

CENTRAL BUCKS SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

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	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	20
Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances.....	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
<i>Proprietary Funds</i>	
Statement of Net Assets	24
Statement of Revenues, Expenses and Changes in Net Assets	25
Statement of Cash Flows	26

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Notes to the Basic Financial Statements	30
Required Supplementary Information	
Budgetary Comparison Schedule.....	47
Note to the Required Supplementary Information.....	48
Postemployment Benefits Other Than Pension Funding Progress	49
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.....	50
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	52
SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and State Awards	54
Notes to the Schedule of Expenditures of Federal and State Awards	57
Schedule of Findings and Questioned Costs	58

FINANCIAL SECTION



www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

Independent Auditors' Report

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

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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Bucks School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, on our consideration of the Central Bucks School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, budgetary comparison information on pages 47 and 48 and postemployment benefits other than pension funding progress on page 49 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 evidence sufficient to express an opinion or provide any assurance.

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

Maillo Feliciano + Company, LLP

Oaks, Pennsylvania
January 28, 2013

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

INTRODUCTION

Our discussion and analysis of Central Bucks School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Central Bucks School District exceeded its liabilities at the close of the most recent fiscal year by \$268,347,188 (net assets). Of this amount, \$71,145,372 (unrestricted net assets) 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 \$20,882,397 or 8.4% 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, 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 assets presents information on all of the Central Bucks School District's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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, 2012

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 are combined into a single, aggregated presentation.

The Central Bucks School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule 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 statements 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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 by \$268,347,188 at the close of the most recent fiscal year.

Condensed Statements of Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 124,410,483	\$ 109,851,316	\$ 1,021,702	\$ 634,195	\$ 125,432,185	\$ 110,485,511
Capital assets	440,085,093	433,494,624	900,776	754,620	440,985,869	434,249,244
TOTAL ASSETS	564,495,576	543,345,940	1,922,478	1,388,815	566,418,054	544,734,755
LIABILITIES						
Other liabilities	30,730,775	25,096,400	384,534	109,926	31,115,309	25,206,326
Long-term liabilities outstanding	265,417,613	282,855,708	-	-	265,417,613	282,855,708
TOTAL LIABILITIES	296,148,388	307,952,108	384,534	109,926	296,532,922	308,062,034
NET ASSETS						
Investment in capital assets, net of related debt	184,011,051	162,247,962	900,776	754,620	184,911,827	163,002,582
Restricted	13,190,765	-	-	-	13,190,765	-
Unrestricted	71,145,372	73,145,870	637,168	524,269	71,782,540	73,670,139
TOTAL NET ASSETS	\$ 268,347,188	\$ 235,393,832	\$ 1,537,944	\$ 1,278,889	\$ 269,885,132	\$ 236,672,721

A portion of the Central Bucks School District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$71,782,540 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 all three categories of net assets.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

Governmental Activities - Governmental activities increased the Central Bucks School District's net assets by \$32,953,356, thereby accounting for 99% of the total increase of \$33,212,411 in net assets. Key elements of this increase are as follows:

Changes in Net Assets
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues						
Charges for services	\$ 3,813,027	\$ 4,047,171	\$ 4,432,612	\$ 4,293,119	\$ 8,245,639	\$ 8,340,290
Operating grants and contributions	41,568,697	42,995,702	1,117,583	1,054,567	42,686,280	44,050,269
Capital grants and contributions	1,596,608	2,731,093	-	-	1,596,608	2,731,093
General revenues						
Property taxes	213,222,679	210,885,620	-	-	213,222,679	210,885,620
Other taxes	20,699,091	17,603,838	-	-	20,699,091	17,603,838
Grants and contributions not restricted to specific programs	1,025,231	564,563	-	-	1,025,231	564,563
Other	1,675,176	(4,067,054)	172	832	1,675,348	(4,066,222)
TOTAL REVENUES	283,600,509	274,760,933	5,550,367	5,348,518	289,150,876	280,109,451
EXPENSES						
Instruction	147,115,819	143,425,932	-	-	147,115,819	143,425,932
Support services	77,342,917	77,112,711	-	-	77,342,917	77,112,711
Operation of non-instructional services	5,275,377	5,036,053	-	-	5,275,377	5,036,053
Debt service	12,147,859	37,219,660	-	-	12,147,859	37,219,660
Facilities acquisition, construction and improvement services	8,765,181	7,955,597	-	-	8,765,181	7,955,597
Food service	-	-	5,291,312	5,270,575	5,291,312	5,270,575
TOTAL EXPENSES	250,647,153	270,749,953	5,291,312	5,270,575	255,938,465	276,020,528
CHANGE IN NET ASSETS	32,953,356	4,010,980	259,055	77,943	33,212,411	4,088,923
NET ASSETS AT BEGINNING OF YEAR	235,393,832	231,382,852	1,278,889	1,200,946	236,672,721	232,583,798
NET ASSETS AT END OF YEAR	\$ 268,347,188	\$ 235,393,832	\$ 1,537,944	\$ 1,278,889	\$ 269,885,132	\$ 236,672,721

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

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, unreserved 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 \$20,882,397. Unreserved fund balance represents 8.4% 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 \$241,421,869 (85.43%), of which \$200,805,289 were current and interim real estate tax revenues. A small increase in the millage rate of 1.34% provided an additional \$2,627,308 in real estate tax revenue. State funding amounted to \$39,391,550 (13.94%). Federal funding amounted to \$1,787,335 (.63%).

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 (14.57%) of total District revenue.

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

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

	<u>2011-2012</u>	<u>2010-2011</u>	<u>Change</u>	<u>% Change</u>
Instruction	\$ 141,785,034	\$ 141,745,155	\$ 39,879	0.03%
Support services	73,384,273	72,303,597	1,080,676	1.49%
Non-instructional	5,275,377	5,036,053	239,324	4.75%
Debt service	28,732,632	28,728,879	3,753	0.01%
Refund of prior year revenues	<u>860</u>	<u>7,919</u>	<u>(7,059)</u>	-89.1%
	<u>\$ 249,178,176</u>	<u>\$ 247,821,603</u>	<u>\$ 1,356,573</u>	0.55%

The Capital Project Fund has a total fund balance of \$28,423,998, of which \$15,233,233 is committed and \$13,190,765 is restricted 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 assets of the Food Service Fund at the end of the year amounted to a balance of \$1,537,944, of which \$637,168 was unrestricted and \$900,776 was investment in capital assets, net of related debt.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

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, 2012, of \$33,476,973 was 11.93% of the 2011-2012 operating budget of \$280,637,079. Management projects that the General Fund balance at June 30, 2013, will be approximately 3.5% of the 2012-2013 budget.

