

Colonial

SCHOOL DISTRICT

PLYMOUTH MEETING, PA

AUDIT REPORT

JUNE 30, 2018

COLONIAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

December 3, 2018

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District ("the District"), Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of School Directors
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District, Plymouth Meeting, Pennsylvania, as of June 30, 2018, and the respective changes in its financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the District's other postemployment benefits. As a result, the beginning governmental activities, business-type activities, and food service fund net position have been restated. Our opinion is not modified with respect to this matter.

The governmental activities restricted net position of \$1.3 million is set aside for athletics and capital projects. The total unrestricted net position in the amount of negative \$130.9 million includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portions of difference between projected and actual investment earnings, the net difference between projected and actual experience, changes in proportions, and changes in assumptions. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between actual and projected experience, changes in proportions, changes in assumptions, and the difference between employer contributions and the proportionate share of contributions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, schedule of the District's proportionate share of the net pension liability - PSERS on page 58, schedule of District pension contributions - PSERS on page 59,

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schedule of the District's proportionate share of the net OPEB liability - PSERS on page 60, schedule of District OPEB contributions - PSERS on page 61, schedule of changes in the District's total OPEB liability - single employer plan on page 62, and schedule of District OPEB contributions - single employer plan on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on page 68 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Colonial School District's ("the District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018.

Financial Highlights

As of June 30, 2018 the general fund reported a positive fund balance of \$25.5 million, of which \$3.25 million was assigned to balance the 2018-2019 budget. Operational expenditures and other financing uses for 2017-2018 exceeded revenues and other financing sources by \$6.7 million. Total revenues for 2017-2018 were \$5.7 million more than the previous year, primarily due to the additional 2.4 percent increase in the local real estate tax rate. Real estate taxes collected were approximately \$2.5 million above the 2016-2017 fiscal year. Absent the real estate tax increase, other local revenue sources increased \$0.5 million despite the current economic conditions. Interest earnings were \$493,219 over budgeted figures. Transfer taxes were \$937,176 over budget and delinquent real estate taxes \$76,656 over budget. Furthermore, Act 511 earned income tax revenues underperformed expectations by \$925,383. A payment in lieu of real estate taxes ("PILOT") totaling \$66,731 was received from The Hill at Whitemarsh as outlined in the parameters of the Tax Increment Financing Project Plan documents.

Actual expenditures and other financing uses were \$5.9 million (4.4 percent) over budget. Included in the expenditures and other financing uses was a planned \$1.5 million transfer to the Capital Reserve Fund and the transfer of \$6 million from the Committed Fund Balance to the Capital Projects Fund for ongoing construction projects at Plymouth Whitemarsh High School. Operational expenditures totaled \$122.0 million and were \$215,990 (.18 percent) over budget.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all the assets and liabilities of the District (except for fiduciary funds held in trust for student purposes), using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. These two statements report the District's net position and changes in it during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at a conclusion regarding the overall health of the District.

The District has begun to see its tax base grow over the past year due to new commercial and residential development. The current student population is approximately 5,013 and is projected to increase over the next three to four years.

The reader is invited to review additional tax, enrollment, budget, and financial information at the District's business office located in the administrative offices which are housed in the Colonial Elementary School or online at www.colonialsd.org, go to Departments - Finance.

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Entity-wide Financial Analysis

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$130.9 million at the close of the most recent fiscal year. In the prior year, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$127.6 million. The net pension liability has affected the net position by \$199.0 million and \$193.0 million, respectively.

The Statement of Net Position reflects \$111.9 million investment in capital assets; however, another \$49.2 million is for current and other assets representing 30 percent of the total assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The **Statement of Net Position** contains information about what the District owns and owes, i.e., assets and liabilities; and what is left after assets are used to satisfy liabilities. The following table is a comparative analysis of fiscal year 2018 to 2017:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 48,290,990	\$ 81,375,013	\$ 955,640	\$ 568,785	\$ 49,246,630	\$ 81,943,798
Capital assets	111,795,796	83,178,392	105,606	120,216	111,901,402	83,298,608
Total Assets	160,086,786	164,553,405	1,061,246	689,001	161,148,032	165,242,406
Deferred outflows of resources	36,849,153	36,378,026	598,564	577,373	37,447,717	36,955,399
Total Assets and Deferred Outflows of Resources	\$ 196,935,939	\$ 200,931,431	\$ 1,659,810	\$ 1,266,374	\$ 198,595,749	\$ 202,197,805
Current liabilities	\$ 24,853,670	\$ 23,953,108	\$ 407,097	\$ 126,726	\$ 25,260,767	\$ 24,079,834
Long-term liabilities	298,894,362	300,366,013	3,446,929	3,330,576	302,341,291	303,696,589
Total Liabilities	323,748,032	324,319,121	3,854,026	3,457,302	327,602,058	327,776,423
Deferred outflows of resources	1,880,094	2,004,372	27,806	31,444	1,907,900	2,035,816
Total Liabilities and Deferred Inflows of Resources	325,628,126	326,323,493	3,3,881,832	3,488,746	329,509,958	329,812,239
Net Position:						
Investment in capital assets	23,717,314	10,896,028	105,606	120,216	23,822,920	11,016,244
Restricted for:						
Athletics	40,676	36,058	-	-	40,676	36,058
Capital projects	1,223,958	4,477,484	-	-	1,223,958	4,477,484
Unrestricted (deficit)	(153,674,135)	(140,801,632)	(2,327,628)	(2,342,588)	(156,001,763)	(143,144,220)
Total Net Deficit	(128,692,187)	(125,392,062)	(2,222,022)	(2,222,372)	(130,914,209)	(127,614,434)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 196,935,935	\$ 200,931,431	\$ 1,659,810	\$ 1,266,374	\$ 198,595,749	\$ 202,197,805

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The governmental activities restricted net position of \$1.3 million is set aside for athletics and capital projects. The total unrestricted net position in the amount of negative \$130.9 million includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portions of difference between projected and actual investment earnings, the net difference between projected and actual experience, changes in proportions, and changes in assumptions. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between actual and projected experience, changes in proportions, changes in assumptions, and the difference between employer contributions and the proportionate share of contributions.

Total liabilities, deferred inflows of resources, and net position of the District's governmental activities decreased by \$3.3 million, and unrestricted net position reflects a deficit balance of \$153.7 million.

The **Statement of Activities** includes the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities.

	COST OF SERVICES			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses				
Governmental Activities				
Instruction	\$ 82,106,294	\$ 68,509,646	\$ 77,931,622	\$ 65,679,253
Instructional student support	10,544,840	10,049,354	10,028,175	9,093,914
Administration	10,994,724	9,504,688	10,471,120	9,618,867
Maintenance	10,364,311	8,844,190	11,062,812	10,165,395
Pupil transportation	6,488,004	5,385,453	6,724,881	5,611,514
Student activities	1,806,755	1,545,237	1,662,390	1,445,602
Community services	69,816	(254,997)	62,067	(38,113)
Interest and fiscal charges	4,057,677	3,943,009	2,508,091	2,393,123
Total Expenses	<u>\$126,432,421</u>	<u>\$107,526,580</u>	<u>\$120,451,158</u>	<u>\$103,969,555</u>
Business-type Activities				
Food Service	<u>\$ 2,300,317</u>	<u>\$ 6,857</u>	<u>\$ 2,282,653</u>	<u>\$ 63,145</u>

The increases in the net cost of services for instruction are mainly due to the increasing salary and benefit costs.

COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018

The **Statement of Changes in Net Position** presented below shows that program revenues accounted for \$21.2 million, or 16.9 percent of total revenues, and general revenues accounted for \$104.2 million or 83.1 percent. General revenues include property tax revenue of \$85.8 million; other taxes of \$10.5 million; investment earnings of \$1.3 million; and unrestricted state entitlements (i.e. Basic Ed Funding and State Property Tax Relief) of \$6.4 million that support the net cost of the District's services.

