional state subsidies over the next few years unless there is an increase in the state income tax rate.

To combat revenue losses and higher retirement system expenses the School District has eliminated positions through attrition that is appropriate for declining enrollment, outsourced services, renegotiated contracts, implemented energy efficiency measures saving \$1.5M per year, made other general cost reductions, restructured debt, paid off debt, and has entered into more cooperative purchasing agreements. On a brighter note, as mentioned above due to new construction, we are seeing an improvement in interim real estate taxes. 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 2007-08 Moody's rating agency upgraded Central Bucks School District's financial creditworthiness from AA2 to AA1 which is one step below AAA rating. This helped to reduce the School 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 School District refinanced \$170M in outstanding debt saving the School District interest costs of \$1.5M per year on average and reducing yearly principal payments by \$1M in the near term to \$8M in 2025.

In June of 2013, the School District paid off (defeased) about \$73M in long term debt which will save the School 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.

The interesting thing about the debt prepayment is that it may actually lower the School 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 School District will need to borrow in the near future. As of June 30, 2014, the School District is in a very solid financial position and does not foresee any change in financial ratings.

The School District is setting aside sufficient funds each year to adequately maintain facilities, improve technology and replace school buses. 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. As stated previously, the School District has a goal to pay off an additional \$65M in debt over the next several years. It is anticipated that the School District will have \$40-\$45M for a debt pay off during the spring of 2015. If this is accomplished, an additional debt pay off of \$20-\$25M during 2017 should finalize the School District's plan for addressing the PSERS crisis.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

The School District has not utilized Tax Anticipation Note Financing and does not foresee the need to use any short term financing instruments to meet expenditure obligations during future fiscal years. The following table represents a summary of outstanding general obligation bonds and debt service requirements for the current year.

Issue	Balance 6/30/13	Payments Due 13/14		Retirement Date
		Principal	Interest	
2003A	\$ 2,280,000	\$ 2,280,000	\$ 91,200	05/2014
2005	10,100,000	2,345,000	505,000	05/2017
2005A	4,455,000	2,185,000	126,094	11/2014
2006	1,010,000	1,010,000	25,250	11/2013
2007	38,835,000	2,270,000	1,916,050	05/2022
2007A*	3,820,000	915,000	152,800	05/2027
2011 A	17,235,000	2,160,000	734,400	05/2026
2011 B	69,335,000	525,000	3,184,050	05/2029
2011 C**	22,265,000	2,435,000	889,963	05/2029
MBIT Bond***	7,198,270	331,350	358,196	05/2029
<b>Total</b>	<b>\$ 176,533,270</b>	<b>16,456,350</b>	<b>7,983,003</b>	<b>\$ 24,439,353</b>
Less Other Funding:				
1300 Function		(331,350)	(358,196)	
Net, 5100 Function		\$ 16,125,000	\$ 7,624,807	\$ 23,749,807

Average Rate of Interest for 13-14 = 4.52%

Year Ending June 30,	Principal	Interest	Totals
2014	\$ 16,445,775	\$ 7,917,052	\$ 24,362,827
2015	16,190,450	7,341,887	23,532,337
2016	15,829,550	6,628,631	22,458,181
2017	16,606,000	5,950,361	22,556,361
2018	15,707,450	5,293,043	21,000,493
2019 to 2023	44,439,850	18,209,795	62,649,645
2024 to 2028	41,544,400	8,928,434	50,472,834
2029	9,769,795	476,825	10,246,620
<b>Totals</b>	<b>\$ 176,533,270</b>	<b>\$ 60,746,028</b>	<b>\$ 237,279,298</b>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

<b>Remaining Borrowing Capacity</b>	Fiscal Year Ending June 30,		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total General Fund Revenues	\$ <u>283,093,254</u>	\$ <u>291,008,397</u>	\$ <u>299,724,953</u>
Less: State Subsidies for Debt Reimbursement	1,596,608	1,585,267	4,010,153
Less: Proceeds from Disposition of Capital Assets or Other Nonrecurring Revenue (9000 function revenues)	<u>492,500</u>	<u>494,465</u>	<u>490,000</u>
Total Exclusions	<u>2,089,108</u>	<u>2,079,732</u>	<u>4,500,153</u>
Net Revenues	\$ <u><u>281,004,146</u></u>	\$ <u><u>288,928,665</u></u>	\$ <u><u>295,224,800</u></u>
Total Net Revenues for Three Years			\$ <u>865,157,611</u>
Borrowing Base = Total Net Revenues for Three Years/3			288,385,870
Debt Limit = 225% of Borrowing Base			648,868,208
Less: Outstanding Debt as of June 30th			<u>176,533,270</u>
<b>Remaining Borrowing Capacity</b>			\$ <u><u>472,334,938</u></u>

**Taxes and Taxing Powers - General**

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

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An annual tax on all taxable real estate without limit to provide for the payment of:
  - (a) Salaries and increments of the teaching and supervisory staff.
  - (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority.
  - (c) Sinking fund charges incurred in connection with indebtedness authorized under the Act.
  - (d) The amortization of a bond issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident over eighteen years of age of not more than \$5.00.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

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

Real Estate Tax Collections	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Assessed Valuation Adjusted for Homestead Exclusion per AFR page REV1	\$ 1,700,379,641	\$ 1,698,769,418	\$ 169,769,286	\$ 1,698,405,366	\$ 1,709,182,774
Tax Levy = Assessed Value x applicable millage rate	195,203,583	202,493,315	204,244,930	208,564,179	209,887,645
Current collections AFT page REV1 6111 account	189,500,876	197,193,275	200,025,410	202,861,832	202,641,755
Delinquent Real Estate Taxes AFR page SCHED 5 or 21	2,720,359	3,039,970	2,831,894	3,054,958	2,744,140
Total = Current plus Delinquent Collections	\$ 192,221,235	\$ 200,233,245	\$ 202,857,304	\$ 205,916,790	\$ 205,385,895
Percent of Current Collections divided by tax levy	97.08%	97.38%	97.93%	97.27%	96.55%
Percent of Total Collections divided by tax levy	98.47%	98.88%	99.32%	98.73%	97.86%
Current Act 511 Taxes - Proportional Assessments:	2010	2011	2012	2013	2014
Earned Income Tax Revenue at .50%					
Budget	\$ 17,775,000	\$ 17,960,500	\$ 1,810,000	\$ 18,400,000	\$ 19,700,000
Actual	17,238,447	17,274,803	19,239,103	19,924,045	22,241,967
Difference	\$ (536,553)	\$ (685,697)	\$ 1,139,103	\$ 1,524,045	\$ 2,541,967
Real Estate Transfer Tax Revenue at .50%					
Budget	\$ 4,000,000	\$ 3,400,000	\$ 3,325,000	\$ 3,050,000	\$ 3,150,000
Actual	3,390,565	3,058,655	3,098,396	3,884,495	4,059,318
Difference	\$ (609,435)	\$ (341,345)	\$ (226,604)	\$ 834,495	\$ 909,318

