

# Colonial

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SCHOOL DISTRICT

PLYMOUTH MEETING, PA

## AUDIT REPORT

JUNE 30, 2013

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# COLONIAL SCHOOL DISTRICT

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COLONIAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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December 11, 2013

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colonial School District (the "District"), Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Board of School Directors  
Colonial School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District, Plymouth Meeting, Pennsylvania, as of June 30, 2013, and the respective changes in its financial position, and, where applicable, cash flows thereof, and the budgetary comparison statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated January 31, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colonial School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements.

Board of School Directors  
Colonial School District

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the Colonial School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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



**COLONIAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013.

**Financial Highlights**

As of June 30, 2013, the general fund reported a positive fund balance of \$17.2 million, of which \$1.16 million was allocated to balance the 2013-2014 budget. Operational revenues for 2012-2013 exceeded expenditures by \$5.6 million. Actual local revenues for 2012-2013 were \$2.7 million more than the previous year, primarily due to the additional 3.4 percent increase in the local real estate tax rate. Real estate taxes collected were approximately \$2.4 million above the 2011-2012 fiscal year. Nevertheless, current real estate taxes were \$54,832 under budgeted figures. Absent the real estate tax increase, other local revenue sources increased \$0.3 million despite the current economic conditions. Interest earnings were \$40,143 under budgeted figures. Transfer taxes were \$77,136 under budget and delinquent real estate taxes \$268,048 less than budgeted. Furthermore, Act 511 earned income tax revenue exceeded budget expectations by \$1.9 million. A payment in lieu of real estate taxes ("PILOT") totaling \$92,107 was received from The Hill at Whitmarsh as outlined in the parameters of the Tax Increment Financing Project Plan documents.

Actual expenditures were \$2,949,280 (3.1 percent) under budget.

**Reporting the District as a Whole**

***The Statement of Net Position and Statement of Activities***

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

The District's property tax base growth has slowed considerably the past few years due to the stagnant housing market and the many tax assessment appeals that have been filed. The current student population of 4,672 is estimated to increase slightly over the next couple years.

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

**Entity-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities by \$17.4 million at the close of the most recent fiscal year. In the prior year, assets and deferred outflows exceeded liabilities by \$13.9 million.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

The largest portion of the District's total assets reflects its investment in capital assets, 58.6 percent. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The **Statement of Net Position** contains information about what the District owns and owes, i.e., assets, deferred outflows of resources and liabilities; and what is left after assets are used to satisfy liabilities. The following table is a comparative analysis of fiscal year 2013 to 2012:

**STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$29,620,525	\$23,764,784	\$ 246,949	\$ 225,202	\$29,867,474	\$23,989,986
Capital assets	42,000,321	45,996,635	212,800	236,660	42,213,121	46,233,295
<b>Total Assets</b>	<u>71,620,846</u>	<u>69,761,419</u>	<u>459,749</u>	<u>461,862</u>	<u>72,080,595</u>	<u>70,223,281</u>
Deferred outflows of resources	90,042	251,296	-	-	90,042	251,296
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$71,710,888</u>	<u>\$70,012,715</u>	<u>\$ 459,749</u>	<u>\$ 461,862</u>	<u>\$72,170,637</u>	<u>\$70,474,577</u>
Current liabilities	\$13,859,001	\$12,675,948	\$ 108,456	\$ 114,491	\$13,967,457	\$12,790,439
Long-term liabilities	40,733,619	43,695,983	71,285	67,363	40,804,904	43,763,346
<b>Total Liabilities</b>	<u>54,592,620</u>	<u>56,371,931</u>	<u>179,741</u>	<u>181,854</u>	<u>54,772,361</u>	<u>56,553,785</u>
Net Position:						
Net investment in capital assets	3,138,959	4,234,512	148,621	236,660	3,351,759	4,471,172
Restricted for:						
Capital projects	180,961	655,175	-	-	180,961	655,175
Athletics	5,818	14,221	-	-	5,818	14,221
Unrestricted	13,792,530	8,736,876	131,387	43,348	13,859,738	8,780,224
<b>Total Net Position</b>	<u>17,118,268</u>	<u>13,640,784</u>	<u>280,008</u>	<u>280,008</u>	<u>17,398,276</u>	<u>13,920,792</u>
<b>Total Liabilities and Net Position</b>	<u>\$71,710,888</u>	<u>\$70,012,715</u>	<u>\$ 459,749</u>	<u>\$ 461,862</u>	<u>\$72,170,637</u>	<u>\$70,474,577</u>



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

Total net position of the District's governmental activities increased by \$3.5 million, and unrestricted net position reflects a positive balance of \$14.1 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 \$70.8 million; earned income taxes of \$7.7 million; investment earnings of \$279,040; and unrestricted state entitlements (i.e. Basic Ed Funding & State Property Tax Relief) of \$5.5 million that support the net cost of the District's services.

**STATEMENT OF ACTIVITIES  
(Expressed in thousands)**

	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>
<b>Program Expenses</b>				
<b>Governmental Activities</b>				
Instruction	\$ 62,316	\$ 54,567	\$ 60,445	\$ 52,935
Instructional student support	7,826	7,277	7,775	7,304
Administration	6,210	5,866	6,002	5,727
Maintenance	8,112	7,532	8,174	7,679
Pupil transportation	5,971	4,784	6,169	5,013
Student activities	1,437	1,289	1,420	1,280
Community services	51	(68)	50	(77)
Interest and fiscal charges	1,929	1,815	2,293	2,178
Total Expenses	<u>\$ 93,852</u>	<u>\$ 83,062</u>	<u>\$ 92,328</u>	<u>\$ 82,039</u>
<b>Business-type Activities</b>				
Food Service	<u>\$ 2,017</u>	<u>\$ (178)</u>	<u>\$ 2,072</u>	<u>\$ (165)</u>

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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 Activities** presented below shows that program revenues accounted for \$12.6 million, or 12.7 percent of total revenues of \$99 million, and general revenues accounted for \$86.7 million or 87.3 percent.