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2,093,770	\$ 1,748,195	\$ 1,392,018	\$ 1,358,084	\$ 3,485,788	\$ 3,106,279
Operating grants	16,756,839	14,595,051	901,442	861,424	17,658,281	15,456,475
Capital grants	55,232	138,357	-	-	55,232	138,357
Total Program Revenues	18,905,841	16,481,603	2,293,460	2,219,508	21,199,301	18,701,111
General revenues:						
Property and other taxes	96,331,678	93,696,940	-	-	96,331,678	93,696,940
Grants and entitlements	6,357,208	6,182,362	-	-	6,357,208	6,182,362
Investment earnings	1,349,288	802,337	7,207	2,260	1,356,495	804,597
Miscellaneous	188,281	245,223	-	-	188,281	245,232
Total General Revenues	104,226,455	100,926,871	7,207	2,260	104,233,662	100,929,131
Total Revenues	123,132,296	117,408,474	2,300,667	2,221,768	125,432,963	119,630,242
Expenses						
Program expenses:						
Instruction	82,106,294	77,931,622	-	-	82,106,294	77,931,622
Support services:						
Instructional staff support	10,544,840	10,028,175	-	-	10,544,840	10,028,175
Administration	10,994,724	10,471,120	-	-	10,994,724	10,471,120
Maintenance	10,364,311	11,062,812	-	-	10,364,311	11,062,812
Pupil transportation	6,488,004	6,724,881	-	-	6,488,004	6,724,881
Student activities	1,806,755	1,662,390	-	-	1,806,755	1,662,390
Community services	69,816	62,067	-	-	69,816	62,067
Interest and fiscal charges	4,057,677	2,508,091	-	-	4,057,677	2,508,091
Food service	-	-	2,300,317	2,282,653	2,300,123	2,282,653
Total Expenses	126,432,421	120,451,158	2,300,317	2,282,653	128,732,738	122,733,811
Excess (deficit) before transfers	(3,300,125)	(3,042,684)	350	(60,885)	(3,299,775)	(3,103,569)
Transfers	-	(48,159)	-	48,159	-	-
Change in Net Position	\$ (3,300,125)	\$ (3,090,843)	\$ 350	\$ (12,726)	\$ (3,299,775)	\$ (3,103,569)

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Reporting the District's Most Significant Funds

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements; therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship program and other items listed as private purpose trusts. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Fund Financial Statements

The fund financial statements of the District's major funds provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by state statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$27.0 million, which is a decrease of \$29.4 million from the previous year's total of \$56.4 million. The decrease is due to increased expenditures related to construction costs for the schools throughout the District and the PWHS West Gym. The next schedule illustrates the fund balance and the total change in fund balances from June 30, 2017 to June 30, 2018.

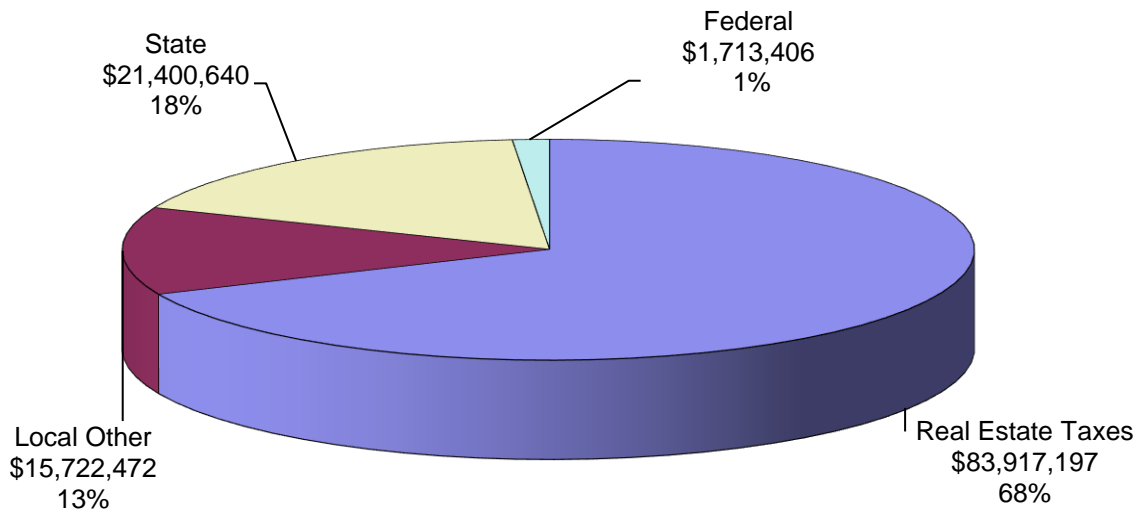
The Capital Projects Fund reflects a balance in the amount of \$0.3 million, which represents current bond proceeds to be spent on completing the renovation project at Plymouth Whitmarsh High School West Gymnasium.

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Fund Balance June 30, 2018</u>	<u>Fund Balance June 30, 2017</u>	<u>Increase (Decrease)</u>
General Fund	\$ 25,517,873	\$ 32,200,741	\$ (6,682,868)
Capital Reserve Fund	1,225,458	4,478,983	(3,253,525)
Capital Projects Fund	<u>293,820</u>	<u>19,765,564</u>	<u>(19,471,744)</u>
TOTAL	<u>\$ 27,037,151</u>	<u>\$ 56,445,288</u>	<u>\$ (29,408,137)</u>

The District's reliance upon real estate tax revenues is demonstrated by the following graph that indicates 68 percent of total revenues for government activities come from local real estate taxes.

General Fund Revenue Sources



General Fund

Total general fund expenditures and other financing uses exceeded revenues and other financing sources by \$6.7 million, accounting for the decrease in the District's general fund balance. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

	2018	2017	Variance	
	Actual	Actual	\$	%
Current real estate taxes	\$ 83,125,903	\$ 79,865,284	\$ 3,260,619	4.08%
Interim real estate taxes	791,293	1,590,545	(799,252)	-50.25%
Earned income taxes Act 511	7,474,617	9,172,228	(1,697,611)	-18.51%
Transfer taxes	2,837,176	2,181,579	655,597	30.05%
Delinquent taxes	846,656	877,276	(30,620)	-3.49%
Other local revenue	4,564,024	2,973,587	1,590,437	53.49%
State sources	21,400,640	18,761,948	2,638,692	14.06%
Federal sources	1,713,406	1,673,425	39,981	2.39%
TOTAL	\$122,753,715	\$117,095,872	\$ 5,657,843	4.83%

Other Funds

The Capital Reserve Fund decreased due to the various construction projects completed during fiscal year 2018. The District currently utilizes a five-year capital projects plan for future expenditures relating to the District's facilities and grounds.

Business-type Activities

Business-type activities include the Food Service Fund and the Internal Service Fund. The Food Service Fund had a net deficit of \$2,222,022, while the Internal Service Fund had net position of \$998,199. In 2017-2018, the District did not need to provide a contribution to the Food Service Fund because the fund was self sustaining.

General Fund Budget Information

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

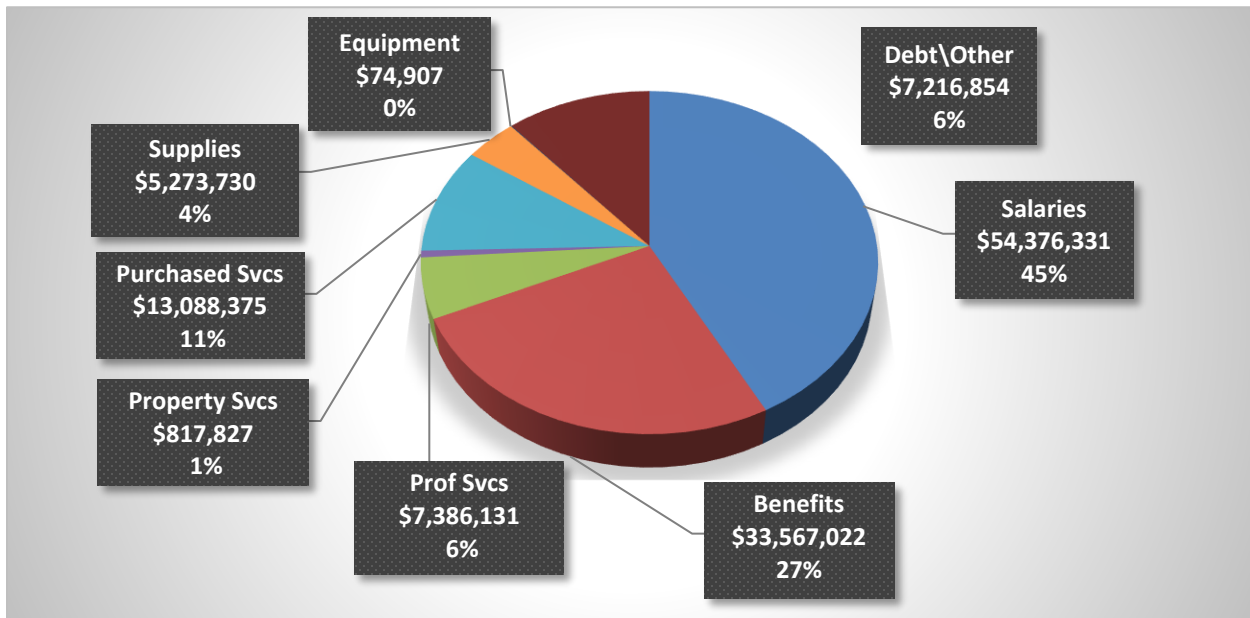
The final budget amounts for expenditures reflect required changes in functional categories due to spending patterns.

