

COLONIAL SCHOOL DISTRICT
PLYMOUTH MEETING, PENNSYLVANIA
AUDIT REPORT
JUNE 30, 2011

COLONIAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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March 17, 2012

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2010 financial statements and, in our report dated March 2, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2012 on our consideration of Colonial School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of School Directors
Colonial School District

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colonial School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Colonial School District
Management's Discussion & Analysis - Unaudited
For the Year Ended June 30, 2011

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

As of June 30, 2011, the general fund reported a positive fund balance of \$8.8 million, of which \$4.2 million was allocated to balance the 2011-2012 budget. Operational expenditures for 2010-2011 exceeded revenues by \$520 thousand. Actual local revenues for 2010-2011 were \$3.0 million more than the previous year, due primarily to the additional 4.5 percent increase in the local real estate tax rate. Real estate taxes collected were approximately \$2.6 million above the 2009-2010 fiscal year. Nevertheless, current real estate taxes were \$94,875 under budgeted figures. Absent the real estate tax increase, other local revenue sources increased \$577,233 despite the current economic conditions. Interest earnings were \$11,902 over budgeted figures and interim real estate taxes were \$41,865 over the budgeted amount. Transfer taxes were \$130,448 over budget with delinquent real estate taxes \$27,009 more than budgeted. Furthermore, Act 511 earned income tax revenue exceeded budget expectations by \$9,906. A payment in lieu of real estate taxes (PILOT) totaling \$31,584 was received from The Hill at Whitemarsh as outlined in the parameters of the Tax Increment Financing Project Plan documents.

Actual expenditures were \$4,083,705 (4.3 percent) under budget.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets 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 assets and changes in them during the fiscal year. The change in net assets 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's property tax base growth has slowed considerably the past few years from a high of 5.12 percent, +\$2.3 million, in 2002-2003, to an increase of .21 percent, \$574,366 for 2010-2011. The current student population of 4,636 is estimated to increase by 90 students by the 2015-2016 school year.

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 Administration - Finance. Also available for review are the latest official offering statements of recent District bond issues that contain related housing, commercial and demographic information about Colonial School District.

Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

Entity-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$12.4 million at the close of the most recent fiscal year. In the prior year, assets exceeded liabilities by \$13.8 million.

The largest portion of the District's total assets reflects its investment in capital assets, 70 percent. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's net assets reflect investment in its capital assets 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 Assets** 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 2011 to 2010:

STATEMENT OF NET ASSETS
June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$21,146,505	\$23,950,050	\$ 193,906	\$ 157,758	\$21,340,411	\$24,107,808
Capital assets	48,582,894	49,906,720	267,646	289,492	48,850,540	50,196,212
Total Assets	<u>\$69,729,399</u>	<u>\$73,856,770</u>	<u>\$ 461,552</u>	<u>\$ 447,250</u>	<u>\$70,190,951</u>	<u>\$74,304,020</u>
Current liabilities	\$12,047,052	\$12,351,628	\$ 107,676	\$ 102,259	\$12,154,728	\$12,453,887
Long-term liabilities	45,576,884	47,999,521	73,868	64,908	45,650,752	48,064,429
Total Liabilities	<u>57,623,936</u>	<u>60,351,149</u>	<u>181,544</u>	<u>167,167</u>	<u>57,805,480</u>	<u>60,518,316</u>
Net Assets:						
Invested in capital assets, net of debt	4,591,944	4,841,020	267,646	289,492	4,859,590	5,130,512
Restricted for:						
Capital projects	987,815	1,221,825	-	-	987,815	1,221,825
Unrestricted	6,525,704	7,442,776	12,362	(9,409)	6,538,066	7,433,367
Total Net Assets	<u>12,105,463</u>	<u>13,505,621</u>	<u>280,008</u>	<u>280,083</u>	<u>12,385,471</u>	<u>13,785,704</u>
Total Liabilities and Net Assets	<u>\$69,729,399</u>	<u>\$73,856,770</u>	<u>\$ 461,552</u>	<u>\$ 447,250</u>	<u>\$70,190,951</u>	<u>\$74,304,020</u>

Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

Unrestricted accumulated net assets represent resources to be used for unanticipated fluctuations in expenses and/or revenues that can occur after the board of school directors approves an annual budget. Such fluctuations can result in expenses that are greater than current year revenues. At such times, the District must rely on its accumulated unrestricted net assets to make up the difference. Additionally, for certain categories of expenses, the District may realize cost-saving opportunities if it prepays these expenses.

If these prepayments are greater than currently realized revenues, then the District must rely on its unrestricted accumulated net assets in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net assets as an important criterion when establishing the bond rating for a public school district.

Total net assets of the District's governmental activities decreased by \$1.4 million, and unrestricted net assets reflect a positive balance of \$6.5 million.

The **Statement of Activities** shows 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. General revenues include real estate tax revenue of \$66.8 million; earned income taxes and transfer taxes of \$7.4 million; investment earnings of \$232,899; and unrestricted state entitlements of \$5.1 million that support the net cost of the District's services.

STATEMENT OF ACTIVITIES
(expressed in thousands)
For the Years Ended June 30, 2011 and 2010

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program Expenses				
Governmental Activities				
Instruction	\$ 58,727	\$ 51,410	\$ 57,870	\$ 49,717
Instructional student support	7,733	7,326	7,953	7,560
Administration	5,829	5,603	5,697	5,495
Maintenance	8,866	8,314	8,889	8,347
Pupil transportation	6,318	5,177	6,027	4,842
Student activities	1,434	1,311	1,336	1,246
Community services	51	(47)	62	(61)
Interest and fiscal charges	2,100	1,954	2,990	2,881
Total Expenses	<u>\$ 91,058</u>	<u>\$ 81,048</u>	<u>\$ 90,824</u>	<u>\$ 80,027</u>
Business-type Activities				
Food Service	<u>\$ 2,001</u>	<u>\$ (317)</u>	<u>\$ 1,993</u>	<u>\$ (344)</u>

Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

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

The **Statement of Changes in Net Assets** presented below shows that program revenues accounted for \$11.7 million, or 12.5 percent of total revenues of \$91.7 million, and general revenues accounted for \$80.0 million or 87.5 percent.

STATEMENT OF CHANGES IN NET ASSETS
(expressed in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 308	\$ 829	\$ 1,219	\$ 1,185	\$ 1,527	\$ 2,014
Operating grants	9,473	9,742	465	464	9,938	10,206
Capital grants	229	226	-	-	229	226
Total Program Revenues	10,010	10,797	1,684	1,649	11,694	12,446
General revenues:						
Property and other taxes	74,196	70,825	-	-	74,196	70,825
Grants and entitlements	5,107	5,058	-	-	5,107	5,058
Investment earnings	233	389	-	-	233	389
Miscellaneous	429	115	-	-	429	115
Total General Revenues	79,965	76,387	-	-	79,965	76,387
Total Revenues	89,975	87,184	1,684	1,649	91,659	88,833
Expenses						
Program expenses:						
Instruction	58,727	57,870	-	-	58,727	57,870
Support services:						
Instructional staff support	7,733	7,953	-	-	7,733	7,953
Administration	5,829	5,697	-	-	5,829	5,697
Maintenance	8,866	8,889	-	-	8,866	8,889
Pupil transportation	6,318	6,027	-	-	6,318	6,027
Student activities	1,434	1,336	-	-	1,433	1,336
Community services	51	62	-	-	52	62
Interest and fiscal charges	2,100	2,990	-	-	2,100	2,990
Food service	-	-	2,001	1,993	2,001	1,993
Total Expenses	91,058	90,824	2,001	1,993	93,059	92,817
Excess (Deficit) before transfers	(1,083)	(3,640)	(317)	(344)	(1,400)	(3,984)
Transfers	(317)	(344)	317	344	-	-
Change in Net Assets	\$ (1,400)	\$ (3,984)	\$ -	\$ -	\$ (1,400)	\$ (3,984)

Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

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 Assets 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 Assets and Changes in Fiduciary Net Assets. 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