**STATEMENT OF ACTIVITIES  
(Expressed in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 629	\$ 872	\$ 1,272	\$ 1,342	\$ 1,901	\$ 2,214
Operating grants	10,031	9,299	567	564	10,598	9,863
Capital grants	130	119	-	-	130	119
Total Program Revenues	<u>10,790</u>	<u>10,290</u>	<u>1,839</u>	<u>1,906</u>	<u>12,629</u>	<u>12,196</u>
General revenues:						
Property and other taxes	79,982	76,872	-	-	79,982	76,872
Grants and entitlements	5,516	5,260	-	-	5,516	5,260
Investment earnings	279	322	-	-	279	322
Miscellaneous	940	1,439	-	-	940	1,439
Total General Revenues	<u>86,717</u>	<u>83,893</u>	<u>-</u>	<u>-</u>	<u>86,717</u>	<u>83,893</u>
<b>Total Revenues</b>	<u>97,507</u>	<u>94,183</u>	<u>1,839</u>	<u>1,906</u>	<u>99,346</u>	<u>96,089</u>
<b>Expenses</b>						
Program expenses:						
Instruction	62,316	60,445	-	-	62,316	60,445
Support services:						
Instructional staff support	7,826	7,775	-	-	7,826	7,775
Administration	6,210	6,002	-	-	6,210	6,002
Maintenance	8,112	8,174	-	-	8,112	8,174
Pupil transportation	5,971	6,169	-	-	5,971	6,169
Student activities	1,437	1,420	-	-	1,437	1,420
Community services	51	50	-	-	51	50
Interest and fiscal charges	1,929	2,293	-	-	1,929	2,293
Food service	-	-	2,017	2,071	2,017	2,071
<b>Total Expenses</b>	<u>93,852</u>	<u>92,328</u>	<u>2,017</u>	<u>2,071</u>	<u>95,869</u>	<u>94,399</u>
Excess (Deficit) before transfers	3,655	1,855	(178)	(165)	3,592	1,690
Transfers	<u>(178)</u>	<u>(165)</u>	<u>178</u>	<u>165</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>\$ 3,477</u>	<u>\$ 1,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,477</u>	<u>\$ 1,690</u>

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**Reporting the District's Most Significant Funds**

**Governmental Funds**

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Fund Financial Statements**

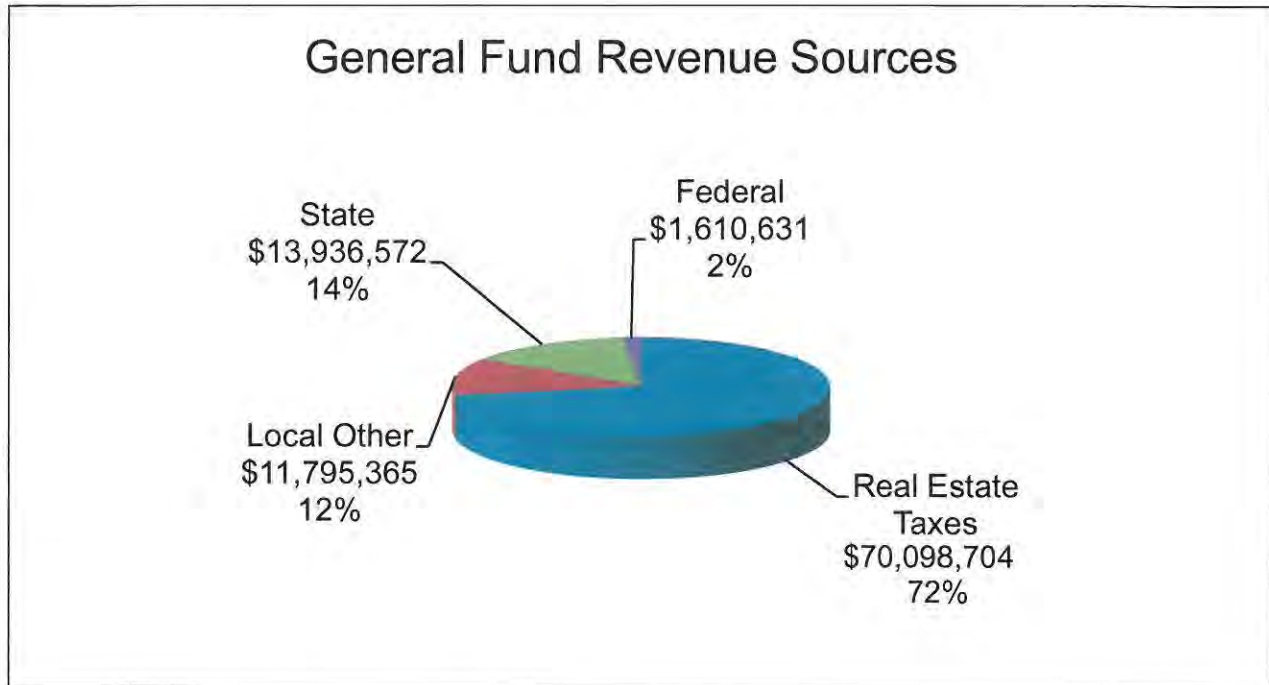
The fund financial statements of the District's major funds provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular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

The District's governmental funds reported a combined fund balance of \$17.4 million, which is an increase of \$5.1 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, 2012 to 2013.

	<u>Fund Balance June 30, 2013</u>	<u>Fund Balance June 30, 2012</u>	<u>Increase (Decrease)</u>
General fund	\$ 17,203,933	\$11,645,545	\$5,558,388
Capital reserve fund	180,961	655,175	(474,214)
<b>TOTAL</b>	<u>\$ 17,384,894</u>	<u>\$ 12,300,720</u>	<u>\$ 5,084,174</u>

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

The District's reliance upon real estate tax revenues is demonstrated by the following graph that indicates 72 percent of total revenues for government activities come from local real estate taxes.



**General Fund**

Total general fund revenues exceeded expenditures by \$5.6 million, accounting for the increase 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**

	2013 Actual	2012 Actual	Variance	
			\$	%
Current real estate taxes	\$ 69,417,108	\$ 67,008,672	\$ 2,408,436	3.59%
Interim real estate taxes	681,596	650,888	30,708	4.72%
Earned Income Taxes Act 511	7,708,590	6,463,959	1,244,631	19.25%
Transfer taxes	1,222,864	1,401,766	(178,902)	-12.76%
Delinquent taxes	923,187	1,018,432	(95,245)	-9.35%
Other local revenue	1,940,724	2,700,028	(759,304)	-28.12%
State sources	13,936,572	12,838,561	1,098,011	8.55%
Federal sources	1,610,631	1,711,290	(100,659)	-5.88%
<b>TOTAL</b>	<b>\$ 97,441,272</b>	<b>\$ 93,793,596</b>	<b>\$ 3,647,676</b>	<b>3.89%</b>



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**Other Funds**

The fund balance decrease in the capital reserve fund, \$474,214, was the result of capital improvement expenditures in 2012-2013. The capital projects fund was closed in 2011-2012 due to the depletion of funds used for capital improvement expenditures.