Local tax revenues exceeded the budgeted estimates by \$9,298,396.

Actual expenditures were \$249,178,176 as compared to a budget of \$271,732,979.

A history of ending fund balances follows:

June 30, 2003	\$10,000,000
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

*Includes restricted postemployment benefits.

CAPITAL ASSET 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, 2012, amounts to \$440,985,869 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements and furniture and equipment.

The District continued to address several major financial issues during the fiscal year, the most important of which was to restructure outstanding debt.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 14,138,902	\$ 14,138,902	\$ -	\$ -	\$ 14,138,902	\$ 14,138,902
Site improvements	8,390,763	7,459,136	-	-	8,390,763	7,459,136
Buildings and improvements	380,621,235	386,734,713	-	-	380,621,235	386,734,713
Machinery and equipment	14,937,677	16,645,188	900,776	754,620	15,838,453	17,399,808
Construction in progress	21,996,516	8,516,685	-	-	21,996,516	8,516,685
	<u>\$ 440,085,093</u>	<u>\$ 433,494,624</u>	<u>\$ 900,776</u>	<u>\$ 754,620</u>	<u>\$ 440,985,869</u>	<u>\$ 434,249,244</u>

Additional information of the Central Bucks School District's capital assets can be found in Note F on page 40 of this report.

Long-Term Debt

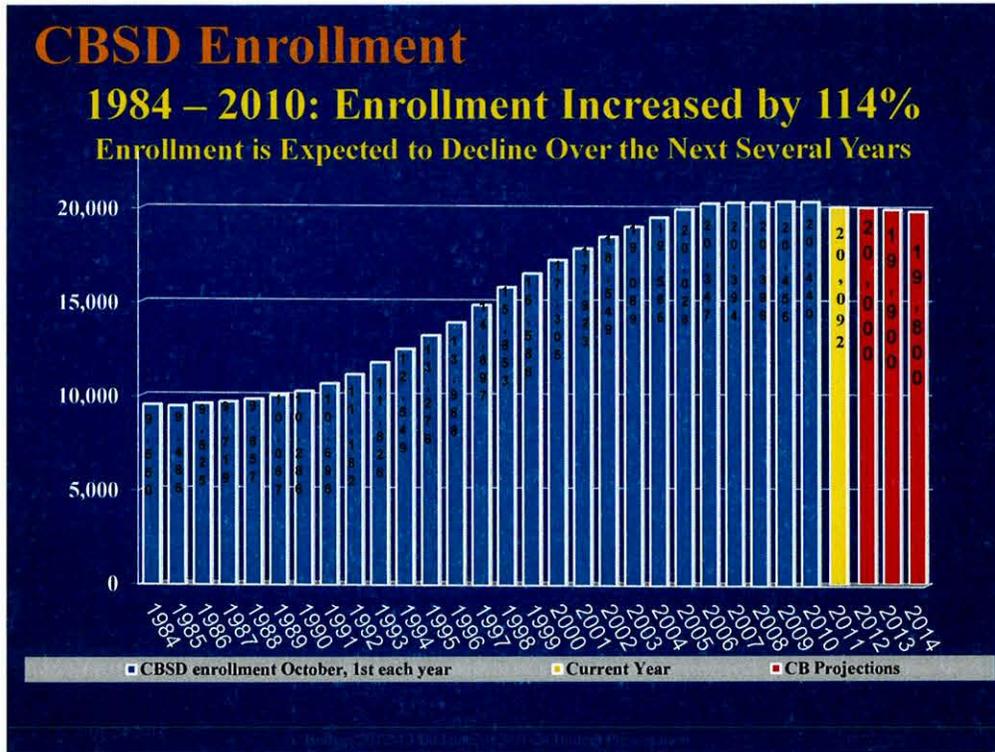
At the end of the current fiscal year, the Central Bucks School District had total bonded debt outstanding, including premium of \$260,246,996. This entire amount is backed by the full faith and credit of the Commonwealth of Pennsylvania.

At June 2012, the Central Bucks School District maintains an Aa1 rating from Moody's for general obligation debt. The upgrade to Aa1 reflects the district's strong financial operations bolstered by establishment and continued funding of alternate reserves, which provide additional financial flexibility. According to Moody's rating agency, "the Aa1 rating also incorporates high residential wealth levels, sizeable tax base with moderate growth, and manageable debt position."

The borrowing capacity of the Central Bucks School District is set forth under the provisions of Act 50 of 1998. This legislation amends the Local Government Unit Debt act, which establishes the debt limits for local governments, including school districts and other municipalities. Under Act 50, the School District may incur electoral debt in an unlimited amount when such debt is approved by a majority of the School District's voters at either a general or special election. The net outstanding amount of non-electoral (debt not approved by the School District's electorate) or lease rental debt may not exceed 225% of the School District's borrowing base, as defined in the Debt Act.