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

Description	Payroll Employee Count					5 Year Change	5 Year % Change
	10/1/2010	10/1/2011	10/1/2012	10/1/2013	10/1/2014		
ADMINISTRATOR	102	97	96	96	98	(4)	-3.9%
TEACHER	1,259	1,226	1,192	1,195	1,187	(72)	-5.7%
LONG-TERM SUB TEACHER	79	62	90	82	87	8	10.1%
12 MONTH SUPPORT_NONFACILITY	87	84	81	81	79	(8)	-9.2%
CONFIDENTIAL SECRETARY	6	6	6	7	7	1	16.7%
10 MONTH SUPPORT STAFF	472	450	469	480	487	15	3.2%
EA + TITLE 1/BASIC SK/COM SCHL	18	19	23	15	19	1	5.6%
EA'S TRANSPORTATION	31	28	29	30	27	(4)	-12.9%
TITLE 1/BASIC SKLS ASSISTANTS	58	50	52	49	49	(9)	15.5%
TTL1/BASIC SKLS + EA OR COMM S	29	38	40	35	30	1	3.4%
MAINT/CUSTODIAL	181	180	176	178	175	(6)	-3.3%
TRANSPORTATION	174	137	95	88	98	(76)	-43.7%
TRANSP.12MONTH	13	11	10	11	10	(3)	-23.1%
PER_CERT-PER DIEM SUBS	155	137	128	125	99	(56)	-36.1%
EMERG_CERT-PER DIEM SUBS	27	22	15	16	14	(13)	-48.1%
ASSIGNED PER DIEM SUBS	15	18	15	11	13	(2)	-13.3%
HOMEBOUND INSTRUCTOR	-	1	-	-	-	-	0.0%
COMM_SCH_CC	106	109	114	113	116	10	9.4%
COMMUNITY SCHOOL-OTHER	20	13	-	1	1	(19)	-95.0%
AQUATICS-COMMSCHOOL	39	10	13	14	12	(27)	-69.2%
SUB ED ASST	64	20	9	10	13	(51)	-79.7%
STUDENT SWIM	19	19	17	19	17	(2)	-10.5%
SUB CUSTODIAL	9	6	4	2	3	(6)	-66.7%
SUB DRIVER-TRANSPORTATION	32	36	35	42	37	5	15.6%
SUB NURSE	10	9	6	6	4	(6)	-60.0%
DAILY SUB SECRETARIAL	3	1	-	-	-	(3)	-100.0%
PRE-TERM DEPT	7	5	4	4	9	2	28.6%
EXTRA DUTY RESPONSIBILITY	2	-	-	1	2	-	0.0%
TAX COLLECTOR	4	4	3	3	3	(1)	-25.0%
	<u>3,021</u>	<u>2,798</u>	<u>2,722</u>	<u>2,714</u>	<u>2,696</u>	<u>(325)</u>	<u>-10.8%</u>

It is anticipated that there will be further reductions in staff through attrition due to projected student enrollment decline. This decline should help the School District meet its budget obligations without a major tax increase over the next few years. Actual payroll expenses for the past five years are:

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<u>\$ 141,476,573</u>	<u>\$ 137,750,717</u>	<u>\$ 135,038,529</u>	<u>\$ 137,193,568</u>	<u>\$ 137,257,685</u>

**The School District currently operates 23 school buildings:**

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

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

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

	<u>Original Construction</u>	<u>Year(s) of Additions/Renovations</u>	<u>Grades Housed</u>	<u>Rated Capacity</u>	<u>Current Enrollment</u>
<b>Elementary:</b>					
Barclay	1965	1968; 1971; 1990; 2006	K-6	525	483
Bridge Valley	2004		K-6	1,100	802
Buckingham	1955	1964; 1971; 2003	K-6	625	503
Butler	1964	1966; 1990; 2006	K-6	575	844
Cold Spring	1995		K-6	800	603
Doyle	1966	1968; 1990	K-6	575	485
Gayman	1960	1965; 1971; 1990; 1998	K-6	600	478
Groveland	2000		K-6	1,100	892
Jamison	1997		K-6	800	591
Kutz	1936	1954; 1958; 1963; 1971; 1990	K-6	650	593
Linden	1960	1968; 1990	K-6	700	461
Mill Creek	2000		K-6	1,100	954
Pine Run	1971	1990; 2006; 2011	K-6	700	486
Titus	1951	1955; 1957; 1962; 1979; 1990; 2003	K-6	600	648
Warwick (Reconstructed)	1990	1958; 1962; 1990	K-6	725	546
<b>Secondary:</b>					
Holicong Middle	1971	1998	7-9	1,106	1,118
Lenape Middle	1956	1995; 2011	7-9	931	877
Tamanend Middle	1960	1990; 1995; 2012	7-9	917	869
Tohickon Middle	2002		7-9	1,100	1,003
Unami Middle	1964	1997	7-9	1,012	892
Central Bucks East Senior High	1969	1974; 1997; 2013	10-12	1,869	1,630
Central Bucks South Senior High	2004		10-12	2,000	1,858
Central Bucks West Senior High	1950	1972; 1989; 1996; 2005; 2010	10-12	1,856	1,474
				<u>21,966</u>	<u>19,090</u>

Enrollment 19,090/capacity of 21,966 = 86.9%

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



**2014-2015  
 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.

# **CENTRAL BUCKS SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended June 30, 2014*

### **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 and continue to make connections with Educator/Principal effectiveness.
- Establish consistent categorical grading practices across district-wide curricular departments and other measures of student proficiency for secondary students.
- Continue to embed principles of Growth Mindset in curriculum, instructional practice and school culture.
- Implement the new elementary standards-based Progress Reporting System.
- Coordinated data driven writing assessment model, beginning in elementary and extending to secondary.
- Implement individualized service delivery models to maximize instructional time within general and special educational settings.

### **2. Improve the availability, use and integration of technology throughout the School District in both instructional and non-instructional areas.**

- Continue the use of technology to improve efficiency of School District operations, communication, management and security.
- Support curriculum and instruction initiatives relating to the use of technology (e.g. interactive projectors, tablets/iPads, teacher laptops, web-based learning environments).
- Continuously improve procedures and practices in the area of network security, high-availability of critical systems, and disaster recovery.

### **3. Promote positive relationships between our schools and community.**

- Continue district-wide communication using electronic media.
- Utilize security systems and continue to coordinate response efforts with local municipalities.
- Identify public relation opportunities that highlight the strengths of School District programs.
- Continue community relationships that support K-12 curriculum programs (Business Simulation, Visiting Authors, Kids Voting, etc.).