Function	Instruction	Original	Final	Variance \$	Variance %
1100	Regular programs	\$ 55,664,494	\$ 56,764,559	\$ 1,100,065	1.98%
1200	Special programs	18,328,767	17,852,847	(475,920)	-2.60%
1300	Vocational programs	1,814,521	1,814,521	-	0.00%
1400	Other instructional programs	1,443,589	1,761,196	317,607	22.00%
1600	Adult Education	83,231	83,231	-	0.00%
	Total Instruction	77,334,602	78,276,354	941,752	1.22%

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Function	Instruction	Original	Final	Variance \$	Variance %
Support services:					
2100	Pupil personnel services	4,600,685	4,628,751	28,066	0.61%
2200	Instructional staff services	2,935,918	2,977,714	41,796	1.42%
2300	Administrative services	6,391,928	6,480,529	88,601	1.39%
2400	Pupil health	1,176,585	1,181,852	5,267	0.45%
2500	Business services	1,059,469	1,063,935	4,466	0.42%
2600	Operation and maintenance of plant services	9,456,143	9,466,522	10,379	0.11%
2700	Student transportation services	6,865,371	6,865,371	-	0.00%
2800	Information services	3,039,148	2,084,964	(954,184)	-31.40%
2900	Other support services	88,208	88,251	43	0.05%
Total Support Services		35,613,455	34,837,889	(775,566)	-2.18%
Operation of non-instructional activities:					
3200	Student activities	1,560,128	1,564,782	4,654	0.30%
3300	Community services	54,126	54,550	424	0.78%
Total Operation of Non-instructional Services		1,614,254	1,619,332	5,078	0.31%
5110	Debt service	7,048,512	7,048,512	-	0.00%
5130	Refund of prior year receipt	197,906	197,906	-	0.00%
5200	Transfers	1,619,045	1,619,045	-	0.00%
5900	Budgetary Reserve	500,000	328,736	(171,264)	-34.25%
Total Budgeted Expenditures		\$ 123,927,774	\$ 123,927,774	\$ -	0.00%

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The District is a service entity, and as such, is labor intensive.



**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Object	Actual Expenditures		Variance	
	2017-2018	2016-2017	\$	%
100 Salaries	\$ 54,576,331	\$ 52,500,566	\$ 2,075,765	3.95%
200 Benefits	33,567,022	29,759,061	3,807,961	12.80%
300 Professional services	7,386,131	9,209,443	(1,823,312)	(19.80)%
400 Purchased property services	817,827	1,410,862	(593,035)	(42.03)%
500 Purchased services	13,088,375	10,359,160	2,729,215	26.35%
600 Supplies	5,273,730	3,134,214	2,139,516	68.26%
700 Equipment	74,907	1,543,141	(1,468,234)	(95.15)%
800 Debt service interest and other	3,158,104	1,701,023	1,457,081	85.66%
900 Debt service principal and other	4,058,570	3,796,750	262,000	6.90%
Total Expenditures by Object	<u>\$ 122,001,177</u>	<u>\$ 113,414,220</u>	<u>\$ 8,586,957</u>	<u>7.57%</u>

Actual expenditures for 2017-2018 were up \$8.6 million, or 7.6 percent over the prior year. Object 100, Salaries, accounted for a \$2.1 million variance primarily due to contractual pay increases. Object 200, Benefits, accounted for a \$3.8 million variance due to an increase in the mandated employer pension contributions (2.64 percent) and a one-time adjustment to remove prepaid healthcare expenditures. Object 300, Professional Services, includes contracted educational services for special education, and due to a reclassification of expenditures to Object 500 for tuition, there was a decrease in expenditures of \$1.8 million.

Object 400, Purchased Property Services, formerly included utility expenditures, which were reclassified to Object 600, which accounted for the \$.6 million decrease reported in 2017-2018. Object 500, Purchased Services, includes tuition to charter schools, approved private schools, private residential rehabilitative schools, and other public schools for educational services, and due to the reclassification of expenses formerly charged to Professional Services, reflected an increase more than \$2.7 million. Also included in Object 500 are contracted student transportation costs. Object 600, Supplies, includes all instructional and operational supplies, including utilities, all textbooks, instructional and administrative software, and all equipment purchases that are valued at less than \$5,000. Due to the recent expansion of this Object, many equipment purchases formerly charged to the 700 Object were reclassified into this Object. This explains the large increase (\$1.5 million) by comparison to 2016-2017 that occurred in 2017-2018.

Capital Assets

The District has \$111.9 million invested in capital assets, net of depreciation, \$111.8 million in governmental activities, and \$0.1 million in business-type activities. Acquisitions for governmental activities totaled \$30.4 million, and depreciation expense for the year was \$1.7 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At June 30, 2018, the District has \$88.2 million in outstanding principal for its bonds and notes payable, net of premiums. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements.

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Factors Expected to Have an Effect on Future Operations

The District is starting to see some change and positive results from growth in the economy. Commercial and residential development has started to take place, and additional projects are currently in the pipeline at the municipal level. This will have a positive impact in terms of real estate tax collection, interim tax collection, and earned income tax collection. However, with some of this development comes the potential for additional students, but the vast majority of the housing and residential development is geared toward young working professionals.

Investment earnings have shown some positive movement as the U.S. economy has improved. Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen its basic education and special education increase slightly due to a new funding formula; however, state mandates still exceed state reimbursement.

The District has experienced high healthcare utilization with its medical and prescription healthcare in recent history; 2017-2018 represented improved healthcare utilization, but despite the short-term results, a significant increase is reflected in the 2018-2019 budget.

The District contracts with a third party to administer its benefits programs (healthcare and prescription) for its employees. As such, the District is self-insured, charging itself a premium, which is calculated by comparing the total payments made to the fund from the District to the actual health costs of healthcare/prescription claims paid to its members. As of June 30, 2018, the net position of the fund was \$1.0 million. This is an increase from the prior year net position balance at June 30, 2017 of \$0.3 million.

With the completion of renovations at three elementary school buildings in 2017 and the scheduled completion of the Plymouth Whitmarsh High School and West Gymnasium projects in the fall of 2018, the District is currently planning to replace the Colonial Middle School. The new school will be located directly behind the existing middle school. Construction is expected to start during the summer of 2019. The financing plan for the new building includes three separate bond issues over the next three years that will have an impact on the District's debt service and, therefore, the annual budget in 2019-2020, 2020-2021, and 2021-2022. Improvements at Colonial Elementary School are also in discussion to prepare for projected student growth.

Contacting the District Financial Management Office

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the 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 the District business office at Colonial School District, 230 Flourtown Road, Plymouth Meeting, PA 19462, call (610) 834-1670 extension 2121, or reference the District's website at www.colonialsd.org, go to Departments - Finance.

COLONIAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018
(With Summarized Comparative Data for June 30, 2017)

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 34,341,632	\$ 684,525	\$ 35,026,157	\$ 49,498,108
Investments	4,132,000	-	4,132,000	22,699,680
Taxes receivable	1,237,681	-	1,237,681	2,831,198
Internal balances	140,284	(140,284)	-	-
Note receivable	90,000	-	90,000	160,275
Due from other governments	4,530,447	267,913	4,798,360	3,559,095
Other receivables	1,793,769	72,354	1,866,123	1,742,862
Inventories	-	71,132	71,132	68,654
Prepaid expenses	2,025,177	-	2,025,177	1,383,926
Land	6,543,005	-	6,543,005	6,543,005
Construction-in-progress	71,854,342	-	71,854,342	46,295,792
Buildings and improvements	68,519,574	-	68,519,574	68,186,255
Site improvements	12,305,710	-	12,305,710	7,979,717
Furniture and equipment	13,697,113	681,596	14,378,709	14,292,473
Library books	1,273,155	-	1,273,155	1,273,155
Vehicles	1,252,135	-	1,252,135	1,196,907
Accumulated depreciation	(63,649,238)	(575,990)	(64,225,228)	(62,468,696)
TOTAL ASSETS	160,086,786	1,061,246	161,148,032	165,242,406
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts on bond refunding	123,726	-	123,726	144,936
Deferred outflows - pension	35,667,267	567,192	36,234,459	36,381,345
Deferred outflows - OPEB	1,058,160	31,372	1,089,532	429,118
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,849,153	598,564	37,447,717	36,955,399
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 196,935,939	\$ 1,659,810	\$ 198,595,749	\$ 202,197,805
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 3,250,167	\$ 290,661	\$ 3,540,828	\$ 7,282,717
Retainage payable	724,352	-	724,352	1,566,582
Accrued salaries and benefits	15,183,666	45,344	15,229,010	13,021,534
Other liabilities	74,590	-	74,590	1,252,568
Accrued interest payable	1,399,230	-	1,399,230	864,274
Unearned revenue	40,335	71,092	111,427	92,161
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	4,181,330	-	4,181,330	3,918,190
Accumulated compensated absences	-	-	-	270,092
Portion due or payable after one year:				
Bonds payable, net	84,020,878	-	84,020,878	88,129,737
Other post-employment benefits	15,106,620	206,570	15,313,190	14,912,919
Accumulated compensated absences	4,038,617	130,606	4,169,223	3,491,649
Net pension liability	195,728,247	3,109,753	198,838,000	192,974,000
TOTAL LIABILITIES	323,748,032	3,854,026	327,602,058	327,776,423
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension	1,490,119	22,168	1,512,287	2,000,000
Deferred inflows - OPEB	389,975	5,638	395,613	35,816
TOTAL DEFERRED INFLOWS OF RESOURCES	1,880,094	27,806	1,907,900	2,035,816
NET POSITION (DEFICIT):				
Net investment in capital assets	23,717,314	105,606	23,822,920	11,016,245
Restricted for athletics	40,676	-	40,676	36,058
Restricted for capital assets	1,223,958	-	1,223,958	4,477,483
Unrestricted deficit	(153,674,135)	(2,327,628)	(156,001,763)	(143,144,220)
TOTAL NET DEFICIT	(128,692,187)	(2,222,022)	(130,914,209)	(127,614,434)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 196,935,939	\$ 1,659,810	\$ 198,595,749	\$ 202,197,805