**Business-type Activities**

Business-type activities include the food service program. This program's net position remained the same as the prior year. The general fund provided a contribution of \$177,636, which is \$12,464 more than the prior year, to offset the operational deficit. In previous years, the general fund provided 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**

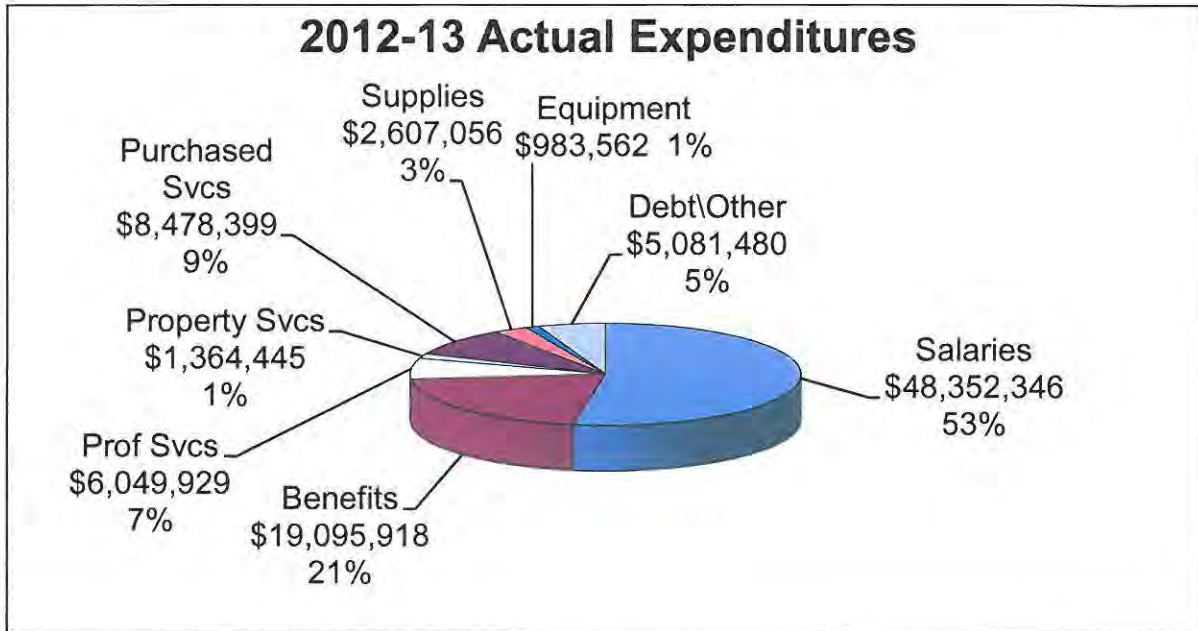
The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

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

Function	Expenditures	Budgeted Amounts		Variance	
		Original	Final	(Negative)	%
	Instruction:				
1100	Regular programs	\$ 43,155,057	\$ 43,169,389	\$ (14,332)	-.03%
1200	Special programs	14,362,215	14,286,930	75,285	.52%
1300	Vocational programs	1,312,910	1,312,910	-	0.00%
1400	Other instructional programs	1,706,924	1,763,140	(56,216)	-3.29%
1600	Adult education	70,988	70,988	-	0.00%
	Total Instruction	60,608,094	60,603,357	4,737	.01%
	Support services:				
2100	Pupil personnel services	3,193,952	3,188,519	5,433	.17%
2200	Instructional staff services	3,557,257	3,566,514	(9,257)	-.26%
2300	Administrative services	4,170,347	4,185,915	(15,568)	-.37%
2400	Pupil health	944,604	945,981	(1,377)	-.15%
2500	Business services	969,798	975,210	(5,412)	-.56%
2600	Operation and maintenance of plant services	8,282,856	8,268,063	14,793	.18%
2700	Student transportation services	6,143,204	6,143,204	-	0.00%
2800	Information services	735,788	753,091	(17,053)	-2.35%
2900	Other support services	76,450	77,450	(1,000)	-1.31%
	Total Support Services	28,074,256	28,103,947	(29,691)	-0.11%
	Operation of non-instructional activities:				
3200	Student activities	1,327,952	1,330,749	(2,797)	-.21%
3300	Community services	39,726	39,975	(249)	-.63%
	Total Operation of Non-instructional Services	1,367,678	1,370,724	(3,046)	-.22%
5110	Debt service	4,724,972	4,696,972	28,000	.59%
5200	Transfers	50,000	50,000	-	0.00%
5900	Budgetary reserve	500,000	500,000	-	0.00%
	<b>Total Expenditures</b>	<b>\$ 95,325,000</b>	<b>\$ 95,325,000</b>	<b>\$ -</b>	<b>0.00%</b>

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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.



Object	Actual Expenditures		Variance	
	2012-2013	2011-2012	\$	%
100 Salaries	\$ 48,352,346	\$ 48,276,670	\$ 75,676	0.16%
200 Benefits	19,095,918	17,613,707	1,482,211	8.42%
300 Professional services	6,049,929	6,015,605	34,324	.57%
400 Purchased property services	1,364,445	1,347,644	16,801	1.25%
500 Purchased services	8,478,399	9,346,112	(867,713)	-9.28%
600 Supplies	2,607,056	2,679,939	(72,883)	-2.72%
700 Equipment	983,562	589,172	394,390	66.94%
800 Debt service interest and other	1,600,845	1,708,263	(107,418)	-6.29%
900 Debt service principal and other	3,480,635	3,541,963	(61,328)	1.73%
<b>Total Expenditures by Object</b>	<u>\$ 92,013,135</u>	<u>\$ 91,119,075</u>	<u>\$ 894,060</u>	0.98%

Actual expenditures for 2012-2013 were up \$894,060, .98 percent over the prior year. Object 200, Benefits, accounted for a \$1,482,211 variance primarily due to a 3.71 percent 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. The installation of solar panels on Colonial Elementary and Colonial Middle School accounted for a reduction in energy costs. 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.



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**Capital Assets**

The District has \$42 million invested in capital assets net of depreciation; \$212,800 of net position is located in the Food Service Fund. Acquisitions for governmental activities totaled \$674 thousand and depreciation expense for the year was \$4.7 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

**Debt**

At June 30, 2013, the District had \$38.9 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 2012-2013 year.

In April 2013, the State Public School Building Authority and Central Montgomery County Area Vocational Technical School refinanced Series 2004; all savings from the refinancing were recognized in the 2013-2014 general operating budget. The savings were in the amount of \$227,680 and the new bond issue is the Series of 2013.

**Factors Expected to have an Effect on Future Operations**

The most significant factor that had an impact on the future operations of the District is the implementation of Act 1 of 2006 which became effective 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 and 2013-2014) 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. Interest earnings have decreased as rates for investments are significantly lower. Subsequently, the lower interest rates have resulted in more property refinancing, thus, increasing interim tax revenue as the extra cash is utilized for building projects. In addition, the District continues to be impacted negatively by the number of taxpayer-initiated assessment appeals. On a positive note, actual 2012-2013 local revenues, minus real estate, taxes have increased \$211,180 from the previous fiscal year. In the past two years, 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 held level as the costs for these mandated services have far exceeded state reimbursement.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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 District has switched to a self-funding consortium which saved over \$800,000 in the current budget as compared to the former healthcare structure.

