

**COUNCIL ROCK SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

For the Year Ended June 30, 2011



# COUNCIL ROCK SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
COUNCIL ROCK SCHOOL DISTRICT  
Newtown, 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 COUNCIL ROCK SCHOOL DISTRICT, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of COUNCIL ROCK SCHOOL DISTRICT's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the COUNCIL ROCK SCHOOL DISTRICT as of June 30, 2011, 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 December 22, 2011, on our consideration of COUNCIL ROCK 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 the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3 through 17 and pages 53 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 COUNCIL ROCK SCHOOL DISTRICT's financial statements as a whole. The combining nonmajor fund financial statements and schedule of taxes collected are presented for purposes of additional analysis and are not a required part of the financial statements. 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 State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements, schedule of taxes collected and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 taken as a whole.

December 22, 2011

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, slightly slanted style.

**COUNCIL ROCK SCHOOL DISTRICT  
NEWTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2011**

The discussion and analysis of Council Rock School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **DISTRICT HIGHLIGHTS**

Council Rock School District is comprised of the municipal subdivisions of the Borough of Newtown and the Townships of Newtown, Northampton, Upper Makefield and Wrightstown in South Central Bucks County, Pennsylvania; and covers an area of approximately 71 square miles. The School District had an enrollment of 11,873 students in June, 2011. The School District employs approximately 897 professionals, 467 support staff and 49 administrators.

#### **Council Rock School District is very strong academically as evidenced by:**

- CR performance levels on the PSSA are consistently more than 20% above the state performance targets in all areas and at all grade levels.
- CR has had several schools receive National Blue Ribbon distinction.
- CR high schools' SAT scores exceed the 95<sup>th</sup> percentile in spite of the fact that over 90% of the population take the test!
- CR graduation rate is consistently above 99%!

Council Rock School District had 16 students attain the status of finalist in the National Merit Competition in the 2010-11 school year. The District had 49 students recognized in the 2011 National Merit Program.

The School District's athletic program excelled as well with 19 league team championships, 5 district team championships and 8 state championship place winners.

The School District's commitment to providing an excellent education for each student can be seen in the quality of programs and opportunities the School District maintains and supports.

## FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Upon analysis of the General Fund, actual **revenues and other financing sources** were lower than what was budgeted primarily due to less State Share of Retirement Contributions (since the actual rate was 5.64% vs. the budgeted rate of 8.22% of which 50% is reimbursed to the district). **Total General Fund revenues and other financing sources were under budget by \$1,193,250.**

Total actual **expenditures and other financing uses** for the General Fund were \$194,277,845. Overall expenditures and other financing uses were under budget by \$4,994,425. **Revenues exceeded expenditures by \$1,536,175.**

General Fund **Fund Balance Reserves** were increased in the 2010-11 school year by \$1,536,175 from \$26,400,463, to an ending Fund Balance of \$27,936,638. Of the \$27,936,638 ending Fund Balance, \$337,164 is nonspendable, \$7,477,408 is committed for the PSERS Rate Stabilization, \$3,889,000 is committed for self-insurance, \$3,127,924 is committed for Revenue Stabilization – Melsky Funds, \$4,000,000 is assigned for funding the 2011-2012 budget, and \$13,940 is assigned for outstanding encumbrances.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are district-wide financial statements that provide both short-terms and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements.
  - The **Governmental Funds** statements tell how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
  - **Proprietary Funds** statements offer short- and long-term financial information about the activities the School District operates like businesses, such as food services.

- **Fiduciary Funds** statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1**  
**Organization of the Council Rock School District**  
**Annual Financial Report**

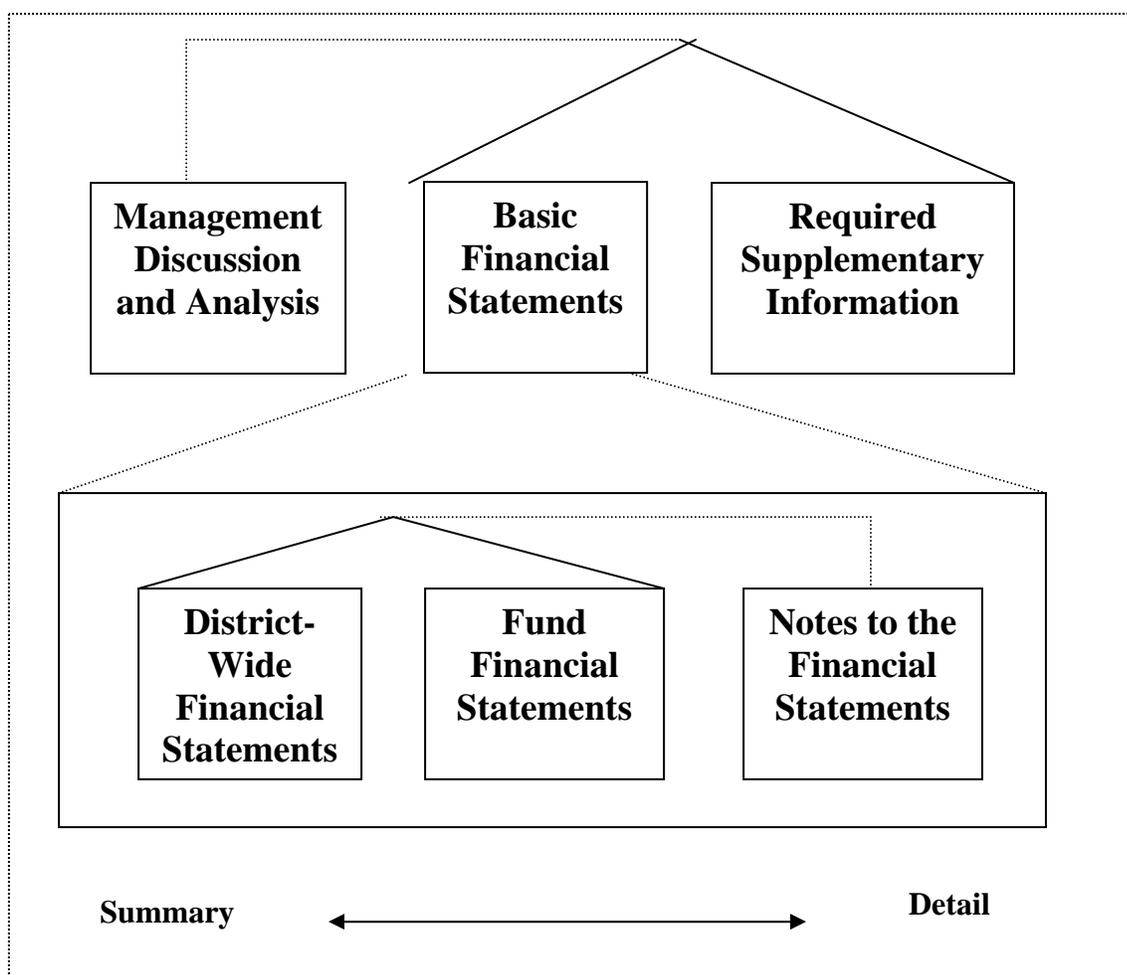


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of Management Discussion and Analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**Major Features of Council Rock School District's**  
**District-Wide and Fund Financial Statements**

	<b>Fund Statements</b>			
	<b>District-Wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private businesses – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required Financial Statements	Statement of Net Assets Statement of Activities	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net assets and how they have changed. Net assets, the difference between the School District's assets and liabilities, are one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental Activities:** All the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

## Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds.** Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011**

- **Proprietary Fund.** This fund is used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District’s Proprietary Fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds.** The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District’s other financial statement because the School District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The following tables reflect the condensed statements of net assets for 2011 and 2010.

The District’s total net assets were **\$54,932,797** at June 30, 2011.

**Table A-1  
 Condensed Statement of Net Assets  
 June 30, 2011**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
Current and Other Assets	\$ 71,722,284	\$ 611,883	\$ 72,334,167
Capital Assets	<u>156,097,581</u>	<u>567,115</u>	<u>156,664,696</u>
<b>Total Assets</b>	<b>\$ <u>227,819,865</u></b>	<b>\$ <u>1,178,998</u></b>	<b>\$ <u>228,998,863</u></b>
Current and Other Liabilities	\$ 22,741,162	\$ 242,038	\$ 22,983,200
Long Term Liabilities	<u>151,082,866</u>	-----	<u>151,082,866</u>
<b>Total Liabilities</b>	<b>\$ <u>173,824,028</u></b>	<b>\$ <u>242,038</u></b>	<b>\$ <u>174,066,066</u></b>
Net Assets			
Invested in Capital Assets, Net Of Related Debt	\$ 492,384	\$ 567,115	\$ 1,059,499
Unrestricted	<u>53,503,453</u>	<u>369,845</u>	<u>53,873,298</u>
<b>Total Net Assets</b>	<b>\$ <u>53,995,837</u></b>	<b>\$ <u>936,960</u></b>	<b>\$ <u>54,932,797</u></b>

**COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011**

Most of the School District's net assets are invested in capital assets (building, land, and equipment), or in the form of invested bond proceeds to be used for future capital expenditures.

The District's total net assets were **\$48,846,217** at June 30, 2010.

**Table A-2  
 Condensed Statement of Net Assets  
 June 30, 2010**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
Current and Other Assets	\$ 68,890,209	\$ 500,137	\$ 69,390,346
Capital Assets	<u>150,436,507</u>	<u>420,125</u>	<u>150,856,632</u>
<b>Total Assets</b>	<b>\$ <u>219,326,716</u></b>	<b>\$ <u>920,262</u></b>	<b>\$ <u>220,246,978</u></b>
Current and Other Liabilities	\$ 19,094,278	\$ 139,440	\$ 19,233,718
Long Term Liabilities	<u>152,167,043</u>	-----	<u>152,167,043</u>
<b>Total Liabilities</b>	<b>\$ <u>171,261,321</u></b>	<b>\$ <u>139,440</u></b>	<b>\$ <u>171,400,761</u></b>
Net Assets			
Invested in Capital Assets, Net Of Related Debt	\$ (7,895,890)	\$ 420,125	\$ (7,475,765)
Unrestricted	<u>55,961,285</u>	<u>360,697</u>	<u>56,321,982</u>
<b>Total Net Assets</b>	<b>\$ <u>48,065,395</u></b>	<b>\$ <u>780,822</u></b>	<b>\$ <u>48,846,217</u></b>

Most of the School District's net assets are invested in capital assets (building, land, and equipment), or in the form of invested bond proceeds to be used for future capital expenditures.

