

CENTRAL BUCKS SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

INTRODUCTORY SECTION

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FINANCIAL SECTION



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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, 2010, 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 the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2011, 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 14, budgetary comparison information on pages 44 and 45 and postemployment benefits other than pension funding progress on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Bucks School District's financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
February 9, 2011

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the Central Bucks School District exceeded its liabilities at the close of the most recent fiscal year by \$232,583,798 (net assets). Of this amount, \$21,399,466 (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, unreserved fund balance for the General Fund was \$25,939,055 or 10.2% 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.

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 are comprised of 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)

June 30, 2010

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)
June 30, 2010

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 \$232,583,798 at the close of the most recent fiscal year.

Condensed Statements of Net Assets
June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current and other assets	\$ 141,889,489	\$ 139,265,757	\$ 1,149,299	\$ 959,350	\$ 143,038,788	\$ 140,225,107
Capital assets	431,102,417	421,168,306	500,669	586,220	431,603,086	421,754,526
TOTAL ASSETS	<u>572,991,906</u>	<u>560,434,063</u>	<u>1,649,968</u>	<u>1,545,570</u>	<u>574,641,874</u>	<u>561,979,633</u>
LIABILITIES						
Other liabilities	34,469,484	30,908,960	449,022	105,954	34,918,506	31,014,914
Long-term liabilities outstanding	307,139,570	320,643,950	-	-	307,139,570	320,643,950
TOTAL LIABILITIES	<u>341,609,054</u>	<u>351,552,910</u>	<u>449,022</u>	<u>105,954</u>	<u>342,058,076</u>	<u>351,658,864</u>
NET ASSETS						
Investment in capital assets, net of related debt	132,529,880	109,828,913	500,669	586,220	133,030,549	110,415,133
Restricted	78,153,783	81,583,055	-	-	78,153,783	81,583,055
Unrestricted	<u>20,699,189</u>	<u>17,469,185</u>	<u>700,277</u>	<u>853,396</u>	<u>21,399,466</u>	<u>18,322,581</u>
TOTAL NET ASSETS	<u>\$ 231,382,852</u>	<u>\$ 208,881,153</u>	<u>\$ 1,200,946</u>	<u>\$ 1,439,616</u>	<u>\$ 232,583,798</u>	<u>\$ 210,320,769</u>

A portion of the Central Bucks School District's governmental activities net assets (34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$20,699,189 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)
June 30, 2010

Governmental Activities - Governmental activities increased the Central Bucks School District's net assets by \$22,501,699, thereby accounting for all of the total increase of \$22,263,029 in net assets. Key elements of this increase are as follows:

Changes in Net Assets
Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program revenues						
Charges for services	\$ 4,148,349	\$ 4,561,708	\$ 4,158,273	\$ 3,874,467	\$ 8,306,622	\$ 8,436,175
Operating grants and contributions	42,292,759	41,087,022	1,223,115	1,134,982	43,515,874	42,222,004
Capital grants and contributions	1,893,106	1,622,420	-	-	1,893,106	1,622,420
General revenues						
Property taxes	203,833,367	201,995,442	-	-	203,833,367	201,995,442
Other taxes	17,526,713	17,902,719	-	-	17,526,713	17,902,719
Grants and contributions not restricted to specific programs	212,606	427,677	-	-	212,606	427,677
Other	2,568,090	6,049,471	1,197	71,424	2,569,287	6,120,895
TOTAL REVENUES	272,474,990	273,646,459	5,382,585	5,080,873	277,857,575	278,727,332
EXPENSES						
Instruction	144,213,147	141,909,592	-	-	144,213,147	141,909,592
Support services	77,766,388	82,507,115	-	-	77,766,388	82,507,115
Operation of non-instructional services	5,497,119	5,646,741	-	-	5,497,119	5,646,741
Debt service	13,166,485	14,231,855	-	-	13,166,485	14,231,855
Facilities acquisition, construction and improvement services	9,330,152	15,239,492	-	-	9,330,152	15,239,492
Food service	-	-	5,621,255	4,444,250	5,621,255	4,444,250
TOTAL EXPENSES	249,973,291	259,534,795	5,621,255	4,444,250	255,594,546	263,979,045
CHANGE IN NET ASSETS	22,501,699	14,111,664	(238,670)	636,623	22,263,029	14,748,287
NET ASSETS AT BEGINNING OF YEAR	208,881,153	194,769,489	1,439,616	802,993	210,320,769	195,572,482
NET ASSETS AT END OF YEAR	\$ 231,382,852	\$ 208,881,153	\$ 1,200,946	\$ 1,439,616	\$ 232,583,798	\$ 210,320,769

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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, unreserved fund balance of the General Fund was \$25,939,055. Unreserved fund balance represents 10.2% 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.

General Fund revenues of the Central Bucks School District came from four basic sources. The largest source was provided by local funding totaling \$230,166,380 (85%), of which \$190,274,798 were current and interim real estate tax revenues. A small increase in the assessment base and a 3.9% increase in the millage rate provided \$7,195,955. State funding amounted to \$37,325,954 (14%). Federal funding amounted to \$3,158,981 (1%).

