

# Colonial

SCHOOL DISTRICT

*PLYMOUTH MEETING, PA*

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## **AUDIT REPORT**

**JUNE 30, 2016**

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COLONIAL SCHOOL DISTRICT

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COLONIAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

December 9, 2016

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, 2016, 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.

Board of School Directors  
Colonial School District

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District, Plymouth Meeting, Pennsylvania, as of June 30, 2016, 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 2015 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 November 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the District has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. 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 50, and schedule of District contributions on page 51 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 District's basic financial statements. The schedule of expenditures of federal awards on page 56 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016.

**Financial Highlights**

As of June 30, 2016, the general fund reported a positive fund balance of \$32.6 million, of which \$4.3 million was assigned to balance the 2016-2017 budget. Operational revenues for 2015-2016 exceeded expenditures by \$7.1 million. Actual local revenues for 2015-2016 were \$2.9 million more than the previous year, primarily due to the additional 1.9 percent increase in the local real estate tax rate. Real estate taxes collected were approximately \$1.1 million above the 2014-2015 fiscal year. Absent the real estate tax increase, other local revenue sources increased \$582 thousand despite the current economic conditions. Interest earnings were \$131,515 over budgeted figures. Transfer taxes were \$716,190 over budget and delinquent real estate taxes \$39,936 over budget. Furthermore, Act 511 earned income tax revenue exceeded budget expectations by \$694,590, primarily due to the Act 32 legislation and new apartment and office complexes within the District. Receipts from other local educational agencies were \$352,151 over budget. These items helped to offset revenues from tax certifications that came in \$1,292,604 under budget. A payment in lieu of real estate taxes ("PILOT") totaling \$42,680 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 \$8.8 million (7.82 percent) under budget. Budgetary Reserve was not utilized in 2015-2016 and, therefore, was underspent by the budgeted amount of approximately \$165,000. Salaries and benefits were underspent due to minimal column movement and attrition, as well as a higher than normal number of professionals taking a leave of absence. Substitutes are paid at a lesser rate and through the professional services budget due to using Substitute Teacher Service, Inc. During the year, the District fully and partially refunded two outstanding debt instruments; in doing this, the District will realize a cash savings of \$1,098,324. Lastly, 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 of resources, liabilities, and deferred inflows of resources 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.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

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 4,903 and is projected to increase slightly over the next three to four years.

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

**Entity-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$114.6 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 \$118.6 million.

The largest portion of the District's total assets reflects its investment in capital assets, 51.91 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 2016 to 2015:

**STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 58,806,863	\$ 54,655,385	\$ 426,040	\$ 364,722	\$ 59,232,903	\$ 55,020,107
Capital assets	63,787,221	41,437,716	143,898	167,714	63,931,119	41,605,430
<b>Total Assets</b>	<b>122,594,084</b>	<b>96,093,101</b>	<b>569,938</b>	<b>532,436</b>	<b>123,164,022</b>	<b>96,625,537</b>
Deferred outflows of resources	15,710,362	10,241,754	245,910	160,935	15,956,272	10,402,689
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 138,304,446</b>	<b>\$ 106,334,855</b>	<b>\$ 815,848</b>	<b>\$ 693,371</b>	<b>\$ 139,120,294</b>	<b>\$ 107,028,226</b>
Current liabilities	\$ 22,240,098	\$ 19,686,250	\$ 153,114	\$ 141,174	\$ 22,393,212	\$ 19,827,424
Long-term liabilities	227,026,836	191,987,012	2,662,595	2,411,299	229,689,431	194,398,311
<b>Total Liabilities</b>	<b>249,266,934</b>	<b>211,673,262</b>	<b>2,815,709</b>	<b>2,552,473</b>	<b>252,082,643</b>	<b>214,225,735</b>



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
(cont'd)						
Deferred inflows of resources	1,580,760	11,259,327	25,240	178,673	1,606,000	11,438,000
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>250,847,694</u>	<u>222,932,589</u>	<u>2,840,949</u>	<u>2,731,146</u>	<u>253,688,643</u>	<u>225,663,735</u>
Net Position (Deficit):						
Net investment in capital assets	9,310,863	7,175,940	143,898	167,714	9,454,761	7,343,654
Restricted for:						
Capital projects	2,003,770	405,260	-	-	2,003,770	405,260
Athletics	35,578	28,028	-	-	35,578	28,028
Unrestricted (Deficit)	<u>(123,893,459)</u>	<u>(124,206,962)</u>	<u>(2,168,999)</u>	<u>(2,205,489)</u>	<u>(126,062,458)</u>	<u>(126,412,451)</u>
<b>Total Net Deficit</b>	<u>(112,543,248)</u>	<u>(116,597,734)</u>	<u>(2,025,101)</u>	<u>(2,037,775)</u>	<u>(114,568,349)</u>	<u>(118,635,509)</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Deficit</b>	<u>\$ 138,304,446</u>	<u>\$ 106,334,855</u>	<u>\$ 815,848</u>	<u>\$ 693,371</u>	<u>\$ 139,120,294</u>	<u>\$ 107,028,226</u>

The District's total net position was negative \$114,568,349 at June 30, 2016, which was a decrease of \$4,067,160 from the prior year.

