

Colonial

SCHOOL DISTRICT

PLYMOUTH MEETING, PA

AUDIT REPORT

JUNE 30, 2015

COLONIAL SCHOOL DISTRICT

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COLONIAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 18, 2015

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District (the "District"), Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in its financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2014 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 December 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Notes 1 and 15 to the financial statements, the District has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the District's pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, schedule of the District's proportionate share of the net pension liability on page 49, and schedule of District contributions on page 50 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.

Board of School Directors
Colonial School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. 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 November 18, 2015, 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, 2015**

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, 2015.

Financial Highlights

As of June 30, 2015, the general fund reported a positive fund balance of \$28 million, of which \$1.37 million was assigned to balance the 2015-2016 budget. Operational revenues for 2014-2015 exceeded expenditures by \$6.2 million. Actual local revenues for 2014-2015 were \$3 million more than the previous year, primarily due to the additional 2.6 percent increase in the local real estate tax rate. Real estate taxes collected were approximately \$1.8 million above the 2013-2014 fiscal year. Absent the real estate tax increase, other local revenue sources increased \$1.3 million despite the current economic conditions. Interest earnings were \$87,536 over budgeted figures. Transfer taxes were \$731,746 over budget and delinquent real estate taxes were \$152,707 over budget. Furthermore, Act 511 earned income tax revenue exceeded budget expectations by \$1.4 million, primarily due to the Act 32 legislation and new apartment and office complexes within the District. A payment in lieu of real estate taxes ("PILOT") totaling \$40,980 was received from The Hill at Whitemarsh as outlined in the parameters of the Tax Increment Financing Project Plan documents.

Actual expenditures and other financing uses were \$3,725,236 (3.56 percent) under budget. Budgetary Reserve was not utilized in 2014-2015 and, therefore, was underspent by the budgeted amount of \$500,000. Salaries and benefits were underspent due to minimal column movement and attrition. A credit from the North Montco Technical High School resulted in a reduction of payments for the fiscal year.

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, liabilities, and deferred inflows 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 them during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at a conclusion regarding the overall health of the District.

The District has begun to see its tax base grow over the past year due to new commercial and residential development. The current student population is 4,764, and a study is currently being conducted to better project enrollment for the years to come.

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

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Entity-wide Financial Analysis

Implementation of GASB 68

During the year, the District implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and No. 71 has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. Over the last five years, the PSERS employer contribution rate has risen significantly, from 4.0 percent in 2009-2010 to 20.5 percent in 2014-2015. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 30 percent in future years.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$119 million at the close of the most recent fiscal year. In the prior year, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$123 million.

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

The largest portion of the District's total assets reflects its investment in capital assets, 43 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 and liabilities; and what is left after assets are used to satisfy liabilities. The following table is a comparative analysis of fiscal year 2015 to 2014:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 54,655,385	\$ 37,707,192	\$ 364,722	\$ 323,361	\$ 55,020,107	\$ 38,030,553
Capital assets	41,437,716	40,560,764	167,714	192,366	41,605,430	40,753,130
Total Assets	<u>96,093,101</u>	<u>78,267,956</u>	<u>532,436</u>	<u>515,727</u>	<u>96,625,537</u>	<u>78,783,683</u>
Deferred outflows of resources	10,241,754	7,722,950	160,935	121,826	10,402,689	7,844,776
Total Assets and Deferred Outflows of Resources	<u>\$106,334,855</u>	<u>\$ 85,990,906</u>	<u>\$ 693,371</u>	<u>\$ 637,553</u>	<u>\$107,028,226</u>	<u>\$ 86,628,459</u>
Current liabilities	\$ 19,686,250	\$ 16,566,180	\$ 141,174	\$ 130,207	\$ 19,827,424	\$ 16,696,387
Long-term liabilities	191,987,012	190,931,865	2,411,299	2,499,411	194,398,311	193,431,276
Total Liabilities	<u>211,673,262</u>	<u>207,498,045</u>	<u>2,552,473</u>	<u>2,629,618</u>	<u>214,225,735</u>	<u>210,127,663</u>
Deferred inflows of resources	11,259,327	-	178,673	-	11,438,000	-
Total Liabilities and Deferred Inflows of Resources	<u>222,932,589</u>	<u>207,498,045</u>	<u>2,731,146</u>	<u>2,629,618</u>	<u>225,663,735</u>	<u>210,127,663</u>
Net Position:						
Net invested in capital assets	7,175,940	4,856,375	167,714	192,366	7,343,654	5,048,741
Restricted for:						
Capital projects	405,260	964,595	-	-	405,260	964,595
Athletics	28,028	19,246	-	-	28,028	19,246
Unrestricted (Deficit)	(124,206,962)	(127,347,355)	(2,205,489)	(2,184,431)	(126,412,451)	(129,531,786)
Total Net Position (Deficit)	<u>(116,597,734)</u>	<u>(121,507,139)</u>	<u>(2,037,775)</u>	<u>(1,992,065)</u>	<u>(118,635,509)</u>	<u>(123,499,204)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$106,334,855</u>	<u>\$ 85,990,906</u>	<u>\$ 693,371</u>	<u>\$ 637,553</u>	<u>\$107,028,226</u>	<u>\$ 86,628,459</u>

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

At the end of the current fiscal year, the District is reporting a negative unrestricted net position for its governmental and business-type activities due to the implementation of GASB 68. Total net position is also negative. Balances for unrestricted net position for both governmental and business-type activities are also negative for the prior fiscal year due to the restatement of net position required by GASB 68.

The District's net position increased by \$4.9 million during the current fiscal year. The increase is primarily due to the increases in cash and investments as a result of revenues exceeding expenditures and other financing uses of \$6.2 million and the financing obtained to fund the Plymouth-Whitemarsh High School improvements of \$9.7 million, which was offset by deferred pension expense of \$12.9 million.

Total net position of the District's governmental activities increased by \$4.9 million, and unrestricted net position reflects a deficit balance of \$124.7 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 \$77.2 million; earned income taxes of \$7.9 million; investment earnings of \$.3 million; and unrestricted state entitlements (i.e. Basic Education Funding and State Property Tax Relief) of \$5.7 million that support the net cost of the District's services.

STATEMENT OF ACTIVITIES

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
Program Expenses:				
Instruction	\$ 68,937,090	\$ 59,708,224	\$ 64,452,963	\$ 55,855,795
Instructional student support	8,547,209	7,799,907	7,740,155	7,099,336
Administration	7,518,545	6,988,322	6,100,824	5,689,169
Maintenance	8,277,888	7,327,405	8,000,064	7,324,750
Pupil transportation	5,900,668	4,812,743	5,731,053	4,610,714
Student activities	1,430,390	1,222,516	1,374,211	1,185,736
Community services	59,926	(82,101)	40,779	(96,574)
Interest and fiscal charges	1,633,398	1,519,239	1,734,816	1,705,106
Total Program Expenses	<u>\$ 102,305,114</u>	<u>\$ 89,296,255</u>	<u>\$ 95,174,865</u>	<u>\$ 83,374,032</u>
Business-type Activities				
Food Service	<u>\$ 2,216,435</u>	<u>\$ 103,787</u>	<u>\$ 2,024,048</u>	<u>\$ 49,927</u>

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

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

The **statement of changes in net position** presented below shows that program revenues accounted for \$15.1 million, or 13.8 percent of total revenues, and general revenues accounted for \$94.3 million or 86.2 percent.