According to State criteria, Central Bucks is a relatively wealthy District and, accordingly, State and Federal funding continue to provide a relatively small percentage (14.9%) 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>2009-2010</u>	<u>2008-2009</u>	<u>Change</u>	<u>% Change</u>
Instruction	\$ 142,960,935	\$ 138,813,947	\$ 4,146,988	3%
Support service	74,172,919	74,818,733	(645,814)	-0.9%
Non-instructional	5,144,118	5,100,257	43,861	0.9%
Debt service	28,669,586	28,614,155	55,431	0%
Refund of prior year revenues	<u>192,043</u>	<u>-</u>	<u>192,043</u>	100%
	<u>\$ 251,139,601</u>	<u>\$ 247,347,092</u>	<u>\$ 3,792,509</u>	2%

The Capital Project Fund has a total fund balance of \$60,403,386, of which \$11,057,944 is reserved for encumbrances and \$49,345,442 is designated for capital improvements.

The Debt Service Fund has a total fund balance of \$956,283, all of which is reserved for the payment of debt service.

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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. Unrestricted net assets of the Food Service Fund at the end of the year amounted to a balance of \$1,200,946, of which \$500,669 was investment in capital assets, net of related debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary 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, 2010, of \$42,299,055 was 15.3% of the 2009-2010 operating budget of \$276,557,448. Management projects that the General Fund balance at June 30, 2010, will be approximately 3.5% of the 2010-2011 budget.

Local tax revenues fell below budgeted estimates by \$5,513,112 due to assessment appeals and a slow real estate market.

Actual expenditures were \$255,193,946 as compared to a budget of \$276,557,448.

A history of ending fund balances follows:

June 30, 2001	\$15,600,000
June 30, 2002	11,400,000
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	26,841,686
June 30, 2010	42,299,055

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, 2010, amounts to \$431,603,086 (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 significant issue was to address continued student enrollment growth.

Modular classrooms are maintained in various sites.

CENTRAL BUCKS SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 14,138,902	\$ 14,138,902	\$ -	\$ -	\$ 14,138,902	\$ 14,138,902
Site improvements	7,004,945	5,753,413	-	-	7,004,945	5,753,413
Buildings and improvements	372,819,656	371,041,307	-	-	372,819,656	371,041,307
Machinery and equipment	18,570,839	19,672,084	500,669	586,220	19,071,508	20,258,304
Construction in progress	18,568,075	10,562,600	-	-	18,568,075	10,562,600
	<u>\$ 431,102,417</u>	<u>\$ 421,168,306</u>	<u>\$ 500,669</u>	<u>\$ 586,220</u>	<u>\$ 431,603,086</u>	<u>\$ 421,754,526</u>

Additional information of the Central Bucks School District’s capital assets can be found in Note F on page 37 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 \$315,664,538. This entire amount is backed by the full faith and credit of the Commonwealth of Pennsylvania.

As of February 2008, the Central Bucks School District maintains an Aa2 rating from Moody’s for general obligation debt. The upgrade to Aa2 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 Aa2 rating also incorporates high residential wealth levels, sizeable tax base with moderate growth and manageable debt position.”

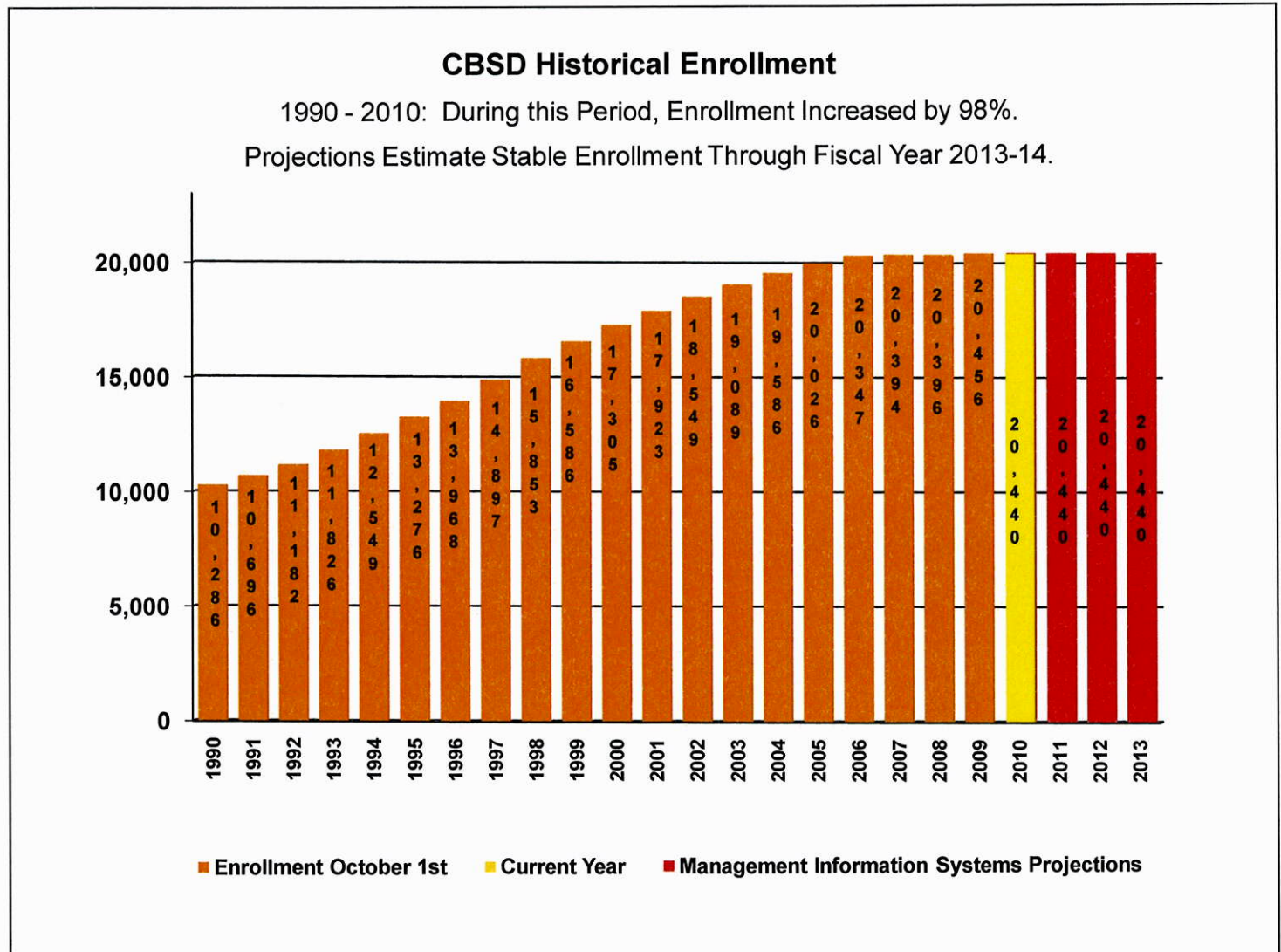
The borrowing capacity of the Central Bucks School District is set forth under the provisions of Act 50 of 1998. This legislation amends the Local Government Unit Debt Act, which establishes the debt limits for local governments, including school districts and other municipalities. Under Act 50, the 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 38 of this report.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District expects a continued slowdown in student enrollment growth in future years:



The District is planning to deal with the uncertainties of local tax reform, and a significant increase in pension costs. Pension contribution rates were 4.78% in 2009-10, and are projected to increase as follows:

<u>Fiscal Year</u>	<u>Pension Rate</u>
2010-11	5.64%
2011-12	8.65
2012-13	12.19
2013-14	16.69
2014-15	21.18

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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 expired on June 30, 2010. The Support staff contract is in place through June 30, 2011, and provides for annual increases to bring wages in line with existing market conditions. Administrative and Transportation agreements are in place through fiscal 2012-13 and 2010-11, respectively, and include annual increases ranging from 3% to 4.5%.

The District maintains a five-year financial projection model, which is updated quarterly. The District adopted a new three-year technology plan for fiscal 2008-09 and a new six-year strategic plan for fiscal 2011-12. The plans are developed around the District's mission statement and goals which are outlined below:

Central Bucks School District Goals for 2009-2010

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.***
 - Emphasize the constructs of rigor, relevance and relationships throughout our curriculum, instructional practices and assessments.
 - Revise K-12 curriculum to focus on essential learning.
 - Incorporate reading and writing strategies within all content areas.
 - Continue support for the work of action teams through the six-year strategic plan.
 - Expand the implementation of flexible grouping and targeted tutoring for elementary students.
 - Investigate, research and study grading practices and other measures of student proficiency to offer a recommendation for change.
 - Explore ways to modify course offerings to remain contemporary with 21st century skills.
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.
 - Support the use of technology to increase student engagement and professional collaboration.
 - Explore distance learning and virtual meetings to increase efficiency.

CENTRAL BUCKS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

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

- Promote community-based programs to enhance real world connections and social responsibility.
- Improve District-wide communication by expanding the use of electronic media and offering sponsorship opportunities.
- Utilize security systems and continue to coordinate response efforts with local municipalities.

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.

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.
- Track energy savings and effectively monitor energy consumption.
- Continue efforts to implement and refine the HR/Business office management software programs to increase self service.
- Monitor implementation of HSA accounting system.
- Prepare for energy deregulation and projected retirement rate increase.

CHANGE IN LEADERSHIP

There were no changes in the elected School Board positions during the year.

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.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 46,360,801	\$ 726,178	\$ 47,086,979
Investments	66,570,314	59,267	66,629,581
Taxes receivable, net	18,667,442	-	18,667,442
Internal balances	(122,121)	122,121	-
Due from other governments	4,866,636	166,351	5,032,987
Other receivables, net	999,088	-	999,088
Inventories	2,736,489	75,382	2,811,871
Prepaid expenses	490,441	-	490,441
Deferred debt expense	1,320,399	-	1,320,399
Capital assets			
Land	14,138,902	-	14,138,902
Site improvements	12,503,941	-	12,503,941
Buildings and building improvements	497,177,823	-	497,177,823
Machinery and equipment	49,144,603	1,944,727	51,089,330
Construction in progress	18,568,075	-	18,568,075
Accumulated depreciation	(160,430,927)	(1,444,058)	(161,874,985)
TOTAL ASSETS	\$ 572,991,906	\$ 1,649,968	\$ 574,641,874

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 8,109,252	\$ 382,899	\$ 8,492,151
Accrued salaries and benefits	6,888,122	-	6,888,122
Deferred revenue	446,770	66,123	512,893
Accrued interest	1,782,674	-	1,782,674
Other current liabilities	4,000,283	-	4,000,283
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	13,083,599	-	13,083,599
Compensated absences	158,784	-	158,784
Portion due or payable after one year			
Bonds payable	302,580,939	-	302,580,939
Compensated absences	1,429,057	-	1,429,057
Net OPEB obligation	3,129,574	-	3,129,574
TOTAL LIABILITIES	341,609,054	449,022	342,058,076