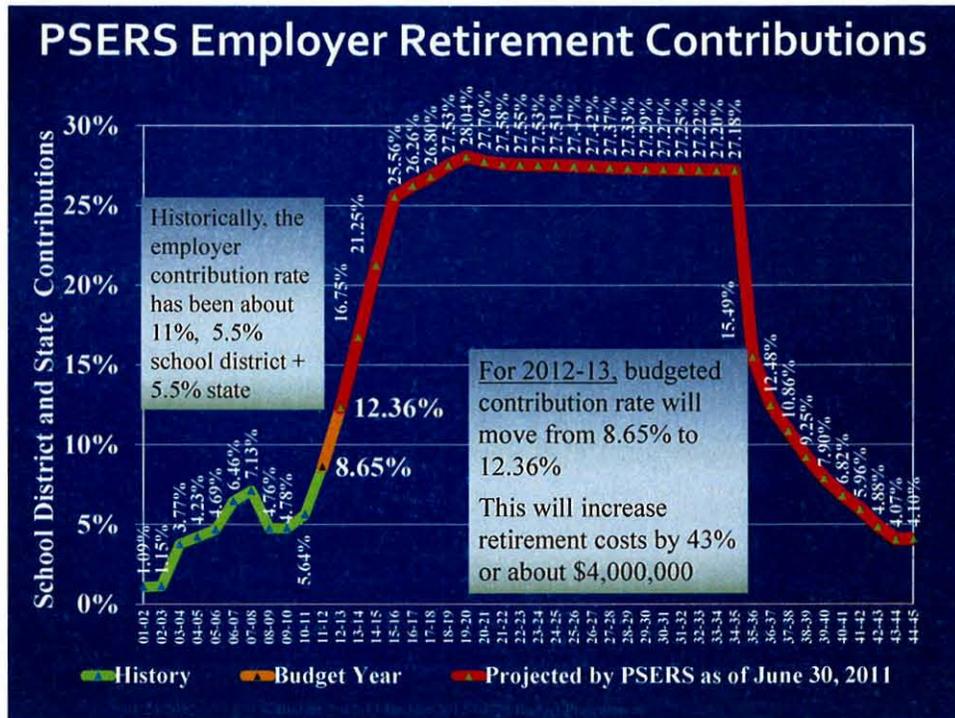
Additional information on the Central Bucks School District's long-term debt can be found in Note G on page 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES



The District expects a continued slowdown in student enrollment growth in future years. Enrollment for the 2011-12 fiscal year was 20,092 students which continues the steady enrollment decline from the peak year of 2009 at 20,456 students. Enrollment projections completed by the Pennsylvania Economy League indicate the district will continue to decline in enrollment through 2018-19 when 18,100 students are projected to be enrolled in K-12.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012



From 2001 through 2009, the state legislature artificially suppressed the employer contribution rates in the Pennsylvania School Employee Retirement System (PSERS). It was suppressed in hope that the stock market declines 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 a financial crisis within the District. To address the retirement crisis, positions within the School District have been eliminated (237.5 to date) and the District is looking at opportunities to outsource some non-academic services to private companies.

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

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

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

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. Consequently, 44 School District bus drivers were removed from District payroll as a result of the incentive. The rationale behind the outsourcing action is to reduce District 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 School District health care and retirement benefits.

The transportation restructuring has reduced the number of Central Bucks Bus drivers from 165 down to 84. Additional outsourcing of transportation driver positions is likely in the future.

The downturn in the economy and its impact on the housing values has caused many homeowners within the School District to file a tax 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. The cost reductions of the positions eliminated within the School District amount to \$6.1M per year.

Bucks County has not conducted a study comparing current property values to their taxable value since 1972. Consequently many home owners are overpaying their real estate taxes while others are underpaying their real estate taxes. The District has initiated an appeal process with the county to increase the taxable value of some real estate properties that are projected to be under taxed by at least \$4,000 per year. As of July 2012, the District filed appeals on 37 residential properties and 7 commercial properties challenging their taxable value.

When looking at the overall revenue picture, revenues lines associated with real estate (real estate tax, real estate transfer tax, interim real estate taxes) have declined. Investment income is at historic low points. State subsidies over the years have also declined which in turn put more pressure on local real estate taxes to maintain services. An overall economy that is growing at less than 2% per year is not producing any extra revenue at the state level. Unemployment rates over 8% for the past four years also places a strain on government services such as unemployment compensation, food stamps, and welfare programs. With a stressed state budget and federal budgets running trillion dollar deficits, additional state or federal subsidies are unlikely over the next five years.

To combat revenue losses and higher retirement system expenses, the District has eliminated positions, outsourced services, eliminated programs, renegotiated contracts, implemented energy efficiency measures saving \$1.5M per year, made general cost reductions, restructured debt and has entered into more cooperative purchasing agreements.

During the 2012-13 fiscal year, the District may have an opportunity to restructure some of its existing debt associated with construction and renovation of school buildings. Any reductions in principal or interest payments on outstanding debt will help offset cost increases and revenue losses incurred to date. Also in an effort to minimize future principal and interest payments, the District is establishing special capital accounts to fund future large building maintenance items such as HVAC and roof repairs. In addition the District is trying to establish long term capital accounts that can fund future building renovations with cash on hand instead of incurring more debt.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

Central Bucks School District is experiencing revenue loses and increased expense pressures from health care benefits and the state mandated PSERS retirement system. The convergence of these two economic factors will likely force the School District to reduce more programs and services during a time when parent expectations are increasing and No Child Left Behind testing result requirements hit their maximum. The next five years will test the financial stability of the School District as well as its ability to continue to provide a first class K-12 education for the parents and students within our community.

The District is planning to deal with the uncertainties of local tax reform, and a significant increase in pension costs. Pension contribution rates were 8.65% in 2011-12, and are projected to increase as follows:

<u>Fiscal Year</u>	<u>Pension Rate</u>
2011-12	8.65%
2012-13	12.36
2013-14	16.69
2014-15	21.18
2015-16	25.80

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

The contract covering the professional staff is in place through June 30, 2014. The Support staff contract is in place through June 30, 2016, and provides for annual increases to bring wages in line with existing market conditions. The Administrative staff agreement is in place through fiscal 2012-13. The transportation agreement expired June 30, 2011.

The District maintains and plans strategic and financial tactics which are developed around the District's mission statement and goals which are outlined on the following page.



2012-2013 **Central Bucks School District Goals**

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

- 1. Strengthen the district's educational programs and services.**
 - Continue to emphasize the constructs of rigor, relevance, relationships, resiliency, and reflection throughout our curriculum, instructional practices, and assessments.
 - Monitor the implementation of new and revised curricula K-12.
 - Communicate the effective utilization of reading and writing strategies within all content areas.
 - Establish consistent grading practices and other measures of student proficiency for secondary students.
 - Assess the impact of middle school schedule change on teaching and learning.
 - Identify public relations opportunities that highlight the strengths of district programs.
- 2. Improve the availability, use, and integration of technology throughout the district in both instructional and non-instructional areas.**
 - Continue the use of technology to improve efficiency of district operations, communication, management and security.
 - Implement expanded wireless access and student-owned device access to the network.
 - Leverage technology resources to highlight and promote district activities.
 - Investigate technologies to expand and extend learning opportunities beyond the classroom (e.g. web-based, cloud-based, and virtual learning environments).
- 3. Promote positive relationships between our schools and community.**
 - Improve district-wide communication by expanding the use of electronic media including Facebook and Twitter.
 - Utilize security systems and continue to coordinate response efforts with local municipalities.
 - Monitor new walking routes and bus stop consolidation plans.
 - Revitalize Educational Foundation and Education Alliance.
- 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.
 - Finalize construction for additions/renovations to CB East.
 - Maximize "Green Practices" to generate revenue, effectively manage our facilities, and practice environmental stewardship.
- 5. Strengthen the financial base of the district.**
 - Direct time and resources to assist with shaping legislative issues dealing with education.
 - Pursue ways to enhance revenues, improve efficiency, and reduce expenditures while maintaining quality programs.
 - Develop funding for long term building renovation needs without borrowing money and restructure debt.
 - Renegotiate transportation contract with First Student and finalize district labor contract.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012