**Contacting the District Financial Management Office**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the District business office at Colonial School District, 230 Flourtown Road, Plymouth Meeting, PA 19462, (610) 834-1671 extension 2121 or reference the District's website at [www.colonialsd.org](http://www.colonialsd.org), go to Administration - Finance.

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
**(With Summarized Comparative Data for June 30, 2012)**

	Governmental Activities	Business-type Activities	Totals	
			2013	2012*
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,793,646	\$ 452,228	\$ 3,245,874	\$ 4,668,042
Investments	21,057,556	-	21,057,556	13,613,475
Taxes receivable	2,628,912	-	2,628,912	2,727,669
Internal balances	432,124	(432,124)	-	-
Note receivable	601,797	-	601,797	732,047
Due from other governments	1,624,808	150,581	1,775,389	1,386,125
Other receivables	470,376	19,577	489,953	805,584
Inventories	-	56,687	56,687	51,791
Other assets	11,306	-	11,306	5,253
Land	6,543,005	-	6,543,005	6,543,005
Site improvements	8,065,973	-	8,065,973	8,060,903
Buildings and improvements	67,387,719	-	67,387,719	67,387,719
Furniture and equipment	15,882,686	668,732	16,551,418	15,880,174
Accumulated depreciation	(55,879,062)	(455,932)	(56,334,994)	(51,638,506)
<b>TOTAL ASSETS</b>	<b>71,620,846</b>	<b>459,749</b>	<b>72,080,595</b>	<b>70,223,281</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amounts on bond refunding	90,042	-	90,042	251,296
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>90,042</b>	<b>-</b>	<b>90,042</b>	<b>251,296</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 71,710,888</b>	<b>\$ 459,749</b>	<b>\$ 72,170,637</b>	<b>\$ 70,474,577</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,430,866	\$ 18,704	\$ 1,449,570	\$ 1,500,026
Accrued salaries and benefits	7,304,623	21,862	7,326,485	6,718,318
Other liabilities	1,419,262	-	1,419,262	959,728
Accrued interest payable	309,660	-	309,660	306,864
Unearned revenue	21,438	44,312	65,750	38,499
Judgment payable	-	-	-	22,706
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	3,257,015	-	3,257,015	3,066,657
Accumulated compensated absences	116,137	23,578	139,715	177,641
Portion due or payable after one year:				
Bonds payable, net	35,694,389	-	35,694,389	38,946,762
Other post-employment benefits	2,137,625	-	2,137,625	1,677,576
Accumulated compensated absences	2,901,605	71,285	2,972,890	3,139,008
<b>TOTAL LIABILITIES</b>	<b>54,592,620</b>	<b>179,741</b>	<b>54,772,361</b>	<b>56,553,785</b>
<b>NET POSITION:</b>				
Net investment in capital assets	3,138,959	212,800	3,351,759	4,471,172
Restricted for athletics	5,818	-	5,818	14,221
Restricted for capital assets	180,961	-	180,961	655,175
Unrestricted	13,792,530	67,208	13,859,738	8,780,224
<b>TOTAL NET POSITION</b>	<b>17,118,268</b>	<b>280,008</b>	<b>17,398,276</b>	<b>13,920,792</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 71,710,888</b>	<b>\$ 459,749</b>	<b>\$ 72,170,637</b>	<b>\$ 70,474,577</b>

\* - Restated, See Note 15

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

**COLONIAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Summarized Comparative Data for the Year Ended**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2013	2012*
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 62,315,577	\$ 441,281	\$ 7,307,190	\$ -	\$ (54,567,106)	\$ -	\$ (54,567,106)	\$ (52,934,648)
Instructional student support	7,826,092	-	549,239	-	(7,276,853)	-	(7,276,853)	(7,304,025)
Administrative and financial support services	6,210,266	-	343,848	-	(5,866,418)	-	(5,866,418)	(5,726,782)
Operation and maintenance of plant services	8,111,758	-	449,129	130,251	(7,532,378)	-	(7,532,378)	(7,679,160)
Pupil transportation	5,971,425	-	1,187,465	-	(4,783,960)	-	(4,783,960)	(5,012,960)
Student activities	1,436,861	68,651	79,556	-	(1,288,654)	-	(1,288,654)	(1,280,694)
Community services	51,083	119,280	-	-	68,197	-	68,197	77,639
Interest on long-term debt	1,929,193	-	114,444	-	(1,814,749)	-	(1,814,749)	(2,178,192)
TOTAL GOVERNMENTAL ACTIVITIES	93,852,255	629,212	10,030,871	130,251	(83,061,921)	-	(83,061,921)	(82,038,822)
BUSINESS-TYPE ACTIVITIES								
Food service	2,017,073	1,272,387	567,050	-	(177,636)	(177,636)	(177,636)	(165,172)
TOTAL BUSINESS-TYPE ACTIVITIES	2,017,073	1,272,387	567,050	-	(177,636)	(177,636)	(177,636)	(165,172)
TOTAL PRIMARY GOVERNMENT	\$ 95,869,328	\$ 1,901,599	\$ 10,597,921	\$ 130,251	(83,061,921)	(177,636)	(83,239,557)	(82,203,994)
GENERAL REVENUES								
Property taxes levied for general purposes					70,803,559	-	70,803,559	68,807,129
Taxes levied for specific purposes					9,177,868	-	9,177,868	8,065,052
Grants and entitlements not restricted to specific programs					5,516,332	-	5,516,332	5,260,959
Investment earnings					279,040	-	279,040	321,835
Miscellaneous					940,242	-	940,242	1,439,261
TRANSFERS					(177,636)	177,636	-	-
GENERAL REVENUES AND TRANSFERS					86,539,405	177,636	86,717,041	83,894,236
CHANGE IN NET POSITION					3,477,484	-	3,477,484	1,690,242
NET POSITION, BEGINNING OF YEAR					13,640,784	280,008	13,920,792	12,230,550
NET POSITION, END OF YEAR					\$ 17,118,268	\$ 280,008	\$ 17,398,276	\$ 13,920,792

\* - Restated, See Note 15

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

**COLONIAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**  
**(With Summarized Comparative Data for June 30, 2012)**