**Statement of Activities**

The results of this year's operations as a whole are reported in the Statement of Activities in the Financial Statements. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers. **Tables A-3 and A-4** take the information from the Statement of Activities and rearranges it slightly, so you can see our total revenues for the year. The following tables reflect the revenues and expenses for 2011 and 2010.

COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011

**Table A-3**  
**Changes in Net Assets**  
**Year Ended June 30, 2011**

<b>Revenues</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<u>Program Revenues</u>			
Charges for Services	\$ 724,798	\$ 3,377,264	\$ 4,102,062
Operating Grant and Contributions	21,810,262	422,134	22,232,396
<u>General Revenues</u>			
Property Taxes	138,404,962		138,404,962
Other Taxes	21,490,203		21,490,203
Investment Earnings	276,709	429	277,138
Grants & Entitlements	14,175,467		14,175,467
Other	<u>273,710</u>	<u>248,870</u>	<u>522,580</u>
<b>Total Revenues</b>	<b><u>197,156,111</u></b>	<b><u>4,048,697</u></b>	<b><u>201,204,808</u></b>
<b>Expenses</b>			
Instruction	125,851,724		125,851,724
Instructional Student Support	16,812,424		16,812,424
Administrative and Financial Support	9,206,089		9,206,089
Operation and Maintenance of Plant	12,156,892		12,156,892
Pupil Transportation	10,460,333		10,460,333
Student Activities	2,785,751		2,785,751
Community Services	159,811		159,811
Interest on Long-Term Debt	5,712,709		5,712,709
Unallocated Depreciation Expense	8,079,936		8,079,936
Food Services	-----	<u>3,892,559</u>	<u>3,892,559</u>
<b>Total Expenses</b>	<b><u>191,225,669</u></b>	<b><u>3,892,559</u></b>	<b><u>195,118,228</u></b>
<b>Change in Net Assets</b>	<b><u>5,930,442</u></b>	<b><u>156,138</u></b>	<b><u>6,086,580</u></b>
<b>Net Assets, Beginning</b>	<b><u>48,065,395</u></b>	<b><u>780,822</u></b>	<b><u>48,846,217</u></b>
<b>Net Assets, Ending</b>	<b>\$ <u>53,995,837</u></b>	<b>\$ <u>936,960</u></b>	<b>\$ <u>54,932,797</u></b>

COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011

**Table A-4**  
**Changes in Net Assets**  
**Year Ended June 30, 2010**

<b>Revenues</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<u>Program Revenues</u>			
Charges for Services	\$ 356,321	\$ 3,418,739	\$ 3,775,060
Operating Grant and Contributions	20,588,772	416,735	21,005,507
<u>General Revenues</u>			
Property Taxes	135,314,079		135,314,079
Other Taxes	20,886,080		20,886,080
Investment Earnings	588,961	547	589,508
Grants & Entitlements	13,897,516		13,897,516
Gain on Sale of Real Property	5,001,959		5,001,959
Other	213,953	-----	213,953
<b>Total Revenues</b>	<b><u>196,847,641</u></b>	<b><u>3,836,021</u></b>	<b><u>200,683,662</u></b>
<b>Expenses</b>			
Instruction	119,094,006		119,094,006
Instructional Student Support	15,825,355		15,825,355
Administrative and Financial Support	8,938,983		8,938,983
Operation and Maintenance of Plant	11,835,652		11,835,652
Pupil Transportation	9,282,287		9,282,287
Student Activities	2,889,483		2,889,483
Community Services	177,387		177,387
Interest on Long-Term Debt	6,412,343		6,412,343
Unallocated Depreciation Expense	7,991,652		7,991,652
Food Services	-----	3,810,027	3,810,027
<b>Total Expenses</b>	<b><u>182,447,148</u></b>	<b><u>3,810,027</u></b>	<b><u>186,257,175</u></b>
<b>Change in Net Assets</b>	<b>14,400,493</b>	<b>25,994</b>	<b>14,426,487</b>
<b>Net Assets, Beginning</b>	<b>32,820,347</b>	<b>754,828</b>	<b>33,575,175</b>
<b>Prior Period Adjustment</b>	<b><u>844,555</u></b>	<b>-----</b>	<b><u>844,555</u></b>
<b>Net Assets, Ending</b>	<b>\$ <u>48,065,395</u></b>	<b>\$ <u>780,822</u></b>	<b>\$ <u>48,846,217</u></b>

**General Fund Budget**

During the fiscal year, the Board of School Directors (the Board) approves revisions and transfers to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided as Supplementary Information in the Financial Statements.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues decreased by \$270,900 as a result of reduced grant allocations.

Budgeted expenditures and other financing uses also decreased this same amount to compensate for the grants reductions. Transfers between specific categories of expenditures/ financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

Significant variations between the original 2010-11 budget and the final year end budget were due to **budgetary transfers** done throughout the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Council Rock School District is projected to experience declining enrollment. As a result of this the District's Capital Plan has shifted from a Building Program to one involving additions and renovations to existing schools and the removal of modular classrooms throughout the District. Council Rock School District currently has 60 modular classrooms throughout the District.

**Capital Assets**

At June 30, 2011, the School District had \$156,097,581 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$5,661,074 from last year.

**Table A-5**  
**Governmental Activities**  
**Capital Assets – Net of Depreciation**

<b>Capital Assets</b>	<b>2011</b>	<b>2010</b>
Land	<b>\$17,190,306</b>	<b>\$17,190,306</b>
Buildings	<b>110,801,332</b>	<b>115,480,203</b>
Furniture and Equipment	<b>16,862,266</b>	<b>15,124,007</b>
Construction in Progress	<b>11,243,677</b>	<b>2,641,991</b>
<b>Total</b>	<b>\$156,097,581</b>	<b>\$150,436,507</b>

**COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011**

The construction in progress total mostly reflects the costs accumulated during the renovations at Holland Elementary School and Churchville Elementary School.

**DEBT ADMINISTRATION**

As of July 1, 2010, the School District had total outstanding bond principal of \$156,955,000. During the year, the School District issued additional debt of \$8,720,000 for construction. Payments against principal were \$10,315,000, resulting in ending outstanding debt as of June 30, 2011, of \$155,360,000.

**Table A-6  
 Outstanding Debt**

<b>Outstanding Debt</b>	<b>2011</b>	<b>2010</b>
General Obligation Bonds – 2001A	\$1,540,000	\$3,020,000
General Obligation Notes - Series A of 2004	1,700,000	2,400,000
General Obligation Notes - Series C of 2004	10,000,000	10,000,000
General Obligation Bonds – 2005	9,495,000	9,600,000
General Obligation Bonds – 2006	40,760,000	45,205,000
General Obligation Bonds – 2006A	25,055,000	25,180,000
General Obligation Bonds – 2007	8,785,000	8,790,000
General Obligation Bonds – 2008	7,845,000	7,850,000
General Obligation Bonds – 2009	9,905,000	9,935,000
General Obligation Bonds – 2009A	13,320,000	13,325,000
General Obligation Bonds – 2010	18,235,000	21,650,000
General Obligation Bonds – 2010A	<u>8,720,000</u>	<u>0</u>
<b>Total</b>	<b>\$155,360,000</b>	<b>\$156,955,000</b>

Other obligations include compensated absences (accrued vacation pay and sick leave for specific employees of the School District), postemployment benefits, and capital lease obligations for technology equipment and computer software. More detailed information about our long-term liabilities is included in the notes to the financial statements.

**COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011**

The comparison of revenue and expenditure categories is as follows:

**Table A-7  
 Budgeted Revenues**

<b>Budgeted Revenues</b>	<b>2011</b>	<b>2010</b>
Local	79.3%	79.7%
State	18.7%	18.3%
Federal/Other	2.0%	2.0%

**Budgeted Expenditures**

<b>Budgeted Expenditures</b>	<b>2011</b>	<b>2010</b>
Instruction	64.2%	65.2%
Support Services	25.6%	25.9%
Non-Instruction/Community	.6%	.5%
Fund Transfers/Debt	9.6%	8.4%

**LABOR RELATIONS**

The professional staff of Council Rock School District is represented by the Council Rock Education Association (CREA), an affiliation of the Pennsylvania State Teachers' Association (PSEA). The current agreement expires August 31, 2012.

The support staff is also represented by a collective bargaining agreement. The agreement between Council Rock School District and the Council Rock Educational Support Personnel Association (CRESPA) expires June 30, 2012.

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The School District has an agreement with the Teachers' Union, Council Rock Education Association (CREA) that extends through 2012. Increases are as follows:

2011-12      2.75%

- Act 1 – Taxpayer Relief Act, beginning in the 2007-08 fiscal year will require the School Board to seek voter approval through a back end referendum for tax rate increases over an annually determined “index.”

**COUNCIL ROCK SCHOOL DISTRICT  
 NEWTOWN, PENNSYLVANIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 June 30, 2011**

- Employer Contribution Rates for the Public Employees' Retirement System are projected to change as follows:

	<u>Rate</u>
2010 to 2011	5.64%
2011 to 2012	8.65%
2012 to 2013	12.19%
2013 to 2014	16.69%
2014 to 2015	21.18%
2015 to 2016	23.66%

- An Ending 2010-11 Fund Balance of 14.38% of Final Expenditures is more than the 8% of the recommended limit. The 2011-12 Adopted Budget anticipates using \$4,000,000 of the Fund Balance. There are also commitments of fund balance for PSERS liability of \$7,477,408, for self-insurance of \$3,889,000, and for revenue stabilization – Melsky Funds of \$3,127,924. There is also an assignment of fund balance for encumbrances of \$13,940.
- Approximately 91% of Council Rock School District's tax base is residential putting a large burden of the cost of education both locally and through the residential taxpayer.
- Our Food Service Fund had a net profit of \$156,138 in the 2010-2011 school year. The Food Service account had Net Assets of \$936,960 at June 30, 2011. Unfortunately \$567,115 is invested in Capital Assets leaving only \$369,845 for unrestricted use.
- Growth in Earned Income Tax Revenues is as follows:

	<u>Revenue</u>	<u>Percent Increase(Decrease)</u>
1998 to 1999	\$ 8,890,244	- -
1999 to 2000	\$ 9,141,765	2.8%
2000 to 2001	\$ 9,548,543	4.4%
2001 to 2002	\$10,201,874	6.8%
2002 to 2003	\$10,486,975	(1.2%)
2003 to 2004	\$10,453,435	(0.3%)
2004 to 2005	\$11,067,610	5.9%
2005 to 2006	\$11,795,055	6.5%
2006 to 2007	\$14,316,294	21.3%
2007 to 2008	\$13,349,307	(6.8%)
2008 to 2009	\$12,991,216	(2.7%)
2009 to 2010	\$12,962,731	(.2%)
2010 to 2011	\$12,741,572	(1.7%)

## STRATEGIC PLAN

In February 2006, the **Council Rock School District** initiated a strategic planning process to set the broad directions for the District for the next six years (2006-2012). A Strategic Planning Core Team, made up of 38 Council Rock parents, students, community members, teachers, staff, and administrators, met for many months to develop the plan. In addition, a number of “reality check” discussions were held with larger groups of Council Rock stakeholders to elicit their input and feedback.