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 82,106,294	\$ 1,670,017	\$ 11,926,631	\$ -	\$ (68,509,646)	\$ (65,679,253)
Instructional student support	10,544,840	-	495,486	-	(10,049,354)	(9,093,914)
Administrative and financial support services	10,994,724	-	1,490,036	-	(9,504,688)	(9,618,867)
Operation and maintenance of plant services	10,364,311	-	1,464,889	55,232	(8,844,190)	(10,165,395)
Pupil transportation	6,488,004	-	1,102,551	-	(5,385,453)	(5,611,514)
Student activities	1,806,755	98,940	162,578	-	(1,545,237)	(1,445,602)
Community services	69,816	324,813	-	-	254,997	38,113
Interest on long-term debt	4,057,677	-	114,668	-	(3,943,009)	(2,393,123)
TOTAL GOVERNMENTAL ACTIVITIES	126,432,421	2,093,770	16,756,839	55,232	(107,526,580)	(103,969,555)
BUSINESS-TYPE ACTIVITIES						
Food service	2,300,317	1,392,018	901,442	-	-	(6,857)
TOTAL BUSINESS-TYPE ACTIVITIES	2,300,317	1,392,018	901,442	-	-	(6,857)
TOTAL PRIMARY GOVERNMENT	\$ 128,732,738	\$ 3,485,788	\$ 17,658,281	\$ 55,232	(107,526,580)	(104,032,700)
GENERAL REVENUES						
Property taxes levied for general purposes					85,813,762	85,813,762
Taxes levied for specific purposes					10,517,916	10,517,916
Grants and entitlements not restricted to specific programs					6,357,208	6,357,208
Investment earnings					1,349,288	1,356,495
Miscellaneous					188,281	188,281
GENERAL REVENUES AND TRANSFERS					104,226,455	100,929,131
CHANGE IN NET DEFICIT					(3,300,125)	(3,103,569)
NET DEFICIT, BEGINNING OF YEAR, RESTATED					(125,392,062)	(124,510,865)
NET DEFICIT, END OF YEAR					\$ (128,692,187)	\$ (127,614,434)

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(With Summarized Comparative Data for June 30, 2017)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2018	2017
ASSETS				
Cash and cash equivalents	\$ 30,746,573	\$ 837,824	\$ 34,341,632	\$ 48,909,344
Investments	3,732,000	400,000	4,132,000	22,699,680
Taxes receivable	1,237,681	-	1,237,681	2,831,198
Due from other funds	140,284	-	140,284	129,192
Due from other governments	4,530,447	-	4,530,447	3,559,095
Note receivable	90,000	-	90,000	160,275
Other receivables	1,755,213	-	1,793,769	1,702,303
Prepaid expenditures	1,025,478	1,500	1,026,978	693,287
TOTAL ASSETS	\$ 43,257,676	\$ 1,239,324	\$ 47,292,791	\$ 80,684,374
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,458,682	\$ 13,866	\$ 3,250,167	\$ 7,254,928
Retainage payable	-	-	724,352	1,566,582
Accrued salaries and benefits	15,183,666	-	15,183,666	12,985,184
Other liabilities	74,590	-	74,590	1,252,568
Unearned revenues	40,335	-	40,335	29,574
TOTAL LIABILITIES	16,757,273	13,866	19,273,110	23,088,836
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - delinquent taxes	892,530	-	892,530	989,975
Unavailable revenue - note receivable	90,000	-	90,000	160,275
TOTAL DEFERRED INFLOWS OF RESOURCES	982,530	-	982,530	1,150,250
FUND BALANCES:				
Nonspendable	1,025,478	1,500	1,026,978	693,287
Restricted for capital projects	-	1,223,958	1,517,778	24,243,047
Restricted for athletics	40,676	-	40,676	36,058
Committed	10,412,233	-	10,412,233	16,412,233
Assigned	3,250,000	-	3,250,000	3,250,000
Unassigned	10,789,486	-	10,789,486	11,810,663
TOTAL FUND BALANCES	25,517,873	1,225,458	27,037,151	56,445,288
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES	\$ 43,257,676	\$ 1,239,324	\$ 47,292,791	\$ 80,684,374

The accompanying notes are an integral part of these financial statements.

**COLONIAL SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL GOVERNMENTAL FUND BALANCES \$ 27,037,151

Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 6,543,005	
Construction-in-progress	71,854,342	
Buildings and improvements	68,519,574	
Site improvements	12,305,710	
Furniture and equipment	13,697,113	
Library books	1,273,155	
Vehicles	1,252,135	
Accumulated depreciation	<u>(63,649,238)</u>	111,795,796

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

Bonds payable, net	(88,202,208)	
Other post-employment benefits	(15,106,620)	
Accumulated compensated absences	(4,038,617)	
Accrued interest payable	(1,399,230)	
Net pension liability	<u>(195,728,247)</u>	(304,474,922)

Refunded debt resulted in deferred outflows of resources which are amortized over the life of new debt but do not represent current rights. 123,726

Deferred inflows and outflows of resources related to the District's pension and OPEB plans do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred pension	35,667,267	
Deferred OPEB	1,058,160	
Deferred inflows of resources:		
Deferred pension	(1,490,119)	
Deferred OPEB	<u>(389,975)</u>	34,845,333

Internal service funds who serve the governmental activities of the District are reported as proprietary funds at the fund level, but governmental activities at the entity-wide level. 998,199

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 unavailable in the funds. 982,530

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (128,692,187)

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	
REVENUES:				
Local sources	\$ 99,639,669	\$ 21,199	\$ 90,311	\$ 99,751,179
State sources	21,400,640	-	-	21,400,640
Federal sources	1,713,406	-	-	1,713,406
TOTAL REVENUES	122,753,715	21,199	90,311	122,865,225
EXPENDITURES:				
Current:				
Instruction	77,175,335	-	-	77,175,335
Support services	35,901,669	-	79,931	35,981,600
Operation of noninstructional services	1,876,571	-	-	1,876,571
Capital outlays	-	4,774,724	25,562,055	30,336,779
Debt service	7,047,602	-	-	7,047,602
TOTAL EXPENDITURES	122,001,177	4,774,724	25,641,986	152,417,887
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	752,538	(4,753,525)	(25,551,675)	(29,552,662)
OTHER FINANCING SOURCES (USES):				
Proceeds from extended financing	55,232	-	-	55,232
Bond proceeds	-	-	-	-
Proceeds from bond refunding	-	-	9,485,000	9,485,000
Premium on bond refunding	-	-	648,840	648,840
Payments to bond refunding agent	-	-	(10,053,909)	(10,053,909)
Sale of fixed assets	-	-	-	-
Refund of prior year expenses	9,362	-	-	9,362
Refund of prior year receipts	-	-	-	-
Transfers in	-	1,500,000	6,000,000	7,500,000
Transfers out	(7,500,000)	-	-	(7,500,000)
TOTAL OTHER FINANCING SOURCES (USES)	(7,435,406)	1,500,000	6,079,931	144,525
NET CHANGE IN FUND BALANCES	(6,682,868)	(3,253,525)	(19,471,744)	(29,408,137)
FUND BALANCES, BEGINNING OF YEAR	32,200,741	4,478,983	19,765,564	56,445,288
FUND BALANCES, END OF YEAR	\$ 25,517,873	\$ 1,225,458	\$ 293,820	\$ 27,037,151
				\$ 56,445,288

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (29,408,137)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures which are reported either as District-wide (capital outlays) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,734,220) was exceeded by capital outlays (\$30,351,624) in the period. 28,617,404

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (167,720)

Issuance of debt is another financing source in the governmental funds but increases liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This amount is the net effect of those differences. 4,115,000

Governmental funds report bond discounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net position net of debt and are amortized over the life of the debt. (290,491)

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – 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). This is the amount by which current period amount earned exceeded current period amounts paid. (399,385)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (534,956)

Activity in the internal service fund is recorded at the fund level in the proprietary funds but is reported in the governmental activities in the entity-wide statements. 307,560

In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals exceeds pension contributions during the year. (5,436,037)

In the statement of activities, OPEB expense reflects the change in net OPEB liability, net of deferrals. In the governmental funds, however, OPEB expenditures reflect payments made to fund the OPEB plan. This is the amount by which the change in net OPEB liability and related deferrals exceeds OPEB contributions during the year. (103,363)

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (3,300,125)

The accompanying notes are an integral part of these financial statements.