**STATEMENT OF CHANGES IN NET POSITION
(Expressed in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 485,817	\$ 776,504	\$ 1,350,903	\$1,294,286	\$ 1,836,720	\$ 2,070,790
Operating grants	12,367,062	10,888,821	761,745	679,835	13,128,807	11,568,656
Capital grants	155,980	135,508	-	-	155,980	135,508
Total Program Revenues	13,008,859	11,800,833	2,112,648	1,974,121	15,121,507	13,774,954
General revenues:						
Property and other taxes	87,467,403	83,414,344	-	-	87,467,403	83,414,344
Grants and entitlements	5,720,571	5,322,583	-	-	5,720,571	5,322,583
Investment earnings	304,587	306,137	85	29	304,672	306,166
Miscellaneous	771,091	1,093,016	-	-	771,091	1,093,016
Total General Revenues	94,263,652	90,136,080	85	29	94,263,737	90,136,109
Total Revenues	107,272,511	101,936,913	2,112,733	1,974,150	109,385,244	103,911,063
Expenses						
Program expenses:						
Instruction	68,937,090	64,452,963	-	-	68,937,090	64,452,963
Support services:						
Instructional staff support	8,547,209	7,740,155	-	-	8,547,209	7,740,155
Administration	7,518,545	6,100,824	-	-	7,518,545	6,100,824
Maintenance	8,277,888	8,000,064	-	-	8,277,888	8,000,064
Pupil transportation	5,900,668	5,731,053	-	-	5,900,668	5,731,053
Student activities	1,430,390	1,374,211	-	-	1,430,390	1,374,211
Community services	59,926	40,779	-	-	59,926	40,779
Interest and fiscal charges	1,633,398	1,734,816	-	-	1,633,398	1,734,816
Food service	-	-	2,216,435	2,024,048	2,216,435	2,024,048
Total Expenses	102,305,114	95,174,865	2,216,435	2,024,048	104,521,549	97,198,913
Excess (Deficit) before transfers	4,967,397	6,762,048	(103,702)	(49,898)	4,863,695	6,712,150
Transfers	(57,992)	(57,519)	57,992	57,519	-	-
Change in Net Position	\$ 4,909,405	\$ 6,704,529	\$ (45,710)	\$ 7,621	\$ 4,863,695	\$ 6,712,150

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Reporting the District's Most Significant Funds

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Fund Financial Statements

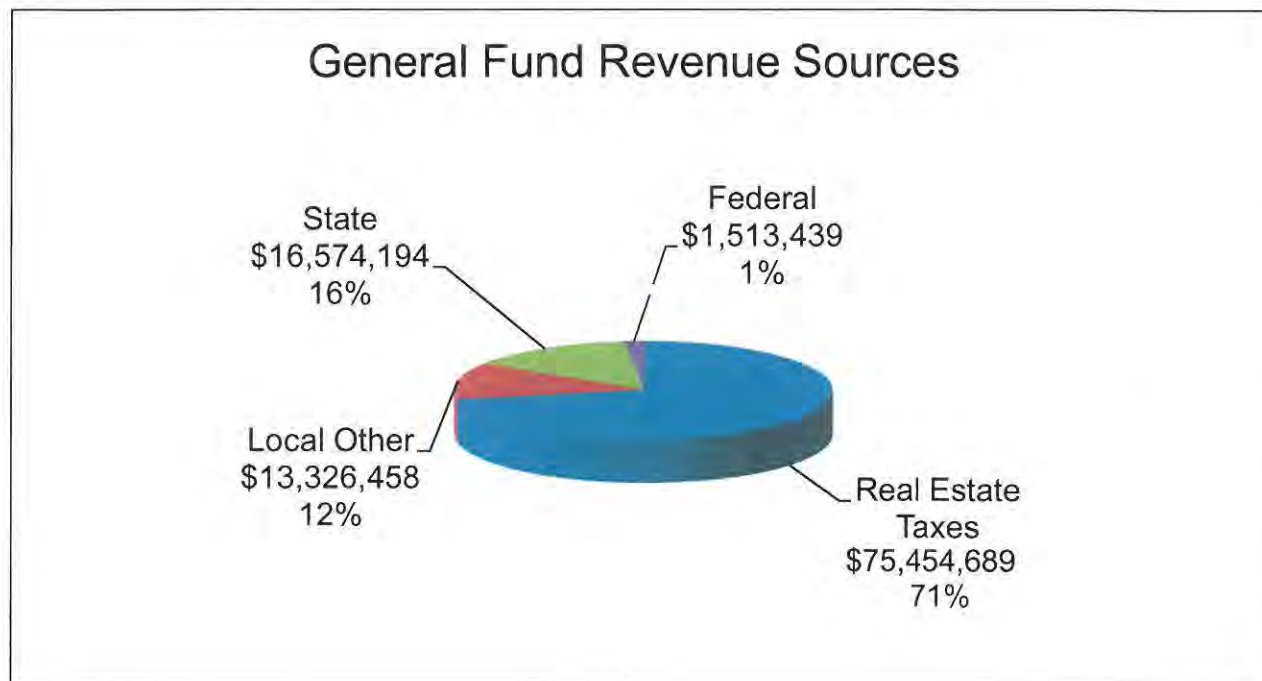
The fund financial statements of the District's major funds provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by state statute, while many other funds are established by the District to help manage money for particular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

The District's governmental funds reported a combined fund balance of \$36.9 million, which is an increase of \$13.9 million from the previous year's total of \$23 million. The schedule below illustrates the fund balance and the total change in fund balances from June 30, 2014 to 2015.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General Fund	\$ 28,316,667	\$ 22,066,671	\$ 6,249,996
Capital Projects Fund	8,202,386	-	8,202,386
Capital Reserve Fund	405,260	964,595	(559,335)
TOTAL	\$ 36,924,313	\$ 23,031,266	\$ 13,893,047

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

The District's reliance upon real estate tax revenues is demonstrated by the following graph that indicates 71 percent of total revenues for government activities come from local real estate taxes.



General Fund

Total general fund revenues exceeded expenditures by \$6.2 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

	2015 Actual	2014 Actual	Variance	
			\$	%
Current real estate taxes	\$ 73,738,438	\$ 71,904,999	\$ 1,833,439	2.55%
Interim real estate taxes	1,716,251	408,490	1,307,761	320.15%
Earned income taxes Act 511	7,988,009	8,242,764	(254,755)	-3.09%
Transfer taxes	2,031,746	1,712,314	319,432	18.65%
Delinquent taxes	1,589,319	1,101,892	487,427	44.24%
Other local revenue	1,717,384	2,243,428	(526,044)	-23.45%
State sources	16,574,194	14,697,584	1,876,610	12.77%
Federal sources	1,513,439	1,513,820	(381)	-.03%
TOTAL	\$ 106,868,780	\$ 101,825,291	\$ 5,043,489	4.95%

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Other Funds

The fund balance decrease in the capital reserve fund, \$559,335, was the result of preliminary expense relating to the renovation at Plymouth-Whitemarsh High School. The fund balance increase in the capital projects fund, \$8,202,386, was the result of bond proceeds less amounts paid for renovations at Plymouth-Whitemarsh High School. The District currently utilizes a five-year capital projects plan for future expenditures relating to the District's facilities and grounds.