CHANGE IN LEADERSHIP

Central Bucks School District had several new school board members during the 2011-2012 school year. These include:

- James R. Duffy replacing Christopher H. Asplen
- Joseph M. Jagelka replacing Charles D. Baker
- R. Tyler Tomlinson replacing Carol R. Downs
- Kelly E. Unger replacing Anne M. Hoy

Several administrative changes will occur early in the 2012-2013 school year. These include:

- Dr. N. Robert Laws, Superintendent being replaced by Dr. Rodney Green, new to the District from East China School District in Michigan where he served as Superintendent 12+ years
- Thomas C. McCambridge, Director of Finance being replaced by Suzanne Vincent, a current employee in the District business office for the past 18 years
- Building Principals, replaced with internal Assistant Principal staff members

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Central Bucks School 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 the Central Bucks School District, Director of Finance, 20 Welden Drive, Doylestown, PA 18901-2359.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 40,677,720	\$ 870,152	\$ 41,547,872
Investments	46,029,530	-	46,029,530
Taxes receivable, net	18,972,056	-	18,972,056
Internal balances	270,206	(270,206)	-
Due from other governments	4,005,468	237,891	4,243,359
Other receivables, net	12,005,230	148,895	12,154,125
Inventories	38,360	34,970	73,330
Prepaid expenses	491,268	-	491,268
Deferred debt expense	1,920,645	-	1,920,645
Capital assets			
Land	14,138,902	-	14,138,902
Site improvements	15,053,611	-	15,053,611
Buildings and building improvements	525,619,846	-	525,619,846
Machinery and equipment	56,068,422	2,631,627	58,700,049
Construction in progress	21,996,516	-	21,996,516
Accumulated depreciation	(192,792,204)	(1,730,851)	(194,523,055)
TOTAL ASSETS	\$ 564,495,576	\$ 1,922,478	\$ 566,418,054
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 7,525,045	\$ 243,704	\$ 7,768,749
Accrued salaries and benefits	12,327,685	-	12,327,685
Deferred revenue	481,381	140,830	622,211
Accrued interest	1,378,853	-	1,378,853
Deferred amounts on refundings	9,017,811	-	9,017,811
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	18,787,036	-	18,787,036
Compensated absences	157,831	-	157,831
Portion due or payable after one year			
Bonds payable	241,459,960	-	241,459,960
Compensated absences	1,420,481	-	1,420,481
Net OPEB obligation	3,592,305	-	3,592,305
TOTAL LIABILITIES	296,148,388	384,534	296,532,922
NET ASSETS			
Invested in capital assets, net of related debt	184,011,051	900,776	184,911,827
Restricted	13,190,765	-	13,190,765
Unrestricted	71,145,372	637,168	71,782,540
TOTAL NET ASSETS	268,347,188	1,537,944	269,885,132
TOTAL LIABILITIES AND NET ASSETS	\$ 564,495,576	\$ 1,922,478	\$ 566,418,054

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 103,128,728	\$ 646,281	\$ 16,047,250	\$ -	\$ (86,435,197)	\$ -	\$ (86,435,197)
Special programs	34,889,580	-	20,877,149	-	(14,012,431)	-	(14,012,431)
Vocational education	4,362,563	-	-	-	(4,362,563)	-	(4,362,563)
Other instructional programs	4,570,832	-	708,419	-	(3,862,413)	-	(3,862,413)
Adult education programs	164,116	-	-	-	(164,116)	-	(164,116)
Support services							
Pupil personnel services	8,397,731	-	25,086	-	(8,372,645)	-	(8,372,645)
Instructional staff services	9,734,794	-	29,124	-	(9,705,670)	-	(9,705,670)
Administration services	12,303,612	-	-	-	(12,303,612)	-	(12,303,612)
Pupil health services	3,010,970	-	403,973	-	(2,606,997)	-	(2,606,997)
Business services	1,297,542	-	-	-	(1,297,542)	-	(1,297,542)
Operation and maintenance of plant services	20,474,636	-	-	-	(20,474,636)	-	(20,474,636)
Student transportation services	19,496,854	3,112,316	-	-	(16,384,538)	-	(16,384,538)
Central services	2,393,735	-	-	-	(2,393,735)	-	(2,393,735)
Other services	233,043	-	-	-	(233,043)	-	(233,043)
Operation of non-instructional services							
Student activities	2,725,966	-	183,793	-	(2,542,173)	-	(2,542,173)
Community services	2,549,411	-	3,293,903	-	744,492	-	744,492
Facilities acquisition, construction and improvement services	8,765,181	54,430	-	-	(8,710,751)	-	(8,710,751)
Debt service	12,147,859	-	-	1,596,608	(10,551,251)	-	(10,551,251)
TOTAL GOVERNMENTAL ACTIVITIES	250,647,153	3,813,027	41,568,697	1,596,608	(203,668,821)	-	(203,668,821)
BUSINESS-TYPE ACTIVITIES							
Food service	5,291,312	4,432,612	1,117,583	-	-	258,883	258,883
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 255,938,465	\$ 8,245,639	\$ 42,686,280	\$ 1,596,608	(203,668,821)	258,883	(203,409,938)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					213,222,679	-	213,222,679
Earned income, per capita and occupation taxes					20,398,591	-	20,398,591
Public utility taxes					300,500	-	300,500
Grants and contributions not restricted to specific programs					1,025,231	-	1,025,231
Investment earnings					1,097,641	172	1,097,813
Gain on sale of capital assets					7,936	-	7,936
Miscellaneous					569,599	-	569,599
TOTAL GENERAL REVENUES					236,622,177	172	236,622,349
CHANGE IN NET ASSETS					32,953,356	259,055	33,212,411
NET ASSETS AT BEGINNING OF YEAR					235,393,832	1,278,889	236,672,721
NET ASSETS AT END OF YEAR					\$ 268,347,188	\$ 1,537,944	\$ 269,885,132