NET ASSETS

Invested in capital assets, net of related debt	132,529,880	500,669	133,030,549
Restricted for			
Capital projects	60,403,386	-	60,403,386
Debt service	956,283	-	956,283
Other postemployment benefits	16,360,000	-	16,360,000
Other projects	434,114	-	434,114
Unrestricted	20,699,189	700,277	21,399,466
TOTAL NET ASSETS	231,382,852	1,200,946	232,583,798
TOTAL LIABILITIES AND NET ASSETS	\$ 572,991,906	\$ 1,649,968	\$ 574,641,874

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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	\$ 103,632,035	\$ 795,324	\$ 15,275,152	\$ -	\$ (87,561,559)	\$ -	\$ (87,561,559)
Special programs	32,222,986	-	21,901,846	-	(10,321,140)	-	(10,321,140)
Vocational education	4,129,515	-	-	-	(4,129,515)	-	(4,129,515)
Other instructional programs	3,914,480	-	908,784	-	(3,005,696)	-	(3,005,696)
Adult education programs	314,131	-	-	-	(314,131)	-	(314,131)
Support services							
Pupil personnel services	8,284,738	-	35,357	-	(8,249,381)	-	(8,249,381)
Instructional staff services	9,585,216	-	39,320	-	(9,545,896)	-	(9,545,896)
Administration services	11,906,747	-	-	-	(11,906,747)	-	(11,906,747)
Pupil health services	3,043,245	-	401,542	-	(2,641,703)	-	(2,641,703)
Business services	1,258,805	-	-	-	(1,258,805)	-	(1,258,805)
Operation and maintenance of plant services	22,840,838	-	-	-	(22,840,838)	-	(22,840,838)
Student transportation services	18,434,537	3,280,034	-	-	(15,154,503)	-	(15,154,503)
Central services	2,175,920	-	-	-	(2,175,920)	-	(2,175,920)
Other services	236,342	-	-	-	(236,342)	-	(236,342)
Operation of non-instructional services							
Student activities	2,678,847	-	206,964	-	(2,471,883)	-	(2,471,883)
Community services	2,818,272	-	3,523,794	-	705,522	-	705,522
Facilities acquisition, construction and improvement services	9,330,152	72,991	-	-	(9,257,161)	-	(9,257,161)
Debt service	13,166,485	-	-	1,893,106	(11,273,379)	-	(11,273,379)
TOTAL GOVERNMENTAL ACTIVITIES	<u>249,973,291</u>	<u>4,148,349</u>	<u>42,292,759</u>	<u>1,893,106</u>	<u>(201,639,077)</u>	<u>-</u>	<u>(201,639,077)</u>
BUSINESS-TYPE ACTIVITIES							
Food service	<u>5,621,255</u>	<u>4,158,273</u>	<u>1,223,115</u>	<u>-</u>	<u>-</u>	<u>(239,867)</u>	<u>(239,867)</u>
TOTAL SCHOOL DISTRICT ACTIVITIES	<u>\$ 255,594,546</u>	<u>\$ 8,306,622</u>	<u>\$ 43,515,874</u>	<u>\$ 1,893,106</u>	<u>(201,639,077)</u>	<u>(239,867)</u>	<u>(201,878,944)</u>
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					203,833,367	-	203,833,367
Earned income, per capita and occupation taxes					17,238,448	-	17,238,448
Public utility taxes					288,265	-	288,265
Grants and contributions not restricted to specific programs					212,606	-	212,606
Refund of prior year revenues					(192,043)	-	(192,043)
Investment earnings					2,373,120	1,197	2,374,317
Miscellaneous					387,013	-	387,013
TOTAL GENERAL REVENUES					<u>224,140,776</u>	<u>1,197</u>	<u>224,141,973</u>
CHANGE IN NET ASSETS					22,501,699	(238,670)	22,263,029
NET ASSETS AT BEGINNING OF YEAR					<u>208,881,153</u>	<u>1,439,616</u>	<u>210,320,769</u>
NET ASSETS AT END OF YEAR					<u>\$ 231,382,852</u>	<u>\$ 1,200,946</u>	<u>\$ 232,583,798</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 28,873,658	\$ 17,092,001	\$ -	\$ 395,142	\$ 46,360,801
Investments	17,915,045	47,698,986	956,283	-	66,570,314
Taxes receivable, net	7,763,089	-	-	-	7,763,089
Due from other funds	11,705,072	11,415,625	-	-	23,120,697
Due from other governments	4,866,636	-	-	-	4,866,636
Other receivables	974,662	24,426	-	-	999,088
Inventories	2,697,517	-	-	38,972	2,736,489
Prepaid items	490,441	-	-	-	490,441
TOTAL ASSETS	\$ <u>75,286,120</u>	\$ <u>76,231,038</u>	\$ <u>956,283</u>	\$ <u>434,114</u>	\$ <u>152,907,555</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,109,077	\$ 175	\$ -	\$ -	\$ 8,109,252
Due to other funds	11,415,624	15,827,477	-	-	27,243,101
Deferred revenue	6,574,242	-	-	-	6,574,242
Accrued salaries and benefits	6,888,122	-	-	-	6,888,122
TOTAL LIABILITIES	<u>32,987,065</u>	<u>15,827,652</u>	<u>-</u>	<u>-</u>	<u>48,814,717</u>
FUND BALANCES					
Reserved for					
Encumbrances	-	11,057,944	-	-	11,057,944
Other postemployment benefits	16,360,000	-	-	-	16,360,000
Debt service	-	-	956,283	-	956,283
Capital projects	-	49,345,442	-	-	49,345,442
Unreserved					
Undesignated	25,939,055	-	-	434,114	26,373,169
TOTAL FUND BALANCES	<u>42,299,055</u>	<u>60,403,386</u>	<u>956,283</u>	<u>434,114</u>	<u>104,092,838</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>75,286,120</u>	\$ <u>76,231,038</u>	\$ <u>956,283</u>	\$ <u>434,114</u>	\$ <u>152,907,555</u>