For governmental activities and business-type activities, the unrestricted net deficit amounts of \$123,893,458 and \$2,168,999, respectively, include the effect of deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between actual and expected investment returns, and actual and expected experience.

The **statement of activities** shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page 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 \$78.3 million; earned income taxes of \$8.5 million; transfer taxes of \$2.2 million; and unrestricted state entitlements (i.e. Basic Ed Funding and State Property Tax Relief) of \$5.9 million that support the net cost of the District's services.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**STATEMENT OF ACTIVITIES**

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Governmental Activities</b>				
Program Expenses:				
Instruction	\$ 70,318,121	\$ 59,649,305	\$ 68,937,090	\$ 59,708,224
Instructional student support	9,169,747	8,284,129	8,547,209	7,799,907
Administration	8,143,145	7,461,484	7,518,545	6,988,322
Maintenance	9,361,883	8,416,525	8,277,888	7,327,405
Pupil transportation	6,177,001	4,974,599	5,900,668	4,812,743
Student activities	1,629,210	1,395,528	1,430,390	1,222,516
Community services	45,323	(115,199)	59,926	(82,101)
Interest and fiscal charges	1,997,991	1,883,499	1,633,398	1,519,239
Total Program Expenses	<u>\$ 106,842,421</u>	<u>\$ 91,949,870</u>	<u>\$ 102,305,114</u>	<u>\$ 89,296,255</u>
<b>Business-type Activities</b>				
Food Service	<u>\$ 2,156,858</u>	<u>\$ 38,580</u>	<u>\$ 2,216,435</u>	<u>\$ 103,787</u>

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

The **statement of changes in net position** presented below shows that program revenues accounted for \$17.0 million, or 15.0 percent of total revenues, and general revenues accounted for \$96.1 million or 85.0 percent of total revenues.

**STATEMENT OF CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,067,639	\$ 485,817	\$ 1,315,335	\$ 1,350,903	\$ 2,382,974	\$ 1,836,720
Operating grants	13,663,236	12,367,062	802,943	761,745	14,466,179	13,128,807
Capital grants	161,676	155,980	-	-	161,676	155,980
Total Program Revenues	<u>14,892,551</u>	<u>13,008,859</u>	<u>2,118,278</u>	<u>2,112,648</u>	<u>17,010,829</u>	<u>15,121,507</u>
General revenues:						
Property and other taxes	89,205,778	87,467,403	-	-	89,205,778	87,467,403
Grants and entitlements	5,895,812	5,720,571	-	-	5,895,812	5,720,571
Investment earnings	457,945	304,587	982	85	458,927	304,672
Miscellaneous	495,093	771,091	-	-	495,093	771,091
Total General Revenues	<u>96,054,628</u>	<u>94,263,652</u>	<u>982</u>	<u>85</u>	<u>96,055,610</u>	<u>94,263,737</u>
<b>Total Revenues</b>	<u>110,947,179</u>	<u>107,272,511</u>	<u>2,119,260</u>	<u>2,112,733</u>	<u>113,066,439</u>	<u>109,385,244</u>

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**STATEMENT OF CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Expenses</b>						
Program expenses:						
Instruction	70,318,121	68,937,090	-	-	70,318,121	68,937,090
Support services:						
Instructional student support	9,169,747	8,547,209	-	-	9,169,747	8,547,209
Administration	8,143,145	7,518,545	-	-	8,143,145	7,518,545
Maintenance	9,361,883	8,277,888	-	-	9,361,883	8,277,888
Pupil transportation	6,177,001	5,900,668	-	-	6,177,001	5,900,668
Student activities	1,629,210	1,430,390	-	-	1,629,210	1,430,390
Community services	45,323	59,926	-	-	45,323	59,926
Interest and fiscal charges	1,997,991	1,633,398	-	-	1,997,991	1,633,398
Food service	-	-	2,156,858	2,216,435	2,156,858	2,216,435
<b>Total Expenses</b>	<b>106,842,421</b>	<b>102,305,114</b>	<b>2,156,858</b>	<b>2,216,435</b>	<b>108,999,279</b>	<b>104,521,549</b>
Excess (Deficit) before transfers	4,104,758	4,967,397	(37,598)	(103,702)	4,067,160	4,863,695
Transfers	(50,272)	(57,992)	50,272	57,992	-	-
<b>Change in Net Deficit</b>	<b>\$ 4,054,486</b>	<b>\$ 4,909,405</b>	<b>\$ 12,674</b>	<b>\$ (45,710)</b>	<b>\$ 4,067,160</b>	<b>\$ 4,863,695</b>

**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.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**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.