**COLONIAL SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 99,002,696	\$ 99,002,696	\$ 99,639,669	\$ 636,973
State sources	20,999,736	20,999,736	21,400,640	400,904
Federal sources	708,505	708,505	1,713,406	1,004,901
TOTAL REVENUES	120,710,937	120,710,937	122,753,715	2,042,778
EXPENDITURES				
Instruction:				
Regular programs	55,664,494	56,764,559	54,245,146	2,519,413
Special programs	18,328,767	17,852,847	19,173,753	(1,320,906)
Vocational programs	1,814,521	1,814,521	1,814,521	-
Other instructional programs	1,443,589	1,761,196	1,870,296	(109,100)
Adult education	83,231	83,231	71,619	11,612
Total Instruction	<u>77,334,602</u>	<u>78,276,354</u>	<u>77,175,335</u>	<u>1,101,019</u>
Support services:				
Pupil personnel services	4,600,685	4,628,751	4,895,478	(266,727)
Instructional staff services	2,935,918	2,977,714	4,130,828	(1,153,114)
Administrative services	6,391,928	6,480,529	6,516,632	(36,103)
Pupil health	1,176,585	1,181,852	1,250,392	(68,540)
Business services	1,059,469	1,063,935	1,119,539	(55,604)
Operation and maintenance of plant services	9,456,143	9,466,522	9,288,336	178,186
Student transportation services	6,865,371	6,865,371	6,461,604	403,767
Information services	3,039,148	2,084,964	2,155,964	(71,000)
Other support services	88,208	88,251	82,896	5,355
Total Support Services	<u>35,613,455</u>	<u>34,837,889</u>	<u>35,901,669</u>	<u>(1,063,780)</u>
Operation of noninstructional activities:				
Student activities	1,560,128	1,564,782	1,806,755	(241,973)
Community services	54,126	54,550	69,816	(15,266)
Total Operation of Noninstructional Activities	<u>1,614,254</u>	<u>1,619,332</u>	<u>1,876,571</u>	<u>(257,239)</u>
Debt service	7,048,512	7,048,512	7,047,602	910
TOTAL EXPENDITURES	121,610,823	121,782,087	122,001,177	(219,090)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(899,886)	(1,071,150)	752,538	1,823,688
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,619,045)	(1,619,045)	(7,500,000)	(5,880,955)
Proceeds of extended financing	129,063	129,063	55,232	(73,831)
Sale of fixed assets	-	-	-	-
Refund of prior year expenses	-	-	9,362	9,362
Refund of prior year receipts	(197,906)	(197,906)	-	197,906
Budgetary reserve	(500,000)	(328,736)	-	328,736
TOTAL OTHER FINANCING USES	(2,187,888)	(2,016,624)	(7,435,406)	(5,418,782)
NET CHANGE IN FUND BALANCE	(3,087,774)	(3,087,774)	(6,682,868)	(3,595,094)
FUND BALANCE, BEGINNING OF YEAR	32,200,741	32,200,741	32,200,741	-
FUND BALANCE, END OF YEAR	\$ 29,112,967	\$ 29,112,967	\$ 25,517,873	\$ (3,595,094)

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018 AND 2017

	Food Service Fund		Internal Service Fund	
	2018	2017	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 684,525	\$ 588,764	\$ -	\$ -
Due from other governments	267,913	155,602	-	-
Other receivables	72,354	40,559	-	-
Inventories and other prepaid expenses	71,132	68,654	998,199	690,639
Total Current Assets	<u>1,095,924</u>	<u>853,579</u>	<u>998,199</u>	<u>690,639</u>
CAPITAL ASSETS:				
Furniture and equipment	681,596	673,894	-	-
Accumulated depreciation	(575,990)	(553,678)	-	-
Capital Assets, Net	<u>105,606</u>	<u>120,216</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>1,201,530</u>	<u>973,795</u>	<u>998,199</u>	<u>690,639</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows - pension	567,192	571,258	-	-
Deferred outflows - OPEB	31,372	6,115	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>598,564</u>	<u>577,373</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,800,094</u>	<u>\$ 1,551,168</u>	<u>\$ 998,199</u>	<u>\$ 690,639</u>
LIABILITIES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES:				
Accounts payable	\$ 290,661	\$ 27,789	\$ -	\$ -
Due to other funds	140,284	284,794	-	-
Accrued salaries and benefits	45,344	36,350	-	-
Unearned revenue	71,092	62,587	-	-
Total Current Liabilities	<u>547,381</u>	<u>411,520</u>	<u>-</u>	<u>-</u>
NONCURRENT LIABILITIES:				
Accumulated compensated absences	130,606	122,509	-	-
Net pension liability	3,109,753	3,017,407	-	-
Net OPEB liability	206,570	190,660	-	-
Total Noncurrent Liabilities	<u>3,446,929</u>	<u>3,330,576</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,994,310</u>	<u>3,742,096</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension	22,168	31,444	-	-
Deferred inflows - OPEB	5,638	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>27,806</u>	<u>31,444</u>	<u>-</u>	<u>-</u>
NET POSITION (DEFICIT):				
Net investment in capital assets	105,606	120,216	-	-
Unrestricted (Deficit)	(2,327,628)	(2,342,588)	998,199	690,639
Total Net Position (Deficit)	<u>(2,222,022)</u>	<u>(2,222,372)</u>	<u>998,199</u>	<u>690,639</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 1,800,094</u>	<u>\$ 1,551,168</u>	<u>\$ 998,199</u>	<u>\$ 690,639</u>

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Food Service Fund		Internal Service Fund	
	2018	2017	2018	2017
OPERATING REVENUES				
Food service revenues	\$ 1,392,018	\$ 1,356,353	\$ -	\$ -
Charges for health insurance	-	-	9,598,619	9,662,008
Total Operating Revenues	<u>1,392,018</u>	<u>1,356,353</u>	<u>9,598,619</u>	<u>9,662,008</u>
OPERATING EXPENSES				
Salaries	797,245	797,772	-	-
Employee benefits	569,890	497,277	9,291,059	9,934,630
Supplies	856,210	866,380	-	-
Repairs and maintenance	8,152	21,386	-	-
Other operating expenses	46,508	76,157	-	-
Depreciation	22,312	23,681	-	-
Total Operating Expenses	<u>2,300,317</u>	<u>2,282,653</u>	<u>9,291,059</u>	<u>9,934,630</u>
OPERATING INCOME (LOSS)	<u>(908,299)</u>	<u>(926,300)</u>	<u>307,560</u>	<u>(272,622)</u>
NONOPERATING REVENUES				
Earnings on investments	7,207	2,260	-	-
State sources	197,912	175,332	-	-
Federal sources	703,530	687,823	-	-
Total Nonoperating Revenues	<u>908,649</u>	<u>865,415</u>	<u>-</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>350</u>	<u>(60,885)</u>	<u>307,560</u>	<u>(272,622)</u>
Transfers in	-	48,159	-	-
Total Transfers	<u>-</u>	<u>48,159</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	<u>350</u>	<u>(12,726)</u>	<u>307,560</u>	<u>(272,622)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(2,222,372)</u>	<u>(2,209,646)</u>	<u>690,639</u>	<u>963,261</u>
NET POSITION (DEFICIT), END OF YEAR	<u><u>\$ (2,222,022)</u></u>	<u><u>\$ (2,222,372)</u></u>	<u><u>\$ 998,199</u></u>	<u><u>\$ 690,639</u></u>

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Food Service Fund		Internal Service Fund	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,368,728	\$ 1,387,051	\$ 9,598,619	\$ 9,662,008
Payments to suppliers	(628,061)	(1,075,155)	(9,598,619)	(9,662,008)
Payments to employees	(1,266,617)	(1,181,807)	-	-
Payments for other operating expenses	(54,660)	(97,543)	-	-
NET CASH USED BY OPERATING ACTIVITIES	(580,610)	(967,454)	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	47,503	170,376	-	-
Federal sources	629,363	505,531	-	-
Transfers in	-	48,159	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	676,866	724,066	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(7,702)	-	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,702)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	7,207	2,260	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,207	2,260	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	95,761	(241,128)	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	588,764	829,892	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 684,525	\$ 588,764	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (908,299)	\$ (926,300)	\$ 307,560	\$ (272,622)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	22,312	23,681	-	-
Commodities used	112,265	121,104	-	-
(Increase) Decrease in:				
Other receivables	(31,795)	19,463	-	-
Inventories and prepaid expenses	(2,478)	3,523	(307,560)	272,622
Deferred outflows - pension	4,066	(325,348)	-	-
Deferred outflows - OPEB	(25,257)	-	-	-
Increase (Decrease) in:				
Accounts payable	262,872	7,312	-	-
Due to other funds	(144,510)	(340,714)	-	-
Accrued salaries and benefits	8,994	(14,990)	-	-
Unearned revenue	8,505	11,235	-	-
Accumulated compensated absences	8,097	44,195	-	-
Net pension liability	92,346	403,181	-	-
Net OPEB liability	15,910	-	-	-
Deferred inflows - pension	(9,276)	6,204	-	-
Deferred inflows - OPEB	5,638	-	-	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (580,610)	\$ (967,454)	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE				
NONCASH NONCAPITAL FINANCING ACTIVITY:				
USDA donated commodities	\$ 112,265	\$ 121,104	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Private - Purpose Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 243,218	\$ 368,978
Investments	<u>61,271</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 304,489</u></u>	<u><u>\$ 368,978</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	<u>\$ 368,978</u>
Accounts payable	1,000	
NET POSITION:		
Reserved for trust	<u>303,489</u>	
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 304,489</u></u>	

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Private - Purpose Trust	
	2018	2017
ADDITIONS		
Local contributions	\$ 9,558	\$ 19,225
Investment earnings	2,243	1,798
TOTAL ADDITIONS	11,801	21,023
DEDUCTIONS		
Fees paid and scholarships awarded	17,825	18,450
TOTAL DEDUCTIONS	17,825	18,450
CHANGE IN NET POSITION	(6,024)	2,573
NET POSITION, BEGINNING OF YEAR	309,513	306,940
NET POSITION, END OF YEAR	\$ 303,489	\$ 309,513

The accompanying notes are an integral part of these financial statements.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colonial School District ("the District") operates five elementary schools, one middle school, and one senior high school to provide education and related services to the residents of Plymouth and Whitemarsh Townships and the Borough of Conshohocken. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member Board form of government.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability, and, as such, may or may not be required to be included within the District's financial statements. The criteria for including organizations within the District's reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") relate to financial accountability. On the basis of these criteria, the District has no other entities that are required to be included in the financial statements, nor is the District includable in the financial statements of any other reporting entity. 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 to be misleading or incomplete.