Business-type Activities

Business-type activities include the food service program. In 2014-2015, the District did not need to provide a contribution to food service operations due to the fact that the department was self-sustaining this year. The food service net deficit of \$2,037,775, a decrease of \$45,710 from the prior year, is a result of the impact from the District implementing GASB 68.

General Fund Budget Information

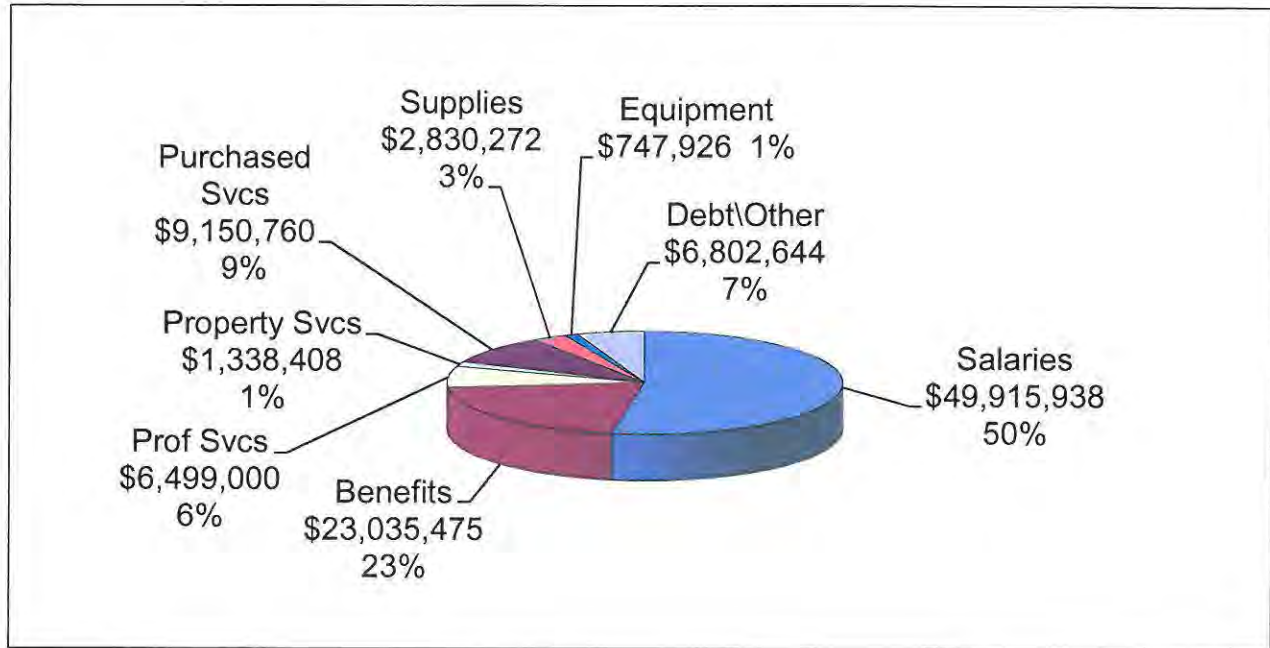
The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

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	\$ 48,308,582	\$ 47,780,446	\$ 528,136	1.09%
1200	Special programs	15,823,698	15,655,880	167,818	1.06%
1300	Vocational programs	1,794,225	1,794,225	-	-0.00%
1400	Other instructional programs	1,356,455	1,541,123	(184,668)	-13.61%
1600	Adult Education	75,869	77,154	(1,285)	-1.69%
	Total Instruction	67,358,829	66,848,828	510,001	0.76%
	Support services:				
2100	Pupil personnel services	3,611,193	3,610,875	318	0.01%
2200	Instructional staff services	3,663,021	3,596,802	66,219	1.81%
2300	Administrative services	4,307,567	4,547,648	(240,081)	-5.57%
2400	Pupil health	964,561	994,065	(29,504)	-3.06%
2500	Business services	1,005,795	1,004,976	819	0.08%
2600	Operation and maintenance of plant services	8,355,360	8,354,526	834	0.01%
2700	Student transportation services	6,257,429	6,257,429	-	0.00%
2800	Information services	1,217,591	1,520,860	(303,269)	-24.91%
2900	Other support services	77,000	77,000	-	0.00%
	Total Support Services	29,459,517	29,964,181	(504,664)	-1.71%
	Operation of non-instructional activities:				
3200	Student activities	1,392,001	1,397,338	(5,337)	-0.38%
3300	Community services	77,959	77,959	-	0.00%
	Total Operation of Non-instructional Services	1,469,960	1,475,297	(5,337)	-0.36%
5110	Debt service	5,273,344	5,273,344	-	0.00%
5200	Transfers	438,350	438,350	-	0.00%
5900	Budgetary reserve	500,000	500,000	-	0.00%
	Total Expenditures	\$104,500,000	\$104,500,000	\$ -	0.00%

**COLONIAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

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	
	2014-2015	2013-2014	\$	%
100 Salaries	\$ 49,915,938	\$ 49,227,417	\$ 688,521	1.40%
200 Benefits	23,035,475	21,723,091	1,312,384	6.04%
300 Professional services	6,499,000	5,511,023	987,977	17.93%
400 Purchased property services	1,338,408	1,299,865	38,543	2.97%
500 Purchased services	9,150,760	8,980,262	170,498	1.90%
600 Supplies	2,830,272	2,586,923	243,349	9.41%
700 Equipment	747,926	695,582	52,344	7.53%
800 Debt service interest and other	1,189,963	1,304,612	(114,649)	-8.79%
900 Debt service principal and other	3,818,000	3,640,000	178,000	4.89%
Total Expenditures by Object	<u>\$ 98,525,742</u>	<u>\$ 94,968,775</u>	<u>\$ 3,556,967</u>	3.75%

Actual expenditures for 2014-2015 were up \$3,556,967 or 3.75 percent over the prior year. Object 200, Benefits accounted for a \$1,312,384 variance primarily due to a 4.47 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. 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, 2015**

Capital Assets

The District has \$41.6 million invested in capital assets net of depreciation; \$167,714 of the investment in capital assets is located in the Food Service Fund. Acquisitions for governmental activities totaled \$2.5 million, and depreciation expense for the year was \$1.6 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At June 30, 2015, the District has \$42.5 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. Additional bond issues are planned for 2015-2016, 2016-2017, and 2017-2018.

Factors Expected to have an Effect on Future Operations

The District is starting to see some change and positive results from growth in the economy. Commercial and residential development has started to take place, and additional projects are currently in the pipeline at the municipal level. This will have a positive impact in terms of real estate tax collection, interim tax collection, and earned income tax collection. However, with some of this development comes the potential for additional students. A study by the Montgomery County Planning Commission is currently in progress and will provide a more definitive outlook in terms of enrollment.

Investment earnings continue to be stagnant in spite of the limit growth in the economy. The call date for a couple of the District's bond issues are approaching where the District could elect to pay off those issues which could be viewed as a positive investment of funds.

Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen its basic education and special education held level, as the costs for these mandated services have far exceeded state reimbursement.

The District continues to still be negatively impacted by the employer contribution rate for the Pennsylvania State Employees Retirement System ("PSERS"). The rate will continue to rise for another four years; however, it will level off slightly as compared to years past.