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, 2010

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 104,092,838
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land	14,138,902
Site improvements	12,503,941
Buildings and building improvements	497,177,823
Machinery and equipment	49,144,603
Construction in progress	18,568,075
Accumulated depreciation	(160,430,927)
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred debt expenses	1,320,399
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(1,782,674)
Bonds payable	(315,664,538)
Compensated absences	(1,587,841)
Net OPEB obligation	(3,129,574)
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.	<u>17,031,825</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>231,382,852</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, 2010

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 230,166,380	\$ 1,274,345	\$ 5,460	\$ 206,964	\$ 231,653,149
State sources	37,325,954	-	-	-	37,325,954
Federal sources	3,158,981	-	-	-	3,158,981
TOTAL REVENUES	270,651,315	1,274,345	5,460	206,964	272,138,084
EXPENDITURES					
Instruction	142,960,935	-	-	-	142,960,935
Support services	74,172,919	2,069,982	-	-	76,242,901
Operation of non-instructional services	5,144,118	-	-	353,001	5,497,119
Facilities acquisition, construction and improvement services	-	22,433,209	-	-	22,433,209
Debt service	28,669,586	-	-	-	28,669,586
Refund of prior year revenues	192,043	-	-	-	192,043
TOTAL EXPENDITURES	251,139,601	24,503,191	-	353,001	275,995,793
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,511,714	(23,228,846)	5,460	(146,037)	(3,857,709)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,000,000	-	54,345	4,054,345
Transfers out	(4,054,345)	-	-	-	(4,054,345)
TOTAL OTHER FINANCING SOURCES (USES)	(4,054,345)	4,000,000	-	54,345	-
NET CHANGE IN FUND BALANCES	15,457,369	(19,228,846)	5,460	(91,692)	(3,857,709)
FUND BALANCES AT BEGINNING OF YEAR	26,841,686	79,632,232	950,823	525,806	107,950,547
FUND BALANCES AT END OF YEAR	\$ 42,299,055	\$ 60,403,386	\$ 956,283	\$ 434,114	\$ 104,092,838

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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,857,709)

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 (\$24,808,238) exceed depreciation (\$14,874,127) in the current period.

9,934,111

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 capital outlays exceed amortization in the current period.

1,353,794

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.

528,949

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

13,955,000

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.

(479,874)

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

66,700

Compensated absences not reflected in Governmental Funds

1,000,728

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 22,501,699

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

Year Ended June 30, 2010

Enterprise
Fund
Food
Service Fund

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 726,178
Investments	59,267
Due from other funds	122,121
Due from other governments	166,351
Inventories	<u>75,382</u>

TOTAL CURRENT ASSETS 1,149,299

CAPITAL ASSETS

Machinery and equipment	1,944,727
Accumulated depreciation	<u>(1,444,058)</u>
TOTAL CAPITAL ASSETS	<u>500,669</u>

TOTAL ASSETS \$ 1,649,968

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 382,899
Deferred revenue	<u>66,123</u>

TOTAL CURRENT LIABILITIES 449,022

NET ASSETS

Invested in capital assets, net of related debt	500,669
Unrestricted	<u>700,277</u>
TOTAL NET ASSETS	<u>1,200,946</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,649,968

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, 2010

	Enterprise Fund <u>Food</u> <u>Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>4,158,273</u>
OPERATING EXPENSES	
Purchased property service	275,266
Other purchased service	5,149,644
Supplies	82,540
Depreciation	112,155
Other operating expenses	1,650
TOTAL OPERATING EXPENSES	<u>5,621,255</u>
OPERATING LOSS	<u>(1,462,982)</u>
NONOPERATING REVENUES	
Interest and investment revenue	1,197
State sources	169,589
Federal sources	1,053,526
TOTAL NONOPERATING REVENUES	<u>1,224,312</u>
CHANGE IN NET ASSETS	(238,670)
NET ASSETS AT BEGINNING OF YEAR	<u>1,439,616</u>
NET ASSETS AT END OF YEAR	\$ <u><u>1,200,946</u></u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUND***Year Ended June 30, 2010*

	<u>Enterprise Fund Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,158,273
Cash received from supplier	271,423
Payments to suppliers	<u>(4,990,722)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(561,026)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	771,054
State sources	<u>169,589</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>940,643</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(26,604)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	14,429
Earnings on investments	<u>1,197</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,626</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	368,639
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>357,539</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 726,178</u></u>

CENTRAL BUCKS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2010

Enterprise
Fund
Food
Service Fund

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (1,462,982)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	112,155
Donated foods	271,423
Increase in	
Due from other funds	117,740
Inventories	57,570
Increase (decrease) in	
Accounts payable	366,661
Deferred revenue	<u>(23,593)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (561,026)</u>

SUPPLEMENTAL DISCLOSURES

Noncash capital financing activities	
Donated foods	\$ 271,423

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS***June 30, 2010*

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 109,167	\$ 938,991
Investments	5,044,965	-
Due from other funds	<u>4,000,284</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,154,416</u>	<u>\$ 938,991</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to student groups	\$ 1,161,285	\$ <u>938,991</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>7,993,131</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,154,416</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, 2010