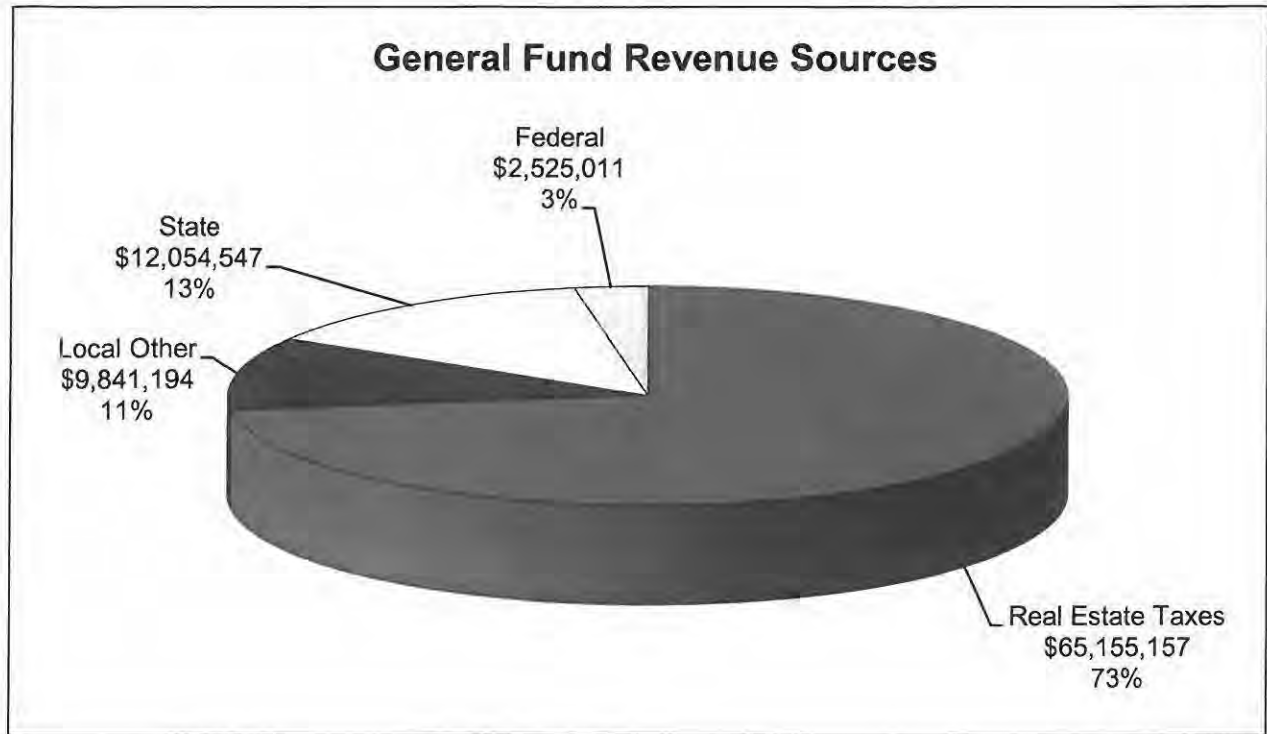
The fund financial statements of the District's major funds provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular 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 \$10.2 million, which is a decrease of \$2.2 million from the previous year's total of \$12.3 million. The schedule below illustrates the fund balance and the total change in fund balances from June 30, 2010 to 2011.

	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 8,842,563	\$ 9,362,746	\$ (520,183)
Capital projects funds	350,951	1,756,564	(1,405,613)
Capital reserve fund	<u>987,815</u>	<u>1,221,825</u>	<u>(234,010)</u>
TOTAL	<u>\$ 10,181,329</u>	<u>\$ 12,341,135</u>	<u>\$ (2,159,806)</u>

**Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011**

The District's reliance upon real estate tax revenues is demonstrated by the following graph that indicates 73 percent of total revenues for government activities come from local real estate taxes.



General Fund

Total general fund expenditures exceeded revenues by \$520,183 accounting for the slight 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.

REVENUES

	2011 Actual	2010 Actual	Variance	
			\$	%
Current real estate taxes	\$ 64,763,293	\$ 62,165,765	\$ 2,597,528	4.18%
Interim real estate taxes	391,864	615,660	(223,796)	-36.35%
Earned income taxes Act 511	5,809,906	5,967,302	(157,396)	-2.64%
Transfer taxes	1,430,448	1,063,962	366,486	34.45%
Delinquent taxes	727,009	655,745	71,264	10.87%
Other local revenue	1,873,831	1,432,540	441,291	30.80%
State sources	12,054,547	11,829,963	224,584	1.90%
Federal sources	2,525,011	2,970,237	(445,226)	-15.00%
TOTAL	\$ 89,575,909	\$ 86,701,174	\$ 2,874,735	3.32%

Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

Other Funds

Fund balance decreases in the capital reserve fund, \$234,010; and the capital projects fund, \$1,405,613; were the result of capital improvement expenditures in 2010-2011.

Business-type Activities

Business-type activities include the food service program. This program had a minimal decrease of \$75 in net assets for the fiscal year. The general fund provided a contribution of \$242,853 to offset the operational deficit. The general fund also provides a capital equipment contribution of \$17,000 and a "nutritional subsidy" of \$50,000, as the operation has moved to more nutritious meal offerings for students.

General Fund Budget Information

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrued 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.

		Budgeted Amounts		Variance	
		Original	Final	Positive (Negative)	%
Expenditures					
Function	Instruction:				
1100	Regular programs	\$ 40,945,968	\$ 40,881,032	\$ (64,936)	-0.16%
1200	Special programs	14,786,891	14,877,688	90,797	0.61%
1300	Vocational programs	1,356,723	1,357,263	540	0.04%
1400	Other instructional programs	1,874,282	1,834,333	(39,949)	-2.13%
1600	Adult education	70,276	70,276	-	0.00%
	Total Instruction	59,034,140	59,020,592	(13,548)	-0.02%
	Support services:				
2100	Pupil personnel services	3,178,284	3,216,525	38,241	1.20%
2200	Instructional staff services	3,723,171	3,715,405	(7,766)	-0.21%
2300	Administrative services	3,996,685	4,050,373	53,688	1.34%
2400	Pupil health	877,726	865,066	(12,660)	-1.44%
2500	Business services	1,115,840	1,129,017	13,177	1.18%
2600	Operation and maintenance of plant services	8,585,747	8,586,511	764	0.01%
2700	Student transportation services	6,506,853	6,509,814	2,961	0.05%
2800	Information services	594,171	593,722	(449)	-0.08%
2900	Other support services	78,694	78,694	-	0.00%
	Total Support Services	28,657,171	28,745,127	87,956	0.31%
	Operation of non-instructional activities:				
3200	Student activities	1,454,482	1,466,983	12,501	0.86%
3300	Community services	35,774	54,239	18,465	51.62%
	Total Operation of Non-instructional Services	1,490,256	1,521,222	30,966	2.08%
4000	Capital outlays	75,605	70,231	(5,374)	-7.11%
5110	Debt service	4,567,689	4,567,689	-	0.00%
5200	Transfers	134,139	134,139	-	0.00%
5900	Budgetary reserve	100,000	-	(100,000)	-100%
	Total Expenditures	\$ 94,059,000	\$ 94,059,000	\$ -	0.00%