The District is not immune to the rise in healthcare costs; however, discussions are progressing for the self-funded Bucks Mont Consortium to go to a pooling method for its healthcare experience. This would provide a more predictable and level increase from year to year.

Contacting the District Financial Management Office

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the District business office at Colonial School District, 230 Flouertown Road, Plymouth Meeting, PA 19462, (610) 834-1670 extension 2121 or reference the District's website at www.colonialsd.org, go to Administration - Finance.

COLONIAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015
(With Summarized Comparative Data for June 30, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 13,451,930	\$ 870,401	\$ 14,322,331	\$ 7,797,663
Investments	34,071,407	-	34,071,407	24,169,031
Taxes receivable	2,841,367	-	2,841,367	2,797,273
Internal balances	766,783	(766,783)	-	-
Note receivable	460,309	-	460,309	466,289
Due from other governments	2,504,780	91,217	2,595,997	2,054,872
Other receivables	558,809	94,556	653,365	649,870
Inventories	-	75,331	75,331	61,059
Other assets	-	-	-	34,496
Land	6,543,005	-	6,543,005	6,543,005
Construction-in-progress	2,275,341	-	2,275,341	187,090
Buildings and improvements	67,876,043	-	67,876,043	67,868,773
Site improvements	7,979,717	-	7,979,717	7,979,717
Furniture and equipment	13,044,897	673,894	13,718,791	13,421,128
Library books	1,273,155	-	1,273,155	1,273,155
Vehicles	1,113,435	-	1,113,435	1,026,383
Accumulated depreciation	(58,667,877)	(506,180)	(59,174,057)	(57,546,121)
TOTAL ASSETS	96,093,101	532,436	96,625,537	78,783,683
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts on bond refunding	100,240	-	100,240	45,941
Deferred pension contributions	9,918,745	157,400	10,076,145	7,798,835
Deferred pension expense	222,769	3,535	226,304	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,241,754	160,935	10,402,689	7,844,776
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 106,334,855	\$ 693,371	\$ 107,028,226	\$ 86,628,459
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 2,021,985	\$ 16,742	\$ 2,038,727	\$ 1,362,533
Retainage payable	25,822	-	25,822	-
Accrued salaries and benefits	10,805,484	46,968	10,852,452	9,779,459
Other liabilities	1,377,681	-	1,377,681	1,228,372
Accrued interest payable	314,981	-	314,981	287,970
Unearned revenue	24,728	48,787	73,515	87,766
Judgments payable	1,335,658	-	1,335,658	425,134
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	3,598,043	-	3,598,043	3,379,430
Accumulated compensated absences	181,868	28,677	210,545	145,723
Portion due or payable after one year:				
Bonds payable, net	38,866,119	-	38,866,119	32,324,959
Other post-employment benefits	2,997,813	-	2,997,813	2,556,789
Accumulated compensated absences	3,078,518	77,861	3,156,379	3,114,528
Net pension liability	147,044,562	2,333,438	149,378,000	155,435,000
TOTAL LIABILITIES	211,673,262	2,552,473	214,225,735	210,127,663
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension expense	11,259,327	178,673	11,438,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	11,259,327	178,673	11,438,000	-
NET POSITION (DEFICIT):				
Net investment in capital assets	7,175,940	167,714	7,343,654	5,048,741
Restricted for athletics	28,028	-	28,028	19,246
Restricted for capital assets	405,260	-	405,260	964,595
Unrestricted (Deficit)	(124,206,962)	(2,205,489)	(126,412,451)	(129,531,786)
TOTAL NET POSITION (DEFICIT)	(116,597,734)	(2,037,775)	(118,635,509)	(123,499,204)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 106,334,855	\$ 693,371	\$ 107,028,226	\$ 86,628,459

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

COLONIAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Comparative Data for the Year Ended June 30, 2014)

	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
					2015	2014
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 68,937,090	\$ 244,250	\$ 8,984,616	\$ -	\$ (59,708,224)	\$ (55,855,795)
Instructional student support	8,547,209	-	747,302	-	(7,799,907)	(7,099,336)
Administrative and financial support services	7,518,545	-	530,223	-	(6,988,322)	(6,989,169)
Operation and maintenance of plant services	8,277,888	-	794,503	155,980	(7,327,405)	(7,324,750)
Pupil transportation	5,900,668	-	1,087,925	-	(4,812,743)	(4,610,714)
Student activities	1,430,390	99,540	108,334	-	(1,222,516)	(1,185,736)
Community services	59,926	142,027	-	-	82,101	96,574
Interest on long-term debt	1,633,398	-	114,159	-	(1,519,239)	(1,705,106)
TOTAL GOVERNMENTAL ACTIVITIES	102,305,114	485,817	12,367,062	155,980	(89,296,255)	(83,374,032)
BUSINESS-TYPE ACTIVITIES						
Food service	2,216,435	1,350,903	761,745	-	(103,787)	(49,927)
TOTAL BUSINESS-TYPE ACTIVITIES	2,216,435	1,350,903	761,745	-	(103,787)	(49,927)
TOTAL PRIMARY GOVERNMENT	\$ 104,521,549	\$ 1,836,720	\$ 13,128,807	\$ 155,980	(89,400,042)	(83,423,959)
GENERAL REVENUES						
Property taxes levied for general purposes				77,224,708	-	77,224,708
Taxes levied for specific purposes				10,242,695	-	10,242,695
Grants and entitlements not restricted to specific programs				5,720,571	-	5,720,571
Investment earnings				304,587	85	304,672
Miscellaneous				771,091	-	771,091
TRANSFERS				(57,992)	57,992	-
GENERAL REVENUES AND TRANSFERS				94,205,660	58,077	90,136,109
CHANGE IN NET POSITION				4,909,405	(45,710)	6,712,150
NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED				(121,507,139)	(1,992,065)	(130,211,354)
NET POSITION (DEFICIT), END OF YEAR				\$ (116,597,734)	\$ (2,037,775)	\$ (123,499,204)

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

COLONIAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(With Summarized Comparative Data for June 30, 2014)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2015	2014
ASSETS				
Cash and cash equivalents	\$ 12,565,195	\$ 615,414	\$ 13,451,930	\$ 6,856,866
Investments	25,672,774	-	34,071,407	24,169,031
Taxes receivable	2,841,367	-	2,841,367	2,797,273
Due from other funds	766,783	-	766,783	871,016
Due from other governments	2,504,780	-	2,504,780	1,912,827
Note receivable	460,309	-	460,309	466,289
Other receivables	558,809	-	558,809	599,394
Other assets	-	-	-	34,496
TOTAL ASSETS	\$ 45,370,017	\$ 615,414	\$ 54,655,385	\$ 37,707,192
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,370,085	\$ 204,218	\$ 2,021,985	\$ 1,346,052
Retainage payable	-	5,936	25,822	-
Accrued salaries and benefits	10,805,484	-	10,805,484	9,747,481
Accumulated compensated absences	181,868	-	181,868	119,000
Judgments payable	1,335,658	-	1,335,658	425,134
Other liabilities	1,377,681	-	1,377,681	1,228,372
Unearned revenues	24,728	-	24,728	32,741
TOTAL LIABILITIES	15,095,504	210,154	15,773,226	12,898,780
DEFERRED OUTFLOWS OF RESOURCES:				
Unavailable revenue - delinquent taxes	1,497,537	-	1,497,537	1,310,857
Unavailable revenue - note receivable	460,309	-	460,309	466,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,957,846	-	1,957,846	1,777,146
FUND BALANCES:				
Nonspendable	-	-	-	34,496
Restricted for capital projects	-	405,260	8,607,646	964,595
Restricted for athletics	28,028	-	28,028	19,246
Committed	19,990,390	-	19,990,390	3,193,450
Assigned	1,370,000	-	1,370,000	1,870,000
Unassigned	6,928,249	-	6,928,249	16,949,479
TOTAL FUND BALANCES	28,316,667	405,260	36,924,313	23,031,266
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES	\$ 45,370,017	\$ 615,414	\$ 54,655,385	\$ 37,707,192