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 27,486,955	\$ 13,190,765	\$ -	\$ 40,677,720
Investments	2,046,491	20,983,039	23,000,000	46,029,530
Taxes receivable, net	8,067,703	-	-	8,067,703
Due from other funds	19,904,420	5,000,000	-	24,904,420
Due from other governments	4,005,468	-	-	4,005,468
Other receivables	91,302	64,426	-	155,728
Inventories	38,360	-	-	38,360
Prepaid items	491,268	-	-	491,268
TOTAL ASSETS	\$ 62,131,967	\$ 39,238,230	\$ 23,000,000	\$ 124,370,197
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,495,525	\$ 3,029,520	\$ -	\$ 7,525,045
Due to other funds	5,000,000	7,784,712	-	12,784,712
Deferred revenue	6,831,784	-	-	6,831,784
Accrued salaries and benefits	12,327,685	-	-	12,327,685
TOTAL LIABILITIES	28,654,994	10,814,232	-	39,469,226
FUND BALANCES				
Nonspendable				
Inventories	38,360	-	-	38,360
Prepaid assets	491,268	-	-	491,268
Restricted for capital projects	-	13,190,765	-	13,190,765
Committed to				
Capital projects	-	15,233,233	-	15,233,233
Future budget expenditures	690,000	-	-	690,000
Debt service	-	-	23,000,000	23,000,000
Assigned to other postemployment benefits	11,374,948	-	-	11,374,948
Unassigned	20,882,397	-	-	20,882,397
TOTAL FUND BALANCES	33,476,973	28,423,998	23,000,000	84,900,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,131,967	\$ 39,238,230	\$ 23,000,000	\$ 124,370,197

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2012

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 84,900,971
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	14,138,902
Site improvements	15,053,611
Buildings and building improvements	525,619,846
Machinery and equipment	56,068,422
Construction in progress	21,996,516
Accumulated depreciation	(192,792,204)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred debt expense	1,920,645
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,378,853)
Bonds payable	(260,246,996)
Deferred amounts on refundings, net of amortization	(9,017,811)
Compensated absences	(1,578,312)
Net OPEB obligation	(3,592,305)
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	<u>17,254,756</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>268,347,188</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 241,421,869	\$ 779,083	\$ -	\$ 242,200,952
State sources	39,391,550	-	-	39,391,550
Federal sources	1,787,335	-	-	1,787,335
TOTAL REVENUES	<u>282,600,754</u>	<u>779,083</u>	<u>-</u>	<u>283,379,837</u>
EXPENDITURES				
Instruction	141,785,034	-	-	141,785,034
Support services	73,384,273	2,286,219	-	75,670,492
Operation of non-instructional services	5,275,377	-	-	5,275,377
Facilities acquisition, construction and improvement services	-	20,738,928	-	20,738,928
Debt service	28,732,632	-	-	28,732,632
Refund of prior year revenues	860	-	-	860
TOTAL EXPENDITURES	<u>249,178,176</u>	<u>23,025,147</u>	<u>-</u>	<u>272,203,323</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>33,422,578</u>	<u>(22,246,064)</u>	<u>-</u>	<u>11,176,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	490,000	7,541,500	23,000,000	31,031,500
Transfers out	(34,504,500)	-	-	(34,504,500)
Proceeds from sale of fixed assets	2,500	5,436	-	7,936
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,012,000)</u>	<u>7,546,936</u>	<u>23,000,000</u>	<u>(3,465,064)</u>
NET CHANGE IN FUND BALANCES	(589,422)	(14,699,128)	23,000,000	7,711,450
FUND BALANCES AT BEGINNING OF YEAR	<u>34,066,395</u>	<u>43,123,126</u>	<u>-</u>	<u>77,189,521</u>
FUND BALANCES AT END OF YEAR	<u>\$ 33,476,973</u>	<u>\$ 28,423,998</u>	<u>\$ 23,000,000</u>	<u>\$ 84,900,971</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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,711,450
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 (\$23,136,602) exceed depreciation (\$16,546,133) in the current period.	6,590,469
Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which deferred charges exceed amortization in the current period.	2,152,009
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.	213,596
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	16,715,000
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	(287,363)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	
Accrued interest not reflected in Governmental Funds	(130,227)
Compensated absences not reflected in Governmental Funds	(11,578)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>32,953,356</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

Year Ended June 30, 2012

	<u>Enterprise Fund Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 870,152
Due from other governments	237,891
Other receivables	148,895
Inventories	<u>34,970</u>
TOTAL CURRENT ASSETS	<u>1,291,908</u>
CAPITAL ASSETS	
Machinery and equipment	2,631,627
Accumulated depreciation	<u>(1,730,851)</u>
TOTAL CAPITAL ASSETS	<u>900,776</u>
TOTAL ASSETS	<u>\$ 2,192,684</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other funds	\$ 270,206
Accounts payable	243,704
Deferred revenue	<u>140,830</u>
TOTAL LIABILITIES	<u>654,740</u>
NET ASSETS	
Invested in capital assets, net of related debt	900,776
Unrestricted	<u>637,168</u>
TOTAL NET ASSETS	<u>1,537,944</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,192,684</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2012

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>4,432,612</u>
OPERATING EXPENSES	
Purchased property service	244,072
Other purchased service	4,792,692
Supplies	35,907
Depreciation	153,969
Other operating expenses	64,672
TOTAL OPERATING EXPENSES	<u>5,291,312</u>
OPERATING LOSS	<u>(858,700)</u>
NONOPERATING REVENUES	
Interest and investment revenue	172
State sources	162,300
Federal sources	955,283
TOTAL NONOPERATING REVENUES	<u>1,117,755</u>
CHANGE IN NET ASSETS	259,055
NET ASSETS AT BEGINNING OF YEAR	<u>1,278,889</u>
NET ASSETS AT END OF YEAR	<u>\$ <u>1,537,944</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUND***Year Ended June 30, 2012*