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

- Continue to implement the long range capital improvement plan to provide resources to the existing facilities.



# CENTRAL BUCKS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

- Develop strategies and intervention models to help students cope with school related anxiety and stress.
- Evaluate and update School District's security equipment and practices.
- Maximize "Green Practices" to generate revenue, effectively manage our facilities and practice environmental stewardship.
- Continue our school building renovations at Holicong.
- Gayman site improvements to improve traffic flow, separate cars and buses, and create safer drop off/pick up times.
- Unami Locker Room renovations/addition to accommodate PE classes and middle school sports activities.
- Support the district-wide Educational Technology Plan.

### 5. Strengthen the financial base of the School 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.
- Plan for the transition, upon teacher contract settlement, into the Bucks/Montgomery Healthcare Consortium to reduce future costs and maintain our standard of benefits.
- Implement the Patient Protection and Affordable Care Act (PPACA) and evaluate the impact on future labor contracts (this is scheduled to start January 2015).
- Research alternative (green [propane or natural gas]) fuel sources for School District vehicles using potential state grants.
- Develop more detailed five-year budget projections including costing out scenarios for contract negotiations.
- Start the planning process to develop a new ten-year enrollment projection model.

Over the past 5 years, 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 financial stress. The good news is the School District has successfully navigated through the financial storm to this point in time. Real estate tax increases have been very moderate.

# CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

Moving forward, it is anticipated that future tax increases will be moderate, with improving local revenues anticipated. There should not be any major education or extracurricular program reductions.

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

## Act 1 Tax Index + Exceptions

	with Allowable Exceptions in Mills	Millage Rate	Actual CBSD Millage Increase	% Increase in the Millage Rate	Status
2007-08	5.9	105.87	3.8	3.47%	Actual
2008-09	5.6	110.50	4.6	4.37%	Actual
2009-10	5.4	114.80	4.3	3.89%	Actual
2010-11	4.7	119.20	4.4	3.83%	Actual
2011-12	3.2	120.80	1.6	1.34%	Actual
2012-13	3.6	122.80	2.0	1.66%	Actual
2013-14	3.4	122.80	0.0	0.00%	Actual
2014-15	4.9	124.10	1.3	1.06%	Actual

## 2014 Realty Taxes (in Mills)

Municipality	Municipal	School	County	Total
Buckingham Township	0.0000	124.1	23.20	147.30
Chalfont Borough	13.7500	124.1	23.20	161.05
Doylestown Borough	8.4750	124.1	23.20	155.78
Doylestown Township	5.2500	124.1	23.20	152.55
New Britain Borough	23.6250	124.1	23.20	170.93
New Britain Township	6.8125	124.1	23.20	154.11
Plumstead Township	4.0200	124.1	23.20	151.32
Warrington Township	5.9000	124.1	23.20	153.20
Warwick Township	8.2500	124.1	23.20	155.55

Source: Pennsylvania Department of Community and Economic Development

**CENTRAL BUCKS SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended June 30, 2014

**Trends in Assessed Valuations**

2013	Municipality	Market Value	Assessed Value	Assessed to Market Value Ratio
Central Bucks	Buckingham Township	3,120,850,028	383,189,200	12.28%
Central Bucks	Chalfont Borough	394,749,298	48,667,940	12.33%
Central Bucks	Doylestown Borough	1,161,024,281	110,403,750	9.51%
Central Bucks	Doylestown Township	2,254,606,219	267,579,850	11.87%
Central Bucks	New Britain Borough	305,697,621	32,727,570	10.71%
Central Bucks	New Britain Township	1,317,454,898	164,483,860	12.48%
Central Bucks	Plumstead Township	1,824,929,162	196,451,570	10.76%
Central Bucks	Warrington Township	2,717,807,416	325,415,050	11.97%
Central Bucks	Warwick Township	1,747,933,351	222,359,470	12.72%
<b>School District Total</b>		<b>14,845,052,275</b>	<b>1,751,278,260</b>	<b>11.80%</b>

2012	Municipality	Market Value	Assessed Value	Assessed to Market Value Ratio
Central Bucks	Buckingham Township	3,119,374,263	383,273,410	12.29%
Central Bucks	Chalfont Borough	394,408,256	48,593,640	12.32%
Central Bucks	Doylestown Borough	1,157,425,866	110,067,530	9.51%
Central Bucks	Doylestown Township	2,254,800,901	268,451,630	11.91%
Central Bucks	New Britain Borough	307,364,300	32,802,410	10.67%
Central Bucks	New Britain Township	1,311,988,329	164,627,080	12.55%
Central Bucks	Plumstead Township	1,784,728,552	192,034,200	10.76%
Central Bucks	Warrington Township	2,688,624,800	323,489,930	12.03%
Central Bucks	Warwick Township	1,743,892,046	221,886,050	12.72%
<b>School District Total</b>		<b>14,762,607,313</b>	<b>1,745,225,880</b>	<b>11.82%</b>

2011	Municipality	Market Value	Assessed Value	Assessed to Market Value Ratio
Central Bucks	Buckingham Township	3,041,520,542	382,912,400	12.59%
Central Bucks	Chalfont Borough	381,671,775	48,117,220	12.61%
Central Bucks	Doylestown Borough	1,130,887,162	110,040,190	9.73%
Central Bucks	Doylestown Township	2,231,540,701	269,425,530	12.07%
Central Bucks	New Britain Borough	330,425,708	32,810,450	9.93%
Central Bucks	New Britain Township	1,284,912,331	165,054,630	12.85%
Central Bucks	Plumstead Township	1,712,425,590	190,766,970	11.14%
Central Bucks	Warrington Township	2,647,102,357	322,590,400	12.19%
Central Bucks	Warwick Township	1,693,104,957	221,642,180	13.09%
<b>School District Total</b>		<b>14,453,591,123</b>	<b>1,743,359,970</b>	<b>12.06%</b>

2010	Municipality	Market Value	Assessed Value	Assessed to Market Value Ratio
Central Bucks	Buckingham Township	3,102,714,116	384,594,500	12.40%
Central Bucks	Chalfont Borough	379,551,075	47,883,320	12.62%
Central Bucks	Doylestown Borough	1,141,274,326	110,036,090	9.64%
Central Bucks	Doylestown Township	2,233,272,364	269,677,900	12.08%
Central Bucks	New Britain Borough	330,113,388	32,741,760	9.92%
Central Bucks	New Britain Township	1,298,506,161	166,421,140	12.82%
Central Bucks	Plumstead Township	1,719,970,862	191,839,070	11.15%
Central Bucks	Warrington Township	2,637,446,118	321,453,500	12.19%
Central Bucks	Warwick Township	1,691,831,897	221,780,700	13.11%
<b>School District Total</b>		<b>14,534,680,307</b>	<b>1,746,427,980</b>	<b>12.02%</b>

# CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

Non Property Tax Rates for 2014				
Municipality	Real Estate Transfer Tax		Earned Income Tax	
	Municipal	School	Municipal	School
Buckingham Township	0.5%	0.5%	0.5%	0.5%
Chalfont Borough	0.5%	0.5%	0.5%	0.5%
Doylestown Borough	0.5%	0.5%	0.5%	0.5%
Doylestown Township	0.5%	0.5%	0.5%	0.5%
New Britain Borough	0.5%	0.5%	0.5%	0.5%
New Britain Township	0.5%	0.5%	0.5%	0.5%
Plumstead Township	0.5%	0.5%	0.5%	0.5%
Warrington Township	0.5%	0.5%	0.5%	0.5%
Warwick Township	0.5%	0.5%	0.5%	0.5%
Source: Pennsylvania Department of Community and Economic Development				

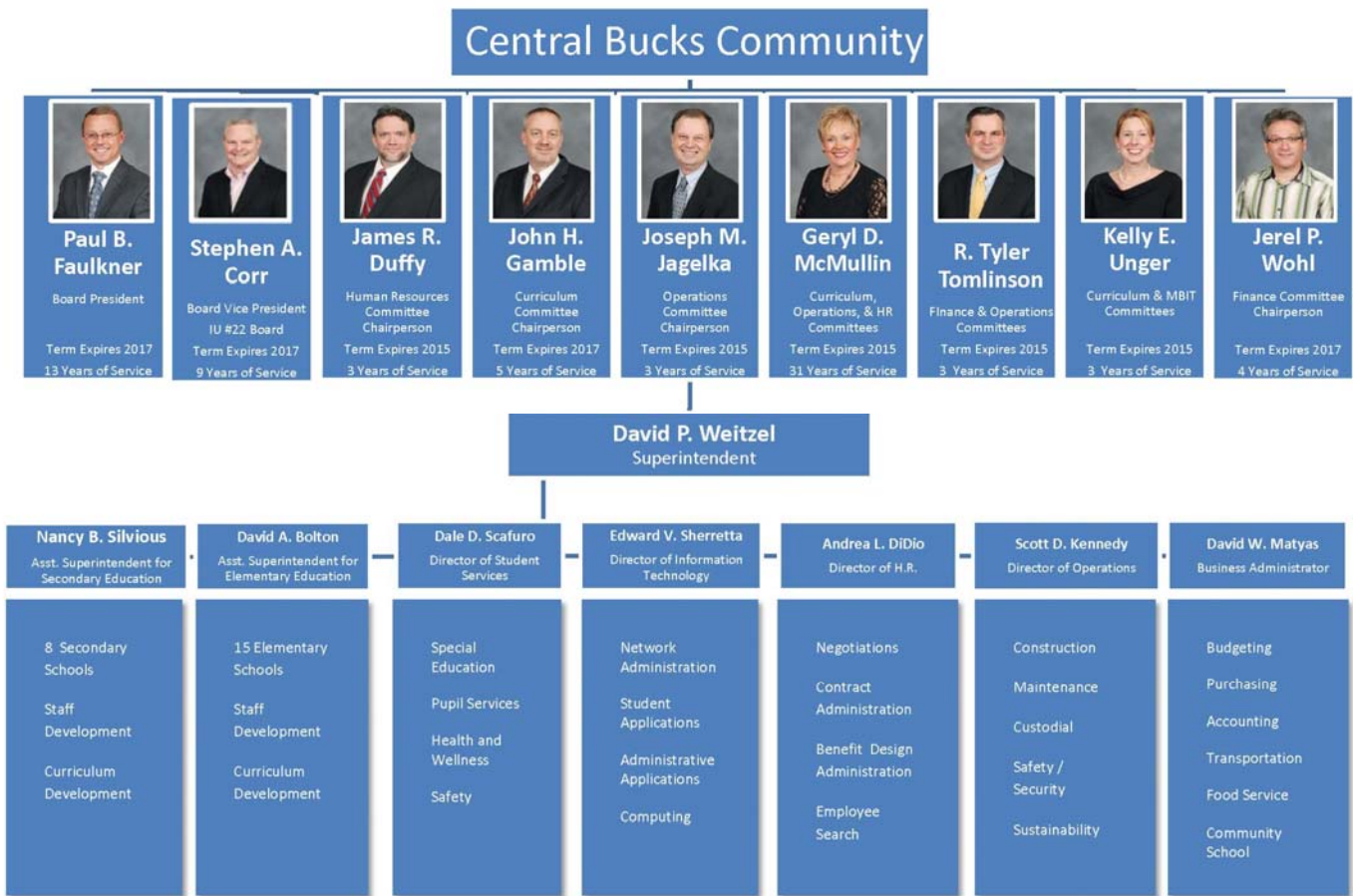
## GOVERNANCE

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

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

**CENTRAL BUCKS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2014*

**Central Bucks School District Macro Level Organization Chart**



**REQUESTS FOR INFORMATION**

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

**CENTRAL BUCKS SCHOOL DISTRICT****STATEMENT OF NET POSITION***June 30, 2014*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 44,002,571	\$ 7,501	\$ 44,010,072
Investments	46,333,469	-	46,333,469
Taxes receivable, net	19,874,931	-	19,874,931
Internal balances	200,017	(200,017)	-
Due from other governments	5,986,403	199,604	6,186,007
Other receivables, net	476,737	92,865	569,602
Inventories	37,815	24,172	61,987
Prepaid expenses	608,692	-	608,692
Capital assets			
Land	13,835,164	-	13,835,164
Site improvements	15,859,517	-	15,859,517
Buildings and building improvements	537,447,576	-	537,447,576
Machinery and equipment	59,008,092	2,998,560	62,006,652
Construction in progress	32,579,990	-	32,579,990
Accumulated depreciation	(223,129,406)	(2,015,516)	(225,144,922)
<b>TOTAL ASSETS</b>	<u>553,121,568</u>	<u>1,107,169</u>	<u>554,228,737</u>
<b>LIABILITIES</b>			
Accounts payable	8,746,753	2,142	8,748,895
Accrued salaries and benefits	22,713,353	-	22,713,353
Unearned revenue	592,283	114,001	706,284
Accrued interest	879,974	-	879,974
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	16,867,036	-	16,867,036
Compensated absences	168,613	-	168,613
Portion due or payable after one year			
Bonds payable	146,240,888	-	146,240,888
Compensated absences	1,517,513	-	1,517,513
Net OPEB obligation	5,881,417	-	5,881,417
<b>TOTAL LIABILITIES</b>	<u>203,607,830</u>	<u>116,143</u>	<u>203,723,973</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts on refunding	6,956,223	-	6,956,223
<b>NET POSITION</b>			
Net investment in capital assets	286,353,755	983,044	287,336,799
Unrestricted	56,203,760	7,982	56,211,742
<b>TOTAL NET POSITION</b>	<u>\$ 342,557,515</u>	<u>\$ 991,026</u>	<u>\$ 343,548,541</u>