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, 2015**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 36,924,313
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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	
Construction-in-progress	2,275,341	
Buildings and improvements	67,876,043	
Site improvements	7,979,717	
Furniture and equipment	13,044,897	
Library books	1,273,155	
Vehicles	1,113,435	
Accumulated depreciation	<u>(58,667,877)</u>	41,437,716

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

Bonds payable, net	(42,464,162)	
Other post-employment benefits	(2,997,813)	
Accumulated compensated absences	(3,078,518)	
Accrued interest payable	(314,981)	
Net pension liability	<u>(147,044,562)</u>	(195,900,036)

Refunded debt resulted in deferred outflows of resources which are amortized over the life of new debt but do not represent current rights.	100,240
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Deferred inflows and outflows of resources related to the District's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred pension contributions	9,918,745	
Deferred pension expense	222,769	
Deferred inflows of resources:		
Deferred pension expense	<u>(11,259,327)</u>	(1,117,813)

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>1,957,846</u>
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NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (116,597,734)</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, 2015
(With Summarized Comparative Data for the Year Ended June 30, 2014)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	
REVENUES:				
Local sources	\$ 88,781,147	\$ 78	\$ 222	\$ 88,781,447
State sources	16,574,194	-	-	16,574,194
Federal sources	1,513,439	-	-	1,513,439
TOTAL REVENUES	106,868,780	78	222	106,869,080
EXPENDITURES:				
Current:				
Instruction	63,546,737	-	-	63,546,737
Support services	28,702,001	-	298,468	29,000,469
Operation of noninstructional services	1,464,630	-	-	1,464,630
Capital outlays	-	955,763	1,477,580	2,433,343
Debt service	4,812,374	-	-	4,812,374
TOTAL EXPENDITURES	98,525,742	955,763	1,776,048	101,257,553
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,343,038	(955,685)	(1,775,826)	5,611,527
OTHER FINANCING SOURCES (USES):				
Proceeds from extended financing	155,980	-	-	155,980
Bond proceeds	-	-	9,650,000	9,650,000
Proceeds from bond refunding	-	-	9,725,000	9,725,000
Premium on bond refunding	-	-	325,637	325,637
Payments to bond refunding agent	-	-	(9,722,425)	(9,722,425)
Refund of prior year receipts	(1,794,680)	-	-	(1,794,680)
Transfers in	-	396,350	-	396,350
Transfers out	(454,342)	-	-	(454,342)
TOTAL OTHER FINANCING SOURCES (USES)	(2,093,042)	396,350	9,978,212	8,281,520
NET CHANGE IN FUND BALANCES	6,249,996	(559,335)	8,202,386	13,893,047
FUND BALANCES, BEGINNING OF YEAR	22,066,671	964,595	-	23,031,266
FUND BALANCES, END OF YEAR	\$ 28,316,667	\$ 405,260	\$ 8,202,386	\$ 36,924,313
				\$ 23,031,266

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, 2015**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,893,047

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

Capital outlays are reported in governmental funds as expenditures which are reported either as District-wide (capital outlays) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,603,284) was exceeded by capital outlays (\$2,480,236) in the period. 876,952

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 increased by this amount this year. 180,700

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 proceeds exceeded debt repayments during the year. (6,425,000)

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. (334,773)

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. 54,299

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. (476,370)

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. (27,011)

In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals (\$12,751,184) exceeds pension contributions during the year (\$9,918,745). (2,832,439)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,909,405

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 84,129,760	\$ 84,129,760	\$ 88,781,147	\$ 4,651,387
State sources	16,831,021	16,831,021	16,574,194	(256,827)
Federal sources	1,528,239	1,528,239	1,513,439	(14,800)
TOTAL REVENUES	<u>102,489,020</u>	<u>102,489,020</u>	<u>106,868,780</u>	<u>4,379,760</u>
EXPENDITURES				
Instruction:				
Regular programs	48,308,582	47,780,446	45,542,476	2,237,970
Special programs	15,823,698	15,655,880	14,914,586	741,294
Vocational programs	1,794,225	1,794,225	1,605,547	188,678
Other instructional programs	1,356,455	1,541,123	1,406,467	134,656
Adult education	75,869	77,154	77,661	(507)
Total Instruction	<u>67,358,829</u>	<u>66,848,828</u>	<u>63,546,737</u>	<u>3,302,091</u>
Support services:				
Pupil personnel services	3,611,193	3,610,875	3,546,446	64,429
Instructional staff services	3,663,021	3,596,802	3,516,633	80,169
Administrative services	4,307,567	4,547,648	4,321,754	225,894
Pupil health	964,561	994,065	1,026,126	(32,061)
Business services	1,005,795	1,004,976	924,287	80,689
Operation and maintenance of plant services	8,355,360	8,354,526	7,878,551	475,975
Student transportation services	6,257,429	6,257,429	5,900,668	356,761
Information services	1,217,591	1,520,860	1,509,089	11,771
Other support services	77,000	77,000	78,447	(1,447)
Total Support Services	<u>29,459,517</u>	<u>29,964,181</u>	<u>28,702,001</u>	<u>1,262,180</u>
Operation of noninstructional activities:				
Student activities	1,392,001	1,397,338	1,404,704	(7,366)
Community services	77,959	77,959	59,926	18,033
Total Operation of Noninstructional Activities	<u>1,469,960</u>	<u>1,475,297</u>	<u>1,464,630</u>	<u>10,667</u>
Debt service	5,273,344	5,273,344	4,812,374	460,970
TOTAL EXPENDITURES	<u>103,561,650</u>	<u>103,561,650</u>	<u>98,525,742</u>	<u>5,035,908</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,072,630)</u>	<u>(1,072,630)</u>	<u>8,343,038</u>	<u>9,415,668</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(438,350)	(438,350)	(454,342)	(15,992)
Proceeds of extended financing	140,980	140,980	155,980	15,000
Refund of prior year receipts	-	-	(1,794,680)	(1,794,680)
Budgetary reserve	(500,000)	(500,000)	-	500,000
TOTAL OTHER FINANCING USES	<u>(797,370)</u>	<u>(797,370)</u>	<u>(2,093,042)</u>	<u>(1,295,672)</u>
NET CHANGE IN FUND BALANCE	<u>(1,870,000)</u>	<u>(1,870,000)</u>	<u>6,249,996</u>	<u>8,119,996</u>
FUND BALANCE, BEGINNING OF YEAR	<u>22,053,243</u>	<u>22,053,243</u>	<u>22,066,671</u>	<u>13,428</u>
FUND BALANCE, END OF YEAR	<u>\$ 20,183,243</u>	<u>\$ 20,183,243</u>	<u>\$ 28,316,667</u>	<u>\$ 8,133,424</u>