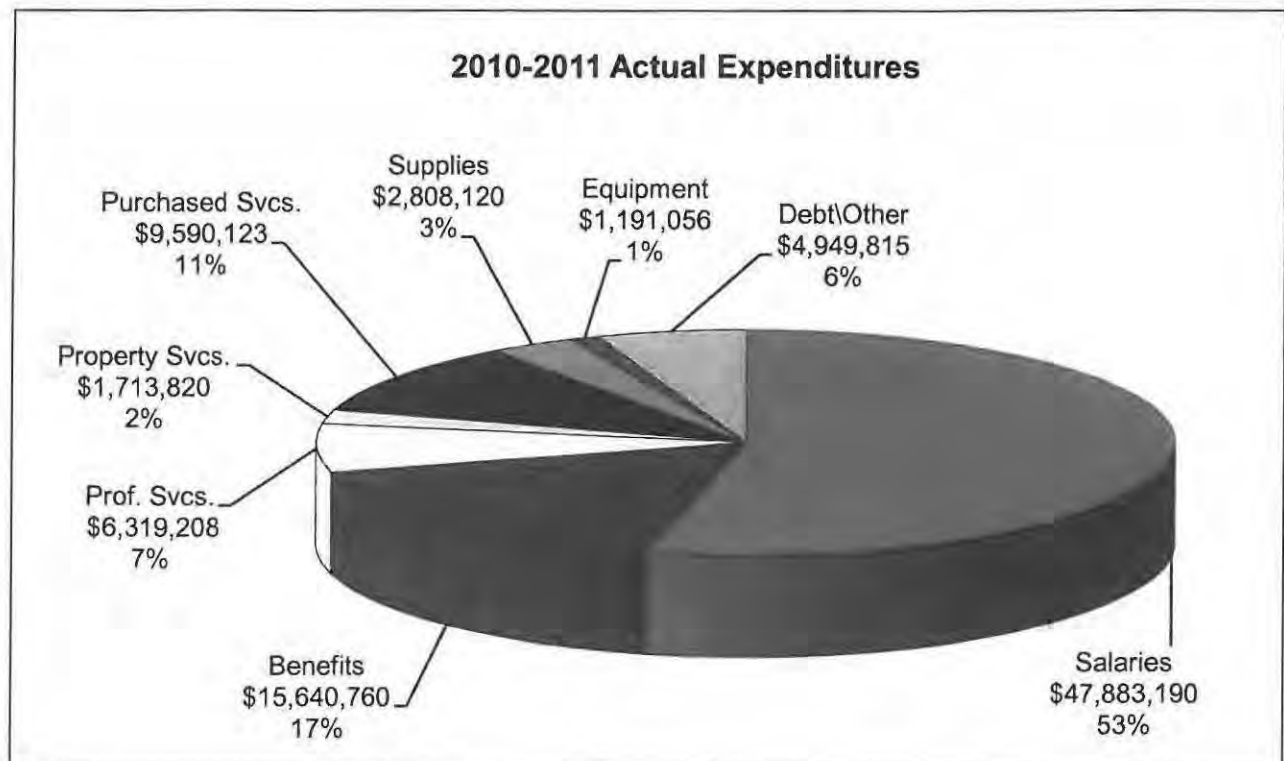
**Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011**

Using spending variances in excess of \$10,000, and using five percent as a spending tolerance, the most significant changes in the District's expenditures vs. planned expenditures were as follows:

Expenditures		Original	Final	Positive (Negative)	%
3300	Community services	\$ 35,774	\$ 54,239	\$ 18,465	51.62%
5900	Budgetary reserve	100,000	-	\$ (100,000)	-100%

Function	Description	Reason for Variance
3300	Community services	Transfers in for crossing guards and for parent involvement in federal program events
5900	Budgetary reserve	Transfers out for new kindergarten classroom, crossing guards, special education legal services, laptops and appraisal services

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 & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011

Object	Actual Expenditures		Variance	
	2010-2011	2009-2010	Positive (Negative)	%
100 Salaries	\$ 47,883,190	\$ 47,921,281	\$ (38,091)	-0.08%
200 Benefits	15,640,760	15,201,956	438,804	2.89%
300 Professional services	6,319,208	6,166,013	153,195	2.48%
400 Purchased property services	1,713,820	1,772,590	(58,769)	-3.32%
500 Purchased services	9,590,123	9,427,787	162,336	1.72%
600 Supplies	2,808,120	2,836,075	(27,955)	-0.99%
700 Equipment	1,191,056	1,014,361	176,695	17.42%
800 Debt service interest and other	1,932,719	2,108,948	(176,229)	-8.36%
900 Debt service principal and other	3,017,096	2,868,264	148,832	5.19%
Total Expenditures and other				
Financing sources (uses)	<u>\$ 90,096,092</u>	<u>\$ 89,317,275</u>	<u>\$ 778,818</u>	0.87%

Actual expenditures for 2010-2011 were up \$778,818, less than .87 percent over the prior year. Object 200, Benefits, accounted for a \$438,800 variance primarily due to an increase in the employer's contribution to the employee retirement system. Object 300, Professional Services, includes contracted educational services for special education. Object 400, Purchased Property Services, includes electricity, heating oil and natural gas expenditures. Object 500, Purchased Services, includes tuition to charter schools, approved private schools, private residential rehabilitative schools and other public schools for educational services. Also included in Object 500 are contracted student transportation costs.

Capital Assets

The District has \$48.8 million invested in capital assets net of depreciation; \$267,000 of capital assets is located in the Food Service Fund. Acquisitions for governmental activities totaled \$2.2 million and depreciation expense for the year was \$3.5 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At June 30, 2011, the District had \$44.4 million in outstanding bonds and notes payable. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements. No new debt has been incurred in the 2010-2011 year.

Under current state statutes, the District's general obligation bonded debt issues are subject to legal limitation based on 225 percent of the average revenues for the prior three years. At June 30, 2011, the District's general obligation debt was \$133 million below the legal limit.

**Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011**

Factors Expected to have an Effect on Future Operations

The most significant factor that will have an impact on the future operations of the District is the implementation of Act 1 of 2006, which became effective on June 27, 2006. Future real estate tax increases are limited to a state-wide index (4.1 percent for 2009-2010, 2.9 percent for 2010-2011, 1.4 percent for 2011-2012 and 1.7 percent for 2012-2013) unless approved by District voters in the form of a back-end referendum during the May primary. Programs which enhance the educational and extracurricular offerings in the District could be cut in an attempt to remain under the state-wide cap on real estate tax increases. The law also accelerates the District's budget schedule by 90 days, which decreases the reliability of budgetary estimates and virtually eliminates all certainty when projecting state and federal revenues for the next fiscal year. The back-end referendum and the accelerated budget schedule is not required if the Board passes a resolution to remain under the index.

The current economic downturn continues to have a negative impact on local revenue sources that are sensitive to market conditions. Commercial and residential development has slowed, resulting in lower transfer and interim real estate taxes. Interest earnings have decreased as rates for investments are significantly lower. Act 511 earned income taxes are projected to be flat or decreasing in the near future. On a positive note, actual 2010-2011 local revenues, minus real estate taxes, have increased \$577,233 from the previous fiscal year. In the past, the District has used its fund balance to balance its budgets and to minimize tax increases to its residents (third lowest tax rate of the 21 districts in Montgomery County).

Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen special education and transportation subsidies increase minimally as the costs for these mandated services have far exceeded state reimbursement. The District receives an estimated 20-25 percent of the cost for these services from the state. The economic conditions have also affected the state, creating a state budget shortfall for 2011-2012.

Escalating health care premiums and the employer's share of retirement contributions will have a significant impact on future budgets. Mandated employer retirement contributions are projected to increase significantly over the next few years. The state reimburses the District for 50 percent of its retirement contribution costs.

Healthcare costs continue to rise and the school district is examining self funding and pooling arrangements to mitigate these increases.

Federal stimulus funds total approximately \$1.7 million that the District received over a two-year period in 2009-2010 and 2010-2011 will not be available for 2011-2012.

**Colonial School District
Management's Discussion & Analysis - Unaudited (cont'd)
For the Year Ended June 30, 2011**

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 Flouertown Road, Plymouth Meeting, PA 19462, (610) 834-1671 extension 2121 or reference the District's website at www.colonialsd.org, go to Administration - Finance.

COLONIAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011
(With Summarized Comparative Data for June 30, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
ASSETS				
Cash and cash equivalents	\$ 9,157,799	\$ 347,144	\$ 9,504,943	\$ 11,556,123
Investments	6,118,845	-	6,118,845	6,700,215
Taxes receivable	2,849,998	-	2,849,998	2,409,877
Internal balances	315,515	(315,515)	-	-
Note receivable	626,981	-	626,981	714,141
Due from other governments	1,617,048	89,600	1,706,648	1,675,750
Other receivables	305,398	20,010	325,408	816,088
Inventories	-	52,667	52,667	56,991
Issuance costs	154,921	-	154,921	178,623
Land	6,543,005	-	6,543,005	6,543,005
Construction-in-progress	81,103	-	81,103	459,330
Site improvements	8,032,443	-	8,032,443	7,381,359
Buildings and improvements	66,747,514	-	66,747,514	65,751,179
Furniture and equipment	14,825,702	663,560	15,489,262	14,518,415
Accumulated depreciation	(47,646,873)	(395,914)	(48,042,787)	(44,457,076)
TOTAL ASSETS	\$ 69,729,399	\$ 461,552	\$ 70,190,951	\$ 74,304,020
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable	\$ 2,142,131	\$ 10,074	\$ 2,152,205	\$ 2,986,715
Accrued salaries and benefits	6,115,641	5,368	6,121,009	5,671,871
Other liabilities	418,620	-	418,620	304,004
Accrued interest payable	249,132	-	249,132	352,801
Deferred revenue	-	63,833	63,833	62,411
Judgment payable	64,530	-	64,530	114,885
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	2,935,000	-	2,935,000	2,360,000
Less: Bond discounts	(34,113)	-	(34,113)	(34,113)
Less: Deferred amounts on refunding	(52,919)	-	(52,919)	(52,919)
Add: Bond premiums	142,197	-	142,197	142,197
Note payable	30,000	-	30,000	29,000
Accumulated compensated absences/ early retirement incentive	36,833	28,401	65,234	517,035
Portion due or payable after one year:				
Bonds payable	41,425,000	-	41,425,000	44,360,000
Less: Bond discounts	(192,735)	-	(192,735)	(226,848)
Less: Deferred amounts on refunding	(245,838)	-	(245,838)	(298,757)
Add: Bond premiums	371,507	-	371,507	513,704
Note payable	-	-	-	30,000
Other post-employment benefits	1,227,277	-	1,227,277	800,544
Accumulated compensated absences/ early retirement incentive	2,991,673	73,868	3,065,541	2,885,786
TOTAL LIABILITIES	57,623,936	181,544	57,805,480	60,518,316
NET ASSETS:				
Invested in capital assets, net of related debt	4,591,944	267,646	4,859,590	5,130,512
Restricted for capital assets	987,815	-	987,815	1,221,825
Unrestricted	6,525,704	12,362	6,538,066	7,433,367
TOTAL NET ASSETS	12,105,463	280,008	12,385,471	13,785,704
TOTAL LIABILITIES AND NET ASSETS	\$ 69,729,399	\$ 461,552	\$ 70,190,951	\$ 74,304,020

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

**COLONIAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Comparative Data for the Year Ended June 30, 2010)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Totals	
							2011	2010
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 58,727,228	\$ 135,930	\$ 7,181,067	\$ -	\$(51,410,231)	\$ -	\$(51,410,231)	\$(49,717,483)
Instructional student support	7,732,945	-	407,221	-	(7,325,724)	-	(7,325,724)	(7,560,166)
Administrative and financial support services	5,828,568	-	225,772	-	(5,602,796)	-	(5,602,796)	(5,494,800)
Operation and maintenance of plant services	8,865,754	-	322,089	229,357	(8,314,308)	-	(8,314,308)	(8,346,628)
Pupil transportation	6,318,086	-	1,141,104	-	(5,176,982)	-	(5,176,982)	(4,842,212)
Student activities	1,433,524	73,608	49,103	-	(1,310,813)	-	(1,310,813)	(1,245,972)
Community services	51,807	98,707	-	-	46,900	-	46,900	61,359
Interest on long-term debt	2,100,533	-	146,888	-	(1,953,645)	-	(1,953,645)	(2,880,691)
TOTAL GOVERNMENTAL ACTIVITIES	91,058,445	308,245	9,473,244	229,357	(81,047,599)	-	(81,047,599)	(80,026,593)
BUSINESS-TYPE ACTIVITIES								
Food service	2,000,923	1,218,786	465,355	-	-	(316,782)	(316,782)	(344,491)
TOTAL BUSINESS-TYPE ACTIVITIES	2,000,923	1,218,786	465,355	-	-	(316,782)	(316,782)	(344,491)
TOTAL PRIMARY GOVERNMENT	\$ 93,059,368	\$ 1,527,031	\$ 9,938,599	\$ 229,357	(81,047,599)	(316,782)	(81,364,381)	(80,371,084)
GENERAL REVENUES								
Property taxes levied for general purposes					66,764,881	-	66,764,881	63,581,912
Taxes levied for specific purposes					7,431,151	-	7,431,151	7,242,912
Grants and entitlements not restricted to specific programs					5,106,314	-	5,106,314	5,057,808
Investment earnings					232,899	14	232,913	389,188
Miscellaneous					428,889	-	428,889	115,034
TRANSFERS AND CAPITAL CONTRIBUTIONS					(316,693)	316,693	-	-
GENERAL REVENUES AND TRANSFERS					79,647,441	316,707	79,964,148	76,386,854
CHANGE IN NET ASSETS					(1,400,158)	(75)	(1,400,233)	(3,984,230)
NET ASSETS, BEGINNING OF YEAR					13,505,621	280,083	13,785,704	17,769,934
NET ASSETS, END OF YEAR					\$ 12,105,463	\$ 280,008	\$ 12,385,471	\$ 13,785,704

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

COLONIAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011
(With Summarized Comparative Data for June 30, 2010)

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2011	2010
ASSETS					
Cash and cash equivalents	\$ 7,710,660	\$ 907,394	\$ 539,745	\$ 9,157,799	\$ 11,349,976
Investments	5,872,910	245,935	-	6,118,845	6,700,215
Taxes receivable	2,849,998	-	-	2,849,998	2,409,877
Due from other funds	317,795	-	-	317,795	179,983
Due from other governments	1,617,048	-	-	1,617,048	1,619,307
Note receivable	626,981	-	-	626,981	714,141
Other receivables	305,398	-	-	305,398	797,928
TOTAL ASSETS	\$ 19,300,790	\$ 1,153,329	\$ 539,745	\$ 20,993,864	\$ 23,771,427
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,790,103	\$ 165,514	\$ 186,514	\$ 2,142,131	\$ 2,975,178
Due to other funds	-	-	2,280	2,280	-
Accrued salaries and benefits	6,115,641	-	-	6,115,641	5,670,549
Accumulated compensated absences/ early retirement incentive	36,833	-	-	36,833	490,046
Judgments payable	64,530	-	-	64,530	114,885
Other liabilities	418,620	-	-	418,620	304,004
Deferred revenues	2,032,500	-	-	2,032,500	1,875,630
TOTAL LIABILITIES	10,458,227	165,514	188,794	10,812,535	11,430,292
FUND BALANCES:					
Restricted	-	987,815	350,951	1,338,766	2,978,389
Assigned	4,240,719	-	-	4,240,719	4,500,000
Unassigned	4,601,844	-	-	4,601,844	4,862,746
TOTAL FUND BALANCES	8,842,563	987,815	350,951	10,181,329	12,341,135
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,300,790	\$ 1,153,329	\$ 539,745	\$ 20,993,864	\$ 23,771,427

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

**COLONIAL SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET ASSETS
JUNE 30, 2011**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 10,181,329
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Amounts reported for governmental activities in the statement of net assets 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	81,103	
Site improvements	8,032,443	
Buildings and improvements	66,747,514	
Furniture and equipment	14,825,702	
Accumulated depreciation	<u>(47,646,873)</u>	48,582,894

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	(44,360,000)	
Note payable	(30,000)	
Other post-employment benefits	(1,227,277)	
Accumulated compensated absences/early retirement incentive	(2,991,673)	
Accrued interest payable	<u>(249,132)</u>	(48,858,082)

Refunded and new debt and issuance costs resulted in deferred charges which will be amortized over the life of the new debt but do not represent current rights.	166,822
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Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>2,032,500</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 12,105,463</u></u>
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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, 2011
(With Summarized Comparative Data for the Year Ended June 30, 2010)