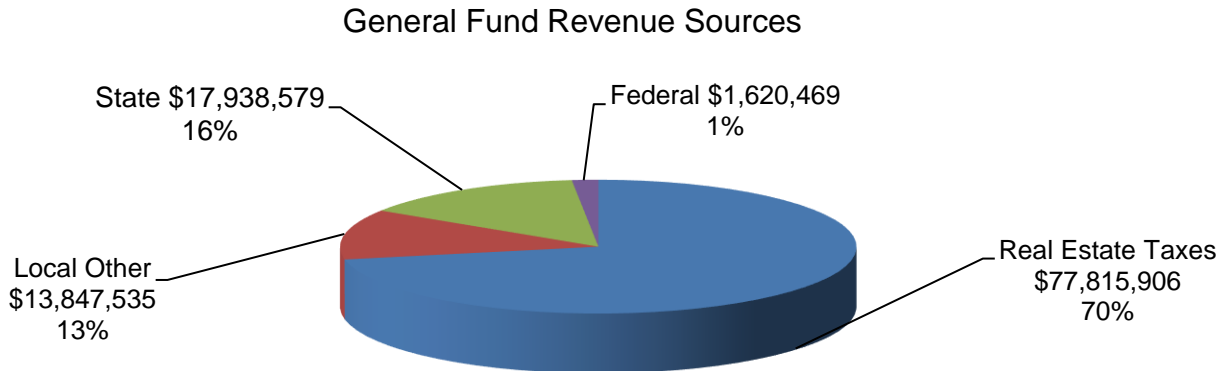
**Fund Financial Statements**

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 \$39.1 million, which is an increase of \$2.2 million from the previous year's total of \$36.9 million. The schedule below illustrates the fund balance and the total change in fund balances from June 30, 2015 to 2016.

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Increase (Decrease)</u>
General Fund	\$ 32,602,635	\$ 28,316,667	\$ 4,285,968
Capital Projects Fund	4,509,724	8,202,386	(3,692,662)
Capital Reserve Fund	<u>2,005,270</u>	<u>405,260</u>	<u>1,600,010</u>
TOTAL	<u>\$ 39,117,629</u>	<u>\$ 36,924,313</u>	<u>\$ 2,193,316</u>

The District's reliance upon real estate tax revenues is demonstrated by the following graph that indicates 70 percent of total revenues for government activities come from local real estate taxes.



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**General Fund**

Total general fund revenues exceeded expenditures by \$7.1 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**

	2016	2015	Variance	
	Actual	Actual	\$	%
Current real estate taxes	\$ 76,489,453	\$ 73,738,438	\$ 2,751,015	3.73%
Interim real estate taxes	1,326,453	1,716,251	(389,798)	-22.71%
Earned income taxes Act 511	8,494,591	7,988,009	506,582	6.34%
Transfer taxes	2,216,190	2,031,746	184,444	9.08%
Delinquent taxes	1,064,936	1,589,319	(524,383)	-32.99%
Other local revenue	2,071,818	1,717,384	354,434	20.6%
State sources	17,938,579	16,574,194	1,364,385	8.23%
Federal sources	1,620,469	1,513,439	107,030	7.07%
<b>TOTAL</b>	<b>\$ 111,222,489</b>	<b>\$ 106,868,780</b>	<b>\$ 4,353,709</b>	<b>4.07%</b>

**Other Funds**

The fund balance in the capital reserve fund increased due to the Board of School Directors commitment to budget \$2.5 million in the general fund budget that was transferred to the capital reserve fund. The District currently utilizes a five-year capital projects plan for future expenditures relating to the District's facilities and grounds.

The fund balance in the capital projects fund decreased due to the activities related to the ongoing renovation project at the Penn-Whitemarsh high school.

**Proprietary Fund**

Proprietary fund activities include the food service program. In 2015-2016, the District provided a contribution to food service operations of \$50,272. The food service net deficit of \$2.0 million, a decrease of \$12,674 from the prior year, is a result of the impact from the District implementing Governmental Accounting Standards Board ("GASB") 68 in the prior year.

**General Fund Budget Information**

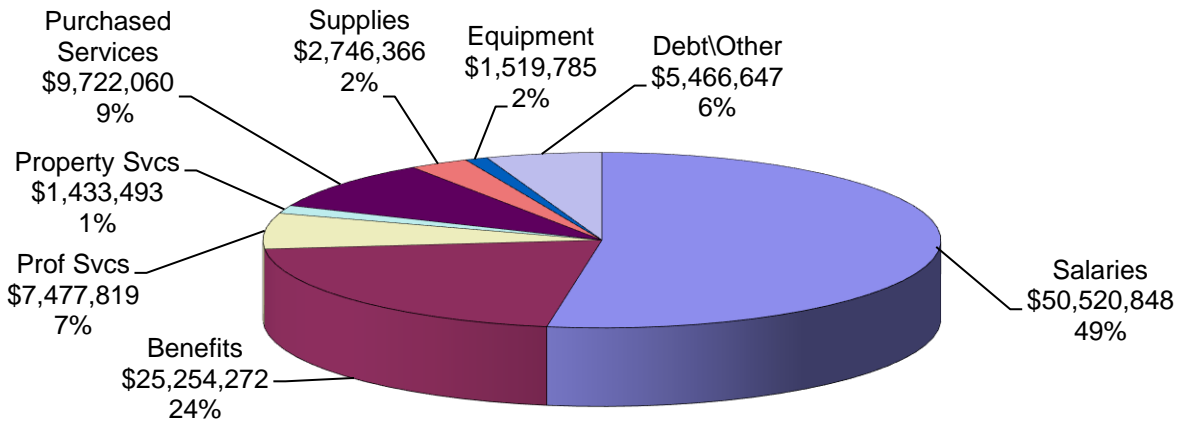
The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