	<u>Trust Funds</u>
ADDITIONS	
Contributions	\$ 9,000
Investment earnings	114,691
Other income	<u>74,654</u>
TOTAL ADDITIONS	198,345
DEDUCTIONS	
Scholarships awarded	<u>20,359</u>
CHANGE IN NET ASSETS	177,986
NET ASSETS AT BEGINNING OF YEAR	<u>7,815,145</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,993,131</u>

See accompanying notes to the basic financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 Funds 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 Funds 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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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. 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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The School District's Capital Reserve Fund is accounted for in this fund type as required by Section 29432 of the Municipal Code.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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, 2010, \$43,833,441 of the School District's bank balance of \$53,193,820 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>43,833,441</u>
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CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities Less Than One Year</u>	<u>Fair Value</u>
Certificates of deposit	\$ 56,448,455	\$ 56,448,455
State investment pools	13,727,980	13,727,980
PA Local Government Investment Trust	1,498,111	1,498,111
	<u>\$ 71,674,546</u>	<u>\$ 71,674,546</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, 2010, the School District's investment in the state investment pool was rated AAA by Standard & Poor's.

Concentration of Credit Risk - More than 5% of the School District's investments are in the Citizens Bank Bond Fund 2008 Certificate of Deposit. This amount is 48% of the School District's total investments.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010, 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:

	General Fund	Capital Project Fund	Food Service Fund
Real estate taxes	\$ 7,763,089	\$ -	\$ -
Due from other governments	4,866,636	-	166,351
Other receivables	974,662	24,426	-
	<u>\$ 13,604,387</u>	<u>\$ 24,426</u>	<u>\$ 166,351</u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 11,297,904
General Fund	Food Service Fund	407,168
Capital Project Fund	General Fund	11,415,625
Food Service Fund	Capital Project Fund	529,289
Fiduciary Fund	Capital Project Fund	<u>4,000,284</u>
		<u>\$ 27,650,270</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 General Fund and the Capital Project Fund are for renovations to facilities or purchases of equipment.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 4,000,000
Special Revenue Fund	General Fund	<u>54,345</u>
		<u>\$ 4,054,345</u>

The School District typically transfers funds from the General Fund to the Capital Project Fund to pay for improvements and capital acquisitions and from the General Fund to the Special Revenue Funds for operations.

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,138,902	\$ -	\$ -	\$ 14,138,902
Construction in progress	10,562,600	8,005,475	-	18,568,075
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	24,701,502	8,005,475	-	32,706,977
Capital assets being depreciated				
Site improvements	10,701,254	1,802,687	-	12,503,941
Buildings and building improvements	485,568,969	11,608,854	-	497,177,823
Machinery and equipment	45,753,381	3,391,222	-	49,144,603
TOTAL CAPITAL ASSETS BEING DEPRECIATED	542,023,604	16,802,763	-	558,826,367
Accumulated depreciation				
Site improvements	(4,947,841)	(551,155)	-	(5,498,996)
Buildings and building improvements	(114,527,662)	(9,830,505)	-	(124,358,167)
Machinery and equipment	(26,081,297)	(4,492,467)	-	(30,573,764)
TOTAL ACCUMULATED DEPRECIATION	(145,556,800)	(14,874,127)	-	(160,430,927)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	396,466,804	1,928,636	-	398,395,440
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	421,168,306	9,934,111	-	431,102,417
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	1,918,123	26,604	-	1,944,727
Accumulated depreciation	(1,331,903)	(112,155)	-	(1,444,058)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	586,220	(85,551)	-	500,669
CAPITAL ASSETS, net	\$ 421,754,526	\$ 9,848,560	\$ -	\$ 431,603,086

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 1,668,877
SUPPORT SERVICES	
Operation and maintenance of plant services	163,615
Student transportation services	1,145,308
Central services	294,508
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES	
	<u>11,601,819</u>
	<u>\$ 14,874,127</u>

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, 2010, the School District's portion of bonds outstanding that are considered defeased is \$104,360,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 14,565,000	\$ 14,163,888	\$ 28,728,888
2012	15,170,000	13,558,074	28,728,074
2013	15,800,000	12,922,202	28,722,202
2014	16,465,000	12,260,983	28,725,983
2015	17,035,000	11,583,752	28,618,752
2016 to 2020	96,995,000	45,289,258	142,284,258
2021 to 2025	120,690,000	23,696,326	144,386,326
2026 to 2027	<u>3,010,000</u>	<u>4,199,598</u>	<u>7,209,598</u>
	<u>\$ 299,730,000</u>	<u>\$ 137,674,081</u>	<u>\$ 437,404,081</u>

NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, 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 of 2008	3.00% to 5.00%	\$ 89,720,000	\$ -	\$ (3,460,000)	\$ 86,260,000	\$ 1,780,000
Series A of 2007	4.00% to 4.20%	20,115,000	-	(785,000)	19,330,000	815,000
Series of 2007	3.50% to 5.00%	102,480,000	-	(260,000)	102,220,000	2,105,000
Series of 2006	5.00%	4,565,000	-	(825,000)	3,740,000	865,000
Series A of 2005	3.00% to 3.75%	12,475,000	-	(1,900,000)	10,575,000	1,975,000
Series of 2005	3.00% to 5.00%	18,410,000	-	(1,930,000)	16,480,000	2,025,000
Series A of 2003	1.50% to 4.00%	10,600,000	-	(1,970,000)	8,630,000	2,035,000
Series of 2003	2.25% to 5.00%	55,320,000	-	(2,825,000)	52,495,000	2,965,000
TOTAL GENERAL OBLIGATION BONDS		313,685,000	-	(13,955,000)	299,730,000	14,565,000
Bond premium		17,415,939	-	(1,481,401)	15,934,538	(1,481,401)
		331,100,939	-	(15,436,401)	315,664,538	13,083,599
COMPENSATED ABSENCES		2,588,569	-	(1,000,728)	1,587,841	158,784
OPEB OBLIGATION		2,649,700	479,874	-	3,129,574	-
TOTAL LONG-TERM LIABILITIES		\$ 336,339,208	\$ 479,874	\$ (16,437,129)	\$ 320,381,953	\$ 13,242,383