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2011	2010
REVENUES:					
Local sources	\$ 74,996,351	\$ 5,685	\$ 7,159	\$ 75,009,195	\$ 72,013,763
State sources	12,054,547	-	-	12,054,547	11,829,963
Federal sources	2,525,011	-	-	2,525,011	2,970,237
TOTAL REVENUES	<u>89,575,909</u>	<u>5,685</u>	<u>7,159</u>	<u>89,588,753</u>	<u>86,813,963</u>
EXPENDITURES:					
Current:					
Instruction	56,393,693	-	-	56,393,693	55,707,918
Support services	27,141,270	5,454	9,760	27,156,484	27,368,625
Operation of noninstructional services	1,436,334	-	-	1,436,334	1,448,761
Capital outlays	387,391	227,401	1,403,012	2,017,804	4,745,723
Debt service	4,482,468	-	-	4,482,468	4,431,784
TOTAL EXPENDITURES	<u>89,841,156</u>	<u>232,855</u>	<u>1,412,772</u>	<u>91,486,783</u>	<u>93,702,811</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(265,247)</u>	<u>(227,170)</u>	<u>(1,405,613)</u>	<u>(1,898,030)</u>	<u>(6,888,848)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from extended financing	87,160	-	-	87,160	17,928,557
Premium on refunding	-	-	-	-	150,001
Discount on refunding	-	-	-	-	(152,549)
Refund of prior year receipts	(32,243)	-	-	(32,243)	(32,243)
Payment to refunding agent	-	-	-	-	(17,743,285)
Transfers in	-	-	-	-	57,019
Transfers out	(309,853)	(6,840)	-	(316,693)	(401,451)
TOTAL OTHER FINANCING USES	<u>(254,936)</u>	<u>(6,840)</u>	<u>-</u>	<u>(261,776)</u>	<u>(193,951)</u>
NET CHANGE IN FUND BALANCES	(520,183)	(234,010)	(1,405,613)	(2,159,806)	(7,082,799)
FUND BALANCES, BEGINNING OF YEAR	<u>9,362,746</u>	<u>1,221,825</u>	<u>1,756,564</u>	<u>12,341,135</u>	<u>19,423,934</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,842,563</u>	<u>\$ 987,815</u>	<u>\$ 350,951</u>	<u>\$ 10,181,329</u>	<u>\$ 12,341,135</u>

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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,159,806)

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 (\$3,553,961) exceeded capital outlays (\$2,230,135) in the period. (1,323,826)

Because some property taxes 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. Deferred tax revenues increased by this amount this year. 156,870

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount of debt repayments made during the year. 2,389,000

Governmental funds report issuance costs, bond discounts and deferred amounts on refunding as expenditures. However, these amounts are reported on the statement of net assets as deferred charges and are amortized over the life of the debt. This is the amount of amortization recognized on issuance costs, bond discounts and deferred amounts on refunding during the year. 31,463

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid exceeded current period amounts earned. (597,528)

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. 103,669

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,400,158)

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, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 75,009,256	\$ 75,009,256	\$ 74,996,351	\$ (12,905)
State sources	13,352,542	13,352,542	12,054,547	(1,297,995)
Federal sources	1,110,042	1,110,042	2,525,011	1,414,969
TOTAL REVENUES	<u>89,471,840</u>	<u>89,471,840</u>	<u>89,575,909</u>	<u>104,069</u>
EXPENDITURES				
Instruction:				
Regular programs	40,945,968	40,881,032	38,733,745	2,147,287
Special programs	14,786,891	14,877,688	14,515,817	361,871
Vocational programs	1,356,723	1,357,263	1,357,263	-
Other instructional programs	1,874,282	1,834,333	1,710,829	123,504
Adult education	70,276	70,276	76,039	(5,763)
Total instruction	<u>59,034,140</u>	<u>59,020,592</u>	<u>56,393,693</u>	<u>2,626,899</u>
Support services:				
Pupil personnel services	3,178,284	3,216,525	3,033,729	182,796
Instructional staff services	3,723,171	3,715,405	3,468,072	247,333
Administrative services	3,996,685	4,050,373	3,906,950	143,423
Pupil health	877,726	865,066	827,257	37,809
Business services	1,115,840	1,129,017	1,087,302	41,715
Operation and maintenance of plant services	8,585,747	8,586,511	7,909,222	677,289
Student transportation services	6,506,853	6,509,814	6,360,939	148,875
Information services	594,171	593,722	542,986	50,736
Other support services	78,694	78,694	4,813	73,881
Total Support Services	<u>28,657,171</u>	<u>28,745,127</u>	<u>27,141,270</u>	<u>1,603,857</u>
Operation of noninstructional activities:				
Student activities	1,454,482	1,466,983	1,384,527	82,456
Community services	35,774	54,239	51,807	2,432
Total Operation of Noninstructional Services	<u>1,490,256</u>	<u>1,521,222</u>	<u>1,436,334</u>	<u>84,888</u>
Capital outlays	75,605	70,231	387,391	(317,160)
Debt service	4,567,689	4,567,689	4,482,468	85,221
TOTAL EXPENDITURES	<u>93,824,861</u>	<u>93,924,861</u>	<u>89,841,156</u>	<u>4,083,705</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(4,353,021)</u>	<u>(4,453,021)</u>	<u>(265,247)</u>	<u>4,187,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(134,139)	(134,139)	(309,853)	(175,714)
Proceeds of extended financing	-	-	87,160	87,160
Refund of prior year receipts	-	-	(32,243)	(32,243)
Budgetary reserve	(100,000)	-	-	-
TOTAL OTHER FINANCING USES	<u>(234,139)</u>	<u>(134,139)</u>	<u>(254,936)</u>	<u>(120,797)</u>
NET CHANGE IN FUND BALANCE	<u>(4,587,160)</u>	<u>(4,587,160)</u>	<u>(520,183)</u>	<u>4,066,977</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,362,746</u>	<u>9,362,746</u>	<u>9,362,746</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,775,586</u>	<u>\$ 4,775,586</u>	<u>\$ 8,842,563</u>	<u>\$ 4,066,977</u>

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2011 AND 2010

	Major Fund	
	Food Service Fund	
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 347,144	\$ 206,147
Due from other governments	89,600	56,443
Other receivables	20,010	18,160
Inventories	52,667	56,991
Total Current Assets	<u>509,421</u>	<u>337,741</u>
CAPITAL ASSETS:		
Furniture and equipment	663,560	653,656
Accumulated depreciation	<u>(395,914)</u>	<u>(364,164)</u>
Capital Assets, Net	<u>267,646</u>	<u>289,492</u>
TOTAL ASSETS	<u><u>\$ 777,067</u></u>	<u><u>\$ 627,233</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,074	\$ 11,537
Due to other funds	315,515	179,983
Accrued salaries and benefits	5,368	1,322
Accumulated compensated absences	28,401	26,989
Deferred revenue	63,833	62,411
Total Current Liabilities	<u>423,191</u>	<u>282,242</u>
NONCURRENT LIABILITIES:		
Accumulated compensated absences	<u>73,868</u>	<u>64,908</u>
Total Noncurrent Liabilities	<u>73,868</u>	<u>64,908</u>
Total Liabilities	<u>497,059</u>	<u>347,150</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	267,646	289,492
Unrestricted (Deficit)	<u>12,362</u>	<u>(9,409)</u>
Total Net Assets	<u>280,008</u>	<u>280,083</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 777,067</u></u>	<u><u>\$ 627,233</u></u>