	<u>Enterprise Fund Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,110,699
Cash received from supplier	183,732
Payments to suppliers	<u>(4,162,775)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>131,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	764,191
State sources	<u>162,300</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>926,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(300,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>172</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	758,194
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>111,958</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 870,152</u>

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2012

	<u>Enterprise Fund Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (858,700)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	153,969
Donated foods	183,732
(Increase) decrease in	
Other receivables	84,896
Inventories	(18,759)
Increase in	
Due to other funds	484,928
Accounts payable	243,704
Deferred revenue	<u>30,904</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>304,674</u>
 SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 183,732

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 94,999	\$ 1,456,524
Investments	<u>32,172,870</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 32,267,869</u>	<u>\$ 1,456,524</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to student groups	\$ 1,161,284	\$ <u>1,456,524</u>
Due to other funds	<u>11,849,502</u>	
TOTAL LIABILITIES	<u>13,010,786</u>	
NET ASSETS		
Held in trust for benefits and other purposes	<u>19,257,083</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,267,869</u>	

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	<u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 11,514
Investment earnings	202,145
Transfer from other funds	<u>3,963,000</u>
TOTAL ADDITIONS	<u>4,176,659</u>
DEDUCTIONS	
Scholarships awarded	18,534
Transfer to other funds	<u>490,000</u>
TOTAL DEDUCTIONS	<u>508,534</u>
CHANGE IN NET ASSETS	3,668,125
NET ASSETS AT BEGINNING OF YEAR	<u>15,588,958</u>
NET ASSETS AT END OF YEAR	<u>\$ 19,257,083</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Fund provided they do not conflict with or contradict GASB pronouncements. 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. 39, *Determining Whether Certain Organizations Are Component Units*, 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. 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 assets 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, 2012

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 assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. 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, 2012

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, 2012

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.

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. These funds are also collateralized in accordance with Act 72.

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 assets, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Inventories

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

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

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

Deferred Revenue

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also 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 deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Long-Term Obligations

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

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

GASB Statement No. 45

GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits* or OPEB.

GASB Statement No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB Statement No. 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

GASB Statement No. 45 is effective in three phases based on a government's total annual revenues. The general provisions of GASB Statement No. 45 were implemented by the School District as of the fiscal year ending June 30, 2009.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 assets are 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, 2012

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 20). 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, 2012

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, 2012, \$33,082,050 of the School District's bank balance of \$34,174,288 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>33,082,050</u>
---	----------------------

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, 2012, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u> <u>Less Than</u> <u>One Year</u>	<u>Fair Value</u>
Certificates of deposit	\$ 78,195,460	\$ 78,195,460
State investment pools	<u>6,940</u>	<u>6,940</u>
	<u>\$ 78,202,400</u>	<u>\$ 78,202,400</u>

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

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

The School District's investment policy does not further limit its investment choices. As of June 30, 2012, the School District's investment in the state investment pool was rated AAA by Standard & Poor's.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Concentration of Credit Risk - More than 5% of the School District's investments are in the TD Bank Post-Employment, 2008 PSDLAF, PSDLAF Post-Employment, 2008 First Niagara, First Niagara Post-Employment accounts as well as the Debt Service Bucket. These amounts are 5%, 8%, 10%, 19%, 22%, and 29%, respectively, of the School District's total investments.

NOTE C TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a 1% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

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

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

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

NOTE D ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, 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>Capital Project Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 8,067,703	\$ -	\$ -
Due from other governments	4,005,468	-	237,891
Other receivables	<u>91,302</u>	<u>64,426</u>	<u>148,895</u>
	<u>\$ 12,164,473</u>	<u>\$ 64,426</u>	<u>\$ 386,786</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 270,206
General Fund	Fiduciary Fund	11,849,502
General Fund	Capital Project Fund	7,784,712
Capital Project Fund	General Fund	<u>5,000,000</u>
		<u>\$ 24,904,420</u>

The amounts between the Fiduciary Fund, the Food Service Fund and the General Fund are interfund borrowings to pay for operations. The amounts between the Fiduciary Fund, the Food Service 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 and the Capital Project Fund to the Trust and Agency Funds were for future benefits of student groups and scholarship funds. The transfer from the Special Revenue Fund and the Debt Service Fund to the General Fund was to close out these funds. The transfer from the Debt Service Fund to the Capital Project Fund was for principal and interest payments on bond issues.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 7,541,500
Debt Service Fund	General Fund	23,000,000
Trust and Agency Funds	General Fund	3,963,000
General Fund	Trust and Agency Funds	<u>490,000</u>
		<u>\$ 34,994,500</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,138,902	\$ -	\$ -	\$ 14,138,902
Construction in progress	8,516,685	13,531,659	(51,828)	21,996,516
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>22,655,587</u>	<u>13,531,659</u>	<u>(51,828)</u>	<u>36,135,418</u>
Capital assets being depreciated				
Site improvements	13,508,187	1,545,424	-	15,053,611
Buildings and building improvements	521,273,197	4,361,555	(14,906)	525,619,846
Machinery and equipment	52,303,724	3,764,698	-	56,068,422
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>587,085,108</u>	<u>9,671,677</u>	<u>(14,906)</u>	<u>596,741,879</u>
Accumulated depreciation				
Site improvements	(6,049,051)	(613,797)	-	(6,662,848)
Buildings and building improvements	(134,538,484)	(10,460,127)	-	(144,998,611)
Machinery and equipment	(35,658,536)	(5,472,209)	-	(41,130,745)
TOTAL ACCUMULATED DEPRECIATION	<u>(176,246,071)</u>	<u>(16,546,133)</u>	<u>-</u>	<u>(192,792,204)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>410,839,037</u>	<u>(6,874,456)</u>	<u>(14,906)</u>	<u>403,949,675</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>433,494,624</u>	<u>6,657,203</u>	<u>(66,734)</u>	<u>440,085,093</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	2,331,502	300,125	-	2,631,627
Accumulated depreciation	(1,576,882)	(153,969)	-	(1,730,851)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>754,620</u>	<u>146,156</u>	<u>-</u>	<u>900,776</u>
CAPITAL ASSETS, net	<u>\$ 434,249,244</u>	<u>\$ 6,803,359</u>	<u>\$ (66,734)</u>	<u>\$ 440,985,869</u>

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 1,856,477
SUPPORT SERVICES	
Operation and maintenance of plant services	182,007
Student transportation services	1,274,052
Central services	327,613
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES	<u>12,905,984</u>
	<u>\$ 16,546,133</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE G LONG-TERM DEBT

General Obligation Bonds

In a prior year, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2012, the School District's portion of bonds outstanding that are considered defeased is \$160,823,508.