Based on the application of this criteria, the District has determined it does not have any component units for which the District must include in its financial statements.

Basis of Presentation

Entity-wide Financial Statements

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds on

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

page 29. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental activity. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on its use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Reserve Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets.

The **Capital Projects Fund** is used to account for all financial resources restricted, committed, or assigned to expenditures for capital outlays, including capital asset acquisitions, construction, and improvements.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. During the year ended June 30, 2018, the District recognized certain revenues from the Commonwealth of Pennsylvania which were received more than 60 days after year end but are usually received within 60 days of year end. The District determined that their exclusion would be misleading to the financial statements. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other miscellaneous receipts are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are realized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all building-wide costs to the proprietary funds.

Thus, general fund expenditures which partially benefit the proprietary funds are not entirely recognized with the proprietary funds. Similarly, the proprietary funds do not recognize a cost for the building space they occupy.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are food service charges. Operating expenses for the District's proprietary funds include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments are recorded at fair value or amortized cost.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as internal balances.

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers.

Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Property Taxes

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

July 1 - August 31	- Discount period, 2% of gross levy
September 1 - October 31	- Face Period
November 1 to collection	- Penalty Period, 10% of gross levy
January 15	- Lien Date

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Real estate taxes for the District are collected from the Borough of Conshohocken and the Townships of Plymouth and Whitemarsh. The tax on real estate for public school purposes for fiscal 2017-2018 was 21.4040 mills (\$21.4040 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Montgomery County Board of Assessments. Taxes from the Borough of Conshohocken are collected by an elected tax collector, while the District is responsible for the collection of taxes from the Townships of Plymouth and Whitemarsh.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and critical control assets as defined by District policy. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Site improvements	15 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 20 years
Library books	7 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days as stipulated in each bargaining unit's contract. The liability for these compensated

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Bond premiums and bond discounts are reported as netting items against the outstanding bond liability and amortized over the term of the related debt. All amounts are amortized using the straight-line method. Bond issuance costs are expensed at the time of issuance.

In the fund financial statements, governmental fund types 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 and discounts paid on debt issuances are reported as other financing sources and uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has four types of items that qualify for reporting in this category. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes and notes receivable not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Balances

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts limited by Board policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

Assigned – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. Funds can be assigned by the School Board of Directors or by an official to which the School Board of Directors delegates the authority.

Unassigned – amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board or official with the appropriate authority has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other post-employment benefits liability, or, for multi-employer cost sharing plans, the entity's share of the net other post-employment benefits liability, in the entity's financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to the date final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Special programs	\$ 1,320,906
Other instructional programs	109,100
Pupil personnel services	266,727
Instructional staff services	1,153,114
Administrative services	36,103
Pupil health	68,540
Business services	55,604
Information services	71,000
Student activities	241,973
Community services	15,266

The excess of expenditures over appropriations was financed by revenue exceeding anticipated amounts.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2018, the carrying amount of the District's deposits was \$35,638,353, and the bank balance was \$36,872,244. Of the bank balance, \$755,540 was covered by federal depository insurance, while \$7,483,987 was covered through collateral held by financial institutions but not in the District's name.

The remaining cash deposits of \$28,632,717 of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), the Pennsylvania Local Government Investment Trust ("PLGIT"), and the Pennsylvania INVEST program ("INVEST"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT, and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized rating organization, and are subject to an independent annual audit. At June 30, 2018, PSDLAF, PLGIT, and INVEST were rated AAAM.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds. During the year ended June 30, 2016, permitted investments were expanded to include highly-rated commercial paper, bankers' acceptances, and negotiable certificates of deposit.

As of June 30, 2018, the District had the following investments:

Certificates of deposit due within one year - collateral held by pledging bank's agent in the District's name	\$ 1,793,271
Investments in 2a7-like external investment pools	<u>2,400,000</u>
Total Investments	<u>\$ 4,193,271</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>
Investments in 2a7-like external investment pools	\$ 2,400,000

The District invests in the Pennsylvania Local Government Investment Trust ("PLGIT") and the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT and PSDLAF act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost which approximated fair market value. The fair market value is determined by the pool's Net Asset Value ("NAV") share price. As of June 30, 2018, PLGIT and PSDLAF were rated as AAAM by a nationally recognized statistical rating organization.

The District uses the amortized cost method of valuation for the following investments according to generally accepted accounting principles. The District has the following amortized cost measurements as of June 30, 2018:

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

<u>Investment Type</u>	<u>Amortized Cost</u>
Non-negotiable certificates of deposit	\$ 1,793,271

Interest Rate Risk

The District manages its exposure to fair value losses arising from increasing interest rates by investing in securities with maturity dates under five years.

Custodial Credit Risk

The District's investment strategy follows the Pennsylvania School Code in limiting its investment choices to those with certain credit ratings. All certificates of deposit are fully covered by FDIC insurance.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Construction-in-progress	46,295,792	25,558,550	-	71,854,342
Total Capital Assets Not Being Depreciated	<u>52,838,797</u>	<u>25,558,550</u>	<u>-</u>	<u>78,397,347</u>
Capital assets being depreciated:				
Buildings and improvements	68,186,255	333,319	-	68,519,574
Site improvements	7,979,717	4,325,993	-	12,305,710
Furniture and equipment	13,618,579	78,534	-	13,697,113
Library books	1,273,155	-	-	1,273,155
Vehicles	1,196,907	55,228	-	1,252,135
Total Capital Assets Being Depreciated	<u>92,254,613</u>	<u>4,793,074</u>	<u>-</u>	<u>97,047,687</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Beginning Balance	Additions	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	43,239,204	1,085,850	-	44,325,054
Site improvements	4,269,298	283,955	-	4,553,253
Furniture and equipment	12,156,355	313,551	-	12,469,906
Library books	1,273,155	-	-	1,273,155
Vehicles	977,006	50,864	-	1,027,870
Total Accumulated Depreciation	61,915,018	1,734,220	-	63,649,238
Total Capital Assets Being Depreciated, Net	30,339,595	3,058,854	-	33,398,449
Governmental Activities Assets, Net	<u>\$ 83,178,392</u>	<u>\$28,617,404</u>	<u>\$ -</u>	<u>\$111,795,796</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 673,894	\$ 7,702	\$ -	\$ 681,596
Total Capital Assets Being Depreciated	<u>673,894</u>	<u>7,702</u>	<u>-</u>	<u>681,596</u>
Less accumulated depreciation for:				
Furniture and equipment	553,678	22,312	-	575,990
Total Accumulated Depreciation	553,678	22,312	-	575,990
Business-type Activities, Net	<u>\$ 120,216</u>	<u>\$ (14,610)</u>	<u>\$ -</u>	<u>\$ 105,606</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction	\$ 1,165,591
Instructional student support	62,398
Administrative and financial support services	241,957
Operation and maintenance of plant services	237,874
Pupil transportation	26,400
	<u> </u>

Total Depreciation Expense - Governmental Activities \$1,734,220

Total Business-type Activities \$ 22,312

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Receivable From:	Amount	Payable To:	Amount
Food Service Fund	<u>\$ 140,284</u>	General Fund	<u>\$ 140,284</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

Interfund Transfers:

<u>Transfer Out:</u>	<u>Amount</u>	<u>Transfer In:</u>	<u>Amount</u>
General Fund	<u>\$ 7,500,000</u>	Capital Reserve Fund	\$ 1,500,000
		Bond Fund	<u>6,000,000</u>
Total	<u>\$ 7,500,000</u>	Total	<u>\$ 7,500,000</u>

Transfers represent funds transferred from the general fund to set aside for future capital and debt service needs of the District.