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015 AND 2014

	Food Service Fund	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 870,401	\$ 940,797
Due from other governments	91,217	142,045
Other receivables	94,556	50,476
Inventories	75,331	61,059
Total Current Assets	<u>1,131,505</u>	<u>1,194,377</u>
CAPITAL ASSETS:		
Furniture and equipment	673,894	673,894
Accumulated depreciation	(506,180)	(481,528)
Capital Assets, Net	<u>167,714</u>	<u>192,366</u>
TOTAL ASSETS	<u>1,299,219</u>	<u>1,386,743</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	157,400	121,826
Deferred pensions	3,535	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>160,935</u>	<u>121,826</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,460,154</u>	<u>\$ 1,508,569</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,742	\$ 16,481
Due to other funds	766,783	871,016
Accrued salaries and benefits	46,968	31,978
Accumulated compensated absences	28,677	26,723
Unearned revenue	48,787	55,025
Total Current Liabilities	<u>907,957</u>	<u>1,001,223</u>
NONCURRENT LIABILITIES:		
Accumulated compensated absences	77,861	71,356
Net pension liability	2,333,438	2,428,055
Total Noncurrent Liabilities	<u>2,411,299</u>	<u>2,499,411</u>
Total Liabilities	<u>3,319,256</u>	<u>3,500,634</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension expenses	178,673	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>178,673</u>	<u>-</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	167,714	192,366
Unrestricted (Deficit)	(2,205,489)	(2,184,431)
Total Net Position (Deficit)	<u>(2,037,775)</u>	<u>(1,992,065)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 1,460,154</u>	<u>\$ 1,508,569</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, 2015 AND 2014

	Food Service Fund	
	2015	2014
OPERATING REVENUES		
Food service revenues	\$ 1,350,903	\$ 1,294,286
Total Operating Revenues	<u>1,350,903</u>	<u>1,294,286</u>
OPERATING EXPENSES		
Salaries	798,622	781,186
Employee benefits	424,431	338,356
Supplies	872,976	809,635
Repairs and maintenance	10,371	4,586
Other operating expenses	85,383	64,689
Depreciation	24,652	25,596
Total Operating Expenses	<u>2,216,435</u>	<u>2,024,048</u>
OPERATING LOSS	<u>(865,532)</u>	<u>(729,762)</u>
NONOPERATING REVENUES		
Earnings on investments	85	29
State sources	152,611	131,512
Federal sources	609,134	548,323
Total Nonoperating Revenues	<u>761,830</u>	<u>679,864</u>
LOSS BEFORE TRANSFERS	<u>(103,702)</u>	<u>(49,898)</u>
Transfers in	57,992	57,519
Total Transfers	<u>57,992</u>	<u>57,519</u>
CHANGE IN NET POSITION (DEFICIT)	(45,710)	7,621
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,992,065)</u>	<u>(1,999,686)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (2,037,775)</u>	<u>\$ (1,992,065)</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, 2015 AND 2014

	Food Service Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,300,585	\$ 1,300,634
Payments to suppliers	(914,158)	(302,935)
Payments to employees	(1,154,657)	(1,106,210)
Payments for other operating expenses	(95,754)	(69,275)
NET CASH USED BY OPERATING ACTIVITIES	(863,984)	(177,786)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	157,139	132,175
Federal sources	578,372	481,794
Transfers in	57,992	57,519
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	793,503	671,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(5,162)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(5,162)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	85	29
NET CASH PROVIDED BY INVESTING ACTIVITIES	85	29
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(70,396)	488,569
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	940,797	452,228
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 870,401	\$ 940,797
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (865,532)	\$ (729,762)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	24,652	25,596
Commodities used	77,062	74,403
(Increase) Decrease in:		
Other receivables	(44,080)	(4,365)
Inventories	(14,272)	(4,372)
Deferred pension contributions	(35,574)	-
Deferred pensions	(3,535)	-
Increase (Decrease) in:		
Accounts payable	261	(2,223)
Due to other funds	(104,233)	438,892
Accrued salaries and benefits	14,990	10,116
Accumulated compensated absences	8,459	3,216
Unearned revenue	(6,238)	10,713
Net pension liability	(94,617)	-
Deferred inflows of resources - pension	178,673	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (863,984)	\$ (177,786)
SUPPLEMENTAL DISCLOSURE		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 77,062	\$ 74,403

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

COLONIAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

	Private - Purpose Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 10,559	\$ 305,232
Investments	<u>301,872</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 312,431</u>	<u>\$ 305,232</u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	<u>\$ 305,232</u>
NET POSITION:		
Reserved for trust	<u>312,431</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 312,431</u>	

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

COLONIAL SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Private - Purpose Trust	
	2015	2014
ADDITIONS		
Local contributions	\$ 8,265	\$ 3,384
Investment earnings	962	1,067
TOTAL ADDITIONS	9,227	4,451
DEDUCTIONS		
Fees paid and scholarships awarded	25,740	20,675
TOTAL DEDUCTIONS	25,740	20,675
CHANGE IN NET POSITION	(16,513)	(16,224)
NET POSITION, BEGINNING OF YEAR	328,944	345,168
NET POSITION, END OF YEAR	\$ 312,431	\$ 328,944

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colonial School District (the "District") operates five elementary schools, one middle school, and one senior high school to provide education and related services to the residents of Plymouth and Whitmarsh 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 Statement 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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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 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.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Receivables and Payables

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

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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 2014-2015 was 20.1103 mills (\$20.1103 per \$1,000 of assessed valuation) as levied by the

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Board. Assessed valuations of property are determined by the Montgomery County Board of Assessments. Taxes from the Borough of Conshohocken are collected by an elected tax collector, while the District is responsible for the collection of taxes from the Townships of Plymouth and Whitemarsh.

Prepaid Items and Inventories

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

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

Capital Assets

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

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

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

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

Buildings and improvements	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.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Long-term Obligations

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

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

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has four types of items that qualify for reporting in this category. Pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes and notes receivable not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

Fund Balances

As of June 30, 2015, 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).

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

Implementation of GASB Statements

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability or, for multi-employer cost sharing plans, the entity's share of the net pension liability in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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, 2014, 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.

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, 2015:

Adult education	\$ 507
Pupil health	\$ 32,061
Other support services	\$ 1,447
Student activities	\$ 7,366

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2015, the carrying amount of the District's deposits was \$14,638,122, and the bank balance was \$14,952,876. Of the bank balance, \$356,088 was covered by federal depository insurance, while \$5,820,155 was covered through collateral held by financial institutions, but not in the District's name.