*See accompanying notes to the basic financial statements.*

# CENTRAL BUCKS SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 112,938,187	\$ 768,954	\$ 16,534,267	\$ -
Special programs	35,406,007	-	26,138,048	-
Vocational education	4,766,747	-	-	-
Other instructional programs	4,263,253	-	798,627	-
Adult education programs	169,094	-	-	-
Support services				
Pupil personnel services	11,247,774	-	-	-
Instructional staff services	11,180,521	-	33,399	-
Administration services	12,743,791	-	-	-
Pupil health services	3,249,525	-	385,963	-
Business services	1,332,240	-	-	-
Operation and maintenance of plant services	22,694,904	-	-	-
Student transportation services	18,264,049	3,434,068	-	-
Central services	2,602,191	-	-	-
Other services	228,929	-	-	-
Operation of non-instructional services				
Student activities	2,362,653	-	-	-
Community services	2,699,264	-	3,439,679	-
Facilities acquisition, construction and improvement services	10,672,816	39,729	-	-
Debt service	7,543,402	-	-	4,010,153
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>264,365,347</b>	<b>4,242,751</b>	<b>47,329,983</b>	<b>4,010,153</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	5,215,075	4,309,823	994,631	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 269,580,422</b>	<b>\$ 8,552,574</b>	<b>\$ 48,324,614</b>	<b>\$ 4,010,153</b>

### 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

#### TRANSFERS

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (95,634,966)	\$ -	\$ (95,634,966)
(9,267,959)	-	(9,267,959)
(4,766,747)	-	(4,766,747)
(3,464,626)	-	(3,464,626)
(169,094)	-	(169,094)
(11,247,774)	-	(11,247,774)
(11,147,122)	-	(11,147,122)
(12,743,791)	-	(12,743,791)
(2,863,562)	-	(2,863,562)
(1,332,240)	-	(1,332,240)
(22,694,904)	-	(22,694,904)
(14,829,981)	-	(14,829,981)
(2,602,191)	-	(2,602,191)
(228,929)	-	(228,929)
(2,362,653)	-	(2,362,653)
740,415	-	740,415
(10,633,087)	-	(10,633,087)
(3,533,249)	-	(3,533,249)
<u>(208,782,460)</u>	<u>-</u>	<u>(208,782,460)</u>
-	89,379	89,379
<u>(208,782,460)</u>	<u>89,379</u>	<u>(208,693,081)</u>
218,749,247	-	218,749,247
23,227,934	-	23,227,934
288,566	-	288,566
745,146	-	745,146
441,574	3,943	445,517
45,500	-	45,500
536,208	-	536,208
800,000	(800,000)	-
<u>244,834,175</u>	<u>(796,057)</u>	<u>244,038,118</u>
36,051,715	(706,678)	35,345,037
<u>306,505,800</u>	<u>1,697,704</u>	<u>308,203,504</u>
<u>\$ 342,557,515</u>	<u>\$ 991,026</u>	<u>\$ 343,548,541</u>



# CENTRAL BUCKS SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,573,635	\$ 12,428,936	\$ -	\$ 44,002,571
Investments	10,223,000	18,982,156	17,128,313	46,333,469
Taxes receivable, net	8,970,578	-	-	8,970,578
Due from other funds	43,341,214	22,414,618	7,000,000	72,755,832
Due from other governments	5,986,403	-	-	5,986,403
Other receivables	476,737	-	-	476,737
Inventories	37,815	-	-	37,815
Prepaid items	608,692	-	-	608,692
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>101,218,074</u>	\$ <u>53,825,710</u>	\$ <u>24,128,313</u>	\$ <u>179,172,097</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,456,387	\$ 2,290,366	\$ -	\$ 8,746,753
Due to other funds	47,554,882	25,000,933	-	72,555,815
Unearned revenue	592,283	-	-	592,283
Accrued salaries and benefits	22,713,353	-	-	22,713,353
TOTAL LIABILITIES	<u>77,316,905</u>	<u>27,291,299</u>	<u>-</u>	<u>104,608,204</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues, property taxes	<u>6,088,028</u>	<u>-</u>	<u>-</u>	<u>6,088,028</u>
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	37,815	-	-	37,815
Prepaid assets	608,692	-	-	608,692
Restricted for capital projects	-	12,428,936	-	12,428,936
Committed to				
Capital projects	-	14,105,475	-	14,105,475
Debt service	4,500,000	-	24,128,313	28,628,313
Unassigned	12,666,634	-	-	12,666,634
TOTAL FUND BALANCES	<u>17,813,141</u>	<u>26,534,411</u>	<u>24,128,313</u>	<u>68,475,865</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>101,218,074</u>	\$ <u>53,825,710</u>	\$ <u>24,128,313</u>	\$ <u>179,172,097</u>

See accompanying notes to the basic financial statements.

# CENTRAL BUCKS SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 68,475,865

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	15,859,517
Buildings and building improvements	537,447,576
Machinery and equipment	59,008,092
Construction in progress	32,579,990
Accumulated depreciation	(223,129,406)

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	(879,974)
Bonds payable	(163,107,924)
Deferred amounts on refundings, net of amortization	(6,956,223)
Compensated absences	(1,686,126)
Net OPEB obligation	(5,881,417)

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.