Council Rock School District's **blueprint** for making a difference for every student every day consists of four essential components.

1. A challenging **Goal** – statements of our highest aspirations for our district, our students and our staff.
2. **Six Yardsticks of Student Success** – the measurers of student progress toward the goal.
3. Our **Mission** – an articulation of our central purpose as an organization; a statement of our “reason for being.”
4. **Six High-Leverage Practices** – the strategic priorities the district will pursue to achieve our goal. They define the capabilities we need, must develop, and must implement well in order to achieve desired results. The six high-leverage practices are:
  - **Excellence in Teaching & Learning**
  - **Culture of Continuous Professional Learning**
  - **Leadership for Results**
  - **Engaging the Community**
  - **Facilities & Financial Resources**
  - **Educational & Informational Technology**

Together, these four essential components produce a **Blueprint for Excellence** that is both responsive and accountable to the community's expectations.

This six-year strategic plan has been fitted to the needs of the community and the students it serves, while keeping in sight the challenges that lie ahead. When fully implemented, the plan will strengthen the performance outcomes for every student, teacher, administrator, and staff member at all levels of our school system. It will position Council Rock as a premier school district in the country.

**COUNCIL ROCK SCHOOL DISTRICT  
NEWTOWN, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2011**

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Robert Reinhart, Business Administrator/Treasurer, Council Rock School District, 30 North Chancellor Street, Newtown, PA 18940 (215) 944-1000.

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**COUNCIL ROCK SCHOOL DISTRICT**

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 41,885,515	\$ 371,803	\$ 42,257,318
Investments	18,112,498	103,863	18,216,361
Deposits	5,067	-	5,067
Taxes receivable, net	5,830,083	-	5,830,083
Due from other governments	2,174,210	47,345	2,221,555
Other receivables	1,198,290		1,198,290
Inventories	72,677	88,872	161,549
Prepaid expenses	264,487	-	264,487
<b>Total Current Assets</b>	<u>69,542,827</u>	<u>611,883</u>	<u>70,154,710</u>
Noncurrent Assets:			
Deferred charges, net of accumulated amortization of \$918,671	2,179,457	-	2,179,457
Land and improvements	17,190,306	-	17,190,306
Construction in progress	11,243,677	-	11,243,677
Buildings and building improvements	185,914,816	-	185,914,816
Furniture and equipment	60,893,948	2,410,521	63,304,469
Accumulated depreciation	(119,145,166)	(1,843,406)	(120,988,572)
<b>Total Noncurrent Assets</b>	<u>158,277,038</u>	<u>567,115</u>	<u>158,844,153</u>
<b>TOTAL ASSETS</b>	<u>\$ 227,819,865</u>	<u>\$ 1,178,998</u>	<u>\$ 228,998,863</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 8,038,233	\$ 214,212	\$ 8,252,445
Due to other governments	2,098,184	-	2,098,184
Accrued salaries and benefits	361,423	-	361,423
Accrued interest	1,063,931	-	1,063,931
Deferred revenue	52,877	27,826	80,703
Portion due or payable within one year			
Bonds and notes payable	10,787,563	-	10,787,563
Accumulated compensated absences	338,951	-	338,951
<b>Total Current Liabilities</b>	<u>22,741,162</u>	<u>242,038</u>	<u>22,983,200</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds and notes payable in future years	144,817,634	-	144,817,634
Estimated insurance claims	903,056	-	903,056
Accumulated compensated absences	3,050,561		3,050,561
Postemployment healthcare benefits payable	2,311,615	-	2,311,615
<b>Total Long-term Liabilities</b>	<u>151,082,866</u>	<u>-</u>	<u>151,082,866</u>
<b>TOTAL LIABILITIES</b>	<u>173,824,028</u>	<u>242,038</u>	<u>174,066,066</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	492,384	567,115	1,059,499
Unrestricted	53,503,453	369,845	53,873,298
<b>TOTAL NET ASSETS</b>	<u>53,995,837</u>	<u>936,960</u>	<u>54,932,797</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 227,819,865</u>	<u>\$ 1,178,998</u>	<u>\$ 228,998,863</u>

See accompanying notes to the basic financial statements

**COUNCIL ROCK SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
Instruction			
Regular programs	\$ 83,212,848	\$ 235,008	\$ 4,175,262
Special programs	39,207,971	-	11,731,515
Vocational programs	1,666,005	-	-
Other instructional programs	1,764,900	5,074	275,126
Support services			
Pupil personnel services	5,656,496	-	269,369
Instructional staff services	5,595,376	-	640,823
Administrative services	7,791,602	-	114,568
Pupil health	2,411,125	-	556,689
Business services	1,414,487	-	65,078
Operation and maintenance of plant services	12,156,892	274,033	197,594
Student transportation services	10,460,333	-	2,288,180
Central services	3,052,240	-	90,366
Other support services	97,187	-	-
Operation of non-instructional services			
Student Activities	2,785,751	69,025	113,537
Community Services	159,811	141,658	5,525
Interest on long-term debt	5,712,709	-	1,286,630
Depreciation, unallocated	8,079,936	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>191,225,669</b>	<b>724,798</b>	<b>21,810,262</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Food service	3,892,559	3,377,264	422,134
	<u>\$ 195,118,228</u>	<u>\$ 4,102,062</u>	<u>\$ 22,232,396</u>

**GENERAL REVENUES**

- Property taxes, levied for general purposes
- Earned income, personal, per capita and occupation taxes
- Public utility taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET ASSETS**

**NET ASSETS AT BEGINNING OF YEAR**

**NET ASSETS AT END OF YEAR**

Net (Expense) Revenues and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (78,802,578)	\$ -	\$ (78,802,578)
(27,476,456)	-	(27,476,456)
(1,666,005)	-	(1,666,005)
(1,484,700)	-	(1,484,700)
(5,387,127)	-	(5,387,127)
(4,954,553)	-	(4,954,553)
(7,677,034)	-	(7,677,034)
(1,854,436)	-	(1,854,436)
(1,349,409)	-	(1,349,409)
(11,685,265)	-	(11,685,265)
(8,172,153)	-	(8,172,153)
(2,961,874)	-	(2,961,874)
(97,187)	-	(97,187)
(2,603,189)	-	(2,603,189)
(12,628)	-	(12,628)
(4,426,079)	-	(4,426,079)
(8,079,936)	-	(8,079,936)
(168,690,609)	-	(168,690,609)
-	(93,161)	(93,161)
(168,690,609)	(93,161)	(168,783,770)
138,404,962	-	138,404,962
21,280,224	-	21,280,224
209,979	-	209,979
14,175,467	-	14,175,467
276,709	429	277,138
273,710	248,870	522,580
174,621,051	249,299	174,870,350
5,930,442	156,138	6,086,580
48,065,395	780,822	48,846,217
\$ 53,995,837	\$ 936,960	\$ 54,932,797

**COUNCIL ROCK SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2011

	<u>General Fund</u>	<u>Construction Bond Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,268,421	\$ 2,601,757	\$ 6,015,337	\$ 41,885,515
Investments	3,357,206	13,265,839	1,489,453	18,112,498
Deposit	-	-	5,067	5,067
Taxes receivable, net	5,830,083	-	-	5,830,083
Due from other governments	2,174,210	-	-	2,174,210
Interfund receivables	-	-	3,220,359	3,220,359
Prepaid expenditures	264,487	-	-	264,487
Inventory	72,677	-	-	72,677
Other receivables	1,198,290	-	-	1,198,290
<b>TOTAL ASSETS</b>	<b><u>\$ 46,165,374</u></b>	<b><u>\$ 15,867,596</u></b>	<b><u>\$ 10,730,216</u></b>	<b><u>\$ 72,763,186</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 7,316,988	\$ 4,718	\$ 716,527	\$ 8,038,233
Interfund payables	3,220,359	-	-	3,220,359
Due to other governments	2,098,184	-	-	2,098,184
Accrued salaries and benefits	361,423	-	-	361,423
Deferred revenue	5,231,782	-	-	5,231,782
<b>TOTAL LIABILITIES</b>	<b><u>18,228,736</u></b>	<b><u>4,718</u></b>	<b><u>716,527</u></b>	<b><u>18,949,981</u></b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenditures	264,487	-	-	264,487
Inventory	72,677	-	-	72,677
Committed:				
PSERS retirement rate increase	7,477,408	-	-	7,477,408
Self-insured health insurance	3,889,000	-	-	3,889,000
Offset tax increases	3,127,924	-	-	3,127,924
Assigned:				
Funding for next year's budget	4,000,000	-	-	4,000,000
Outstanding encumbrances	13,940	-	-	13,940
Capital projects	-	15,862,878	10,064,144	25,927,022
Unassigned	9,091,202	-	(50,455)	9,040,747
<b>TOTAL FUND BALANCES</b>	<b><u>27,936,638</u></b>	<b><u>15,862,878</u></b>	<b><u>10,013,689</u></b>	<b><u>53,813,205</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 46,165,374</u></b>	<b><u>\$ 15,867,596</u></b>	<b><u>\$ 10,730,216</u></b>	<b><u>\$ 72,763,186</u></b>

**COUNCIL ROCK SCHOOL DISTRICT**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES \$ 53,813,205

Amounts reported for governmental activities on the statement of net assets are different because of the following:

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

Land and improvements	17,190,306
Construction in progress	11,243,677
Buildings and building improvements	185,914,816
Furniture and equipment	60,893,948
Accumulated depreciation	(119,145,166)