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, 2010. Such revenues will be recognized when the food commodities are used.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 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, 2010

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2010, the rate of employer's contribution was 4.78% of covered payroll. The 4.78% rate is composed of a pension contribution rate of 4.00% for pension benefits and .78% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2010, 2009 and 2008, was \$6,697,393, \$6,498,884 and \$9,404,093, 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.

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	\$ 879,008
Amortization of unfunded actuarial accrued liability	1,486,233
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>2,365,241</u>
Interest on net OPEB obligation	119,237
Adjustment to ARC	<u>(182,629)</u>
ANNUAL OPEB EXPENSE	<u>2,301,849</u>
Net OPEB contributions during the year	<u>(1,821,975)</u>
INCREASE IN NET OBLIGATION	<u>479,874</u>
Net OPEB obligation at beginning of year	<u>2,649,700</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 3,129,574</u></u>

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 4,837,221	39.60%	\$ 2,649,700
2010	2,301,849	79.15%	3,129,574

2008 was the year of implementation of GASB Statement No. 45. The School District has elected to implement GASB Statement No. 45 prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

As of June 30, 2008, the actuarial accrued liability for benefits was \$38,759,208, 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 \$137,907,578, and the ratio of the UAAL to the covered payroll was 28.11%.

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 46, 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.

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.

CENTRAL BUCKS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

In the July 1, 2008 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, 2010, was 29 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, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 224,653,268	\$ 224,653,268	\$ 230,166,380	\$ 5,513,112
State sources	45,108,610	45,108,610	37,325,954	(7,782,656)
Federal sources	3,895,569	3,895,569	3,158,981	(736,588)
TOTAL REVENUES	273,657,447	273,657,447	270,651,315	(3,006,132)
EXPENDITURES				
Instruction	151,138,174	151,172,174	142,960,935	8,211,239
Support services	82,561,123	82,565,123	74,172,919	8,392,204
Operation of non-instructional services	5,589,551	5,589,551	5,144,118	445,433
Debt service	28,669,600	28,669,600	28,669,586	14
Refund of prior year revenues	-	-	192,043	(192,043)
TOTAL EXPENDITURES	267,958,448	267,996,448	251,139,601	16,856,847
EXCESS OF REVENUES OVER EXPENDITURES	5,698,999	5,660,999	19,511,714	13,850,715
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,789,000)	(7,789,000)	(4,054,345)	3,734,655
Budgetary reserve	(810,000)	(772,000)	-	772,000
TOTAL OTHER FINANCING SOURCES (USES)	(8,599,000)	(8,561,000)	(4,054,345)	4,506,655
NET CHANGE IN FUND BALANCE	\$ (2,900,001)	\$ (2,900,001)	15,457,369	\$ 18,357,370
FUND BALANCE AT BEGINNING OF YEAR			26,841,686	
FUND BALANCE AT END OF YEAR			\$ 42,299,055	

See accompanying note to the required supplementary information.

CENTRAL BUCKS SCHOOL DISTRICT

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2010

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, 2010

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)
7/1/2008	\$ -	\$ 38,759,208	\$ 38,759,208	0.00%	\$ 137,907,578	28.11%



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**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 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, 2010, which collectively comprise the Central Bucks School District's basic financial statements and have issued our report thereon dated February 9, 2011. 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

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Bucks School District's internal control 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 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 entity 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
February 9, 2011



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**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 Central Bucks School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Central Bucks School District's major federal programs for the year ended June 30, 2010. 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 Central Bucks School District'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Central Bucks School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2010.

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

INTERNAL CONTROL OVER COMPLIANCE

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Bucks School District's internal control over compliance.

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

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 entity 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
February 9, 2011