16,992,381

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 342,557,515

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, 2014*

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 249,350,566	\$ 129,216	\$ 248	\$ 249,480,030
State sources	48,307,215	-	-	48,307,215
Federal sources	1,577,172	-	-	1,577,172
	<u>299,234,953</u>	<u>129,216</u>	<u>248</u>	<u>299,364,417</u>
<b>EXPENDITURES</b>				
Instruction	151,389,154	-	-	151,389,154
Support services	78,401,502	4,243,306	-	82,644,808
Operation of non-instructional services	5,551,917	-	-	5,551,917
Facilities acquisition, construction and improvement services	-	11,965,758	-	11,965,758
Debt service	23,749,806	-	-	23,749,806
Refund of prior year revenues	2,042	-	-	2,042
	<u>259,094,421</u>	<u>16,209,064</u>	<u>-</u>	<u>275,303,485</u>
	<u>40,140,532</u>	<u>(16,079,848)</u>	<u>248</u>	<u>24,060,932</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	490,000	13,721,717	24,055,000	38,266,717
Transfers out	(41,336,717)	-	-	(41,336,717)
Proceeds from sale of fixed assets	-	45,500	-	45,500
	<u>(40,846,717)</u>	<u>13,767,217</u>	<u>24,055,000</u>	<u>(3,024,500)</u>
	<u>(706,185)</u>	<u>(2,312,631)</u>	<u>24,055,248</u>	<u>21,036,432</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>18,519,326</u>	<u>28,847,042</u>	<u>73,065</u>	<u>47,439,433</u>
<b>FUND BALANCES AT END OF YEAR</b>				
	<u>\$ 17,813,141</u>	<u>\$ 26,534,411</u>	<u>\$ 24,128,313</u>	<u>\$ 68,475,865</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, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 21,036,432
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, net (\$13,984,326) did not exceed depreciation (\$16,044,622) in the current period.</p>	(2,060,296)
<p>Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which deferred charges exceed amortization in the current period.</p>	2,278,403
<p>Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.</p>	209,187
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	16,125,000
<p>The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	(1,568,068)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.</p>	
Accrued interest not reflected in Governmental Funds	81,404
Compensated absences not reflected in Governmental Funds	(50,347)
	<hr/>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>36,051,715</u>

See accompanying notes to the basic financial statements.

# CENTRAL BUCKS SCHOOL DISTRICT

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

Year Ended June 30, 2014

	<u>Enterprise Fund Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,501
Due from other governments	199,604
Other receivables	92,865
Inventories	<u>24,172</u>
TOTAL CURRENT ASSETS	<u>324,142</u>
CAPITAL ASSETS	
Machinery and equipment	2,998,560
Accumulated depreciation	<u>(2,015,516)</u>
TOTAL CAPITAL ASSETS	<u>983,044</u>
TOTAL ASSETS	<u>1,307,186</u>
LIABILITIES	
CURRENT LIABILITIES	
Due to other funds	200,017
Accounts payable	2,142
Unearned revenue	<u>114,001</u>
TOTAL CURRENT LIABILITIES	<u>316,160</u>
NET POSITION	
Net investment in capital assets	983,044
Unrestricted	<u>7,982</u>
TOTAL NET POSITION	<u>\$ 991,026</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, 2014*

	<u>Enterprise Fund Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>4,309,823</u>
OPERATING EXPENSES	
Purchased property service	419,449
Other purchased service	4,609,856
Supplies	13,443
Depreciation	153,593
Other operating expenses	18,734
TOTAL OPERATING EXPENSES	<u>5,215,075</u>
OPERATING LOSS	<u>(905,252)</u>
NONOPERATING REVENUES	
Interest and investment revenue	3,943
State sources	120,766
Federal sources	873,865
TOTAL NONOPERATING REVENUES	<u>998,574</u>
TRANSFERS OUT	<u>(800,000)</u>
CHANGE IN NET POSITION	(706,678)
NET POSITION AT BEGINNING OF YEAR	<u>1,697,704</u>
NET POSITION AT END OF YEAR	\$ <u><u>991,026</u></u>

*See accompanying notes to the basic financial statements.*

# CENTRAL BUCKS SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

Year Ended June 30, 2014

	<u>Enterprise Fund Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,216,958
Cash received from supplier	198,884
Payments to suppliers	<u>(5,185,180)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(769,338)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal sources	544,065
State sources	<u>120,766</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING         ACTIVITIES</b>	<u>664,831</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvements of capital assets	<u>(261,913)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	3,943
Transfers out	<u>(800,000)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(796,057)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,162,477)</u>
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,169,978</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 7,501</u>

# CENTRAL BUCKS SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

Year Ended June 30, 2014

	<u>Enterprise Fund Food Service Fund</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (905,252)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	153,593
Donated foods	198,757
Decrease in	
Other receivables	89,209
Inventories	3,916
Increase (decrease) in	
Due to other funds	144,410
Accounts payable	(460,777)
Unearned revenue	<u>6,806</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ (769,338)</u></u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Noncash activities	
Donated foods	\$ 198,757

See accompanying notes to the basic financial statements.



**CENTRAL BUCKS SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2014

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 91,612	\$ 1,378,245
Investments	<u>9,517,865</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,609,477</u>	<u>\$ 1,378,245</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to student groups	\$ 1,157,971	<u>\$ 1,378,245</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>8,451,506</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,609,477</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, 2014*

	<u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 16,865
Investment earnings	6,688
Transfer from other funds	<u>4,360,000</u>
TOTAL ADDITIONS	<u>4,383,553</u>
DEDUCTIONS	
Scholarships awarded	23,350
Transfer to other funds	<u>490,000</u>
TOTAL DEDUCTIONS	<u>513,350</u>
CHANGE IN NET POSITION	3,870,203
NET POSITION AT BEGINNING OF YEAR	<u>4,581,303</u>
NET POSITION AT END OF YEAR	<u><u>\$ 8,451,506</u></u>

*See accompanying notes to the basic financial statements.*

**CENTRAL BUCKS SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**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, 2014*

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, 2014*

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, 2014*

**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.

**Short-Term Interfund Receivables/Payables**

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

**Inventories**

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

**Capital Assets and Depreciation**

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

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, 2014*

**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, 2014

**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 29). 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.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**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, 2014, \$45,006,182 of the School District's bank balance of \$46,662,141 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name and \$200,577 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, 2014, the School District had the following investments and maturities:

Investment Type	Maturities Less Than One Year	Fair Value
Certificates of deposit	\$ 46,888,870	\$ 46,888,870
U.S. Treasury STRIPS	8,962,464	8,962,464
	\$ 55,851,334	\$ 55,851,334

**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, 2014, the School District's investment in the state investment pool was rated AAA by Standard & Poor's.

**Concentration of Credit Risk** - More than 5% of the School District's investments are in Multi-Bank Securities, PLGIT-Term, First Niagara 2008, Sovereign Bank, PSDLAF accounts and QNB Post-Employment accounts. These amounts are 7.9%, 44.76%, 13.81%, 19.74%, 30.54% and 6.27% respectively, of the School District's total investments.

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE C TAXES - REAL ESTATE AND OTHER**

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

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

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

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

Since taxes are recorded as revenue only when received in cash, outstanding tax levies are offset on the fund balance sheet by unearned revenue in the liabilities section. Annual interim and delinquent taxes as yet uncollected are included as unearned revenue. The School District records an allowance for uncollectible taxes at the entity-wide level based on historical data. The allowance amount as of June 30, 2014, was \$170,109.