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable, net	\$ 92,047,927	\$ 10,111,779	\$(13,957,498)	\$ 88,202,208	\$ 4,181,330
Accumulated compensated absences	3,639,232	399,385	-	4,038,617	-
Net OPEB liability	14,722,259	384,361	-	15,106,620	-
Net pension liability	<u>189,956,593</u>	<u>5,771,654</u>	<u>-</u>	<u>195,728,247</u>	<u>-</u>
TOTALS	<u>\$300,366,011</u>	<u>\$ 16,667,179</u>	<u>\$(13,957,498)</u>	<u>\$303,075,692</u>	<u>\$ 4,181,330</u>
Business-type Activities:					
Accumulated compensated absences	\$ 122,509	\$ 8,097	\$ -	\$ 130,606	\$ -
Net OPEB liability	190,660	15,910	-	206,570	-
Net pension liability	<u>3,017,407</u>	<u>92,346</u>	<u>-</u>	<u>3,109,753</u>	<u>-</u>
TOTALS	<u>\$ 3,330,576</u>	<u>\$ 116,353</u>	<u>\$ -</u>	<u>\$ 3,446,929</u>	<u>\$ -</u>

Payments of long-term debt from bonds payable are to be funded by the general fund, while long-term debt from compensated absences is paid out of the fund from which the liability was incurred.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Bonds payable, net consists of the following:

Bonds payable, at face	\$ 82,775,000
Unamortized bond premiums	<u>5,427,208</u>
Bonds payable, net	<u>\$ 88,202,208</u>

General Obligation Bonds

Series of 2010, maturing through September 1, 2018, bearing interest ranging from 2.0% to 3.5%, interest payable semi-annually on March 1 and September 1. Issued to refund Series of 2005. \$ 445,000

Series of 2014, maturing through November 25, 2034, bearing interest ranging from 0.4% to 3.75%, interest payable semi-annually on February 15 and August 15. Issued to finance various capital projects within the District. 9,510,000

Series of 2014A, maturing through December 17, 2018, bearing interest ranging from 0.150% to 2.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A. 1,910,000

Series of 2015, maturing through February 15, 2034, bearing interest ranging from 0.5% to 4.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A. 9,860,000

Series of 2016, maturing through February 15, 2034, bearing interest ranging from 0.8% to 4.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A. 9,435,000

Series of 2016A, maturing through May 1, 2034, bearing interest ranging from 0.8% to 4.0%, interest payable semi-annually on May 1 and November 1. Issued to partially refund Series of 2010 and fully refund Series of 2011. 9,515,000

Series of 2017, maturing through February 15, 2039, bearing interest ranging from 1.25% to 5.0%, interest payable semi-annually on February 15 and August 1. Issued to finance various capital projects within the District. 15,460,000

Series of 2017A, maturing through February 15, 2039, bearing interest ranging from 1.05% to 5.0%, interest payable semi-annually on February 15 and August 1. Issued to finance various capital projects within the District. 17,155,000

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Series of 2017B, maturing through May 15, 2023, bearing interest ranging from 2.0% to 4.0%, interest payable semi-annually on May 15 and November 15, issued to refund series of 2012. The District realized a cash savings of \$151,186.

9,485,000

TOTAL

\$ 82,775,000

Presented below is a summary of debt service and lease requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 3,790,000	\$ 3,088,488	\$ 6,878,488
2020	3,940,000	3,028,245	6,968,245
2021	4,065,000	2,903,679	6,968,679
2022	4,210,000	2,754,602	6,964,602
2023	3,870,000	2,618,388	6,488,388
2024 - 2028	20,600,000	11,515,873	32,115,873
2029 - 2033	24,545,000	7,458,889	32,003,889
2034 - 2038	15,070,000	2,607,395	17,677,395
2039	2,685,000	134,250	2,819,250
	<u>\$ 82,775,000</u>	<u>\$ 36,109,809</u>	<u>\$ 118,884,809</u>

NOTE 8 FUND BALANCE

As of June 30, 2018, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenditures	\$ 1,025,478	\$ 1,500	\$ -	\$ 1,026,978
Restricted:				
Capital projects	-	1,223,958	293,820	1,517,778
Athletics	40,676	-	-	40,676
Committed:				
Assessment appeals	1,000,000	-	-	1,000,000
Healthcare	2,044,870	-	-	2,044,870
OPEB	3,425,328	-	-	3,425,328
PSERS	3,942,035	-	-	3,942,035
Assigned for future				
Expenditures	3,250,000	-	-	3,250,000
Unassigned	10,789,486	-	-	10,789,486
Total Fund Balances	<u>\$ 25,517,873</u>	<u>\$ 1,225,458</u>	<u>\$ 293,820</u>	<u>\$ 27,037,151</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

The PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 31.74 percent of covered payroll. The District's pension contribution to PSERS for the year ended June 30, 2018 was \$17,044,459.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported a liability of \$198,838,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.4026 percent, which was an increase of 0.0132 percent from its proportion measured as of June 30, 2016.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

For the year ended June 30, 2018, the District recognized pension expense of \$22,480,496. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 4,607,000	\$ -
Net difference between projected experience	2,074,000	1,201,000
Changes in proportions	7,107,000	210,000
Difference between employer contributions and proportionate share of total contributions	-	101,287
Contributions subsequent to the date of measurement	17,044,459	-
Change in assumptions	<u>5,402,000</u>	<u>-</u>
	<u>\$36,234,459</u>	<u>\$ 1,512,287</u>

An amount of \$17,044,459 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,

2019	\$ 4,633,630
2020	7,590,279
2021	4,958,270
2022	<u>495,534</u>
	<u>\$ 17,677,713</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increase – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent for real wage growth and 2.25 percent for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 244,752,000	\$ 198,838,000	\$ 160,073,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the system's website at www.psers.state.pa.us.

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the District. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the District. For fiscal year 2018, the District paid \$215,638 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2016, the same date as the latest actuarial valuation.

Discount Rate

The discount used to measure the total OPEB liability was 3.13 percent.

Healthcare Cost Trend

The healthcare cost trend was 6.0 percent in 2017 and 5.5 percent in 2018 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 3.9 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Mortality Rates

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan actuarial valuation.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5 percent cost of living adjustment, one percent real wage growth, and for teachers and administrators, a merit increase which varies by age from 2.75 percent to zero percent.

Medicare Participation

It is assumed that current active administrators will participate in Medicare upon retirement.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.13%	Current Rate Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ 6,081,962	\$ 7,110,190	\$ 8,349,827
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 6,081,962</u>	<u>\$ 7,110,190</u>	<u>\$ 8,349,827</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate Discount Rate	1% Increase
Total OPEB liability	\$ 6,142,531	\$ 7,110,190	\$ 8,268,643
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 6,142,531</u>	<u>\$ 7,110,190</u>	<u>\$ 8,268,643</u>

Changes in Total OPEB Liability

Total OPEB liability as of July 1, 2015	\$ 6,524,919
Service cost	479,326
Interest on OPEB obligation	171,497
Effect of assumption changes or inputs	150,086
Benefit payments	<u>(215,638)</u>
Total OPEB liability as of July 1, 2016	<u>\$ 7,110,190</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

The amount of OPEB expense for the single employer plan recognized by the District was \$410,089 for the year ended June 30, 2018. An amount of \$251,454 is reported as deferred outflows of resources resulting from the District's benefit payments subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. At June 30, 2018, the District reported deferred outflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Change in assumptions	\$ 139,366
Benefit payment subsequent to the July 1, 2016 measurement date	<u>251,454</u>
Total	<u>\$ 390,820</u>

Deferred inflows or resources due to the change in assumptions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 10,720
2020	10,720
2021	10,720
2022	10,720
2023	10,720
Thereafter	<u>85,766</u>
	<u>\$ 139,366</u>

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides post-employment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS plan include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

Participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83 percent of covered payroll, actuarially determined as an amount that, when combined with

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$445,712 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2018, the District reported a liability of \$8,203,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.4026 percent, which was an increase of 0.0132 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(390,440). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 9,000	\$ -
Change in proportionate share of the net OPEB liability	244,000	-
Change in assumptions	-	382,000
Difference between employer contributions and proportionate share of total contributions	-	13,613
Contributions subsequent to the date of measurement	445,712	-
	<u>\$ 698,712</u>	<u>\$ 395,613</u>

An amount of \$445,712 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to OPEB and will be recognized in OPEB expense as follows:

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Year Ending June 30,

2019	\$ (23,269)
2020	(23,269)
2021	(23,269)
2022	(23,269)
2023	(25,269)
Thereafter	<u>(24,268)</u>
	<u>\$ (142,613)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the system's total OPEB liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 3.13 percent - S&P 20-Year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent
 - Eligible retirees will elect to participate post-age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value
- Participation rate: 63 percent of eligible retirees are assumed to elect Premium Assistance.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Sensitivity of the System's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2017, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its health cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 8,200,000	\$ 8,203,000	\$ 8,204,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 9,324,000	\$ 8,203,000	\$ 7,271,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the system's website at www.psers.pa.gov.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District Plan (See Note 10)	\$ 7,110,190	\$ 390,820	\$ -
PSERS Plan (See Note 11)	<u>8,203,000</u>	<u>698,712</u>	<u>395,613</u>
Total	<u>\$ 15,313,190</u>	<u>\$ 1,089,532</u>	<u>\$ 395,613</u>

NOTE 13 JOINT VENTURE

The District is a participating member of the Center for Technical Studies ("the Vo-Tech"). The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of operating costs of the Vo-Tech based on the number of students attending from each district. For fiscal year ended June 30, 2018, the District's share of operating costs was \$1,566,075. The financial statements of the Vo-Tech are available from the Center for Technical Studies located at Plymouth Road and New Hope Street, Norristown, PA 19401.