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

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Expenditures</b>		<u>Original</u>	<u>Final</u>	<u>(Negative)</u>	<u>%</u>
Function	Instruction:				
1100	Regular programs	\$ 51,479,525	\$ 51,831,729	\$ 352,204	0.68%
1200	Special programs	16,695,535	16,207,903	(487,632)	-2.92%
1300	Vocational programs	1,978,143	1,903,768	(74,375)	-3.76%
1400	Other instructional programs	1,066,458	1,645,581	579,123	54.30%
1600	Adult Education	78,694	78,693	(1)	0.00%
	<b>Total Instruction</b>	<u>71,298,355</u>	<u>71,667,674</u>	<u>369,319</u>	<u>0.52%</u>
	Support services:				
2100	Pupil personnel services	4,013,452	3,992,796	(20,656)	-0.51%
2200	Instructional staff services	3,611,432	3,632,243	20,811	0.58%
2300	Administrative services	4,771,158	4,844,402	73,244	1.54%
2400	Pupil health	1,007,401	1,004,524	(2,877)	-0.29%
2500	Business services	1,043,027	1,059,219	16,192	1.55%
2600	Operation and maintenance of plant services	8,708,961	8,700,173	(8,788)	-0.10%
2700	Student transportation services	6,448,595	6,448,831	236	0.00%
2800	Information services	1,577,746	1,588,797	11,051	0.70%
2900	Other support services	84,909	84,909	-	0.00%
	<b>Total Support Services</b>	<u>31,266,681</u>	<u>31,355,894</u>	<u>89,213</u>	<u>0.29%</u>
	Operation of non-instructional activities:				
3200	Student activities	1,460,987	1,462,043	1,056	0.07%
3300	Community services	56,607	56,606	(1)	0.00%
	<b>Total Operation of Non-instructional Services</b>	<u>1,517,594</u>	<u>1,518,649</u>	<u>1,055</u>	<u>0.07%</u>
5110	Debt service	6,747,470	6,622,718	(124,752)	-1.85%
5200	Transfers	1,029,900	1,029,900	-	0.00%
5900	Budgetary reserve	500,000	165,165	(334,835)	-66.97%
	<b>Total Expenditures</b>	<u>\$112,360,000</u>	<u>\$112,360,000</u>	<u>\$ -</u>	<u>0.00%</u>

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



**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

Object	Actual Expenditures		Variance	
	2015-2016	2014-2015	\$	%
100 Salaries	\$ 50,520,848	\$ 49,915,938	\$ 604,910	1.21%
200 Benefits	25,254,272	23,035,475	2,218,797	9.63%
300 Professional services	7,477,819	6,499,000	978,819	15.06%
400 Purchased property services	1,433,493	1,338,408	95,085	7.10%
500 Purchased services	9,722,060	9,150,760	571,300	6.24%
600 Supplies	2,746,366	2,830,272	(83,906)	-2.96%
700 Equipment	1,519,785	747,926	771,859	103.2%
800 Debt service interest and other	1,435,397	1,189,963	245,434	20.63%
900 Debt service principal and other	4,031,250	3,818,000	213,250	5.59%
<b>Total Expenditures by Object</b>	<b>\$ 104,141,290</b>	<b>\$ 98,525,742</b>	<b>\$ 5,615,548</b>	<b>5.70%</b>

Actual expenditures for 2015-2016 were up \$5.6 million, or 5.7 percent over the prior year. Object 200, Benefits accounted for a \$2.2 million variance primarily due to a 4.44 percent increase in the employer's contribution to the employee retirement system. Object 300, Professional Services includes contracted educational services for special education. Object 400, Purchased Property Services includes electricity, heating oil, and natural gas expenditures. The collective focus on energy conservation continues to reflect in energy costs. Object 500, Purchased Services includes tuition to charter schools, approved private schools, private residential rehabilitative schools, and other public schools for educational services. Also included in Object 500 are contracted student transportation costs.

#### Capital Assets

The District has \$63.9 million invested in capital assets net of depreciation; \$143,898 of the investment in capital assets is located in the Food Service Fund. Acquisitions for governmental activities totaled \$24 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, 2016, the District has \$59 million in outstanding bonds payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements. Additional bond issues are planned for 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, but the vast majority of the housing and residential development is geared toward young working professionals.

**COLONIAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

Investment earnings have shown a small uptick due to the limited growth in the economy. The call date for a couple of the District's bond issues are approaching where the District could elect to refinance those issues depending on the bond market.

Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen its basic education and special education increase slightly due to a new funding formula; however, costs of these state-mandated services still exceed state reimbursement.

The District has experienced some high claims with the medical and prescription healthcare, and anticipates a substantial increase for the 2017-2018 fiscal 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 Flourtown Road, Plymouth Meeting, PA 19462, (610) 834-1670 extension 2121 or reference the District's website at [www.colonialsd.org](http://www.colonialsd.org), go to Administration - Finance.



**COLONIAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(With Summarized Comparative Data for June 30, 2015)**

	Governmental	Business-type	Totals	
	Activities	Activities	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 17,409,291	\$ 829,892	\$ 18,239,183	\$ 14,322,331
Investments	32,826,329	-	32,826,329	34,071,407
Taxes receivable	2,582,950	-	2,582,950	2,841,367
Internal balances	625,508	(625,508)	-	-
Note receivable	298,633	-	298,633	460,309
Due from other governments	3,231,999	89,457	3,321,456	2,595,997
Other receivables	1,026,142	60,022	1,086,164	653,365
Inventories	-	72,177	72,177	75,331
Prepaid expenses	806,011	-	806,011	-
Land	6,543,005	-	6,543,005	6,543,005
Construction-in-progress	25,458,819	-	25,458,819	2,275,341
Buildings and improvements	68,186,255	-	68,186,255	67,876,043
Site improvements	7,979,717	-	7,979,717	7,979,717
Furniture and equipment	13,470,812	673,894	14,144,706	13,718,791
Library books	1,273,155	-	1,273,155	1,273,155
Vehicles	1,160,712	-	1,160,712	1,113,435
Accumulated depreciation	(60,285,254)	(529,996)	(60,815,250)	(59,174,057)
<b>TOTAL ASSETS</b>	<b>122,594,084</b>	<b>569,938</b>	<b>123,164,022</b>	<b>96,625,537</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amounts on bond refunding	198,501	-	198,501	100,240
Deferred pension contributions	12,258,353	194,329	12,452,682	10,076,145
Deferred pension expense	3,253,508	51,581	3,305,089	226,304
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>15,710,362</b>	<b>245,910</b>	<b>15,956,272</b>	<b>10,402,689</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 138,304,446</b>	<b>\$ 815,848</b>	<b>\$ 139,120,294</b>	<b>\$ 107,028,226</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,628,281	\$ 20,477	\$ 3,648,758	\$ 2,038,727
Retainage payable	1,380,814	-	1,380,814	25,822
Accrued salaries and benefits	11,899,515	51,340	11,950,855	10,852,452
Other liabilities	1,249,244	-	1,249,244	1,377,681
Accrued interest payable	438,751	-	438,751	314,981
Unearned revenue	72,290	51,352	123,642	73,515
Judgments payable	-	-	-	1,335,658
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	3,471,543	-	3,471,543	3,598,043
Accumulated compensated absences	99,660	29,945	129,605	210,545
Portion due or payable after one year:				
Bonds payable, net	55,514,540	-	55,514,540	38,866,119
Other post-employment benefits	3,466,653	-	3,466,653	2,997,813
Accumulated compensated absences	3,288,869	48,369	3,337,238	3,156,379
Net pension liability	164,756,774	2,614,226	167,371,000	149,378,000
<b>TOTAL LIABILITIES</b>	<b>249,266,934</b>	<b>2,815,709</b>	<b>252,082,643</b>	<b>214,225,735</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred pension expense	1,580,760	25,240	1,606,000	11,438,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,580,760</b>	<b>25,240</b>	<b>1,606,000</b>	<b>11,438,000</b>
<b>NET POSITION (DEFICIT):</b>				
Net investment in capital assets	9,310,863	143,898	9,454,761	7,343,654
Restricted for athletics	35,578	-	35,578	28,028
Restricted for capital assets	2,003,770	-	2,003,770	405,260
Unrestricted (Deficit)	(123,893,459)	(2,168,999)	(126,062,458)	(126,412,451)
<b>TOTAL NET DEFICIT</b>	<b>(112,543,248)</b>	<b>(2,025,101)</b>	<b>(114,568,349)</b>	<b>(118,635,509)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$ 138,304,446</b>	<b>\$ 815,848</b>	<b>\$ 139,120,294</b>	<b>\$ 107,028,226</b>

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

**COLONIAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
(With Summarized Comparative Data for the Year Ended June 30, 2015)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 70,318,121	\$ 809,816	\$ 9,859,000	\$ -	\$ (59,649,305)	\$ -	\$ (59,708,224)
Instructional student support	9,169,747	-	885,618	-	(8,284,129)	-	(7,799,907)
Administrative and financial support services	8,143,145	-	681,661	-	(7,461,484)	-	(6,988,322)
Operation and maintenance of plant services	9,361,883	-	783,682	161,676	(8,416,525)	-	(7,327,405)
Pupil transportation	6,177,001	-	1,202,402	-	(4,974,599)	-	(4,812,743)
Student activities	1,629,210	97,301	136,381	-	(1,395,528)	-	(1,222,516)
Community services	45,323	160,522	-	-	115,199	-	82,101
Interest on long-term debt	1,997,991	-	114,492	-	(1,883,499)	-	(1,519,239)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>106,842,421</b>	<b>1,067,639</b>	<b>13,663,236</b>	<b>161,676</b>	<b>(91,949,870)</b>	<b>-</b>	<b>(89,296,255)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food service	2,156,858	1,315,335	802,943	-	(38,580)	(38,580)	(103,787)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,156,858</b>	<b>1,315,335</b>	<b>802,943</b>	<b>-</b>	<b>(38,580)</b>	<b>(38,580)</b>	<b>(103,787)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 108,999,279</b>	<b>\$ 2,382,974</b>	<b>\$ 14,466,179</b>	<b>\$ 161,676</b>	<b>(91,949,870)</b>	<b>(38,580)</b>	<b>(89,400,042)</b>
<b>GENERAL REVENUES</b>							
Property taxes levied for general purposes					78,282,425	-	77,224,708
Taxes levied for specific purposes					10,923,353	-	10,242,695
Grants and entitlements not restricted to specific programs					5,895,812	-	5,720,571
Investment earnings					457,945	982	304,672
Miscellaneous					495,093	-	771,091
<b>TRANSFERS</b>					(50,272)	50,272	-
<b>GENERAL REVENUES AND TRANSFERS</b>					<b>96,004,356</b>	<b>51,254</b>	<b>94,263,737</b>
<b>CHANGE IN NET DEFICIT</b>					<b>4,054,486</b>	<b>12,674</b>	<b>4,863,695</b>
<b>NET DEFICIT, BEGINNING OF YEAR</b>					<b>(116,597,734)</b>	<b>(2,037,775)</b>	<b>(123,499,204)</b>
<b>NET DEFICIT, END OF YEAR</b>					<b>\$ (112,543,248)</b>	<b>\$ (2,025,101)</b>	<b>\$ (118,635,509)</b>