Some of the 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

5,178,905

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

Deferred Charges net of amortization	2,179,457
Bond Premium and Discount, net of amortization	(245,197)

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 on bonds	(1,063,931)
Bonds and notes payable	(155,360,000)
Estimated insurance claims	(903,056)
Accumulated compensated absences	(3,389,512)
Postemployment healthcare benefits payable	(2,311,615)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 53,995,837

**COUNCIL ROCK SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Construction Bond Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
REVENUES				
Local sources	\$ 156,154,836	\$ 113,481	\$ 90,919	\$ 156,359,236
State sources	34,912,564	-	-	34,912,564
Federal sources	4,746,620	-	-	4,746,620
TOTAL REVENUES	<u>195,814,020</u>	<u>113,481</u>	<u>90,919</u>	<u>196,018,420</u>
EXPENDITURES				
Instruction	124,935,828	-	-	124,935,828
Support services	50,591,120	118,177	-	50,709,297
Operation of non-instructional services	2,929,370	-	-	2,929,370
Capital outlay	-	3,726,166	8,622,618	12,348,784
Debt service:				
Interest	5,506,527	-	-	5,506,527
Principal	10,315,000	-	-	10,315,000
TOTAL EXPENDITURES	<u>194,277,845</u>	<u>3,844,343</u>	<u>8,622,618</u>	<u>206,744,806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,536,175</u>	<u>(3,730,862)</u>	<u>(8,531,699)</u>	<u>(10,726,386)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,820,924	9,657,761	12,478,685
Transfers out	-	(8,605,969)	(3,872,716)	(12,478,685)
Proceeds from sale of bonds	-	8,720,000	-	8,720,000
Discount paid on bonds	-	(19,615)	-	(19,615)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,915,340</u>	<u>5,785,045</u>	<u>8,700,385</u>
NET CHANGE IN FUND BALANCE	1,536,175	(815,522)	(2,746,654)	(2,026,001)
FUND BALANCE AT BEGINNING OF YEAR				
As previously reported (restated*)	26,400,463	18,325,234	11,113,509	55,839,206
Adjustment (See note K)	-	(1,646,834)	1,646,834	-
FUND BALANCE AT BEGINNING OF YEAR, AS ADJUSTED	<u>26,400,463</u>	<u>16,678,400</u>	<u>12,760,343</u>	<u>55,839,206</u>
FUND BALANCE AT END OF YEAR	<u>\$ 27,936,638</u>	<u>\$ 15,862,878</u>	<u>\$ 10,013,689</u>	<u>\$ 53,813,205</u>

\* Beginning of year fund balance restated for change in accounting principle to conform to GASB #54

**COUNCIL ROCK SCHOOL DISTRICT**

RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,026,001)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capital outlays:</p>	
Capital outlay	13,741,010
Depreciation expense	(8,079,936)
<p>Because some taxes will not be collected for several months after year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.</p>	
	1,137,691
<p>Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
	10,156,088
<p>Capital lease payments are an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.</p>	
	1,084,926
<p>Proceeds of long-term debt, including capital leases, are recorded as an other financing source for governmental funds but the proceeds increase long-term liabilities in the Statement of Net Assets.</p>	
	(8,700,385)
<p>Deferred charges are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the lives of debt instruments as amortization expense.</p>	
	118,177
<p>In the Statement of Net Assets, certain operating expenses - compensated absences (vacations and sick leave) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	(164,643)
<p>On the Statement of Activities the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.</p>	
	(386,159)
<p>On the Statement of Activities the projected long term expenditure for incurred but not reported insurance claims are reported, whereas on the governmental funds only the actual expenditures are recorded for health insurance claims.</p>	
	(903,056)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the statement of activities.</p>	
	<u>(47,270)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,930,442</u>

See accompanying notes to the basic financial statements

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND

JUNE 30, 2011

	<u>Enterprise Fund</u>
	Food
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 371,803
Investments	103,863
Due from other governments	47,345
Inventories	88,872
	<hr/>
TOTAL CURRENT ASSETS	611,883
	<hr/>
PROPERTY AND EQUIPMENT	2,410,521
Accumulated Depreciation	(1,843,406)
	<hr/>
PROPERTY AND EQUIPMENT, Net	567,115
	<hr/>
TOTAL ASSETS	<u>\$ 1,178,998</u>
	<hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 214,212
Deferred revenue	27,826
	<hr/>
TOTAL CURRENT LIABILITIES	242,038
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	567,115
Unrestricted	369,845
	<hr/>
TOTAL NET ASSETS	936,960
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,178,998</u>
	<hr/>

See accompanying notes to the basic financial statements

**COUNCIL ROCK SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund</u> Food Service Fund
OPERATING REVENUES	
Food service revenue	\$ 3,377,264
OPERATING EXPENSES	
Food service management	3,641,524
Repairs and maintenance	3,878
Supplies	142,823
Depreciation	104,334
TOTAL OPERATING EXPENSES	<u>3,892,559</u>
OPERATING LOSS	<u>(515,295)</u>
NONOPERATING REVENUES	
Earnings on investments	429
State sources	47,033
Federal sources	375,101
TOTAL NONOPERATING REVENUES	<u>422,563</u>
CAPITAL CONTRIBUTION	<u>248,870</u>
CHANGE IN NET ASSETS	<u>156,138</u>
NET ASSETS AT BEGINNING OF YEAR	<u>780,822</u>
NET ASSETS AT END OF YEAR	<u>\$ 936,960</u>

See accompanying notes to the basic financial statements

**COUNCIL ROCK SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,377,264
Payments to suppliers	<u>(3,672,798)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(295,534)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	47,496
Federal sources	<u>370,456</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>417,952</u>
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of equipment	<u>(2,454)</u>
NET CASH USED BY CAPITAL ACTIVITIES	<u>(2,454)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	429
Purchases of investments, net of redemptions	<u>(48)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>381</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	120,345
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>251,458</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 371,803</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (515,295)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	104,334
(Increase) decrease in assets:	
Inventory	8,155
Increase (decrease) in liabilities:	
Accounts payable	<u>107,272</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (295,534)</u>
Schedule of noncash noncapital financing activities	
Donated commodities received	\$ 138,150
Donated commodities used	<u>\$ 142,823</u>
Contributed capital assets	<u>\$ 248,870</u>

See accompanying notes to the basic financial statements

**COUNCIL ROCK SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

JUNE 30, 2011

	<u>Nonexpendable Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 753,871
Investments	<u>28,242</u>	<u>67,907</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,242</u>	<u>\$ 821,778</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Other current liabilities	<u>\$ -</u>	<u>\$ 821,778</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>821,778</u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>28,242</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 28,242</u>	<u>\$ 821,778</u>

See accompanying notes to the basic financial statements

**COUNCIL ROCK SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Nonexpendable Trust Fund</u>
ADDITIONS	
Local contributions	\$ 10,000
Interest earnings	318
TOTAL ADDITIONS	<u>10,318</u>
DEDUCTIONS	
Scholarships	<u>11,500</u>
CHANGE IN NET ASSETS	(1,182)
NET ASSETS AT BEGINNING OF YEAR	<u>29,424</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 28,242</u></u>

See accompanying notes to the basic financial statements

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Council Rock School District (the "School District") is located in Newtown, Pennsylvania. The School District's tax base includes Bucks County and consists of the following townships and boroughs: Newtown Borough, Newtown Township, Northampton Township, Wrightstown Township and Upper Makefield Township.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such district who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools or to pay any school indebtedness which the School District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949 as amended.

The financial statements of the School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Fund provided they do not conflict with or contradict GASB pronouncements. Pronouncements of the FASB issued after November 30, 1989, are not applied in the preparation of the financial statements of the Proprietary Fund.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

The most significant of the School District's accounting policies are described below.

#### **Reporting Entity**

In evaluating the School District as a reporting entity, management has addressed all potential component units for which the School District may or may not be financially accountable, and, as such, be includable within the School District's financial statements. In accordance with GASB Statement No. 14, the School District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the School District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

The tax collectors are elected officers who collect taxes on behalf of the municipalities in the School District and for the School District in the county. The School District regards the tax collectors' offices as separate entities and, therefore, does not account for their activity in the financial statements.

#### **Basis of Presentation and Accounting**

##### ***Government-Wide Financial Statements***

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds 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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### ***Basis of Presentation and Accounting, continued***

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. Expenses reported for functional activities include allocated indirect expenses.

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. 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 30 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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### ***Basis of Presentation and Accounting, continued***

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 total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The School District defines operating revenues as revenues which are a result of providing services and producing and delivering goods in connection with its principal proprietary operations. All other revenues are considered nonoperating.

Fiduciary 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.

#### ***Governmental Funds***

Governmental Funds are those through which most governmental functions of the School District are financed. The acquisition, use and balance of the School District's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the School District's Major Governmental Funds:

#### ***General Fund***

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

#### ***Construction Bond Fund***

The construction bond fund is used to account for the acquisition, construction and renovation of major capital facilities and their related assets.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### **Proprietary Fund**

##### ***Enterprise (Food Service) Fund***

The Enterprise Fund accounts for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB.

#### **Fiduciary Funds**

##### ***Non-Expendable Trust Fund***

The Non-Expendable Trust Fund accounts for assets held by the School District in a trustee capacity or as an agent on behalf of others. The Non-Expendable Trust Fund accounts for assets held by the School District under the terms of a formal trust agreement that restricts the spending of the trust principal.

##### ***Agency Fund***

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with original maturities of 30 days or less when purchased to be cash equivalents.

#### **Investments**

Investments are valued at fair value.

#### **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.”

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Inventories**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at the U.S.D.A.'s approximate cost. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditure when consumed rather than when purchased.

**Deferred Charges**

Deferred charges consist of bond issue costs, which are amortized over the life of the bonds.

**Capital Assets**

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 capital assets as assets with an initial, individual cost equal to or greater than \$5,000 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such 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 cost 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>
Site improvements	15-20
Buildings and building improvements	20-40
Furniture and equipment	5-20

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. 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 both 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 the 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 issue 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 issuance 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

The School District’s policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net 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 and regulations of other governments.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### **Fund Balance**

The District implemented GASB Statement No. 54 for the year ending June 30, 2011. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (board motion) of the school board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment.

*Assigned fund balance.* This classification reflects amounts constrained by the school’s “intent” to be used for specific purposes, but are neither restricted nor committed. The school board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fund Balance, continued**

*Use of fund balance.* The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed.