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2013	2012
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,497,046	\$ 296,600	\$ 2,793,646	\$ 4,548,109
Investments	21,057,556	-	21,057,556	13,613,475
Taxes receivable	2,628,912	-	2,628,912	2,727,669
Due from other funds	432,124	-	432,124	119,831
Due from other governments	1,624,808	-	1,624,808	1,229,756
Notes receivable	601,797	-	601,797	732,047
Other receivables	470,376	-	470,376	788,644
Other assets	11,306	-	11,306	5,253
<b>TOTAL ASSETS</b>	<b>\$ 29,323,925</b>	<b>\$ 296,600</b>	<b>\$ 29,620,525</b>	<b>\$ 23,764,784</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,315,227	\$ 115,639	\$ 1,430,866	\$ 1,475,548
Accrued salaries and benefits	7,304,623	-	7,304,623	6,690,460
Accumulated compensated absences	116,137	-	116,137	153,985
Judgments payable	-	-	-	22,706
Other liabilities	1,419,262	-	1,419,262	959,728
Unearned revenues	21,438	-	21,438	-
<b>TOTAL LIABILITIES</b>	<b>10,176,687</b>	<b>115,639</b>	<b>10,292,326</b>	<b>9,302,427</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Unavailable revenue - delinquent taxes	1,341,508	-	1,341,508	1,429,590
Unavailable revenue - notes receivable	601,797	-	601,797	732,047
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,943,305</b>	<b>-</b>	<b>1,943,305</b>	<b>2,161,637</b>
<b>FUND BALANCES:</b>				
Nonspendable	11,306	-	11,306	5,253
Restricted for capital projects	-	180,961	180,961	655,175
Restricted for athletics	5,818	-	5,818	-
Assigned	1,160,000	-	1,160,000	514,221
Unassigned	16,026,809	-	16,026,809	11,126,071
<b>TOTAL FUND BALANCES</b>	<b>17,203,933</b>	<b>180,961</b>	<b>17,384,894</b>	<b>12,300,720</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 29,323,925</b>	<b>\$ 296,600</b>	<b>\$ 29,620,525</b>	<b>\$ 23,764,784</b>

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

**COLONIAL SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 17,384,894
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 6,543,005	
Site improvements	8,065,973	
Buildings and improvements	67,387,719	
Furniture and equipment	15,882,686	
Accumulated depreciation	<u>(55,879,062)</u>	42,000,321

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	(38,951,404)	
Other post-employment benefits	(2,137,625)	
Accumulated compensated absences	(2,901,605)	
Accrued interest payable	<u>(309,660)</u>	(44,300,294)

Refunded debt resulted in deferred outflows of resources which are amortized over the life of new debt but do not represent current rights.	90,042
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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 unavailable in the funds.	<u>1,943,305</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 17,118,268</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, 2013**  
(With Summarized Comparative Data for the Year Ended June 30, 2012)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2013	2012
<b>REVENUES:</b>				
Local sources	\$ 81,894,069	\$ 11,987	\$ 81,906,056	\$ 79,244,073
State sources	13,936,572	-	13,936,572	12,838,561
Federal sources	1,610,631	-	1,610,631	1,711,290
<b>TOTAL REVENUES</b>	<b>97,441,272</b>	<b>11,987</b>	<b>97,453,259</b>	<b>93,793,924</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	58,712,049	-	58,712,049	57,586,288
Support services	27,018,988	-	27,018,988	27,191,800
Operation of noninstructional services	1,409,722	-	1,409,722	1,409,638
Capital outlays	-	486,201	486,201	806,977
Debt service	4,684,961	-	4,684,961	4,725,860
<b>TOTAL EXPENDITURES</b>	<b>91,825,720</b>	<b>486,201</b>	<b>92,311,921</b>	<b>91,720,563</b>
<b>(EXCESS) DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,615,552</b>	<b>(474,214)</b>	<b>5,141,338</b>	<b>2,073,361</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from extended financing	130,251	-	130,251	119,563
Proceeds from bond refunding	-	-	-	19,925,000
Discount on refunding	-	-	-	(130,968)
Payment to refunding agent	-	-	-	(19,656,275)
Refund of prior year receipts	(9,779)	-	(9,779)	(46,118)
Transfers in	-	-	-	144,142
Transfers out	(177,636)	-	(177,636)	(309,314)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(57,164)</b>	<b>-</b>	<b>(57,164)</b>	<b>46,030</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,558,388</b>	<b>(474,214)</b>	<b>5,084,174</b>	<b>2,119,391</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>11,645,545</b>	<b>655,175</b>	<b>12,300,720</b>	<b>10,181,329</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 17,203,933</b>	<b>\$ 180,961</b>	<b>\$ 17,384,894</b>	<b>\$ 12,300,720</b>

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, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,084,174

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 (\$4,670,278) exceeded capital outlays (\$673,964) in the period. (3,996,314)

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (218,332)

Issuance of debt is another financing source in the governmental funds but increases liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which debt repayments exceeded debt proceeds during the year. 2,960,000

Governmental funds report bond discounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net position net of debt and are amortized over the life of the debt. 102,015

Governmental funds report deferred amounts on bond refunding as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. (161,254)

In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) and other post-employment benefits—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 earned exceeded current period amounts paid. (290,009)

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. (2,796)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,477,484

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, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Local sources	\$ 78,994,196	\$ 78,994,196	\$ 81,894,069	\$ 2,899,873
State sources	14,065,081	14,065,081	13,936,572	(128,509)
Federal sources	1,630,423	1,630,423	1,610,631	(19,792)
<b>TOTAL REVENUES</b>	<u>94,689,700</u>	<u>94,689,700</u>	<u>97,441,272</u>	<u>2,751,572</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	43,155,057	43,169,389	41,793,316	1,376,073
Special programs	14,362,215	14,286,930	14,022,783	264,147
Vocational programs	1,312,910	1,312,910	1,310,564	2,346
Other instructional programs	1,706,924	1,763,140	1,514,102	249,038
Adult education	70,988	70,988	71,284	(296)
Total instruction	<u>60,608,094</u>	<u>60,603,357</u>	<u>58,712,049</u>	<u>1,891,308</u>
Support services:				
Pupil personnel services	3,193,952	3,188,519	3,296,314	(107,795)
Instructional staff services	3,557,257	3,566,514	3,192,450	374,064
Administrative services	4,170,347	4,185,915	4,228,242	(42,327)
Pupil health	944,604	945,981	885,925	60,056
Business services	969,798	975,210	884,010	91,200
Operation and maintenance of plant services	8,282,856	8,268,063	7,820,811	447,252
Student transportation services	6,143,204	6,143,204	5,971,425	171,779
Information services	735,788	753,091	662,482	90,609
Other support services	76,450	77,450	77,329	121
Total Support Services	<u>28,074,256</u>	<u>28,103,947</u>	<u>27,018,988</u>	<u>1,084,959</u>
Operation of noninstructional activities:				
Student activities	1,327,952	1,330,749	1,358,639	(27,890)
Community services	39,726	39,975	51,083	(11,108)
Total Operation of Noninstructional Activities	<u>1,367,678</u>	<u>1,370,724</u>	<u>1,409,722</u>	<u>(38,998)</u>
Debt service	<u>4,724,972</u>	<u>4,696,972</u>	<u>4,684,961</u>	<u>12,011</u>
<b>TOTAL EXPENDITURES</b>	<u>94,775,000</u>	<u>94,775,000</u>	<u>91,825,720</u>	<u>2,949,280</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(85,300)</u>	<u>(85,300)</u>	<u>5,615,552</u>	<u>5,700,852</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(50,000)	(50,000)	(177,636)	(127,636)
Proceeds of extended financing	135,300	135,300	130,251	(5,049)
Refund of prior year receipts	-	-	(9,779)	(9,779)
Budgetary reserve	(500,000)	(500,000)	-	500,000
<b>TOTAL OTHER FINANCING USES</b>	<u>(414,700)</u>	<u>(414,700)</u>	<u>(57,164)</u>	<u>357,536</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>5,558,388</u>	<u>6,058,388</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,645,545</u>	<u>11,645,545</u>	<u>11,645,545</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 11,145,545</u>	<u>\$ 11,145,545</u>	<u>\$ 17,203,933</u>	<u>\$ 6,058,388</u>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2013 AND 2012**