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

**COLONIAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(With Summarized Comparative Data for June 30, 2015)**

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,881,180	\$ 34,939	\$ 2,493,172	\$ 13,451,930
Investments	25,072,017	2,000,000	5,754,312	34,071,407
Taxes receivable	2,582,950	-	-	2,841,367
Due from other funds	625,508	-	-	766,783
Due from other governments	3,231,999	-	-	2,504,780
Note receivable	298,633	-	-	460,309
Other receivables	1,026,142	-	-	558,809
Prepaid expenditures	804,511	1,500	-	-
<b>TOTAL ASSETS</b>	<b>\$ 48,522,940</b>	<b>\$ 2,036,439</b>	<b>\$ 8,247,484</b>	<b>\$ 54,655,355</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,240,166	\$ 31,169	\$ 2,356,946	\$ 2,021,985
Retainage payable	-	-	1,380,814	25,822
Accrued salaries and benefits	11,899,515	-	-	10,805,484
Accumulated compensated absences	99,660	-	-	181,868
Judgments payable	-	-	-	1,335,658
Other liabilities	1,249,244	-	-	1,377,681
Unearned revenues	72,290	-	-	24,728
<b>TOTAL LIABILITIES</b>	<b>14,560,875</b>	<b>31,169</b>	<b>3,737,760</b>	<b>15,773,226</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - delinquent taxes	1,060,797	-	-	1,497,537
Unavailable revenue - note receivable	298,633	-	-	460,309
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,359,430</b>	<b>-</b>	<b>-</b>	<b>1,957,846</b>
<b>FUND BALANCES:</b>				
Nonspendable	804,511	1,500	-	-
Restricted for capital projects	-	2,003,770	4,509,724	8,607,646
Restricted for athletics	35,578	-	-	28,028
Committed	18,640,407	-	-	19,990,390
Assigned	4,330,000	-	-	1,370,000
Unassigned	8,792,139	-	-	6,928,249
<b>TOTAL FUND BALANCES</b>	<b>32,602,635</b>	<b>2,005,270</b>	<b>4,509,724</b>	<b>36,924,313</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 48,522,940</b>	<b>\$ 2,036,439</b>	<b>\$ 8,247,484</b>	<b>\$ 54,655,355</b>

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

**COLONIAL SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

TOTAL GOVERNMENTAL FUND BALANCES \$ 39,117,629

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	25,458,819	
Buildings and improvements	68,186,255	
Site improvements	7,979,717	
Furniture and equipment	13,470,812	
Library books	1,273,155	
Vehicles	1,160,712	
Accumulated depreciation	<u>(60,285,254)</u>	63,787,221

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	(58,986,083)	
Other post-employment benefits	(3,466,653)	
Accumulated compensated absences	(3,288,869)	
Accrued interest payable	(438,751)	
Net pension liability	<u>(164,756,774)</u>	(230,937,130)

Refunded debt resulted in deferred outflows of resources which are amortized over the life of new debt but do not represent current rights. 198,501

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	12,258,353	
Deferred pension expense	3,253,508	
Deferred inflows of resources:		
Deferred pension expense	<u>(1,580,760)</u>	13,931,101

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. 1,359,430

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (112,543,248)

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, 2016**  
**(With Summarized Comparative Data for the Year Ended June 30, 2015)**

	Major Funds		Totals		
	General Fund	Capital Reserve Fund	Capital Projects Fund	2016	2015
REVENUES:					
Local sources	\$ 91,663,441	\$ 2,373	\$ 40,558	\$ 91,706,372	\$ 88,781,447
State sources	17,938,579	-	-	17,938,579	16,574,194
Federal sources	1,620,469	-	-	1,620,469	1,513,439
<b>TOTAL REVENUES</b>	<b>111,222,489</b>	<b>2,373</b>	<b>40,558</b>	<b>111,265,420</b>	<b>106,869,080</b>
EXPENDITURES:					
Current:					
Instruction	66,617,015	-	-	66,617,015	63,546,737
Support services	30,507,913	-	481,634	30,989,547	29,000,469
Operation of noninstructional services	1,646,549	-	-	1,646,549	1,464,630
Capital outlays	-	902,363	23,609,338	24,511,701	2,433,343
Debt service	5,369,813	-	-	5,369,813	4,812,374
<b>TOTAL EXPENDITURES</b>	<b>104,141,290</b>	<b>902,363</b>	<b>24,090,972</b>	<b>129,134,625</b>	<b>101,257,553</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,081,199</b>	<b>(899,990)</b>	<b>(24,050,414)</b>	<b>(17,869,205)</b>	<b>5,611,527</b>
OTHER FINANCING SOURCES (USES):					
Proceeds from extended financing	161,676	-	-	161,676	155,980
Bond proceeds	-	-	19,525,000	19,525,000	9,650,000
Proceeds from bond refunding	-	-	9,520,000	9,520,000	9,725,000
Premium on bond refunding	-	-	1,141,525	1,141,525	325,637
Payments to bond refunding agent	-	-	(10,148,773)	(10,148,773)	(9,722,425)
Refund of prior year receipts	(86,635)	-	-	(86,635)	(1,794,680)
Transfers in	-	2,500,000	320,000	2,820,000	396,350
Transfers out	(2,870,272)	-	-	(2,870,272)	(454,342)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,795,231)</b>	<b>2,500,000</b>	<b>20,357,752</b>	<b>20,062,521</b>	<b>8,281,520</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,285,968</b>	<b>1,600,010</b>	<b>(3,692,662)</b>	<b>2,193,316</b>	<b>13,893,047</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>28,316,667</b>	<b>405,260</b>	<b>8,202,386</b>	<b>36,924,313</b>	<b>23,031,266</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 32,602,635</b>	<b>\$ 2,005,270</b>	<b>\$ 4,509,724</b>	<b>\$ 39,117,629</b>	<b>\$ 36,924,313</b>