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Major Fund	
	Food Service Fund	
	2011	2010
OPERATING REVENUES		
Food service revenues	\$ 1,218,786	\$ 1,185,154
Total Operating Revenues	<u>1,218,786</u>	<u>1,185,154</u>
OPERATING EXPENSES		
Salaries	830,358	814,976
Employee benefits	293,246	272,797
Supplies	742,630	754,090
Repairs and maintenance	14,207	17,689
Other operating expenses	88,732	99,696
Depreciation	31,750	34,243
Total Operating Expenses	<u>2,000,923</u>	<u>1,993,491</u>
OPERATING LOSS	<u>(782,137)</u>	<u>(808,337)</u>
NONOPERATING REVENUES		
Earnings on investments	14	59
State sources	95,901	93,631
Federal sources	369,454	370,215
Total Nonoperating Revenues	<u>465,369</u>	<u>463,905</u>
LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(316,768)</u>	<u>(344,432)</u>
Transfers in	309,853	338,495
Capital contribution from capital projects	6,840	5,937
Total Transfers and Capital Contributions	<u>316,693</u>	<u>344,432</u>
CHANGE IN NET ASSETS	(75)	-
NET ASSETS, BEGINNING OF YEAR	<u>280,083</u>	<u>280,083</u>
NET ASSETS, END OF YEAR	<u>\$ 280,008</u>	<u>\$ 280,083</u>

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Major Fund	
	Food Service Fund	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,218,358	\$ 1,188,880
Payments to suppliers	(561,480)	(770,803)
Payments to employees	(1,109,187)	(1,081,170)
Payments for other operating expenses	(102,939)	(117,385)
NET CASH USED BY OPERATING ACTIVITIES	(555,248)	(780,478)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	92,989	98,189
Federal sources	296,453	348,244
Transfers in	309,853	338,495
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	699,295	784,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(3,064)	(8,247)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,064)	(8,247)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	14	59
NET CASH PROVIDED BY INVESTING ACTIVITIES	14	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,997	(3,738)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	206,147	209,885
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 347,144	\$ 206,147
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (782,137)	\$ (808,337)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	31,750	34,243
Commodities used	42,756	55,481
(Increase) Decrease in:		
Other receivables	(1,850)	258
Inventories	4,324	722
Increase (Decrease) in:		
Accounts payable	(1,463)	(7,496)
Due to other funds	135,532	(65,420)
Accrued salaries and benefits	4,046	(146)
Accumulated compensated absences	10,372	6,749
Deferred revenue	1,422	3,468
NET CASH USED BY OPERATING ACTIVITIES	\$ (555,248)	\$ (780,478)
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 42,756	\$ 56,481
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:		
Capital contribution from capital projects	\$ 6,840	\$ 5,937

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

**COLONIAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011**

	Private - Purpose Trust	Agency Fund
ASSETS		
Cash	\$ 4,730	\$ 294,668
Investments	<u>359,001</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 363,731</u></u>	<u><u>\$ 294,668</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to student groups	\$ -	<u><u>\$ 294,668</u></u>
NET ASSETS:		
Reserved for trust	<u>363,731</u>	
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 363,731</u></u>	

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Private - Purpose Trust</u>	
	<u>2011</u>	<u>2010</u>
ADDITIONS		
Local contributions	\$ 37,329	\$ 319,434
Investment earnings	<u>3,704</u>	<u>-</u>
TOTAL ADDITIONS	<u>41,033</u>	<u>319,434</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>13,420</u>	<u>8,350</u>
TOTAL DEDUCTIONS	<u>13,420</u>	<u>8,350</u>
CHANGE IN NET ASSETS	27,613	311,084
NET ASSETS, BEGINNING OF YEAR	<u>336,118</u>	<u>25,034</u>
NET ASSETS, END OF YEAR	<u><u>\$ 363,731</u></u>	<u><u>\$ 336,118</u></u>

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

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

GASB No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the 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. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net assets 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 below. 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.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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 program. 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 assets in one of three components. Invested in capital assets, net of related debt 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 assets are reported as restricted when constraints placed on net asset use are 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 assets arising from special revenue and capital projects funds. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" 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. The single nonmajor governmental fund is presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

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:

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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

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 to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred 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 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 Fund

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 resource 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 fund. Thus, general fund expenditures which partially benefit the proprietary fund are not entirely recognized with the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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 fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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.

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.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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

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 2010-2011 was 18.025 mills (\$18.025 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 Board 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	50 years
Site improvements	15-20 years
Furniture and equipment	5-20 years
Vehicles	10 years
Library books	7 years

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund Balances

As of June 30, 2011, 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).

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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.

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

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Restricted:				
Capital	\$ -	\$ 997,815	\$ 350,951	\$ 1,338,766
Assigned	4,240,719	-	-	4,240,719
Unassigned	4,601,844	-	-	4,601,844
Total Fund Balances	<u>\$ 8,842,563</u>	<u>\$ 997,815</u>	<u>\$ 350,951</u>	<u>\$ 10,181,329</u>

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 has provided otherwise in its commitment or assignment actions.

The beginning fund balance of the general fund (increase) and the June 30, 2010 nonmajor athletic fund (decrease) were restated by \$39,821 for the inclusion of the athletic fund in the general fund.

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.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been 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, 2010, from which the summarized information was derived.

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.

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2011:

Adult education	\$ 5,763
Capital outlays	\$ 317,160
Transfers out	\$ 175,714

The excess of expenditures over appropriations was financed by other expenditure category appropriations which did not exceed their budgeted amounts.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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, 2011, the carrying amount of the District's deposits was \$9,804,341 and the bank balance was \$10,061,337. Of the bank balance, \$250,000 was covered by federal depository insurance and \$9,720,901 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining cash deposits (\$90,436) of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Treasurer's Program for Local Governments ("INVEST"). Although not registered with the Securities and Exchange commission and not subject to regulatory oversight, PSDLAF and INVEST act like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization and is subject to an independent annual audit.

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 or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

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

Certificates of deposit due within one year - collateral held by the pledging bank's agent in the District's name	\$ 6,231,911
PSDLAF	29
PA INVEST	<u>245,906</u>
Total	<u>\$ 6,477,846</u>

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 one year. At June 30, 2011, the District's investments in certificates of deposit had maturity dates of less than one year.

Credit Risk

The District limits its investment choices to those with the highest credit ratings. As of June 30, 2011, PSDLAF and INVEST were rated as AAA by a nationally recognized statistical rating organization.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition of resources that have been received but not yet earned.

At the end of the current fiscal year, deferred revenue reported in the general fund resulted from delinquent property taxes receivable and grants and entitlements received but not earned.

Deferred 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, 2011 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Construction-in-progress	459,330	-	378,227	81,103
Total Capital Assets Not Being Depreciated	<u>7,002,335</u>	<u>-</u>	<u>378,227</u>	<u>6,624,108</u>
Capital assets being depreciated:				
Site improvements	7,381,359	651,084	-	8,032,443
Buildings and improvements	65,751,179	996,335	-	66,747,514
Furniture and equipment	13,864,759	960,943	-	14,825,702
Total Capital Assets Being Depreciated	<u>86,997,297</u>	<u>2,608,362</u>	<u>-</u>	<u>89,605,659</u>
Less accumulated depreciation for:				
Site improvements	2,134,758	411,969	-	2,546,727
Buildings and improvements	29,896,153	2,191,706	-	32,087,859
Furniture and equipment	12,062,001	950,286	-	13,012,287
Total accumulated depreciation	<u>44,092,912</u>	<u>3,553,961</u>	<u>-</u>	<u>47,646,873</u>
Total Capital Assets Being Depreciated, Net	<u>42,904,385</u>	<u>(945,599)</u>	<u>-</u>	<u>41,958,786</u>
Governmental Activities Assets, Net	<u>\$49,906,720</u>	<u>\$ (945,599)</u>	<u>\$ 378,227</u>	<u>\$48,582,894</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets being depreciated:				
Furniture and equipment	\$ 653,656	\$ 9,904	\$ -	\$ 663,560
Total Capital Assets Being Depreciated	<u>653,656</u>	<u>9,904</u>	<u>-</u>	<u>663,560</u>
Less accumulated depreciation for:				
Furniture and equipment	364,164	31,750	-	395,914
Total accumulated depreciation	<u>364,164</u>	<u>31,750</u>	<u>-</u>	<u>395,914</u>
Business-type Activities, Net	<u>\$ 289,492</u>	<u>\$ (21,846)</u>	<u>\$ -</u>	<u>\$ 267,646</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental activities:	
Instruction	\$ 2,554,555
Instructional student support	331,950
Administrative and financial support services	251,456
Operation and maintenance of plant services	358,813
Student activities	<u>57,187</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,553,961</u>
Total Business-type Activities	<u>\$ 31,750</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable From</u>	<u>Amount</u>	<u>Payable To</u>	<u>Amount</u>
Food Service Fund	\$ 315,515	General	\$ 315,515
Capital Projects Fund	<u>2,280</u>	General	<u>2,280</u>
	<u>\$ 317,795</u>		<u>\$ 317,795</u>