**Property Taxes**

School taxes attach as an enforceable lien on property when levied. Taxes are levied on July 1 and are payable on or before October 31. Taxes paid prior to September 1 are payable at a 2% discount, and taxes paid after October 31 are assessed at a 10% penalty. The School District has five independently elected tax collectors to bill and collect school taxes. Assessed values are established by the county by using square footage, market value and "like-kind" property comparisons. Any unpaid real estate taxes are lienied by December 31 with the county.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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**

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

The School District's cash and cash investments consist of deposits with financial institutions and U.S. Government and agency securities.

**Custodial Credit Risk-Deposits**

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. As of June 30, 2011, \$45,476,773 of the School District's bank balance of \$46,976,773 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>\$ 45,476,773</u>
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**COUNCIL ROCK SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOTE C INVESTMENTS**

Under Section 440.1 of the Public School Act of 1949, as amended, the School District is permitted 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 investments consist of deposits with financial institutions and U.S. Government and agency securities.

As of June 30, 2011, the School District had the following investments:

Investment Type	Fair Value
State investment pools	\$ 17,968,417

**Custodial Credit Risk-Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s value. The School District’s investment policy limits investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2011, the District’s investments had the following maturities:

Investment Type	Less than 1 Year
State investment pools	\$ 17,968,417

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE C INVESTMENTS, continued

#### **Credit Risk**

The School District has no investment policy that would limit its investment choices to certain credit ratings; however, the primary objective of the policy is ensuring safety through the mitigation of credit risk. The School District's deposit policy in priority order is as follows:

#### ***Safety***

Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.

#### ***Liquidity***

Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible with maturities concurrent with anticipated cash demands.

#### ***Yield***

Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

#### ***Collateralization***

Full collateralization, at a minimum of 102% of market value, shall be reported on the principal amounts of all certificates of deposit in excess of \$250,000 and all repurchase agreements to the School District on a quarterly basis.

#### ***Investment Pools***

The School District may participate in investment pools that have been organized in accordance with the provisions of Section 3 of the Pennsylvania Inter-governmental Cooperation Act No. 180 of the 1972 General Assembly and Section 521 of Article V of Act No. 14 of the 1949 Session of the General Assembly of the Commonwealth of Pennsylvania, as amended.

As of June 30, 2011, the School District's investment in the state investment pools was rated AAA by Standard and Poor's.

**COUNCIL ROCK SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOTE D TAXES RECEIVABLE**

Taxes receivable at June 30, 2011, consist of the following:

Earned income taxes	\$ 3,048,536
Local services taxes	58,350
Delinquent real estate taxes	2,485,432
Per capita/occupation taxes	<u>237,765</u>
	<u>\$ 5,830,083</u>

The School District considers all receivables fully collectible. Therefore, no allowance for doubtful accounts has been established.

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

The following is a summary of interfund receivables and payables at June 30, 2011:

**Due to/from Other Funds**

	Interfund Receivables	Interfund Payables
General fund	\$ -	\$ 3,220,359
Non- major funds	<u>3,220,359</u>	<u>-</u>
	<u>\$ 3,220,359</u>	<u>\$ 3,220,359</u>

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**Interfund Transfers**

	Transfers to Other Funds	Transfers from Other Funds
Construction Bond Fund	\$ 8,605,969	\$ 2,820,924
Non-Major Funds	<u>3,872,716</u>	<u>9,657,761</u>
	<u>\$ 12,478,685</u>	<u>\$ 12,478,685</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 17,190,306	\$	\$	\$ 17,190,306
Construction in progress	<u>2,641,991</u>	<u>8,618,382</u>	<u>16,696</u>	<u>11,243,677</u>
Total capital assets not being depreciated	<u>19,832,297</u>	<u>8,618,382</u>	<u>16,696</u>	<u>28,433,983</u>
Capital assets being depreciated:				
Buildings and improvements	185,898,120	16,696	-	185,914,816
Furniture and equipment	<u>55,771,320</u>	<u>5,122,628</u>	<u>-</u>	<u>60,893,948</u>
Total capital assets being depreciated	<u>241,669,440</u>	<u>5,139,324</u>	<u>-</u>	<u>246,808,764</u>
Less accumulated depreciation:				
Buildings and improvements	70,417,917	4,695,567	-	75,113,484
Furniture and equipment	<u>40,647,313</u>	<u>3,384,369</u>	<u>-</u>	<u>44,031,682</u>
Total accumulated depreciation	<u>111,065,230</u>	<u>8,079,936</u>	<u>-</u>	<u>119,145,166</u>
Total capital assets being depreciated, net	<u>130,604,210</u>	<u>(2,940,612)</u>	<u>-</u>	<u>127,663,598</u>
Governmental Activities Capital Assets, net	<u>\$ 150,436,507</u>	<u>\$ 5,677,770</u>	<u>\$ 16,696</u>	<u>\$ 156,097,581</u>
<u>Business-type Activities:</u>				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,159,197	\$ 251,324	\$ -	\$ 2,410,521
Accumulated depreciation	<u>(1,739,072)</u>	<u>(104,334)</u>	<u>-</u>	<u>(1,843,406)</u>
Business-type Activities Capital Assets, net	<u>\$ 420,125</u>	<u>\$ 146,990</u>	<u>\$ -</u>	<u>\$ 567,115</u>

The book value of each capital asset category for governmental activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Capital assets not being depreciated:			
Land and improvements	\$ 17,190,306	\$ -	\$ 17,190,306
Construction in progress	11,243,677	-	11,243,677
Capital assets being depreciated:			
Buildings and improvements	185,914,816	(75,113,484)	110,801,332
Furniture and equipment	<u>60,893,948</u>	<u>(44,031,682)</u>	<u>16,862,266</u>
	<u>\$ 275,242,747</u>	<u>\$ (119,145,166)</u>	<u>\$ 156,097,581</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE G COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

#### Compensated Absences

The School District's policy regarding compensated absences is as follows:

**Support Staff** - Upon retirement, a qualified employee who has worked for the School District for ten years before retirement is paid for accumulated unused sick time at a rate of \$8.79 per hour up to a cap of \$7,500. Sick time is earned at a rate of one day per month worked. Vacation time is paid at the rate of earnings upon retirement, and a maximum of the last two years vacation time may be carried and paid.

**Teachers** - Upon retirement, teachers are paid for sick time at a rate which equals 75% of the per diem rate paid to substitute teachers up to a maximum of \$5,000. Additionally, any unpaid sick time in excess of the \$5,000 cap which cannot be paid in cash can be applied as a credit toward payments on retiree health insurance.

**Administrators** - Upon retirement, administrative personnel are paid for sick time at a rate of \$30 per day.

### NOTE H CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities from governmental activities of the School District for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Outstanding June 30, 2011	Due within One year
General Obligation Bonds - 2001A	\$ 3,020,000	\$ -	\$ 1,480,000	\$ 1,540,000	\$ 1,540,000
General Obligation Bonds - 2005	9,600,000	-	105,000	9,495,000	110,000
General Obligation Notes - 2005	12,400,000	-	700,000	11,700,000	700,000
General Obligation Bonds - 2006	45,205,000	-	4,445,000	40,760,000	5,195,000
General Obligation Bonds - 2006A	25,180,000	-	125,000	25,055,000	130,000
General Obligation Bonds - 2007	8,790,000	-	5,000	8,785,000	5,000
General Obligation Bonds - 2008	7,850,000	-	5,000	7,845,000	5,000
General Obligation Bonds - 2009	9,935,000	-	30,000	9,905,000	745,000
General Obligation Bonds - 2009A	13,325,000	-	5,000	13,320,000	5,000
General Obligation Bonds - 2010	21,650,000	-	3,415,000	18,235,000	2,320,000
General Obligation Bonds - 2010A	-	8,720,000	-	8,720,000	5,000
	156,955,000	8,720,000	10,315,000	155,360,000	10,760,000
Net Discount/Premium	292,471	(19,615)	27,659	245,197	27,563
	157,247,471	8,700,385	10,342,659	155,605,197	10,787,563
Capital Leases	1,084,926		1,084,926	-	
Compensated Absences	3,224,869	164,643		3,389,512	338,951
	<u>\$ 161,557,266</u>	<u>\$ 8,865,028</u>	<u>\$ 11,427,585</u>	<u>\$ 158,994,709</u>	<u>\$ 11,126,514</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE H CHANGES IN LONG-TERM LIABILITIES, continued

Bonds and Notes payable at June 30, 2011 consist of:

General Obligation Bonds Series of 2001A - Principal amount of \$6,670,000, bearing interest from 3.400% to 5.375%, payable semi-annually on November 15 and May 15.	\$ 1,540,000
General Obligation Bonds Series of 2005 - Original principal amount of \$10,000,000, maturing November 15, 2018, bearing interest from 2.25% to 4.00%. Interest is payable semi-annually on November 15 and May 15.	9,495,000
General Obligation Notes Series of 2005 - Original principal amount of \$15,000,000, maturing August 1, 2023, variable interest with a maximum rate of 15.55%. Interest is payable monthly.	11,700,000
General Obligation Bonds Series of 2006 - Original principal amount of \$50,710,000, maturing November 15, 2017, bearing interest from 3.25% to 4.00%. Interest is payable semi-annually on November 15 and May 15.	40,760,000
General Obligation Bonds Series A of 2006 - Original principal amount of \$25,420,000, maturing February 15, 2024, bearing interest from 4.0% to 4.5%. Interest is payable semi-annually on August 15 and February 15.	25,055,000
General Obligation Bonds Series of 2007 - Original principal amount of \$8,800,000, maturing February 15, 2022, bearing interest from 3.5% to 4.0%. Interest is payable semi-annually on August 15 and February 15.	8,785,000
General Obligation Bonds Series of 2008 - Original principal amount of \$8,200,000, maturing December 15, 2026, bearing interest from 3.0% to 4.0%. Interest is payable semi-annually on June 15 and December 15.	7,845,000
General Obligation Bonds Series of 2009 - Original principal amount of \$9,935,000 maturing November 15, 2017, bearing interest from 2.25% to 3.0%. Interest is payable semi-annually on November 15 and May 15.	9,905,000
General Obligation Bonds Series of 2009A - Original principal amount of \$13,330,000 maturing May 15, 2028, bearing interest from 3.0% to 4.5%. Interest is payable semi-annually on November 15 and May 15.	13,320,000
General Obligation Bonds Series of 2010 - Original principal amount of \$21,925,000 maturing May 15, 2020, bearing interest from 2.0% to 4.0%. Interest is payable semi-annually on November 15 and May 15.	18,235,000
General Obligation Bonds Series of 2010A - Original principal amount of \$8,720,000 maturing August 15, 2027, bearing interest from 2.0% to 4.0%. Interest is payable semi-annually on August 15 and February 15.	8,720,000
	<u>\$ 155,360,000</u>

## COUNCIL ROCK SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### NOTE H **CHANGES IN LONG-TERM LIABILITIES, continued**

The general fund has been used to liquidate long term liabilities. Debt service expenditures are included under operation and maintenance of plant services.