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

**COLONIAL SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,193,316
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 (\$1,617,377) was exceeded by capital outlays (\$23,966,882) in the period.	22,349,505
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year.	(598,416)
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.	(15,430,000)
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.	(1,091,921)
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.	98,261
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.	(679,191)
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.	(123,770)
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 (\$14,921,651) exceeds pension contributions during the year (\$12,258,353).	<u>(2,663,298)</u>
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,054,486</u>

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, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 90,838,352	\$ 90,838,352	\$ 91,663,441	\$ 825,089
State sources	18,534,290	18,534,290	17,938,579	(595,711)
Federal sources	1,470,682	1,470,682	1,620,469	149,787
<b>TOTAL REVENUES</b>	<u>110,843,324</u>	<u>110,843,324</u>	<u>111,222,489</u>	<u>379,165</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	51,479,525	51,831,729	47,814,999	4,016,730
Special programs	16,695,535	16,207,903	15,511,209	696,694
Vocational programs	1,978,143	1,903,768	1,634,661	269,107
Other instructional programs	1,066,458	1,645,581	1,580,441	65,140
Adult education	78,694	78,693	75,705	2,988
Total Instruction	<u>71,298,355</u>	<u>71,667,674</u>	<u>66,617,015</u>	<u>5,050,659</u>
Support services:				
Pupil personnel services	4,013,452	3,992,796	3,926,521	66,275
Instructional staff services	3,611,432	3,632,243	3,726,707	(94,464)
Administrative services	4,771,158	4,844,402	4,630,905	213,497
Pupil health	1,007,401	1,004,524	1,044,843	(40,319)
Business services	1,043,027	1,059,219	942,679	116,540
Operation and maintenance of plant services	8,708,961	8,700,173	8,365,425	334,748
Student transportation services	6,448,595	6,448,831	6,177,001	271,830
Information services	1,577,746	1,588,797	1,613,472	(24,675)
Other support services	84,909	84,909	80,360	4,549
Total Support Services	<u>31,266,681</u>	<u>31,355,894</u>	<u>30,507,913</u>	<u>847,981</u>
Operation of noninstructional activities:				
Student activities	1,460,987	1,462,043	1,601,226	(139,183)
Community services	56,607	56,606	45,323	11,283
Total Operation of Noninstructional Activities	<u>1,517,594</u>	<u>1,518,649</u>	<u>1,646,549</u>	<u>(127,900)</u>
Debt service	6,747,470	6,622,718	5,369,813	1,252,905
<b>TOTAL EXPENDITURES</b>	<u>110,830,100</u>	<u>111,164,935</u>	<u>104,141,290</u>	<u>7,023,645</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,224</u>	<u>(321,611)</u>	<u>7,081,199</u>	<u>7,402,810</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,029,900)	(1,029,900)	(2,870,272)	(1,840,372)
Proceeds of extended financing	146,676	146,676	161,676	15,000
Refund of prior year receipts	-	-	(86,635)	(86,635)
Budgetary reserve	(500,000)	(165,165)	-	165,165
<b>TOTAL OTHER FINANCING USES</b>	<u>(1,383,224)</u>	<u>(1,048,389)</u>	<u>(2,795,231)</u>	<u>(1,746,842)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,370,000)	(1,370,000)	4,285,968	5,655,968
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>28,316,667</u>	<u>28,316,667</u>	<u>28,316,667</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 26,946,667</u>	<u>\$ 26,946,667</u>	<u>\$ 32,602,635</u>	<u>\$ 5,655,968</u>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2016 AND 2015**