The District has entered into a lease agreement with the Vo-Tech to provide rental payments to retire the Vo-Tech's outstanding debt obligations. The lease agreement provides that in the event the Vo-Tech either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulates sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made.

Future rental payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 547,514
2020	548,284
2021	547,584
2022	549,684
2023	547,444
2024	<u>548,809</u>
Total	3,289,319
Less: Interest requirements	<u>(386,068)</u>
Outstanding rental payments	<u>\$ 2,903,251</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 CONTINGENCIES AND COMMITMENTS

Construction-in-progress

As of June 30, 2018, the District had the following projects that were yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of June 30, 2018	Commitment
Plymouth Whitemarsh High School Renovations (incl. HS Gym)	\$ 51,542,343	\$ 50,731,426	\$ 810,917
Plymouth Elementary	6,554,481	6,554,481	-
Ridge Park Elementary	5,900,734	5,900,734	-
Whitemarsh Elementary	2,940,694	2,940,694	-
TOTALS	<u>\$ 66,938,252</u>	<u>\$ 66,127,335</u>	<u>\$ 810,917</u>

In addition, the District has incurred \$5,727,007 in costs related to the projects not under formal contract.

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Tax Increment Financing Plan and Cooperation Agreement

The Board of School Directors of the District authorized the execution of a Cooperation Agreement among the District, the County, the Township of Whitmarsh, and Whitmarsh Continuing Care Retirement Community, which sets forth and confirms the basic terms and conditions of the TIF Plan.

The Tax Increment District was created as of February 7, 2005 with intent to develop a continuing care retirement community. The Tax Increment District shall continue in existence until February 7, 2025. Commencing on the date, 90 percent of the dwelling units in Phase I of the Retirement Community shall first become occupied, or made available for occupancy. The District paid \$483,572 under the agreement in fiscal year 2018.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 CONTINGENCIES AND COMMITMENTS (cont'd)

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2017-2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 PRIOR PERIOD ADJUSTMENTS

The District has decreased its July 1, 2017 net position in the governmental activities by \$9,757,971 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" and establishing the Internal Service Fund. The District recorded a beginning deferred outflow for OPEB contributions of \$423,003, a deferred inflow for OPEB of \$35,816, and a beginning net OPEB liability of \$14,722,259. The previously reported \$3,886,462 OPEB obligation liability as of June 30, 2017 is no longer recognized due to the change in accounting principle. In addition to decreasing governmental activities by \$10,448,610 for OPEB, the District increased its net position by \$690,639 by establishing the Internal Service Fund for the District's self-insurance activities.

The District has decreased its July 1, 2017 net position by \$184,545 in the business-type activities and Food Service Fund due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The District recorded a beginning deferred outflow for OPEB contributions of \$6,115 and a beginning net OPEB liability of \$190,660.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 3, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date		
	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.4026%	0.3894%	0.3864%
District's proportion of the net pension liability - dollar value	\$ 198,838,000	\$ 192,974,000	\$ 167,371,000
District's covered employee payroll	51,700,932	50,427,790	48,723,417
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	384.59%	382.67%	343.51%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%
			57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS -
Pennsylvania Public School Employees' Retirement System (PSERS)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 17,044,459	\$ 15,096,672	\$ 12,452,682	\$ 9,921,062
Contributions in relation to the contractually required contribution	<u>17,044,459</u>	<u>15,096,672</u>	<u>12,452,682</u>	<u>9,921,062</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 53,700,249	\$ 51,700,932	\$ 50,427,790	\$ 48,723,417
Contributions as a percentage of covered-employee payroll	31.74%	29.20%	24.69%	20.36%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date <u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.4026%
District's proportion of the net OPEB liability - dollar value	\$ 8,203,000
District's covered employee payroll	51,700,932
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.87%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS -
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2018</u>
Contractually required contribution	\$ 445,712
Contributions in relation to the contractually required contribution	<u>445,712</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 53,700,249
Contributions as a percentage of covered-employee payroll	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY -
SINGLE EMPLOYER PLAN**

	Measurement Date <u>June 30, 2017</u>
<u>TOTAL OPEB LIABILITY</u>	
Service cost	\$ 479,326
Interest cost	171,497
Changes in assumptions	150,086
Benefit payments	<u>(215,638)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	585,271
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>6,524,919</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u><u>\$ 7,110,190</u></u>
<u>PLAN FIDUCIARY NET POSITION</u>	
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u><u>-</u></u>
DISTRICT'S NET OPEB LIABILITY	<u><u>\$ 7,110,190</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered employee payroll	\$ 48,534,167
District's net OPEB liability as a percentage of covered payroll	14.65%
Expected average remaining service years of all participants	13

The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which the information is available.

**COLONIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS - SINGLE EMPLOYER PLAN**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2018	\$ 215,638	\$ 215,638	\$ -	\$ 48,534,167	0.4443%

Notes to Schedule:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date: July 1, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method
Asset valuation method
Discount rate
Healthcare trend rates

Entry age normal, level % of pay
Market value
3.13%
5.50% in 2018 reducing in steps to 3.90% in 2075 and later

Schedule of changes in benefit terms

The discount rate was changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERs assumptions.

All employees are eligible for Act 110/43 benefits

SINGLE AUDIT SUPPLEMENT

INDEPENDENT AUDITOR'S
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

December 3, 2018

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of School Directors
Colonial School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTRC
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

December 3, 2018

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Colonial School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal program. However, our audit does not provide a legal determination of the District's compliance.

Board of School Directors
Colonial School District

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP

**COLONIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2017	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2018	AMOUNT PASSED THROUGH TO SUB- RECIPIENTS
U.S. Department of Education										
I	84.010	016-17-0091	07/01/16 - 09/30/17	\$ 546,461	\$ 327,754	\$ 69,031	\$ 258,723	\$ 258,723	\$ -	-
I	84.010	016-18-0091	07/01/17 - 09/30/18	470,052	269,341	-	249,794	249,794	(19,547)	-
					597,095	69,031	508,517	508,517	(19,547)	-
I	84.367	020-17-0091	07/01/16 - 09/30/17	143,582	28,356	1,182	27,174	27,174	-	-
I	84.367	020-18-0091	07/01/17 - 09/30/18	113,555	40,795	-	101,363	101,363	60,568	-
					69,151	1,182	128,537	128,537	60,568	-
I	84.365	010-17-0091	07/01/16 - 09/30/17	32,997	13,199	(5,347)	18,546	18,546	-	-
I	84.365	010-18-0091	07/01/17 - 09/30/18	28,514	14,257	-	20,974	20,974	6,717	-
					27,456	(5,347)	39,520	39,520	6,717	-
I	84.424	114-18-0091	07/01/17 - 09/30/18	3,795	3,795	-	3,795	3,795	-	-
					3,795	-	3,795	3,795	-	-
I	84.027	062-17-0023	07/01/16 - 06/30/17	950,063	84,080	84,080	-	-	-	-
I	84.027	062-18-0023	07/01/17 - 06/30/18	901,864	767,041	-	901,864	901,864	134,823	-
I	84.027	N/A	07/01/17 - 06/30/18	2,674	-	-	2,674	2,674	2,674	-
					851,121	84,080	904,538	904,538	137,497	-
					1,548,618	148,946	1,584,907	1,584,907	185,235	-
TOTAL U.S. DEPARTMENT OF EDUCATION										
I	93.778	N/A	07/01/17 - 06/30/18	9,372	9,372	-	9,372	9,372	-	-
					9,372	-	9,372	9,372	-	-
I	10.555	N/A	07/01/17 - 06/30/18	N/A	112,265	-	112,265	112,265	-	-
I	10.555	N/A	07/01/16 - 06/30/17	N/A	118,552	118,552	-	-	-	-
I	10.555	N/A	07/01/17 - 06/30/18	N/A	386,249	-	471,140	471,140	84,891	-
					617,066	118,552	583,405	583,405	84,891	-
I	10.553	N/A	07/01/16 - 06/30/17	N/A	25,741	25,741	-	-	-	-
I	10.553	N/A	07/01/17 - 06/30/18	N/A	84,596	-	105,900	105,900	21,304	-
					110,337	25,741	105,900	105,900	21,304	-
I	10.559	N/A	07/01/17 - 06/30/18	N/A	14,225	-	14,225	14,225	-	-
					14,225	-	14,225	14,225	-	-
					741,628	144,293	703,530	703,530	106,195	-
					741,628	144,293	703,530	703,530	106,195	-
					\$2,299,618	\$ 293,239	\$ 2,297,809	\$ 2,297,809	\$ 291,430	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE										
TOTAL FEDERAL AWARDS										
Source Code:										
I - Indirect Funding										

COLONIAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE A SCOPE OF SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, from the U.S. Department of Agriculture, represent the value consumed by the District during the 2017-2018 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was \$119,127.

NOTE E INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

COLONIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

COLONIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.