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>Transfer In:</u>	
General Fund	Food Service Fund	\$ 309,853
Capital Reserve Fund	Food Service Fund	\$ 6,840

Transfers represent funds transferred to subsidize food service operations.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
Bonds payable	\$ 46,720,000	\$ -	\$ (2,360,000)	\$ 44,360,000
Notes payable	59,000	-	(29,000)	30,000
Deferred amount on refunding	(351,676)	-	52,919	(298,757)
Bond discounts	(260,961)	-	34,113	(226,848)
Bond premiums	655,901	-	(142,197)	513,704
Accumulated compensated absences	3,310,924	-	(282,418)	3,028,506
TOTALS	<u>\$ 50,133,188</u>	<u>\$ -</u>	<u>\$ (2,726,583)</u>	<u>\$ 47,406,605</u>
Business-type Activity:				
Accumulated compensated absences	<u>\$ 91,987</u>	<u>\$ 10,282</u>	<u>\$ -</u>	<u>\$ 102,269</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.

General Obligation Bonds

Series of 2006, maturing through February 15, 2025, bearing interest ranging from 3.40% to 4.25%, interest payable semi-annually on February 15 and August 15. \$ 9,580,000

Series of 2008, maturing through May 15, 2025, bearing interest ranging from 3.25% to 4.00%, interest payable semi-annually on May 15 and November 15. 9,990,000

Series of 2009, maturing through November 15, 2014, bearing interest ranging from 3.25% to 4.00%, interest payable semi-annually on May 15 and November 15. Issued to refund Series A of 2002 and Series of 2003 which resulted in a savings of \$527,025. 8,125,000

Series of 2009A, maturing through August 15, 2018, bearing interest ranging from 2.00% to 3.25%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2003 and Series of 2004. 10,520,000

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Series of 2010, maturing through September 1, 2018, bearing interest ranging from 2.00% to 3.5%, interest payable semi-annually on March 1 and September 1. Issued to refund Series of 2005.

6,145,000

Total General Obligation Bonds

44,360,000

Note Payable

Series of 2001, maturing through August 25, 2011, bearing interest at 3.8%, interest payable monthly.

30,000

TOTAL

\$ 44,390,000

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>
2012	\$ 2,965,000	\$ 1,529,523	\$ 4,494,523
2013	3,070,000	1,426,530	4,496,530
2014	3,175,000	1,315,526	4,490,526
2015	3,295,000	1,197,765	4,492,765
2016	3,400,000	1,089,960	4,489,960
2017-2021	18,595,000	3,917,196	22,512,196
2022-2025	9,890,000	854,913	10,744,913
	<u>\$ 44,390,000</u>	<u>\$ 11,331,413</u>	<u>\$ 55,721,413</u>

NOTE 8 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 administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and their beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125 or by accessing its website at <http://www.psers.state.us/publications/cafr/index.htm>.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer contribution was 5.64 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2009, 2010 and 2011 were \$2,167,061, \$2,295,416 and \$2,674,461, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 9 OPERATING LEASES

The District currently is obligated under operating lease agreements for copiers. The following is a summary of the minimum rental costs for the remaining term:

Year Ending June 30,

2012	\$ 386,238
2013	354,594
2014	<u>16,140</u>
Total	<u>\$ 756,972</u>

Rental expense for the year ended June 30, 2011 was \$386,238.

NOTE 10 SPECIAL TERMINATION BENEFITS

The District from time to time offers additional retirement incentives, known as "early retirement incentive plans" (ERIPs) to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. These special termination benefits are formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a district-sponsored ERIP, the District must first decide whether or not to offer a special termination plan in the year the employee is retiring; the retiring employee must meet certain age and district service year requirements; a specified minimum number of employees must opt into the ERIP; and the retiring employee must be eligible to receive other pension benefits provided through the PSERS, described in Note 8. The District's current ERIP plan provides for the payment of specific dollars to be applied toward the healthcare premiums of the participating retiree and spouse for a limited number of years.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 SPECIAL TERMINATION BENEFITS (cont'd)

During the year ended June 30, 2011, the District made the last of its payments under the ERIP plan in effect.

During the year ended June 30, 2011 the cost of ERIP benefits was \$363,490.

NOTE 11 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, 2011, the District's share of operating costs was \$1,655,960. 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 accumulate 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:

Year Ending June 30,

2012	\$ 550,830
2013	549,430
2014	548,975
2015	548,564
2016	549,351
2017-2021	2,744,499
2022-2024	<u>1,646,400</u>
Total	7,138,049
Less: Interest requirements	<u>(1,984,299)</u>
Outstanding rental payments	<u>\$ 5,153,750</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 CONTINGENCIES AND COMMITMENTS

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.

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.

Capital Improvement Commitments

As of June 30, 2011, the District had outstanding construction projects to be completed. The District has incurred costs in the amount of \$81,103 for capital projects that were not under a formal construction commitment as of June 30, 2011.

NOTE 13 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 2010-2011 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the District. This Statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2011, the District paid \$197,350 for current premiums, or approximately 36 percent of total premiums. Plan members receiving benefits contributed \$350,845, or approximately 64 percent of total premiums, through their required monthly contributions.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 776,174
Interest on net OPEB obligation	36,025
Adjustment to annual required contribution	<u>(49,146)</u>
Annual OPEB cost (expense)	763,053
Contributions made	<u>(336,320)</u>
Increase in net OPEB obligation	426,733
Net OPEB obligation - beginning of year	<u>800,544</u>
Net OPEB obligation - end of year	<u>\$ 1,227,277</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$ 5,510,153	\$ 5,510,153	0.00%	\$44,983,648	12.25%
7/1/2008	\$ -	\$ 6,753,596	\$ 6,753,596	0.00%	\$41,945,687	16.10%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 12.0 percent in 2008, reduced by decrements to an ultimate rate of five percent in 2022 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2011 was 27 years.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 15 COMMITMENTS

Tax Increment Financing Plan And Cooperation Agreement

On July 16, 2008, the Board of School Directors of the Colonial School District adopted a Resolution approving a Tax Increment Financing ("TIF") Plan for the Seven Tower Bridge Project to raze and demolish all existing improvements and construct a new multi-story office building, parking garage and associated improvements at 110 Washington, Street, Conshohocken, Pennsylvania. The TIF District is comprised of a 2.98 acre tax parcel. A private developer, Seven Tower Bridge Associates, LP will demolish the existing structure and construct a 250,000 square foot, 10-story commercial office building above four levels of parking. The Redevelopment Authority of the County of Montgomery (the "Authority") designed the TIF plan to finance the Project. The Tax Incremental Financing Act (P.L. 465 July 11, 1990), as amended, grants this power to development authorities.

The TIF Plan calls for the developer to fund the project costs through a \$34,000,000 mortgage, \$5,000,000 from a Redevelopment Assistance Capital Grant, \$3,053,000 from the proceeds of the TIF debt, \$1,250,000 from an Infrastructure Development Grant, and \$34,390,000 from the developer's equity.

The School District's election to participate in the Plan shall not, in any way, pledge or obligate the credit or taxing power of the School District, nor shall the School District be liable for the payment of principal of, or interest on, any obligations issued by the Authority.

In addition, the Board of School Directors of Colonial School District authorized the execution of a Cooperation Agreement among the Authority, the School District, the County and the Borough of Conshohocken which sets forth and confirms the basic terms and conditions of the Tax Increment Financing Plan.