#### *Defeasance of Debt*

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in irrevocable escrow accounts with a trust agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance of defeased debt is \$14,120,000 at June 30, 2011.

Principal and interest payments for the succeeding fiscal years are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 10,760,000	\$ 5,621,905	\$ 16,381,905
2013	11,105,000	5,295,218	16,400,218
2014	11,565,000	4,904,490	16,469,490
2015	11,920,000	4,480,306	16,400,306
2015	12,305,000	4,012,818	16,317,818
2017-2021	58,670,000	13,788,272	72,458,272
2022-2026	32,530,000	4,158,633	36,688,633
2027-2028	6,505,000	357,975	6,862,975
Total	<u>\$ 155,360,000</u>	<u>\$ 42,619,617</u>	<u>\$ 197,979,617</u>

Interest expense for the year ended June 30, 2011 was \$5,506,527.

#### NOTE I **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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE I PENSIONS, continued

#### Plan Description

**Name of Plan:** The 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* (CAFR) 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. The publication is also available on the Publications page of the PSERS website.

#### 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 TC) or at 6.5% (Membership Class TD) 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 TC) or at 7.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

**Employer Contributions:** Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer's contribution was 5.64% of covered payroll. The 5.64% rate is composed of a pension contribution rate of 5.00% for pension benefits and .64% for healthcare insurance premium assistance. The School District's contributions to PSERS for the years ended June 30, 2011, 2010, and 2009, were \$5,982,745, \$4,967,625, and \$4,806,958, respectively, equal to the required contributions for each year.

**COUNCIL ROCK SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOTE J POSTEMPLOYMENT HEALTH CARE BENEFITS**

In the fiscal year ended June 30, 2008 the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for postemployment health care benefits provided by the District. The requirements of this Statement are implemented prospectively, with the actuarially accrued liability for benefits at June 30, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

**Plan Description:** Pursuant to the provisions of Act 110/43, former employees who retire from the District and eligible dependents, may continue to participate in the district’s health insurance plan for medical, prescription drug, and dental coverage. The district subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years of PSERS (Public School Employees’ Retirement System) service. When a member or spouse reaches age 65, they may continue coverage under a Medicare supplemental plan and paying the full premium. Separate financial statements are not issued for the plan.

**Funding Policy:** The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2010-11 fiscal year, 166 retirees and eligible dependents received postemployment health care benefits. Retiree contributions are based on weighted averages for the medical premiums, increasing at the same rate as the health care cost trend rate. The District provided required contributions of \$436,340 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees. Required contributions are based on projected pay-as-you-go financing.

**Annual OPEB Cost and Net OPEB Obligation:** The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/2010	\$ 827,073	66%	\$ 1,925,456
Year ending 6/30/2011	\$ 822,499	53%	\$ 2,311,615

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE J **POSTEMPLOYMENT HEALTH CARE BENEFITS, continued**

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description			
Normal cost (service cost for one year)	\$	411,010	
Interest on Normal Cost		18,495	
Amortization of Unfunded Actuarial Accrued Liability		424,555	
Annual Required Contribution (ARC)		854,060	
Interest on net OPEB Obligation		86,646	
Adjustment to Annual Required Contribution		(118,207)	
Annual OPEB Cost (expense)		822,499	
Contributions toward the OPEB Cost		(436,340)	
Increase in Net OPEB Obligation		386,159	
Net OPEB Obligation, Beginning of Year		1,925,456	
Net OPEB Obligation, End of Year	\$	2,311,615	

***Funded Status and Funding Progress:*** As of July 1, 2009, the latest actuarial valuation, the actuarial accrued liability for benefits was \$6,915,541, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,915,541. The covered payroll (annual payroll of active participating employees) was \$94,394,182 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.33 percent.

***Actuarial Methods and Assumptions:*** Actuarial valuations of an ongoing plan involve 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 and termination, mortality, and the healthcare cost trends. 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. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial 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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE J **POSTEMPLOYMENT HEALTH CARE BENEFITS, continued**

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District's OPEB actuarial valuation as of July 1, 2009, used the entry age normal actuarial cost method to estimate both the unfunded liability as of June 30, 2011 and to estimate the District's 2010-11 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.5 percent rate of return on invested assets. The actuarial assumptions include a payroll growth of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to .25%. The actuarial assumptions also include an annual health care cost trend rate of 8% initially for the 2009-10 fiscal year, reduced by .5% per year to an ultimate rate of 5.5% in 2014. The unfunded actuarial liability is being amortized as a level dollar of projected payroll growth on an open basis. The remaining amortization period at June 30, 2011 is 26 years.

### NOTE K **FUND BALANCE**

The District restated the beginning fund balance in the General Fund for a change in accounting principle due to the implementation of GASB Statement No. 54. The definition of special revenue was clarified by this statement and several funds reported in prior years as special revenue funds no longer qualify and were combined with the General Fund. The result is an increase of \$23,737 in the beginning fund balance in the General Fund.

The School Board has established Stabilization Arrangements reflected as committed fund balance for:

- Future projected Public School Employees' Retirement System (PSERS) rate increases. The current balance is \$7,477,408 and the School Board will begin funding the projected PSERS rate increases over the next several years as the retirement contribution rate is projected to increase significantly.
- To offset clear and identified reductions in real estate tax revenues. The amount of funds to be utilized is based on the projected reduction in real estate tax revenue from the amounts customarily raised. The use of fund balance will be limited to assure funds will be available to support this deficit over a period of eight to twelve years.

A prior period adjustment was reported for \$1,646,834 to transfer expenses paid in prior years from the Capital Reserve Bond Fund to the Construction Bond Fund.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE L **DEFICIT FUND BALANCE**

The Churchville Elementary non-major fund reports a deficit fund balance of \$50,455 at June 30, 2011. In next fiscal year, this fund will be consolidated with the Construction Bond Fund which will eliminate the deficit

### NOTE M **COMMITMENTS and CONTINGENCIES**

The District has various commitments under long-term construction contracts totaling approximately \$1,919,277 as of June 30, 2011.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. 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.

The School District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the School District solicitor, the ultimate disposition of any matters outstanding at June 30, 2011, will not have a material adverse effect on the School District's financial position.

### NOTE N **JOINT VENTURE**

Consistent with the guidance contained in GASB Statement No. 14, the Bucks County Technical School (the Technical School") is a joint venture of the School District. The Technical School is a separate legal entity located in Bucks County, Pennsylvania, and is not reported as part of the School District's reporting entity. The purpose of the joint venture is to provide job training to students located in the Bucks County area and to share the costs associated with providing such training. Through a contractual arrangement with the other participants, the School District pays for the Technical School training given to School District students based on the percentage of Average Daily Membership (ADM). Separate financial statements are available to the public for inspection at the Technical School.

The School District agreed to make additional payments to the Technical School for various improvements, renovations, modernizations and new equipment. The District's payments are determined on the basis of real estate market values furnished by the State Tax Equalization Board.

### NOTE O **OTHER RISKS**

The School District is exposed to various risks of losses related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has purchased various insurance policies to safeguard the assets of the School District from risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE O OTHER RISKS, continued**

Medical coverage is provided on a self-insured basis. The District contracted with an insurance administrator to administer this self-insurance program, including the processing, investigating, and payment of claims. The District entered into a stop-loss agreement with an insurance company to provide excess coverage of claim amounts for individual members exceeding \$200,000, up to a lifetime maximum of \$1,000,000. The District reports its self-insurance in the General Fund.

A liability in the amount of \$903,056 was recorded in the Governmental Activities of the government-wide financial statements for estimated incurred but not reported claims. A liability of \$50,677 was recorded to cover outstanding claims for dental. No other costs associated with the District’s insurance program have been considered in determining the insurance claims payable. The District included a five percent trending factor to estimate the liability recorded.

The following schedules represent the changes in claims liability for the last fiscal year for the District’s Health Self-Insurance Program:

<u>Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Charges</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2010-2011	\$ -	\$ 13,464,133	\$ 12,561,077	\$ 903,056

**NOTE P SUBSEQUENT EVENTS**

On November 7, 2011 the School District issued General Obligation Bonds Series of 2011 for \$8,630,000 to refund General Obligation Bonds Series 2005. The bonds mature November 15, 2018. Interest ranges from .4% to 2.0% and is payable semi-annually on May 15 and November 15.

On November 17, 2011 the School District issued General Obligation Bonds Series of 2011A for \$10,000,000 to fund capital projects. The bonds mature August 15, 2023. Interest ranges from .75% to 2.65% and is payable semi-annually on February 15 and August 15.