	Major Fund	
	Food Service Fund	
	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 452,228	\$ 119,933
Due from other governments	150,581	156,369
Other receivables	19,577	16,940
Inventories	56,687	51,791
Total Current Assets	<u>679,073</u>	<u>345,033</u>
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	668,732	666,382
Accumulated depreciation	(455,932)	(429,722)
Capital Assets, Net	<u>212,800</u>	<u>236,660</u>
<b>TOTAL ASSETS</b>	<u>\$ 891,873</u>	<u>\$ 581,693</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,704	\$ 24,478
Due to other funds	432,124	119,831
Accrued salaries and benefits	21,862	27,858
Accumulated compensated absences	23,578	23,656
Unearned revenue	44,312	38,499
Total Current Liabilities	<u>540,580</u>	<u>234,322</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated compensated absences	71,285	67,363
Total Noncurrent Liabilities	<u>71,285</u>	<u>67,363</u>
Total Liabilities	<u>611,865</u>	<u>301,685</u>
<b>NET POSITION:</b>		
Net investment in capital assets	212,800	236,660
Unrestricted	67,208	43,348
Total Net Position	<u>280,008</u>	<u>280,008</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 891,873</u>	<u>\$ 581,693</u>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Major Fund	
	Food Service Fund	
	2013	2012
OPERATING REVENUES		
Food service revenues	\$ 1,272,387	\$ 1,342,032
Total Operating Revenues	<u>1,272,387</u>	<u>1,342,032</u>
OPERATING EXPENSES		
Salaries	768,864	800,702
Employee benefits	306,371	305,789
Supplies	828,098	814,545
Repairs and maintenance	9,333	14,295
Other operating expenses	78,197	102,415
Depreciation	26,210	33,808
Total Operating Expenses	<u>2,017,073</u>	<u>2,071,554</u>
OPERATING LOSS	<u>(744,686)</u>	<u>(729,522)</u>
NONOPERATING REVENUES		
State sources	96,674	108,253
Federal sources	470,376	456,097
Total Nonoperating Revenues	<u>567,050</u>	<u>564,350</u>
LOSS BEFORE TRANSFERS	<u>(177,636)</u>	<u>(165,172)</u>
Transfers in	177,636	165,172
Total Transfers	<u>177,636</u>	<u>165,172</u>
CHANGE IN NET POSITION	-	-
NET POSITION, BEGINNING OF YEAR	<u>280,008</u>	<u>280,008</u>
NET POSITION, END OF YEAR	<u>\$ 280,008</u>	<u>\$ 280,008</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, 2013 AND 2012**

	Major Fund Food Service Fund	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,275,564	\$ 1,319,767
Payments to suppliers	(470,151)	(941,080)
Payments to employees	(1,077,387)	(1,095,251)
Payments for other operating expenses	(87,530)	(116,710)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(359,504)</u>	<u>(833,274)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	112,753	101,842
Federal sources	403,760	341,871
Transfers in	177,636	165,172
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>694,149</u>	<u>608,885</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(2,350)	(2,822)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,350)</u>	<u>(2,822)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	332,295	(227,211)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>119,933</u>	<u>347,144</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 452,228</u></u>	<u><u>\$ 119,933</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (744,686)	\$ (729,522)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	26,210	33,808
Commodities used	56,324	53,869
(Increase) Decrease in:		
Other receivables	(2,636)	3,069
Inventories	(4,896)	876
Increase (Decrease) in:		
Accounts payable	(5,774)	14,404
Due to other funds	312,293	(195,684)
Accrued salaries and benefits	(5,996)	22,490
Accumulated compensated absences	3,844	(11,250)
Unearned revenue	5,813	(25,334)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (359,504)</u></u>	<u><u>\$ (833,274)</u></u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	<u><u>\$ 56,324</u></u>	<u><u>\$ 53,869</u></u>

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



**COLONIAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2013**

	Private - Purpose Trust	Agency Fund
ASSETS		
Cash	\$ 6,626	\$ 280,682
Investments	<u>338,542</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 345,168</u>	<u>\$ 280,682</u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	<u>\$ 280,682</u>
NET POSITION:		
Reserved for trust	<u>345,168</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 345,168</u>	

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

**COLONIAL SCHOOL DISTRICT  
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Private - Purpose Trust	
	2013	2012
ADDITIONS		
Local contributions	\$ 9,385	\$ 8,842
Investment earnings	1,113	2,597
TOTAL ADDITIONS	10,498	11,439
DEDUCTIONS		
Fees paid and scholarships awarded	23,925	16,575
TOTAL DEDUCTIONS	23,925	16,575
CHANGE IN NET POSITION	(13,427)	(5,136)
NET POSITION, BEGINNING OF YEAR	358,595	363,731
NET POSITION, END OF YEAR	\$ 345,168	\$ 358,595

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary fund on page 28. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental activity. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants, and contributions that are restricted to meeting the operational or capital requirements of

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

***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 District considers tax

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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 unearned revenues until earned.

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

***Expenditure Recognition***

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

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.

***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



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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.

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 2012-2013 was 19.10 mills (\$19.10 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.



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has three types of items that qualify for reporting in this category. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes and notes receivable not collected within 60 days of year end and, therefore, not available under modified accrual reporting and notes receivable are reflected as deferred inflows of resources on the general fund balance sheet.

Fund Balances

As of June 30, 2013, fund balances of the governmental funds are classified, if applicable, as follows:

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

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

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

*Assigned* – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future.