**NOTE D ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014, 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	\$ 8,970,578	\$ -
Due from other governments	5,986,403	199,604
Other receivables	<u>476,737</u>	<u>92,865</u>
	<u>\$ 15,433,718</u>	<u>\$ 292,469</u>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2014, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 1,498,046
General Fund	Capital Project Fund	41,843,168
Capital Project Fund	General Fund	39,256,853
Food Service Fund	General Fund	1,298,029
Debt Service	General Fund	<u>7,000,000</u>
		<u>\$ 90,896,096</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	\$ 12,921,717
Capital Project Fund	Food Service Fund	800,000
Debt Service Fund	General Fund	24,055,000
Trust and Agency Funds	General Fund	4,360,000
General Fund	Trust and Agency Funds	<u>490,000</u>
		<u>\$ 42,626,717</u>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE F CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance <u>July 1, 2013</u>	Additions	Deletions	Balance <u>June 30, 2014</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 13,835,164	\$ -	\$ -	\$ 13,835,164
Construction in progress	<u>30,953,417</u>	<u>1,626,573</u>	<u>-</u>	<u>32,579,990</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>44,788,581</u>	<u>1,626,573</u>	<u>-</u>	<u>46,415,154</u>
Capital assets being depreciated				
Site improvements	15,043,367	816,150	-	15,859,517
Buildings and building improvements	528,574,781	8,872,795	-	537,447,576
Machinery and equipment	<u>57,539,796</u>	<u>2,668,808</u>	<u>(1,200,512)</u>	<u>59,008,092</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>601,157,944</u>	<u>12,357,753</u>	<u>(1,200,512)</u>	<u>612,315,185</u>
Accumulated depreciation				
Site improvements	(7,305,789)	(672,837)	-	(7,978,626)
Buildings and building improvements	(155,524,514)	(10,561,489)	-	(166,086,003)
Machinery and equipment	<u>(45,454,993)</u>	<u>(4,810,296)</u>	<u>1,200,512</u>	<u>(49,064,777)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(208,285,296)</u>	<u>(16,044,622)</u>	<u>1,200,512</u>	<u>(223,129,406)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>392,872,648</u>	<u>(3,686,869)</u>	<u>-</u>	<u>389,185,779</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>437,661,229</u>	<u>(2,060,296)</u>	<u>-</u>	<u>435,600,933</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Machinery and equipment	2,736,647	261,913	-	2,998,560
Accumulated depreciation	<u>(1,861,923)</u>	<u>(153,593)</u>	<u>-</u>	<u>(2,015,516)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>874,724</u>	<u>108,320</u>	<u>-</u>	<u>983,044</u>
CAPITAL ASSETS, net	<u>\$ 438,535,953</u>	<u>\$ (1,951,976)</u>	<u>\$ -</u>	<u>\$ 436,583,977</u>

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>		
Regular programs		\$ 1,800,207
<b>SUPPORT SERVICES</b>		
Operation and maintenance of plant services		176,491
Student transportation services		1,235,436
Central services		317,683
<b>FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES</b>		<u>12,514,805</u>
		<u>\$ 16,044,622</u>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE G LONG-TERM DEBT**

**General Obligation Bonds**

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

In the prior year, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2014, 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>
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	4,995,863	20,310,863
2019	12,825,000	4,351,690	17,176,690
2020 to 2024	36,025,000	15,048,050	51,073,050
2025 to 2029	<u>41,500,000</u>	<u>6,387,620</u>	<u>47,887,620</u>
	<u>\$ 153,210,000</u>	<u>\$ 49,714,655</u>	<u>\$ 202,924,655</u>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE H CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Interest</u>
<b>GENERAL OBLIGATION BONDS</b>	
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	
 <b>COMPENSATED ABSENCES</b>	
 <b>OPEB OBLIGATION</b>	
 <b>TOTAL LONG-TERM LIABILITIES</b>	

**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, 2014, deferred inflow of resources consisted of delinquent taxes receivable of \$6,088,028 and unearned revenue consisted of other donations and grants of \$592,283.

**Food Service Fund**

Unearned revenues represent food received in the School District's food service operations that is on hand at June 30, 2014. 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>
\$ 17,235,000	\$ -	\$ (2,160,000)	\$ 15,075,000	\$ 2,220,000
69,335,000	-	(525,000)	68,810,000	3,980,000
22,265,000	-	(2,435,000)	19,830,000	520,000
3,820,000	-	(915,000)	2,905,000	955,000
38,835,000	-	(2,270,000)	36,565,000	3,440,000
1,010,000	-	(1,010,000)	-	-
4,455,000	-	(2,185,000)	2,270,000	2,270,000
10,100,000	-	(2,345,000)	7,755,000	2,460,000
2,280,000	-	(2,280,000)	-	-
<u>169,335,000</u>	<u>-</u>	<u>(16,125,000)</u>	<u>153,210,000</u>	<u>15,845,000</u>
10,919,960	-	(1,022,036)	9,897,924	1,022,036
<u>180,254,960</u>	<u>-</u>	<u>(17,147,036)</u>	<u>163,107,924</u>	<u>16,867,036</u>
1,635,779	50,347	-	1,686,126	168,613
<u>4,313,349</u>	<u>1,568,068</u>	<u>-</u>	<u>5,881,417</u>	<u>-</u>
<u>\$ 186,204,088</u>	<u>\$ 1,618,415</u>	<u>\$ (17,147,036)</u>	<u>\$ 170,675,467</u>	<u>\$ 17,035,649</u>



**CENTRAL BUCKS SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

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](mailto:bgirman@pa.gov). The *CAFR* is also available on the publications page of the PSERS website, [www.psers.state.pa.us](http://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, 2014

- 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, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2014, 2013 and 2012, was \$20,520,125, \$14,736,139 and \$10,179,351, 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, 2014*

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	\$ 1,740,684
Amortization of unfunded actuarial accrued liability	1,609,842
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>3,350,526</u>
Interest on net OPEB obligation	150,967
Adjustment to ARC	<u>(287,557)</u>
ANNUAL OPEB EXPENSE	3,213,936
Net OPEB contributions during the year	<u>(1,645,868)</u>
INCREASE IN NET OBLIGATION	1,568,068
Net OPEB obligation at beginning of year	<u>4,313,349</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 5,881,417</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>
2012	\$ 2,628,909	89.07%	\$ 3,592,305
2013	2,730,353	73.59%	4,313,349
2014	3,213,936	51.21%	5,881,417

**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 35.32%.

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 58, 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, 2014*