The Tax Increment District was created as of December 15, 2009. The Tax Increment District shall continue in existence until December 15, 2029. Commencing with the collection of the Tax Increment in calendar year 2010 the School District will pay to the Issuer an amount equal to 25 percent of the Tax Increment received by the School District during the term of the Tax Increment District.

The tax assessor for the County has determined the full aggregate market value of the taxable property in the Tax Increment District to be \$766,420. This shall be considered the base assessed value of the taxable property in the Tax Increment District, and the real estate tax calculated at the current millage will be the amount earned by the School District. The difference between the base assessed value of the TIF District parcel and the reassessed value is the Tax Assessment Increment. In accordance with the cooperation agreement, 25 percent of the Tax Increment has to be paid to the Authority when the owners of the TIF parcels pay the 2010-2011 school real estate tax bill.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

The Board of School Directors authorized the issuance of \$9,930,000 in General Obligation Bonds, Series of 2011. The bonds, dated July 11, 2011, were issued to refund the School District's General Obligation Bonds, Series of 2006. The bonds mature beginning February 2012 and continuing through February 2025. Interest is payable semi-annual beginning August 2011 at interest rates between 0.5 percent and 3.5 percent.

The District has evaluated all subsequent events through March 17, 2012, the date the financial statements were available to be issued.

SINGLE AUDIT

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

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March 17, 2012

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania as of and for the year ended June 30, 2011, and have issued our report thereon dated March 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colonial School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colonial School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of School Directors
Colonial School District

Compliance and Other Matters

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

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

We noted a matter that we reported to management of Colonial School District in a separate letter dated March 17, 2012.

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

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

REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Barbacane, Thornton & Company LLP

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March 17, 2012

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

Compliance

We have audited the compliance of Colonial School District, Plymouth Meeting, Pennsylvania, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Colonial School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Colonial School District's management. Our responsibility is to express an opinion on Colonial School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Colonial School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Colonial School District's compliance with those requirements.

In our opinion, Colonial School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Colonial School District, Plymouth Meeting, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit,

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of School Directors
Colonial School District

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

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

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

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

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

COLONIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2010	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2011
U.S. Department of Education										
Passed through PA Dept of Education										
Title I	I	84.010	013-10-0091	07/01/09 - 09/30/10	\$ 453,088	\$ 180,325	\$ 65,628	\$ 114,697	\$ 114,697	\$ -
Title I	I	84.010	013-11-0091	07/01/10 - 09/30/11	488,827	122,207	-	350,450	350,450	228,243
Title I - Academic Achievement	I	84.010	077-10-0091	07/01/09 - 09/30/11	3,600	2,640	2,640	-	-	-
Total CFDA # 84.010						305,172	68,268	465,147	465,147	228,243
ARRA Title I Part A	I	84.389	127-10-0091	05/12/09 - 09/30/10	257,255	80,960	35,925	45,035	45,035	-
Total Title I Cluster						386,132	104,193	510,182	510,182	228,243
Title II - Improving Teacher Quality	I	84.367	020-10-0091	07/01/09 - 09/30/10	180,411	36,082	36,082	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-11-0091	07/01/10 - 09/30/11	183,726	45,931	-	183,726	183,726	137,795
Total CFDA # 84.367						82,013	36,082	183,726	183,726	137,795
Title	I	84.365	010-09-0091	09/29/08 - 09/30/09	28,477	28,477	27,873	604	604	-
Title III	I	84.365	010-10-0091	09/29/09 - 09/30/10	42,814	13,174	-	13,174	13,174	-
Title III	I	84.365	010-11-0091	09/29/10 - 09/30/11	14,994	2,307	-	2,228	2,228	(79)
Total CFDA # 84.365						43,958	27,873	16,006	16,006	(79)
ARRA - SFSF	I	84.394	126-10-0091	07/01/09 - 09/30/11	336,607	168,304	168,304	-	-	-
ARRA - SFSF	I	84.394	126-10-0091	07/01/09 - 09/30/11	328,461	164,230	-	328,461	328,461	164,231
Total CFDA # 84.394						332,534	168,304	328,461	328,461	164,231
ARRA - Education Jobs Fund	I	84.410	140-11-9356	07/01/10 - 06/30/11	194,608	194,608	-	194,608	194,608	-
Passed through Montgomery County I.U.										
I.D.E.A.	I	84.027	062-10-0023	07/01/09 - 06/30/10	939,626	281,769	281,769	-	-	-
I.D.E.A.	I	84.027	062-11-0023	07/01/10 - 06/30/11	914,732	805,585	-	914,732	914,732	109,147
Total CFDA # 84.027						1,087,354	281,769	914,732	914,732	109,147
ARRA IDEA-B	I	84.391A	128-10-0023	07/01/09 - 09/30/11	1,132,217	424,536	302,589	334,206	334,206	212,259
Total IDEA Cluster						1,511,890	584,358	1,248,938	1,248,938	321,406
TOTAL U.S. DEPARTMENT OF EDUCATION						2,551,135	920,810	2,481,921	2,481,921	851,596

Continued on next page.

COLONIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2010	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2011
Federal Emergency Management Agency Passed through PA Emergency Management Agency										
Public Assistance Grants	I	97.036	FEMA-1898-DR-PA		N/A	19,178	-	19,178	19,178	-
U.S. Department of Agriculture Passed through PA Dept of Agriculture										
Value of USDA Commodities	I	10.555	N/A		N/A	42,755	(11,861)	42,756	42,756	(11,860)
Passed through PA Dept of Education										
National Lunch School Program	I	10.555	N/A	07/01/09 - 06/30/10	N/A	49,242	49,242	-	-	-
National Lunch School Program	I	10.555	N/A	07/01/10 - 06/30/11	N/A	206,504	-	273,742	273,742	67,238
Total CFDA # 10.555						298,501	37,381	316,498	316,498	55,378
Breakfast Program	I	10.553	N/A	07/01/10 - 06/30/11	N/A	38,387	-	49,382	49,382	10,995
Summer Food	I	10.559	N/A	07/01/09 - 06/30/10	N/A	403	403	-	-	-
Summer Food	I	10.559	N/A	07/01/10 - 06/30/11	N/A	1,917	-	3,574	3,574	1,657
						2,320	403	3,574	3,574	1,657
Total Nutrition Cluster						339,208	37,784	369,454	369,454	68,030
State Matching Share	S	N/A	N/A	07/01/09 - 06/30/10	N/A	6,797	6,797	-	-	-
State Matching Share	S	N/A	N/A	07/01/10 - 06/30/11	N/A	33,899	-	43,609	43,609	9,710
						40,696	6,797	43,609	43,609	9,710
TOTAL U.S. DEPARTMENT OF AGRICULTURE						379,904	44,581	413,063	413,063	77,740
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						<u>\$2,950,217</u>	<u>\$965,391</u>	<u>\$ 2,914,162</u>	<u>\$ 2,914,162</u>	<u>\$929,336</u>
TOTAL FEDERAL AWARDS						\$2,570,313	\$920,810	\$ 2,501,099	\$ 2,501,099	\$851,596
TOTAL STATE GRANTS						379,904	44,581	413,063	413,063	77,740
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						<u>\$2,950,217</u>	<u>\$965,391</u>	<u>\$ 2,914,162</u>	<u>\$ 2,914,162</u>	<u>\$929,336</u>

Source Codes:

I - Indirect Funding
S - State Share

COLONIAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

NOTE A SCOPE OF SCHEDULE

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

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 and Certain State Grants under CFDA #10.550, Value of USDA Commodities, represent surplus food consumed by the District during the 2010-2011 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, 2011 was \$23,912.

COLONIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

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 auditors' report issued on compliance for major programs [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number(s)

84.027 and 84.391

84.394

Name of Federal Program or Cluster

I.D.E.A. and ARRA - I.D.E.A.

ARRA - Fiscal Stabilization Fund - Basic Education

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

\$300,000

Auditee qualified as low-risk auditee?

 Yes X 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.