The remaining cash deposits (\$8,776,633) 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, 2015, 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, 2015, the District had the following investments:

Certificates of deposit - collateral held by the pledging bank's agent in the District's name	
Due within one year	\$ 29,174,459
Due within five years	<u>5,198,820</u>
Total	<u>\$ 34,373,279</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 five years.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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, 2015 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Construction-in-progress	187,090	2,088,251	-	2,275,341
Total Capital Assets Not Being Depreciated	<u>6,730,095</u>	<u>2,088,251</u>	<u>-</u>	<u>8,818,346</u>
Capital assets being depreciated:				
Buildings and improvements	67,868,773	7,270	-	67,876,043
Site improvements	7,979,717	-	-	7,979,717
Furniture and equipment	12,747,234	297,663	-	13,044,897
Library books	1,273,155	-	-	1,273,155
Vehicles	1,026,383	87,052	-	1,113,435
Total Capital Assets Being Depreciated	<u>90,895,262</u>	<u>391,985</u>	<u>-</u>	<u>91,287,247</u>
Less accumulated depreciation for:				
Buildings and improvements	40,072,397	1,061,137	-	41,133,534
Site improvements	3,664,030	214,879	-	3,878,909
Furniture and equipment	11,226,409	275,656	-	11,502,065
Library books	1,273,155	-	-	1,273,155
Vehicles	828,602	51,612	-	880,214
Total Accumulated Depreciation	<u>57,064,593</u>	<u>1,603,284</u>	<u>-</u>	<u>58,667,877</u>
Total Capital Assets Being Depreciated, Net	<u>33,830,669</u>	<u>(1,211,299)</u>	<u>-</u>	<u>32,619,370</u>
Governmental Activities Assets, Net	<u>\$40,560,764</u>	<u>\$ 876,952</u>	<u>\$ -</u>	<u>\$41,437,716</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 673,894	\$ -	\$ -	\$ 673,894
Total Capital Assets Being Depreciated	<u>673,894</u>	<u>-</u>	<u>-</u>	<u>673,894</u>
Less accumulated depreciation for:				
Furniture and equipment	481,528	24,652	-	506,180
Total Accumulated Depreciation	<u>481,528</u>	<u>24,652</u>	<u>-</u>	<u>506,180</u>
Business-type Activities, Net	<u>\$ 192,366</u>	<u>\$ (24,652)</u>	<u>\$ -</u>	<u>\$ 167,714</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental activities:

Instruction	\$ 1,175,048
Instructional student support	141,882
Administrative and financial support services	111,832
Operation and maintenance of plant services	149,185
Student activities	<u>25,337</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 1,603,284</u>
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Total Business-type Activities	<u>\$ 24,652</u>
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NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable From:</u>	<u>Amount</u>	<u>Payable To:</u>	<u>Amount</u>
Food Service Fund	<u>\$ 766,783</u>	General Fund	<u>\$ 766,783</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>Amount</u>	<u>Transfer In:</u>	<u>Amount</u>
General Fund	<u>\$ 454,342</u>	Food Service Fund	\$ 57,992
		Capital Reserve Fund	<u>396,350</u>
Total	<u>\$ 454,342</u>	Total	<u>\$ 454,342</u>

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Bonds payable, net	\$ 35,704,389	\$19,700,637	\$(12,940,864)	\$ 42,464,162
Accumulated compensated absences	3,162,172	98,214	-	3,260,386
TOTALS	<u>\$ 38,866,561</u>	<u>\$19,798,851</u>	<u>\$(12,940,864)</u>	<u>\$ 45,724,548</u>
Business-type Activities:				
Accumulated compensated absences	<u>\$ 98,079</u>	<u>\$ 8,459</u>	<u>\$ -</u>	<u>\$ 106,538</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, 2015</u>
Bonds payable, at face	\$42,215,000
Unamortized bond discounts	(96,837)
Unamortized bond premiums	345,999
Bonds payable, net	<u>\$42,464,162</u>

General Obligation Bonds

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

\$ 3,245,000

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.

9,615,000

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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.	9,980,000
Series of 2014, maturing through November 25, 2034, bearing interest ranging from 0.4% to 3.75%, interest payable semi-annually on February 15 and August 15. Issued to finance various capital projects within the District.	9,650,000
Series of 2014A, maturing through December 17, 2018, bearing interest ranging from 0.150% to 2.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A.	<u>9,725,000</u>
TOTAL	<u>\$ 42,215,000</u>

Bond Refundings

The District issued \$9,725,000 of general obligation bonds for the purpose of refunding an outstanding obligation. Series A of 2014 in the amount of \$9,725,000 was issued to currently refund all of Series A of 2009 and to pay the costs of issuing the bond. This issuance resulted in a deferred loss on the refunding of \$293,298 for the District. The District realized a cash savings of \$255,407.

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

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2016	\$ 3,575,000	\$ 1,023,560	\$ 4,598,560
2017	3,670,000	971,009	4,641,009
2018	3,740,000	901,876	4,641,876
2019	3,835,000	833,931	4,668,931
2020	4,040,000	780,531	4,820,531
2021 - 2025	14,835,000	2,526,151	17,361,151
2026 - 2030	4,425,000	1,180,060	5,605,060
2031 - 2035	4,095,000	390,746	4,485,746
	<u>\$ 42,215,000</u>	<u>\$ 8,607,864</u>	<u>\$ 50,822,864</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 FUND BALANCE

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Capital Reserve Fund	Capital Project Fund	Total Governmental Funds
Restricted:				
Capital projects	\$ -	\$ 405,260	\$ 8,202,386	\$ 8,607,646
Athletics	28,028	-	-	28,028
Committed:				
Assessment Appeals	800,000	-	-	800,000
Capital projects	10,794,400	-	-	10,794,400
Healthcare	2,044,870	-	-	2,044,870
OPEB	1,790,000	-	-	1,790,000
PSERS	5,276,120	-	-	5,276,120
Assigned for future expenditures	1,370,000	-	-	1,370,000
Unassigned	26,918,639	-	-	26,918,639
Total Fund Balances	<u>\$ 28,316,667</u>	<u>\$ 405,260</u>	<u>\$ 8,202,386</u>	<u>\$ 36,924,313</u>

NOTE 9 PENSION PLAN

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members, and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

65 with a minimum of three years of service, or attain a total combination of age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

Member Contributions

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

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

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

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the rate of the employer contribution was 20.50 percent of covered payroll, allocated 20.50 percent to pensions and 0.90 percent to health insurance assistance. The District's contribution to PSERS for the years ended June 30, 2015, 2014, and 2013 was \$10,518,512, \$8,252,142, and \$5,934,642, respectively.

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

At June 30, 2015, the District reported a liability of \$149,378,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.3774 percent, which was a decrease of 0.0023 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$12,953,531. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 10,679,000
Changes in proportions	-	759,000
Difference between employer contributions and proportionate share of total contributions	226,304	-
Contributions subsequent to the date of measurement	10,076,145	-
	<u>\$ 10,302,449</u>	<u>\$ 11,438,000</u>

An amount of \$10,076,145 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Year Ended June 30,

2016	\$ 2,798,111
2017	2,798,111
2018	2,798,111
2019	2,798,111
2020	19,252
	<u>\$ 11,211,696</u>

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the system's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Directors at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
School's proportionate share of the net pension liability	\$186,328,000	\$149,378,000	\$117,832,000

Pension Plan Fiduciary Net Position

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

NOTE 10 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, 2015, the District's share of operating costs was \$1,605,547. The financial statements of the Vo-Tech are available from the Center for Technical Studies located at Plymouth Road and New Hope Street, Norristown, PA 19401.