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

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Capital Reserve Fund	Total Governmental Funds
Nonspendable	\$ 11,306	\$ -	\$ 11,306
Restricted:			
Athletics	5,818	-	5,818
Capital	-	180,961	180,961
Assigned for future expenditures	1,160,000	-	1,160,000
Unassigned	16,026,809	-	16,026,809
Total Fund Balances	<u>\$ 17,203,933</u>	<u>\$ 180,961</u>	<u>\$ 17,384,894</u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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.

Early Implementation of GASB Statement

During the current year, the School elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. 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, 2012, 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.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2     STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

Budgetary Information

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, 2013:

Adult education	\$ 296
Pupil personnel services	\$ 107,795
Administrative services	\$ 42,327
Student activities	\$ 27,890
Community services	\$ 11,108

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

NOTE 3     DEPOSITS AND INVESTMENTS

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2013, the carrying amount of the District's deposits was \$3,533,182 and the bank balance was \$5,206,552. Of the bank balance, \$500,000 was covered by federal depository insurance, while \$191,072 was covered through collateral held by financial institutions.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3      DEPOSITS AND INVESTMENTS (cont'd)**

The remaining cash deposits (\$4,515,480) of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), the Pennsylvania Local Government Investment Trust ("PLGIT"), and the Pennsylvania INVEST program ("INVEST"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT, and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized rating organization and are subject to an independent annual audit. At June 30, 2013, PSDLAF, PLGIT and INVEST were rated AAAM.

***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, 2013, the District had the following investments:

Certificates of deposit due within one year - collateral held by the pledging bank's agent	\$ 21,396,098
Total	<u>\$ 21,396,098</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, 2013, the District's investments in certificates of deposit had maturity dates of less than one year.

**NOTE 4      UNEARNED REVENUES**

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

**NOTE 5      CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Total Capital Assets Not Being Depreciated	<u>6,543,005</u>	<u>-</u>	<u>-</u>	<u>6,543,005</u>



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     CAPITAL ASSETS (cont'd)

	Beginning Balance	Additions	Decreases	Ending Balance
(cont'd)				
Capital assets being depreciated:				
Site improvements	8,060,903	5,070	-	8,065,973
Buildings and improvements	67,387,719	-	-	67,387,719
Furniture and equipment	15,213,792	668,894	-	15,882,686
Total Capital Assets Being Depreciated	<u>90,662,414</u>	<u>673,964</u>	<u>-</u>	<u>91,336,378</u>
Less accumulated depreciation for:				
Site improvements	2,861,705	446,496	-	3,308,201
Buildings and improvements	33,478,120	2,043,141	-	35,521,261
Furniture and equipment	14,868,959	2,180,641	-	17,049,600
Total Accumulated Depreciation	<u>51,208,784</u>	<u>4,670,278</u>	<u>-</u>	<u>55,879,062</u>
Total Capital Assets Being Depreciated, Net	<u>39,453,630</u>	<u>(3,996,314)</u>	<u>-</u>	<u>35,457,316</u>
Governmental Activities Assets, Net	<u>\$45,996,635</u>	<u>\$ (3,996,314)</u>	<u>\$ -</u>	<u>\$42,000,321</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets being depreciated:				
Furniture and equipment	\$ 666,382	\$ 2,350	\$ -	\$ 668,732
Total Capital Assets Being Depreciated	<u>666,382</u>	<u>2,350</u>	<u>-</u>	<u>668,732</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>429,722</u>	<u>26,210</u>	<u>-</u>	<u>455,932</u>
Total Accumulated Depreciation	<u>429,722</u>	<u>26,210</u>	<u>-</u>	<u>455,932</u>
Business-type Activities, Net	<u>\$ 236,660</u>	<u>\$ (23,860)</u>	<u>\$ -</u>	<u>\$ 212,800</u>

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

Governmental activities:	
Instruction	\$ 3,380,270
Instructional student support	424,588
Administrative and financial support services	336,925
Operation and maintenance of plant services	450,273
Student activities	<u>78,222</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,670,278</u>
Total Business-type Activities	<u>\$ 26,210</u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6**     INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable From</u>	<u>Amount</u>	<u>Payable To</u>	<u>Amount</u>
Food Service Fund	<u>\$ 432,124</u>	General Fund	<u>\$ 432,124</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	<u>\$ 177,636</u>

Transfers represent funds transferred to subsidize food service operations.

**NOTE 7**     GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Bonds payable, net	<u>\$ 42,013,419</u>	<u>\$ -</u>	<u>\$ (3,062,015)</u>	<u>\$ 38,951,404</u>
Accumulated compensated absences	<u>3,225,630</u>	<u>-</u>	<u>(207,888)</u>	<u>3,017,742</u>
<b>TOTALS</b>	<u><b>\$ 45,239,049</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (3,269,903)</b></u>	<u><b>\$ 41,969,146</b></u>
Business-type Activities:				
Accumulated compensated absences	<u>\$ 91,019</u>	<u>\$ 3,844</u>	<u>\$ -</u>	<u>\$ 94,863</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.

Bonds payable, net consists of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Bonds payable, at face	<u>\$ 38,935,000</u>	<u>\$ 41,895,000</u>
Unamortized bond discounts	<u>(212,906)</u>	<u>(253,088)</u>
Unamortized bond premiums	<u>229,310</u>	<u>371,507</u>
<b>Bonds payable, net</b>	<u><b>\$ 38,951,404</b></u>	<u><b>\$ 42,013,419</b></u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

General Obligation Bonds

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.	\$ 4,035,000
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.	10,265,000
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.	4,730,000
Series of 2011, maturing through August 15, 2025, bearing interest ranging from 0.5% to 3.5%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2006.	9,920,000
Series of 2012, maturing through November 15, 2023, bearing interest ranging from 2.0% to 3.0%, interest payable semi-annually on May 15 and November 15. Issued to refund Series of 2008.	<u>9,985,000</u>
<b>TOTAL</b>	<b><u>\$ 38,935,000</u></b>

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>
2014	\$ 3,150,000	\$ 1,072,261	\$ 4,222,261
2015	3,370,000	957,273	4,327,273
2016	3,470,000	850,393	4,320,393
2017	3,565,000	752,076	4,317,076
2018	3,675,000	647,523	4,322,523
2019-2023	18,425,000	1,906,375	20,331,375
2024-2026	<u>3,280,000</u>	<u>177,405</u>	<u>3,457,405</u>
	<u>\$ 38,935,000</u>	<u>\$ 6,363,306</u>	<u>\$ 45,298,306</u>

Advance Refunding

The District has defeased certain outstanding bond issues. The defeased bonds are not included in the District's financial statements as they are being held in escrow by the paying agent until their final maturity. At June 30, 2013, \$450,000 of defeased bonds related to the 2008 bond issue is outstanding.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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>.