**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, 2014, was 25 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CENTRAL BUCKS SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 237,978,664	\$ 237,978,664	\$ 249,350,566	\$ 11,371,902
State sources	50,195,732	50,195,732	48,307,215	(1,888,517)
Federal sources	<u>2,019,586</u>	<u>2,019,586</u>	<u>1,577,172</u>	<u>(442,414)</u>
TOTAL REVENUES	<u>290,193,982</u>	<u>290,193,982</u>	<u>299,234,953</u>	<u>9,040,971</u>
EXPENDITURES				
Instruction	160,711,235	152,109,501	151,389,154	720,347
Support services	89,417,947	79,850,048	78,401,502	1,448,546
Operation of non-instructional services	5,882,784	5,732,584	5,551,917	180,667
Debt service	26,477,016	23,751,849	23,749,806	2,043
Refund of prior year revenues	-	-	2,042	(2,042)
Budgetary reserve	<u>495,000</u>	<u>495,000</u>	<u>-</u>	<u>495,000</u>
TOTAL EXPENDITURES	<u>282,983,982</u>	<u>261,938,982</u>	<u>259,094,421</u>	<u>2,844,561</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>7,210,000</u>	<u>28,255,000</u>	<u>40,140,532</u>	<u>11,885,532</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	490,000	490,000	490,000	-
Transfers out	<u>(7,700,000)</u>	<u>(28,745,000)</u>	<u>(41,336,717)</u>	<u>(12,591,717)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,210,000)</u>	<u>(28,255,000)</u>	<u>(40,846,717)</u>	<u>(12,591,717)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(706,185)</u>	<u>\$ (706,185)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>18,519,326</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 17,813,141</u>	

See accompanying note to the required supplementary information.

# **CENTRAL BUCKS SCHOOL DISTRICT**

## **NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2014*

### **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, 2014*

**SCHEDULE OF FUNDING PROGRESS**

<u>Valuation Date July 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
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, 2014, and the related notes to the financial statements, which collectively comprise the Central Bucks School District's basic financial statements, and have issued our report thereon dated December 8, 2014.

***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.

*Maillie LLP*

Oaks, Pennsylvania  
December 8, 2014

***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, 2014. 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, 2014.

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

### ***Report on Internal Control Over Compliance***

Management of the Central Bucks School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Central Bucks School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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  
December 8, 2014

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

**CENTRAL BUCKS SCHOOL DISTRICT****SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS***Year Ended June 30, 2014*

<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>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed through the Pennsylvania Department of Education</b>			
Title I - Improving Basic Programs	84.010	013-140069	July 1, 2013 to September 30, 2014
Title I - Improving Basic Programs	84.010	013-130069	July 1, 2012 to September 30, 2013
Title III	84.365	010-14069	July 1, 2013 to September 30, 2014
Title II - Improving Teacher Quality	84.367	020-140069	July 1, 2013 to September 30, 2014
Title II - Improving Teacher Quality	84.367	020-130069	July 1, 2012 to September 30, 2013
<b>Passed through the Bucks County Intermediate Unit #22</b>			
IDEA	84.027	062-140022-1	July 1, 2013 to June 30, 2014
IDEA	84.027	062-13002-1	July 1, 2012 to June 30, 2013
IDEA Section 619	84.173	131-130022	July 1, 2013 to June 30, 2014
IDEA Section 619	84.173	131-120022	July 1, 2012 to June 30, 2013
<b>Passed through the Pennsylvania Department of Education</b>			
Access	93.778		
TOTAL FORWARD			
<b>PENNSYLVANIA DEPARTMENT OF EDUCATION</b>			
Food Nutrition Service	N/A	510	July 1, 2013 to June 30, 2014
Food Nutrition Service	N/A	510	July 1, 2012 to June 30, 2013
Food Nutrition Service	N/A	511	July 1, 2013 to June 30, 2014
Food Nutrition Service	N/A	511	July 1, 2012 to June 30, 2013
SUBTOTAL FORWARD			

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
\$ 538,005	\$ 468,004	\$ -	\$ 516,919	\$ 516,919	\$ 48,915
603,638	36,556	36,556	-	-	-
33,399	22,266	-	33,399	33,399	11,133
281,708	244,425	-	281,708	281,708	37,283
300,954	59,743	59,743	-	-	-
2,350,059	1,988,980	-	2,350,059	2,350,059	361,079
2,556,519	537,645	537,645	-	-	-
6,119	6,119	-	6,119	6,119	-
10,167	10,167	10,167	-	-	-
	<u>74,587</u>	<u>14,681</u>	<u>78,501</u>	<u>78,501</u>	<u>18,595</u>
	<u>3,448,492</u>	<u>658,792</u>	<u>3,266,705</u>	<u>3,266,705</u>	<u>477,005</u>
N/A	89,697	-	112,814	112,814	23,117
N/A	8,069	8,069	-	-	-
N/A	6,716	-	9,380	9,380	2,664
N/A	<u>629</u>	<u>629</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>105,111</u>	\$ <u>8,698</u>	\$ <u>122,194</u>	\$ <u>122,194</u>	\$ <u>25,781</u>

# CENTRAL BUCKS SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

Year Ended June 30, 2014

<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>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
TOTAL FORWARDED			
<b>PENNSYLVANIA DEPARTMENT OF EDUCATION</b>			
TOTAL FORWARDED			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through the Pennsylvania Department of Education</b>			
Reg/Ndy Breakfast	10.553	365	July 1, 2013 to June 30, 2014
Reg/Ndy Breakfast	10.553	365	July 1, 2012 to June 30, 2013
Lunch Hi/Low	10.555	362	July 1, 2013 to June 30, 2014
Lunch Hi/Low	10.555	362	July 1, 2012 to June 30, 2013
<b>Passed through the Pennsylvania Department of Agriculture</b>			
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, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
	\$ <u>3,448,492</u>	\$ <u>658,792</u>	\$ <u>3,266,705</u>	\$ <u>3,266,705</u>	\$ <u>477,005</u>
	<u>105,111</u>	<u>8,698</u>	<u>122,194</u>	<u>122,194</u>	<u>25,781</u>
N/A	62,077	-	85,651	85,651	23,574
N/A	5,398	5,398	-	-	-
N/A	636,538	-	848,077	848,077	211,539
N/A	54,465	54,465	-	-	-
N/A	<u>198,884</u>	<u>(19,588)</u>	<u>202,799</u>	<u>202,799</u>	<u>(15,673)</u>
	<u>957,362</u>	<u>40,275</u>	<u>1,136,527</u>	<u>1,136,527</u>	<u>219,440</u>
	4,510,965	707,765	4,525,426	4,525,426	722,226
	<u>(105,111)</u>	<u>(8,698)</u>	<u>(122,194)</u>	<u>(122,194)</u>	<u>(25,781)</u>
	\$ <u><u>4,405,854</u></u>	\$ <u><u>699,067</u></u>	\$ <u><u>4,403,232</u></u>	\$ <u><u>4,403,232</u></u>	\$ <u><u>696,445</u></u>

**CENTRAL BUCKS SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
*Year Ended June 30, 2014*

**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.

**NOTE C BASIS OF ACCOUNTING**

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

**CENTRAL BUCKS SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended June 30, 2014*

**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:

Program	CFDA
IDEA Title I	84.027, 84.173 84.010

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.