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

Future rental payments are as follows:

Year Ending June 30,

2016	\$ 547,286
2017	549,561
2018	548,127
2019	547,514
2020	548,283
2021-2024	<u>2,193,520</u>
Total	4,934,291
Less: Interest requirements	<u>(769,291)</u>
Outstanding rental payments	<u>\$ 4,165,000</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS

Construction-in-Progress

As of June 30, 2015, the District had the following project that was yet to be completed. The commitment and amount completed are as follows:

	Project Amount	Completed as of 06/30/2015	Commitment
Plymouth Whitemarsh High School Renovations	\$ 38,546,358	\$ 1,937,526	\$ 36,608,832
Plymouth Whitemarsh High School Abatement	234,843	59,360	175,483
TOTALS	<u>\$ 38,781,201</u>	<u>\$ 1,996,886</u>	<u>\$ 36,784,315</u>

In addition, the District has incurred \$278,455 in costs related to the project, not under formal contract.

Government Grants and Awards

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

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 2014-2015 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 2015, the District paid \$51,602 for current premiums, or approximately 25 percent of total premiums. Plan members receiving benefits contributed \$153,299, or approximately 75 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	\$ 671,132
Interest on net OPEB obligation	115,055
Adjustment to annual required contribution	<u>(156,965)</u>
Annual OPEB cost (expense)	629,222
Contributions made	<u>(188,198)</u>

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Increase in net OPEB obligation	441,024
Net OPEB obligation - beginning of year	<u>2,556,789</u>
Net OPEB obligation - end of year	<u>\$ 2,997,813</u>

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]
7/1/2014	\$ -	\$ 5,212,065	\$ 5,212,065	0.00%	\$ 46,345,720	11.25%
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%

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 July 1, 2014 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 6.5 percent in 2014, 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, 2015 was 23 years.

COLONIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 COMMITMENTS

Tax Increment Financing Plan and Cooperation Agreement

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

The Tax Increment District was created as of February 7, 2005 with intent to develop a continuing care retirement community. The Tax Increment District shall continue in existence until February 7, 2025. Commencing on the date, 90 percent of the dwelling units in Phase I of the Retirement Community shall first become occupied, or made available for occupancy. The District paid \$483,572 under the agreement in fiscal year 2015.

NOTE 15 PRIOR PERIOD RESTATEMENT

The District has restated its July 1, 2013 net position in its governmental activities to record the net pension liability and deferred outflows at June 30, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$145,329,936 in governmental activities net position and a decrease of \$2,306,229 in food service fund net position.

NOTE 16 SUBSEQUENT EVENTS

The District receives approximately 16 percent of its general fund revenues from state sources (including federal funds passed through the state). As of the date of this report, the Commonwealth of Pennsylvania has not approved a budget for the 2015-2016 fiscal year and, as a result, appropriations of funds have not been released to Pennsylvania school districts. To ensure consistency and comparability in financial reporting, receivables from the state which would normally be received within 60 days of the fiscal year end but have not yet been received as a result of the budget impasse are considered available under the modified accrual basis of accounting, as permitted by GASB.

The District has evaluated all subsequent events through November 18, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.3774%
District's proportion of the net pension liability - dollar value	\$ 149,378,000
District's covered employee payroll	48,153,100
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.21%
Plan fiduciary net position as a percentage of the total pension liability	54.49%

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

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

	<u>June 30, 2015</u>
Contractually required contribution	\$ 9,921,062
Contributions in relation to the contractually required contribution	<u>9,921,062</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 48,723,417
Contributions as a percentage of covered-employee payroll	20.36%

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

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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November 18, 2015

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Colonial School District's basic financial statements, and have issued our report thereon dated (to be determined).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Colonial School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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

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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November 18, 2015

Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the 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 the Colonial School District's major federal program for the year ended June 30, 2015. The Colonial School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

To the Board of School Directors
Colonial School District

Opinion on Major Federal Program

In our opinion, the 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 program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the 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 the Colonial School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2015

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 (UNEARNED) REVENUE 07/01/2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2015
U.S. Department of Education										
Passed through PA Dept of Education										
Title I	I	84.010	013-14-0091	07/01/13 - 09/30/14	\$ 387,863	\$ 128,327	\$ 7,649	\$ 120,678	\$ 120,678	\$ -
Title I	I	84.010	014-15-0091	07/01/14 - 09/30/15	384,273	179,454	-	201,592	201,592	22,138
Total CFDA #84.010						307,781	7,649	322,270	322,270	22,138
Title II - Improving Teacher Quality										
Title II - Improving Teacher Quality	I	84.367	020-14-0091	07/01/13 - 09/30/14	146,641	(140)	(140)	-	-	-
Total CFDA #84.367	I	84.367	020-15-0091	07/01/14 - 09/30/15	145,978	146,029	-	145,978	145,978	(51)
						145,889	(140)	145,978	145,978	(51)
Title III	I	84.365	010-14-0091	09/29/13 - 09/30/14	24,152	-	(92)	92	92	-
Title III	I	84.365	010-15-0091	09/29/14 - 09/30/15	22,526	18,021	-	14,898	14,898	(3,123)
Total CFDA #84.365						18,021	(92)	14,990	14,990	(3,123)
Passed through Montgomery County I.U.										
I.D.E.A.	I	84.027	062-14-0023	07/01/13 - 06/30/14	883,497	67,996	67,996	-	-	-
I.D.E.A.	I	84.027	062-15-0023	07/01/14 - 06/30/15	961,516	876,670	-	961,516	961,516	84,846
I.D.E.A. - Section 619	I	84.027	N/A	07/01/13 - 06/30/14	2,892	2,892	2,892	-	-	-
I.D.E.A. - Section 619	I	84.027	N/A	07/01/14 - 06/30/15	3,696	3,696	-	3,696	3,696	-
Total CFDA #84.027						951,254	70,888	965,212	965,212	84,846
TOTAL U.S. DEPARTMENT OF EDUCATION						1,422,945	78,305	1,448,450	1,448,450	103,810
U.S. Department of Agriculture										
Passed through PA Dept of Agriculture										
Value of USDA Commodities	I	10.555	N/A	07/01/14 - 06/30/15	N/A	77,062	-	77,062	77,062	-
Passed through PA Dept of Education										
National Lunch School Program	I	10.555	N/A	07/01/13 - 06/30/14	N/A	108,484	108,484	-	-	-
National Lunch School Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	369,402	-	437,166	437,166	67,764
Total CFDA #10.555						554,948	108,484	514,228	514,228	67,764
Breakfast Program	I	10.553	N/A	07/01/13 - 06/30/14	N/A	21,268	21,268	-	-	-
Breakfast Program	I	10.553	N/A	07/01/14 - 06/30/15	N/A	66,978	-	81,426	81,426	14,448
Total CFDA #10.553						88,246	21,268	81,426	81,426	14,448
Summer Food	I	10.559	N/A	07/01/13 - 06/30/14	N/A	1,152	1,152	-	-	-
Summer Food	I	10.559	N/A	07/01/14 - 06/30/15	N/A	11,088	-	13,480	13,480	2,392
Total CFDA #10.559						12,240	1,152	13,480	13,480	2,392
Total Nutrition Cluster						655,434	130,904	609,134	609,134	84,604
TOTAL U.S. DEPARTMENT OF AGRICULTURE						655,434	130,904	609,134	609,134	84,604
TOTAL FEDERAL AWARDS						\$2,078,379	\$ 209,209	\$ 2,057,584	\$ 2,057,584	\$ 188,414
Source Code:										

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 2014-2015 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, 2015 was \$64,989.

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 Number
10.555, 10.553, 10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

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.