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

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<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, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
Title I - Low Income	84.010	013-070069	July 1, 2007 to September 30, 2008	\$ 716,393	\$ 286,489	\$ 286,489	\$ -	\$ -	\$ -
Title I - Low Income	84.010	013-080069	July 1, 2009 to September 30, 2010	522,605	552,605	-	552,605	552,605	-
Title I - Academic Achievement	84.010	077-070069	July 1, 2008 to September 30, 2010	9,000	6,000	6,000	-	-	-
Title I - Academic Achievement	84.010	077-090069	July 1, 2008 to September 30, 2011	9,000	1,800	-	9,000	9,000	7,200
Title III	84.365	010-060069	August 12, 2008 to September 30, 2009	13,257	1,894	1,894	-	-	-
Title III	84.365	010-070069	August 12, 2009 to September 30, 2010	39,320	22,937	-	39,320	39,320	16,383
Title II - Improving Teacher Quality	84.367	020-070069	July 1, 2008 to September 30, 2009	348,663	69,733	69,733	-	-	-
Title II - Improving Teacher Quality	84.367	020-080069	July 1, 2009 to September 30, 2010	347,179	300,888	-	347,179	347,179	46,291
Public Library - Improvement Services	45.310	202-909029	May 8, 2009 to May 31, 2010	35,000	32,308	(2,692)	35,000	35,000	-
Drug-Free Schools	84.186	100-080069	July 14, 2009 to September 30, 2010	40,467	40,467	-	35,357	35,357	(5,110)
Passed through the Pennsylvania Department of Public Welfare									
Access	93.778	44-007069	July 1, 2009 to June 30, 2010	9,633	9,633	-	9,633	9,633	-
Access	93.778	44-007069	July 1, 2009 to June 30, 2010	6,197	6,197	-	6,197	6,197	-
Access	93.778	44-007069	July 1, 2008 to June 30, 2009	10,592	6,112	10,592	(4,480)	(4,480)	-
Access	93.778	44-007069	July 1, 2009 to June 30, 2010	5,830	<u>5,830</u>	<u>-</u>	<u>5,830</u>	<u>5,830</u>	<u>-</u>
SUBTOTAL FORWARD					<u>\$ 1,342,893</u>	<u>\$ 372,016</u>	<u>\$ 1,035,641</u>	<u>\$ 1,035,641</u>	<u>\$ 64,764</u>

CENTRAL BUCKS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2009	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2010
U.S. DEPARTMENT OF EDUCATION									
SUBTOTAL FORWARDED					\$ 1,342,893	\$ 372,016	\$ 1,035,641	\$ 1,035,641	\$ 64,764
Passed through the Bucks County Intermediate Unit #22									
IDEA	84.027	62-060022	July 1, 2008 to June 30, 2009	\$ 2,461,138	723,235	723,235	-	-	-
IDEA	84.027	62-060022	July 1, 2009 to June 30, 2010	2,503,379	1,788,230	-	2,503,380	2,503,380	715,150
ARRA - IDEA - Part B Stimulus	84.391	128-100023	July 1, 2009 to June 30, 2011	2,967,698	1,176,408	25,281	1,358,555	1,358,555	207,428
ARRA - State Fiscal Stabilization	84.394	126-100069	July 1, 2009 to June 30, 2011	1,927,914	<u>1,606,595</u>	<u>-</u>	<u>1,927,914</u>	<u>1,927,914</u>	<u>321,319</u>
TOTAL FORWARD					<u>6,637,361</u>	<u>1,120,532</u>	<u>6,825,490</u>	<u>6,825,490</u>	<u>1,308,661</u>
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Pennsylvania Department of Education									
Food Nutrition Service	N/A	510	July 1, 2009 to June 30, 2010	N/A	117,607	-	143,509	143,509	25,902
Food Nutrition Service	N/A	510	July 1, 2008 to June 30, 2009	N/A	26,987	26,987	-	-	-
Food Nutrition Service	N/A	511	July 1, 2009 to June 30, 2010	N/A	2,625	-	3,270	3,270	645
Food Nutrition Service	N/A	511	July 1, 2008 to June 30, 2009	N/A	651	651	-	-	-
Food Nutrition Service	N/A	512	July 1, 2009 to June 30, 2010	N/A	18,373	-	22,483	22,483	4,110
Food Nutrition Service	N/A	512	July 1, 2008 to June 30, 2009	N/A	4,171	4,171	-	-	-
Food Nutrition Service	N/A	513	July 1, 2009 to June 30, 2010	N/A	263	-	327	327	64
Food Nutrition Service	N/A	513	July 1, 2008 to June 30, 2009	N/A	<u>65</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL FORWARD					\$ <u>170,742</u>	\$ <u>31,874</u>	\$ <u>169,589</u>	\$ <u>169,589</u>	\$ <u>30,721</u>

CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<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, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION									
TOTAL FORWARDED					\$ 6,637,361	\$ 1,120,532	\$ 6,825,490	\$ 6,825,490	\$ 1,308,661
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Pennsylvania Department of Education									
SUBTOTAL FORWARDED					170,742	31,874	169,589	169,589	30,721
Reg/Ndy Breakfast	10.553	365	July 1, 2009 to June 30, 2010	N/A	28,740	-	35,789	35,789	7,049
Reg/Ndy Breakfast	10.553	365	July 1, 2008 to June 30, 2009	N/A	6,225	6,225	-	-	-
Lunch Hi/Low	10.555	362	July 1, 2009 to June 30, 2010	N/A	584,548	-	713,128	713,128	128,580
Lunch Hi/Low	10.555	362	July 1, 2008 to June 30, 2009	N/A	117,203	117,203	-	-	-
Passed through the Pennsylvania Department of Agriculture									
Value of U.S.D.A. donated foods	10.555	N/A		N/A	271,423	(35,706)	304,608	304,608	(2,521)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					1,178,881	119,596	1,223,114	1,223,114	163,829
TOTAL FEDERAL AND STATE AWARDS					7,816,242	1,240,128	8,048,604	8,048,604	1,472,490
Less state awards					(170,742)	(31,874)	(169,589)	(169,589)	(30,721)
TOTAL FEDERAL AWARDS					\$ 7,645,500	\$ 1,208,254	\$ 7,879,015	\$ 7,879,015	\$ 1,441,769

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, 2010

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, 2010

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 awards 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 awards 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:

<u>Program</u>	<u>CFDA</u>
Special Education Cluster	84.027, 84.391
State Fiscal Stabilization Fund Cluster	84.394
Child Nutrition Cluster	10.553, 10.555

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.