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>
2013	\$ 17,765,000	\$ 10,970,022	\$ 28,735,022
2014	16,125,000	10,352,016	26,477,016
2015	15,845,000	9,724,435	25,569,435
2016	15,470,000	9,025,412	24,495,412
2017	16,300,000	8,363,212	24,663,212
2018 to 2022	78,250,000	31,270,005	109,520,005
2023 to 2027	69,195,000	14,590,733	83,785,733
2028 to 2029	19,355,000	1,416,235	20,771,235
	<u>\$ 248,305,000</u>	<u>\$ 95,712,070</u>	<u>\$ 344,017,070</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Interest</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GENERAL OBLIGATION BONDS						
Series A of 2011	3.00% to 5.00%	\$ 50,005,000	\$ -	\$ (1,545,000)	\$ 48,460,000	\$ 3,015,000
Series B of 2011	3.00% to 5.00%	72,980,000	-	(1,630,000)	71,350,000	2,015,000
Series C of 2011	1.50% to 5.20%	47,780,000	-	(3,340,000)	44,440,000	2,145,000
Series A of 2007	4.00% to 4.20%	18,515,000	-	(850,000)	17,665,000	880,000
Series of 2007	3.50% to 5.00%	43,215,000	-	(2,160,000)	41,055,000	2,220,000
Series of 2006	5.00%	2,875,000	-	(910,000)	1,965,000	955,000
Series A of 2005	3.00% to 3.75%	8,600,000	-	(2,035,000)	6,565,000	2,110,000
Series of 2005	3.00% to 5.00%	14,455,000	-	(2,125,000)	12,330,000	2,230,000
Series A of 2003	1.50% to 4.00%	6,595,000	-	(2,120,000)	4,475,000	2,195,000
TOTAL GENERAL OBLIGATION BONDS		<u>265,020,000</u>	<u>-</u>	<u>(16,715,000)</u>	<u>248,305,000</u>	<u>17,765,000</u>
Bond premium		12,964,032	-	(1,022,036)	11,941,996	1,022,036
TOTAL GENERAL OBLIGATION BONDS, net		<u>277,984,032</u>	<u>-</u>	<u>(17,737,036)</u>	<u>260,246,996</u>	<u>18,787,036</u>
 COMPENSATED ABSENCES		 1,566,734	 11,578	 -	 1,578,312	 157,831
 OPEB OBLIGATION		 3,304,942	 287,363	 -	 3,592,305	 -
TOTAL LONG-TERM LIABILITIES		<u>\$ 282,855,708</u>	<u>\$ 298,941</u>	<u>\$ (17,737,036)</u>	<u>\$ 265,417,613</u>	<u>\$ 18,944,867</u>

NOTE I DEFERRED REVENUE

General Fund

Deferred 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 deferred revenue.

Food Service Fund

Deferred revenues represent food received in the School District's food service operations that is on hand at June 30, 2012. Such revenues will be recognized when the food commodities are used.

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 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. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

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, 2012

- 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, 2012, the rate of employer's contribution was 8.65% of covered payroll. The 8.65% rate is composed of a pension contribution rate of 8.00% for pension benefits and .65% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2012, 2011 and 2010, was \$10,179,351, \$7,418,440 and \$6,697,393, 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, 2012

The following table shows 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:

Normal cost	\$ 1,442,806
Amortization of unfunded actuarial accrued liability	1,265,172
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>2,707,978</u>
Interest on net OPEB obligation	148,722
Adjustment to ARC	<u>(227,791)</u>
ANNUAL OPEB EXPENSE	2,628,909
Net OPEB contributions during the year	<u>(2,341,546)</u>
INCREASE IN NET OBLIGATION	287,363
Net OPEB obligation at beginning of year	<u>3,304,942</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 3,592,305</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>
2010	\$ 2,301,849	79.15%	\$ 3,129,574
2011	2,384,977	92.60%	3,304,942
2012	2,628,909	89.07%	3,592,305

Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$35,548,015 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 \$136,101,124, and the ratio of the UAAL to the covered payroll was 26.12%.

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 49, 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, 2012

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, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% 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, 2012, was 27 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, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 238,951,557	\$ 232,123,473	\$ 241,421,869	\$ 9,298,396
State sources	41,565,429	43,520,036	39,391,550	(4,128,486)
Federal sources	1,632,040	1,973,579	1,787,335	(186,244)
TOTAL REVENUES	<u>282,149,026</u>	<u>277,617,088</u>	<u>282,600,754</u>	<u>4,983,666</u>
EXPENDITURES				
Instruction	157,811,498	153,316,735	141,785,034	11,531,701
Support services	86,067,660	84,021,119	73,384,273	10,636,846
Operation of non-instructional services	5,755,010	5,695,853	5,275,377	420,476
Debt service	28,727,358	28,699,272	28,732,632	(33,360)
Refund of prior year revenues	-	-	860	(860)
TOTAL EXPENDITURES	<u>278,361,526</u>	<u>271,732,979</u>	<u>249,178,176</u>	<u>22,554,803</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,787,500</u>	<u>5,884,109</u>	<u>33,422,578</u>	<u>27,538,469</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	490,000	490,000	-
Transfers out	(8,637,500)	(8,504,500)	(34,504,500)	(26,000,000)
Proceeds from sale of fixed assets	-	-	2,500	2,500
Budgetary reserve	(500,000)	(399,600)	-	399,600
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,137,500)</u>	<u>(8,414,100)</u>	<u>(34,012,000)</u>	<u>(25,597,900)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,350,000)</u>	<u>\$ (2,529,991)</u>	<u>(589,422)</u>	<u>\$ 1,940,569</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>34,066,395</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 33,476,973</u>	

See accompanying note to the required supplementary information.