REQUIRED

SUPPLEMENTARY INFORMATION



**COUNCIL ROCK SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
POSTEMPLOYMENT BENEFITS PLAN**

JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2009	\$ 0	\$ 6,915,541	\$ 6,915,541	0%	\$ 94,394,182	7.33%
7/1/2007	\$ 0	\$ 13,330,847	\$ 13,330,847	0%	\$ 92,677,046	14.38%

**COUNCIL ROCK SCHOOL DISTRICT**

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Revenues:				
Local sources	\$ 156,102,336	\$ 156,349,096	\$ 156,154,836	\$ (194,260)
State sources	37,381,169	36,745,286	34,912,564	(1,832,722)
Federal sources	3,793,665	3,911,888	4,746,620	834,732
<b>TOTAL REVENUES</b>	<u>197,277,170</u>	<u>197,006,270</u>	<u>195,814,020</u>	<u>(1,192,250)</u>
<b>EXPENDITURES</b>				
Expenditures:				
Instruction				
Regular programs	84,492,698	84,382,903	82,583,743	1,799,160
Special programs	40,455,860	40,105,570	38,937,521	1,168,049
Vocational programs	1,666,005	1,666,005	1,666,005	-
Other instructional programs	1,520,531	1,716,598	1,748,559	(31,961)
<b>Total Instruction</b>	<u>128,135,094</u>	<u>127,871,076</u>	<u>124,935,828</u>	<u>2,935,248</u>
Support Services				
Pupil personnel services	6,267,553	6,258,256	5,606,310	651,946
Instructional staff services	6,097,379	6,092,363	5,446,817	645,546
Administration services	8,036,889	7,992,288	7,722,614	269,674
Pupil health	2,413,660	2,431,996	2,389,237	42,759
Business services	1,366,218	1,367,426	1,400,201	(32,775)
Operation and maintenance of plant services	12,379,677	12,573,722	12,151,045	422,677
Student transportation services	9,880,250	9,882,970	10,456,326	(573,356)
Central services	4,298,158	4,390,808	5,321,383	(930,575)
Other support services	90,000	90,000	97,187	(7,187)
<b>Total Support Services</b>	<u>50,829,784</u>	<u>51,079,829</u>	<u>50,591,120</u>	<u>488,709</u>
Operation of Non-instructional Services				
Student activities	940,433	945,253	2,764,428	(1,819,175)
Community services	150,369	153,624	164,942	(11,318)
<b>Total Operation of Non-instructional Services</b>	<u>1,090,802</u>	<u>1,098,877</u>	<u>2,929,370</u>	<u>(1,830,493)</u>
Debt Service	16,282,488	16,282,488	15,821,527	460,961
<b>TOTAL EXPENDITURES</b>	<u>196,338,168</u>	<u>196,332,270</u>	<u>194,277,845</u>	<u>2,054,425</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers	(1,940,000)	(1,940,000)	-	1,940,000
Proceeds from sale of real property	1,000	1,000	-	(1,000)
Budgetary reserve	(1,000,000)	(1,000,000)	-	1,000,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,939,000)</u>	<u>(2,939,000)</u>	<u>-</u>	<u>2,939,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,999,998)	(2,265,000)	1,536,175	3,801,175
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>26,400,463</u>	<u>26,400,463</u>	<u>26,400,463</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 24,400,465</u>	<u>\$ 24,135,463</u>	<u>\$ 27,936,638</u>	<u>\$ 3,801,175</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2011

### NOTE A **BUDGETARY DATA**

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

- a. Prior to May 31, the School District Board submits 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 for the General Fund.
- b. Public hearings are conducted at the COUNCIL ROCK School District building to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the District Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School District Board as provided by school code.
- e. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- f. A budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

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## SUPPLEMENTARY INFORMATION



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**COUNCIL ROCK SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Capital Project Funds			
	Capital Reserve Fund	Capital Reserve Bond Fund	High School Construction Fund	Capital Reserve Technology Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 5,450,866	\$ -	\$ -
Investments	-	1,489,453	-	-
Deposits	-	5,067	-	-
Interfund receivables	-	3,220,359	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 10,165,745</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 170,864	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	-	170,864	-	-
<b>FUND BALANCES</b>				
Assigned:				
Capital projects	-	9,994,881	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	-	9,994,881	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 10,165,745</b>	<b>\$ -</b>	<b>\$ -</b>

Capital Projects Funds

Elementary Construction Fund	New Administration Building Fund	Holland Elementary Fund	Churchville Elementary Fund	Artificial Turf Fund	Totals
\$ -	\$ -	\$ -	\$ 495,208	\$ 69,263	\$ 6,015,337
-	-	-	-	-	1,489,453
-	-	-	-	-	5,067
-	-	-	-	-	3,220,359
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,208</u>	<u>\$ 69,263</u>	<u>\$ 10,730,216</u>
\$ -	\$ -	\$ -	\$ 545,663	\$ -	\$ 716,527
-	-	-	545,663	-	716,527
-	-	-	-	69,263	10,064,144
-	-	-	(50,455)	-	(50,455)
-	-	-	(50,455)	69,263	10,013,689
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,208</u>	<u>\$ 69,263</u>	<u>\$ 10,730,216</u>

**COUNCIL ROCK SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Capital Project Funds			
	Capital Reserve Fund	Capital Reserve Bond Fund	High School Construction Fund	Capital Reserve Technology Fund
REVENUES				
Local sources	\$ 1,491	\$ 47,119	\$ 3,705	\$ 12
TOTAL REVENUES	<u>1,491</u>	<u>47,119</u>	<u>3,705</u>	<u>12</u>
EXPENDITURES				
Capital outlay	-	-	-	4,237
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,491</u>	<u>47,119</u>	<u>3,705</u>	<u>(4,225)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,051,792	-	-
Transfers out	(387,321)	-	(2,386,957)	(225,328)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(387,321)</u>	<u>1,051,792</u>	<u>(2,386,957)</u>	<u>(225,328)</u>
NET CHANGE IN FUND BALANCE	(385,830)	1,098,911	(2,383,252)	(229,553)
FUND BALANCE AT BEGINNING OF YEAR				
As previously reported	385,830	7,249,136	2,383,252	229,553
Adjustment (See note K)	-	1,646,834	-	-
FUND BALANCE AT BEGINNING OF YEAR, AS ADJUSTED	<u>385,830</u>	<u>8,895,970</u>	<u>2,383,252</u>	<u>229,553</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 9,994,881</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Project Funds					
Elementary Construction Fund	New Administration Building Fund	Holland Elementary Fund	Churchville Elementary Fund	Artificial Turf Fund	Totals
\$ 799	\$ 10	\$ 11	\$ 1,563	\$ 36,209	\$ 90,919
<u>799</u>	<u>10</u>	<u>11</u>	<u>1,563</u>	<u>36,209</u>	<u>90,919</u>
3,589	-	20,805	8,593,987	-	8,622,618
<u>3,589</u>	<u>-</u>	<u>20,805</u>	<u>8,593,987</u>	<u>-</u>	<u>8,622,618</u>
(2,790)	10	(20,794)	(8,592,424)	36,209	(8,531,699)
-	-	20,000	8,585,969	-	9,657,761
(414,139)	(11,075)	(8,753)	-	(439,143)	(3,872,716)
<u>(414,139)</u>	<u>(11,075)</u>	<u>11,247</u>	<u>8,585,969</u>	<u>(439,143)</u>	<u>5,785,045</u>
(416,929)	(11,065)	(9,547)	(6,455)	(402,934)	(2,746,654)
416,929	11,065	9,547	(44,000)	472,197	11,113,509
-	-	-	-	-	1,646,834
<u>416,929</u>	<u>11,065</u>	<u>9,547</u>	<u>(44,000)</u>	<u>472,197</u>	<u>12,760,343</u>
\$ -	\$ -	\$ -	\$ (50,455)	\$ 69,263	\$ 10,013,689
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,455)</u>	<u>\$ 69,263</u>	<u>\$ 10,013,689</u>

**COUNCIL ROCK SCHOOL DISTRICT**

SCHEDULE OF TAXES COLLECTED  
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

Taxing District	Number Assessed / Assessed Value	Amount Assessed	Amount to be Collected	Face Collected
<b>PERSONAL TAXES</b>				
Newtown Borough	1,460	\$ 5.00	\$ 7,300	\$ 6,305
Newtown Township	13,687	5.00	68,435	61,515
Northampton Township	29,384	5.00	146,920	128,225
Upper Makefield Township	5,850	5.00	29,250	27,355
Wrightstown Township	2,078	5.00	10,390	8,670
	<u>52,459</u>		<u>\$ 262,295</u>	<u>\$ 232,070</u>
<b>PERCAPITA TAXES</b>				
Newtown Borough	1,460	\$ 5.00	\$ 7,300	\$ 6,305
Newtown Township	13,687	5.00	68,435	61,515
Northampton Township	29,384	5.00	146,920	128,225
Upper Makefield Township	5,850	5.00	29,250	27,355
Wrightstown Township	2,078	5.00	10,390	8,670
	<u>52,459</u>		<u>\$ 262,295</u>	<u>\$ 232,070</u>
<b>OCCUPATION TAXES</b>				
Newtown Borough	358,350	400 mills	\$ 143,340	\$ 118,960
Newtown Township	3,422,900	400 mills	1,369,160	1,204,860
Northampton Township	6,571,003	400 mills	2,628,401	2,223,001
Upper Makefield Township	1,370,125	400 mills	548,050	503,920
Wrightstown Township	469,600	400 mills	187,840	151,680
	<u>12,191,978</u>		<u>\$ 4,876,791</u>	<u>\$ 4,202,421</u>
<b>REAL ESTATE TAXES</b>				
Newtown Borough	\$ 42,818,524	110.68 mills	\$ 4,739,154	\$ 4,684,210
Newtown Township	312,445,578	110.68 mills	34,581,477	34,245,604
Northampton Township	563,998,769	110.68 mills	62,423,384	61,694,696
Upper Makefield Township	225,955,383	110.68 mills	25,008,742	24,666,242
Wrightstown Township	69,436,125	110.68 mills	7,685,190	7,475,234
	<u>\$ 1,214,654,379</u>		<u>\$ 134,437,947</u>	<u>\$ 132,765,986</u>

Note: "Uncollected taxes at face" represent interim levies and amounts liened or sent out for collection. Real estate taxes are liened by the county on December 31. Occupation, personal and per capita taxes are sent to a collection agent if uncollected at June 30.