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, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2011, 2012 and 2013 were \$2,674,461, \$4,144,726 and \$5,934,642, 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,

2014	\$ 16,140
------	-----------

Rental expense for the year ended June 30, 2013 was \$354,594.

NOTE 10     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, 2013, the District's share of operating costs was \$1,310,564. 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.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 10    JOINT VENTURE (cont'd)

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,

2014	\$ 142,018
2015	545,690
2016	547,286
2017	549,561
2018	548,127
2019-2023	2,740,509
2024	548,809
Total	<u>5,622,000</u>
Less: Interest requirements	<u>(1,051,000)</u>
Outstanding rental payments	<u>\$ 4,571,000</u>

NOTE 11    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.

NOTE 12    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 2012-2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 13    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.

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 2013, the District paid \$72,319 for current premiums, or approximately 20 percent of total premiums. Plan members receiving benefits contributed \$281,988, or approximately 80 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	\$ 697,160
Interest on net OPEB obligation	75,490
Adjustment to annual required contribution	<u>(102,989)</u>
Annual OPEB cost (expense)	669,661
Contributions made	<u>(209,612)</u>
Increase in net OPEB obligation	460,049
Net OPEB obligation - beginning of year	<u>1,677,576</u>
Net OPEB obligation - end of year	<u>\$ 2,137,625</u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 13 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]
7/1/2012	\$ -	\$ 5,181,704	\$ 5,181,704	0.00%	\$43,538,313	11.90%
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, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent in 2012, reduced by decrements to an ultimate rate of 4.2 percent in 2089 and later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2013 was 25 years.

NOTE 14 COMMITMENTS

Tax Increment Financing Plan and Cooperation Agreement

On July 16, 2008, the Board of School Directors of the 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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 14    COMMITMENTS (cont'd)

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 District's election to participate in the Plan shall not, in any way, pledge or obligate the credit or taxing power of the District, nor shall the 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 District authorized the execution of a Cooperation Agreement among the Authority, the 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 District will pay to the Issuer an amount equal to 25 percent of the Tax Increment received by the 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 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 annual school real estate tax bill.

NOTE 15    RESTATEMENT OF NET POSITION

The District has decreased its July 1, 2011 governmental activities net position by \$154,921 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. In addition, amortization of bond issuance costs in the amount of \$45,393 has also been removed from the amounts reported in governmental activities for the year ended June 30, 2012. The total effect as a result of implementing GASB Statement No. 65 was a decrease to the net position in the amount of \$109,528 as of June 30, 2012.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 16    SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 11, 2013, the date the financial statements were available to be issued.

## **SINGLE AUDIT SUPPLEMENT**



INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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December 11, 2013

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colonial School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Colonial School District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Board of School Directors  
Colonial School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

  
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

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December 11, 2013

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Colonial School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Colonial School District's major federal programs for the year ended June 30, 2013. Colonial School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Colonial School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of Colonial School District's compliance.

To the Board of School Directors  
Colonial School District

Opinion on Each Major Federal Program

In our opinion, Colonial School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Colonial School District, Plymouth Meeting, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered Colonial School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

**COLONIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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 07/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2013
<b>U.S. Department of Education</b>										
Passed through PA Dept of Education										
Title I	I	84.010	013-12-0091	07/01/11 - 09/30/12	\$ 452,588	\$ 156,756	\$ 59,656	\$ 97,100	\$ 97,100	\$ -
Title I	I	84.010	013-13-0091	07/01/12 - 09/30/13	425,938	342,836	-	302,314	302,314	(40,522)
Total CFDA # 84.010						499,592	59,656	399,414	399,414	(40,522)
Title II - Improving Teacher Quality	I	84.367	020-13-0091	07/01/12 - 09/30/13	152,620	132,343	-	152,620	152,620	20,277
Total CFDA # 84.367						132,343	-	152,620	152,620	20,277
Title III	I	84.365	010-12-0091	09/29/11 - 09/30/12	18,768	-	(267)	267	267	-
Title III	I	84.365	010-13-0091	09/29/12 - 09/30/13	18,196	8,491	-	5,466	5,466	(3,025)
Total CFDA # 84.365						8,491	(267)	5,733	5,733	(3,025)
ARRA - Education Jobs Fund	I	84.410	140-12-0091	07/01/11 - 06/30/12	3,018	3,018	3,018	-	-	-
Passed through Montgomery County I.U.										
I.D.E.A.	I	84.027	062-12-0023	07/01/11 - 06/30/12	918,749	250,232	251,815	-	-	1,583
I.D.E.A.	I	84.027	062-13-0023	07/01/12 - 06/30/13	926,919	646,875	-	926,919	926,919	280,044
Total CFDA # 84.027						897,107	251,815	926,919	926,919	281,627
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						1,540,551	314,222	1,484,686	1,484,686	258,357
<b>U.S. Department of Agriculture</b>										
Passed through PA Dept of Agriculture										
Value of USDA Commodities	I	10.555	N/A		N/A	56,324	-	56,324	56,324	-
Passed through PA Dept of Education										
National Lunch School Program	I	10.555	N/A	07/01/11 - 06/30/12	N/A	119,075	119,075	-	-	-
National Lunch School Program	I	10.555	N/A	07/01/12 - 06/30/13	N/A	225,920	-	359,389	359,389	133,469
Total CFDA # 10.555						401,319	119,075	415,713	415,713	133,469
Breakfast Program	I	10.553	N/A	07/01/11 - 06/30/12	N/A	21,214	21,214	-	-	-
Breakfast Program	I	10.553	N/A	07/01/12 - 06/30/13	N/A	37,551	-	49,355	49,355	11,804
Total CFDA # 10.553						58,765	21,214	49,355	49,355	11,804
Summer Food	I	10.559	N/A	07/01/11 - 06/30/12	N/A	-	-	5,308	5,308	5,308
Total Nutrition Cluster						-	-	5,308	5,308	5,308
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						460,084	140,289	470,376	470,376	150,581
<b>TOTAL FEDERAL AWARDS</b>						\$2,000,635	\$ 454,511	\$ 1,955,062	\$ 1,955,062	\$ 408,938
Source Codes:										
I - Indirect Funding										



COLONIAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, Value of USDA Commodities, represent surplus food consumed by the District during the 2012-2013 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, 2013 was \$125,945.

COLONIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

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

Unmodified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

Unmodified

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

       Yes   X   No

Identification of major programs:

*CFDA Numbers*

84.010  
84.027

*Name of Federal Program or Cluster*

Title I  
I.D.E.A.

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

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes        No

COLONIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.