CENTRAL BUCKS SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

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, 2012

SCHEDULE OF FUNDING PROGRESS

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
July 1, 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%



www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

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 the basic financial statements of the Central Bucks School District as of and for the year ended June 30, 2012, and have issued our report thereon dated January 28, 2013. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Central Bucks School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Central Bucks School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Bucks School District's internal control over financial reporting.

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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the School District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maillo Feliciano + Company, LLP

Oaks, Pennsylvania
January 28, 2013



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

COMPLIANCE

We have audited the compliance of the Central Bucks School District with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the entity's management. Our responsibility is to express an opinion on the Central Bucks School District's compliance based on our audit.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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. Our audit does not provide a legal determination on the Central Bucks School District's compliance with those requirements.

In our opinion, the Central Bucks School District complied, in all material respects, with the 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, 2012.

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

INTERNAL CONTROL OVER COMPLIANCE

The management of the Central Bucks School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Central Bucks School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the School District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
January 28, 2013

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

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2012</u>
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
Title I - Improving Basic Programs	84.010	013-120069	July 1, 2011 to September 30, 2012	\$ 416,133	\$ 416,133	\$ -	\$ 416,133	\$ 416,133	\$ -
Title III	84.365	010-12069	July 1, 2011 to September 30, 2012	29,124	15,125	-	29,124	29,124	13,999
Title II - Improving Teacher Quality	84.367	020-110069	July 1, 2010 to September 30, 2011	348,010	46,169	46,169	-	-	-
Title II - Improving Teacher Quality	84.367	020-120069	July 1, 2011 to September 30, 2012	291,761	234,419	-	291,761	291,761	57,342
Drug-Free Schools	84.186	100-100597	June 13, 2011 to September 30, 2011	4,095	4,095	-	4,095	4,095	-
Passed through the Bucks County Intermediate Unit #22									
IDEA	84.027		July 1, 2010 to June 30, 2011	2,614,015	1,039,481	1,039,481	-	-	-
IDEA	84.027		July 1, 2011 to June 30, 2012	2,606,380	2,359,000	-	2,606,380	2,606,380	247,380
IDEA Section 619	84.392	137-120022	July 1, 2011 to June 30, 2012	20,991	-	-	20,991	20,991	20,991
ARRA - IDEA - Part B Stimulus	84.391		July 1, 2009 to June 30, 2011	2,967,698	644,417	449,050	195,367	195,367	-
ARRA - State Fiscal Stabilization	84.394	126-110069	July 1, 2009 to June 30, 2011	1,906,019	476,505	476,505	-	-	-
Passed through the Pennsylvania Department of Education									
Access	93.778				49,723	-	49,723	49,723	-
TOTAL FORWARD					\$ 5,285,067	\$ 2,011,205	\$ 3,613,574	\$ 3,613,574	\$ 339,712

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2012</u>
PENNSYLVANIA DEPARTMENT OF EDUCATION									
Food Nutrition Service	N/A	510	July 1, 2010 to June 30, 2011	N/A	\$ 8,678	\$ 8,678	\$ -	\$ -	\$ -
Food Nutrition Service	N/A	510	July 1, 2011 to June 30, 2012	N/A	100,592	-	109,450	109,450	8,858
Food Nutrition Service	N/A	511	July 1, 2010 to June 30, 2011	N/A	315	315	-	-	-
Food Nutrition Service	N/A	511	July 1, 2011 to June 30, 2012	N/A	3,735	-	4,661	4,661	926
Food Nutrition Service	N/A	512	July 1, 2010 to June 30, 2011	N/A	1,446	1,446	-	-	-
Food Nutrition Service	N/A	512	July 1, 2011 to June 30, 2012	N/A	16,766	-	21,268	21,268	4,502
Food Nutrition Service	N/A	513	July 1, 2010 to June 30, 2011	N/A	32	32	-	-	-
Food Nutrition Service	N/A	513	July 1, 2011 to June 30, 2012	N/A	<u>374</u>	<u>-</u>	<u>423</u>	<u>423</u>	<u>49</u>
TOTAL FORWARD					<u>131,938</u>	<u>10,471</u>	<u>135,802</u>	<u>135,802</u>	<u>14,335</u>
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Pennsylvania Department of Education									
Reg/Ndy Breakfast	10.553	365	July 1, 2010 to June 30, 2011	N/A	3,224	3,224	-	-	-
Reg/Ndy Breakfast	10.553	365	July 1, 2011 to June 30, 2012	N/A	35,163	-	39,987	39,987	4,824
Lunch Hi/Low	10.555	362	July 1, 2010 to June 30, 2011	N/A	43,818	43,818	-	-	-
Lunch Hi/Low	10.555	362	July 1, 2011 to June 30, 2012	N/A	<u>547,377</u>	<u>-</u>	<u>610,516</u>	<u>610,516</u>	<u>63,139</u>
SUBTOTAL FORWARD					<u>\$ 629,582</u>	<u>\$ 47,042</u>	<u>\$ 650,503</u>	<u>\$ 650,503</u>	<u>\$ 67,963</u>

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2012</u>
U.S. DEPARTMENT OF EDUCATION									
TOTAL FORWARDED					\$ 5,285,067	\$ 2,011,205	\$ 3,613,574	\$ 3,613,574	\$ 339,712
PENNSYLVANIA DEPARTMENT OF EDUCATION									
TOTAL FORWARDED					131,938	10,471	135,802	135,802	14,335
U.S. DEPARTMENT OF AGRICULTURE									
SUBTOTAL FORWARDED					629,582	47,042	650,503	650,503	67,963
Passed through the Pennsylvania Department of Agriculture									
National School Lunch Program	10.555	N/A		N/A	183,732	(7,712)	164,973	164,973	(26,471)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					813,314	39,330	815,476	815,476	41,492
TOTAL FEDERAL AND STATE AWARDS					6,230,319	2,061,006	4,564,852	4,564,852	395,539
Less state awards					(131,938)	(10,471)	(135,802)	(135,802)	(14,335)
TOTAL FEDERAL AWARDS					\$ 6,098,381	\$ 2,050,535	\$ 4,429,050	\$ 4,429,050	\$ 381,204

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

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

NOTE A ORGANIZATION AND SCOPE

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

NOTE B DONATED FOODS

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

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified 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 With Requirements That Could Have a Direct and Material Effect on Each Major Program and 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 unqualified 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
Special Education Cluster	84.027, 84.391, 84.392

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. The 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.