Discounts	Penalties	Cash Collected	Refunds / Adjustments	Net Cash Collected	Uncollected Taxes at Face
\$ (98)	\$ 32	\$ 6,239	\$ (5)	\$ 6,234	\$ 995
(895)	808	61,428	(20)	61,408	6,920
(1,940)	1,337	127,622	(60)	127,562	18,695
(421)	295	27,229	(10)	27,219	1,895
(142)	59	8,587	-	8,587	1,720
<u>\$ (3,496)</u>	<u>\$ 2,531</u>	<u>\$ 231,105</u>	<u>\$ (95)</u>	<u>\$ 231,010</u>	<u>\$ 30,225</u>
\$ (98)	\$ 32	\$ 6,239	\$ (5)	\$ 6,234	\$ 995
(895)	808	61,428	(20)	61,408	6,920
(1,940)	1,337	127,622	(60)	127,562	18,695
(421)	295	27,229	(10)	27,219	1,895
(142)	59	8,587	-	8,587	1,720
<u>\$ (3,496)</u>	<u>\$ 2,531</u>	<u>\$ 231,105</u>	<u>\$ (95)</u>	<u>\$ 231,010</u>	<u>\$ 30,225</u>
\$ (1,785)	\$ 676	\$ 117,851	\$ (160)	\$ 117,691	\$ 24,380
(16,569)	17,724	1,206,015	(10,880)	1,195,135	164,300
(31,699)	27,207	2,218,509	(17,925)	2,200,584	405,400
(7,464)	5,746	502,202	(2,900)	499,302	44,130
(2,382)	1,226	150,524	(1,836)	148,688	36,160
<u>\$ (59,899)</u>	<u>\$ 52,579</u>	<u>\$ 4,195,101</u>	<u>\$ (33,701)</u>	<u>\$ 4,161,400</u>	<u>\$ 674,370</u>
\$ (80,535)	\$ 11,617	\$ 4,615,292	\$ (1,008)	\$ 4,614,284	\$ 54,944
(607,920)	69,403	33,707,087	(4,865)	33,702,222	335,873
(1,051,102)	279,877	60,923,471	(11,056)	60,912,415	728,688
(396,377)	89,247	24,359,112	(10,317)	24,348,795	342,500
(118,980)	33,217	7,389,471	(7,434)	7,382,037	209,956
<u>\$ (2,254,914)</u>	<u>\$ 483,361</u>	<u>\$ 130,994,433</u>	<u>\$ (34,680)</u>	<u>\$ 130,959,753</u>	<u>\$ 1,671,961</u>

**COUNCIL ROCK SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount
<b>U.S. DEPT. OF EDUCATION</b>					
Passed Through the PA Dept. of Education					
Title I - Academic Achievement	I	84.010	077-100105	7/1/09 - 6/30/10	\$ 10,800
Title I - Improving Basic Programs	I	84.010	013-10-0105	7/1/09 - 6/30/10	280,183
Title I - Improving Basic Programs	I	84.010	013-11-0105	7/1/10 - 6/30/11	276,795
Title II - Improving Teacher Quality	I	84.367	020-10-0105	7/1/09 - 6/30/10	240,085
Title II - Improving Teacher Quality	I	84.367	020-11-0105	7/1/10 - 6/30/11	242,198
Title III - Language Instruction	I	84.365	010-10-0105	7/1/09 - 6/30/10	63,359
Title III - Language Instruction	I	84.365	010-11-0105	7/1/10 - 6/30/11	47,524
Education Jobs Fund	I	84.410	140-11-9357	7/1/10 - 6/30/11	951,985
ARRA - Fiscal Stabilization - Basic Ed.	I	84.394	126-10-0105	7/1/09 - 6/30/10	1,646,619
ARRA - Fiscal Stabilization - Basic Ed.	I	84.394	126-11-0105	7/1/10 - 6/30/11	1,606,771
Passed Through the Bucks County Intermediate Unit #22					
IDEA		84.027		7/1/09 - 6/30/10	2,157,884
IDEA		84.027		7/1/10 - 6/30/11	2,080,435
ARRA - IDEA B		84.391		2/17/09 - 9/30/11	<u>2,511,223</u>
<b>TOTAL U.S. DEPT. OF EDUCATION</b>					<u>12,115,861</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Drug-Free Communities Support Program	D	93.276		9/30/09 - 9/29/10	125,000
Drug-Free Communities Support Program	D	93.276		9/30/10 - 9/29/11	125,000
Passed Through the Bucks County Intermediate Unit #22					
Medical Assistance - Access Admin	I	93.778		7/1/10 - 6/30/11	<u>6,961</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<u>256,961</u>
<b>U.S. DEPT. OF AGRICULTURE</b>					
<i>CHILD NUTRITION CLUSTER</i>					
Passed Through the PA Dept. of Education					
National School Lunch Program	I	10.555		7/1/09 - 6/30/10	220,934
National School Lunch Program	I	10.555		7/1/10 - 6/30/11	232,278
Passed Through the PA Dept. of Agriculture					
Value of USDA Commodities	I	10.555		7/1/10 - 6/30/11	<u>138,150</u>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>					<u>591,362</u>
<b>TOTAL FEDERAL AWARDS</b>					<u>12,964,184</u>
<b>STATE GRANTOR/PROGRAM TITLE</b>					
National School Lunch Program	S	N/A		7/1/09 - 6/30/10	48,855
National School Lunch Program	S	N/A		7/1/10 - 6/30/11	<u>47,033</u>
<b>TOTAL STATE AWARDS</b>					<u>95,888</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>					<u><u>\$ 13,060,072</u></u>

See notes to schedule of expenditures of federal and state awards

Accrued or (Deferred) at July 1, 2010	Total Received For the year	Expenditures	Accrued or (Deferred) at June 30, 2011	Revenue Recognized
\$ 3,617	\$ 8,486	\$ 4,869	\$ -	\$ 4,869
57,714	100,046	42,332	-	42,332
-	237,368	210,731	(26,637)	210,731
63,460	85,745	22,285	-	22,285
-	242,198	242,198	-	242,198
15,210	46,463	31,253	-	31,253
-	47,524	22,925	(24,599)	22,925
-	951,985	951,985	-	951,985
411,655	411,655	-	-	-
-	1,606,771	1,606,771	-	1,606,771
644,712	644,712	-	-	-
-	1,455,406	2,080,435	625,029	2,080,435
100,351	1,034,852	1,392,750	458,249	1,392,750
<u>1,296,719</u>	<u>6,873,211</u>	<u>6,608,534</u>	<u>1,032,042</u>	<u>6,608,534</u>
5,027	79,031	74,004	-	74,004
-	-	14,789	14,789	14,789
-	6,961	6,961	-	6,961
<u>5,027</u>	<u>85,992</u>	<u>95,754</u>	<u>14,789</u>	<u>95,754</u>
39,512	39,512	-	-	-
-	192,795	232,278	39,483	232,278
(32,500)	138,150	142,823	(27,827)	142,823
<u>7,012</u>	<u>370,457</u>	<u>375,101</u>	<u>11,656</u>	<u>375,101</u>
<u>1,308,758</u>	<u>7,329,660</u>	<u>7,079,389</u>	<u>1,058,487</u>	<u>7,079,389</u>
8,326	8,326	-	-	-
-	39,170	47,033	7,863	47,033
<u>8,326</u>	<u>47,496</u>	<u>47,033</u>	<u>7,863</u>	<u>47,033</u>
<u>\$ 1,317,084</u>	<u>\$ 7,377,156</u>	<u>\$ 7,126,422</u>	<u>\$ 1,066,350</u>	<u>\$ 7,126,422</u>

## **COUNCIL ROCK SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal awards programs of COUNCIL ROCK SCHOOL DISTRICT. Federal Awards passed through other government agencies is included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting as described in the notes to the financial statements.

**3. NON-MONETARY ASSISTANCE**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the organization had food commodities totaling \$27,826 in inventory.



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 School Directors  
COUNCIL ROCK SCHOOL DISTRICT  
Newtown, 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 COUNCIL ROCK SCHOOL DISTRICT as of and for the year ended June 30, 2011, which collectively comprise COUNCIL ROCK SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated December 22, 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 COUNCIL ROCK 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 COUNCIL ROCK SCHOOL DISTRICT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the COUNCIL ROCK 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether COUNCIL ROCK 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*.

We noted certain matters that we reported to management of COUNCIL ROCK SCHOOL DISTRICT, in a separate letter dated December 22, 2011.

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

December 22, 2011

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

Handwritten signature in black ink that reads "Major & Mastro LLC".



INDEPENDENT AUDITOR'S 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 School Directors  
COUNCIL ROCK SCHOOL DISTRICT  
Newtown, Pennsylvania

Compliance

We have audited COUNCIL ROCK 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 COUNCIL ROCK SCHOOL DISTRICT's major federal programs for the year ended June 30, 2011. COUNCIL ROCK SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's 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 COUNCIL ROCK SCHOOL DISTRICT's management. Our responsibility is to express an opinion on COUNCIL ROCK 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 COUNCIL ROCK SCHOOL DISTRICT's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on COUNCIL ROCK SCHOOL DISTRICT's compliance with those requirements.

In our opinion, COUNCIL ROCK SCHOOL DISTRICT complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item #2011-01.

#### Internal Control Over Compliance

Management of COUNCIL ROCK SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered COUNCIL ROCK 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 COUNCIL ROCK 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.

COUNCIL ROCK SCHOOL DISTRICT's responses to the findings identified in our audit are described in the Corrective Action Plan. We did not audit the COUNCIL ROCK SCHOOL DISTRICT's responses and, accordingly, we express no opinion on the responses.

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

December 22, 2011

MAJOR & MASTRO, LLC  
Certified Public Accountants



**COUNCIL ROCK SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor’s report expresses an unqualified opinion on the financial statements of COUNCIL ROCK SCHOOL DISTRICT.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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 COUNCIL ROCK SCHOOL DISTRICT, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor’s 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 CircularA-133.
5. The Independent Auditor’s 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 CircularA-133 expresses an unqualified opinion on all major federal programs.
6. One audit finding was disclosed relating to major programs that is required to be reported under section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

IDEA	84.027
ARRA IDEA	84.391
ARRA SFSF	84.394
Education Jobs Fund	84.410
Child Nutrition Cluster	10.555
8. The threshold for distinguishing Types A and B programs was \$ 300,000.
9. COUNCIL ROCK SCHOOL DISTRICT did not qualify as a low-risk auditee.

**COUNCIL ROCK SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - None

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

#2011-1 Data Collection Form:

*Condition:* The Data Collection form was not filed by the required due date of nine months after the end of the audit period. The Office of Management and Budget (OMB) issued guidance that clarifies the importance of timely filing and that no extensions will be granted.

*Criteria:* The Office of Management and Budget (OMB) issued guidance that clarifies the importance of timely filing of the Data Collection Form and that no extensions will be granted.

*Cause:* Procedures were not in place to ensure timely filing of the Data Collection Form.

*Effect:* The Data Collection form was not timely filed.

*Recommendation:* Implement procedures to ensure that the Data Collection form is filed by the required due date.

CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2011

December 22, 2011

The Council Rock School District respectfully submits the following corrective action plan for the year ended June 30, 2011.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

#2011-1 Data Collection Form:

*Recommendation:* Implement procedures to ensure that the Data Collection form is filed by the required due date.

*Action Taken:*

We have put this due date on our business office calendar.

Sincerely yours,



Robert Reinhart  
Director of Business Administration