	Food Service Fund	
	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 829,892	\$ 870,401
Due from other governments	89,457	91,217
Other receivables	60,022	94,556
Inventories	72,177	75,331
Total Current Assets	1,051,548	1,131,505
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	673,894	673,894
Accumulated depreciation	(529,996)	(506,180)
Capital Assets, Net	143,898	167,714
<b>TOTAL ASSETS</b>	<b>1,195,446</b>	<b>1,299,219</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred pension contributions	194,329	157,400
Deferred pensions	51,581	3,535
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>245,910</b>	<b>160,935</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,441,356</b>	<b>\$ 1,460,154</b>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 20,477	\$ 16,742
Due to other funds	625,508	766,783
Accrued salaries and benefits	51,340	46,968
Accumulated compensated absences	29,945	28,677
Unearned revenue	51,352	48,787
Total Current Liabilities	778,622	907,957
<b>NONCURRENT LIABILITIES:</b>		
Accumulated compensated absences	48,369	77,861
Net pension liability	2,614,226	2,333,438
Total Noncurrent Liabilities	2,662,595	2,411,299
Total Liabilities	3,441,217	3,319,256
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension expenses	25,240	178,673
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,240</b>	<b>178,673</b>
<b>NET POSITION (DEFICIT):</b>		
Net investment in capital assets	143,898	167,714
Unrestricted (Deficit)	(2,168,999)	(2,205,489)
Total Net Position (Deficit)	(2,025,101)	(2,037,775)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$ 1,441,356</b>	<b>\$ 1,460,154</b>

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, 2016 AND 2015**

	Food Service Fund	
	2016	2015
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 1,315,335	\$ 1,350,903
Total Operating Revenues	1,315,335	1,350,903
<b>OPERATING EXPENSES</b>		
Salaries	745,329	798,622
Employee benefits	452,948	424,431
Supplies	846,190	872,976
Repairs and maintenance	12,792	10,371
Other operating expenses	75,783	85,383
Depreciation	23,816	24,652
Total Operating Expenses	2,156,858	2,216,435
<b>OPERATING LOSS</b>	<b>(841,523)</b>	<b>(865,532)</b>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	982	85
State sources	164,603	152,611
Federal sources	638,340	609,134
Total Nonoperating Revenues	803,925	761,830
<b>LOSS BEFORE TRANSFERS</b>	<b>(37,598)</b>	<b>(103,702)</b>
Transfers in	50,272	57,992
Total Transfers	50,272	57,992
<b>CHANGE IN NET DEFICIT</b>	12,674	(45,710)
<b>NET DEFICIT, BEGINNING OF YEAR</b>	<b>(2,037,775)</b>	<b>(1,992,065)</b>
<b>NET DEFICIT, END OF YEAR</b>	<b>\$ (2,025,101)</b>	<b>\$ (2,037,775)</b>

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, 2016 AND 2015**

	Food Service Fund	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,352,434	\$ 1,300,585
Payments to suppliers	(886,379)	(914,158)
Payments to employees	(1,179,749)	(1,154,657)
Payments for other operating expenses	(88,575)	(95,754)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(802,269)</b>	<b>(863,984)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	164,864	157,139
Federal sources	545,642	578,372
Transfers in	50,272	57,992
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>760,778</b>	<b>793,503</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Earnings on investments	982	85
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>982</b>	<b>85</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(40,509)	(70,396)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>870,401</b>	<b>940,797</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 829,892</b>	<b>\$ 870,401</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (841,523)	\$ (865,532)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	23,816	24,652
Commodities used	94,197	77,062
(Increase) Decrease in:		
Other receivables	34,534	(44,080)
Inventories	3,154	(14,272)
Deferred pension contributions	(36,929)	(35,574)
Deferred pensions	(48,046)	(3,535)
Increase (Decrease) in:		
Accounts payable	3,735	261
Due to other funds	(141,275)	(104,233)
Accrued salaries and benefits	4,372	14,990
Accumulated compensated absences	(28,224)	8,459
Unearned revenue	2,565	(6,238)
Net pension liability	280,788	(94,617)
Deferred inflows of resources - pension	(153,433)	178,673
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (802,269)</b>	<b>\$ (863,984)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	<b>\$ 94,197</b>	<b>\$ 77,062</b>

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

**COLONIAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016**

	<u>Private - Purpose Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash	\$ 41,112	\$ 355,917
Investments	<u>266,828</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 307,940</u></u>	<u><u>\$ 355,917</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES:</b>		
Due to student groups	\$ -	<u>\$ 355,917</u>
Accounts payable	1,000	
<b>NET POSITION:</b>		
Reserved for trust	<u>306,940</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 307,940</u></u>	

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

**COLONIAL SCHOOL DISTRICT  
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Private - Purpose Trust	
	2016	2015
ADDITIONS		
Local contributions	\$ 20,999	\$ 8,265
Investment earnings	945	962
TOTAL ADDITIONS	21,944	9,227
DEDUCTIONS		
Fees paid and scholarships awarded	27,435	25,740
TOTAL DEDUCTIONS	27,435	25,740
CHANGE IN NET POSITION	(5,491)	(16,513)
NET POSITION, BEGINNING OF YEAR	312,431	328,944
NET POSITION, END OF YEAR	\$ 306,940	\$ 312,431

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 pages 28 - 29. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

***Fund Financial Statements***

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

***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.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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.

***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. During the year ended June 30, 2016, the District recognized certain revenues from the Commonwealth of Pennsylvania which were received more than 60 days after year end but are usually received within 60 days of year end. The District determined that their exclusion would be misleading to the financial statements. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

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

***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated 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 resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are realized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all building-wide costs to the proprietary fund.

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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

***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.

Investments

Investments are recorded at fair value.

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

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

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

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



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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 2015-2016 was 20.5125 mills (\$20.5125 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Montgomery County Board of Assessments. Taxes from the Borough of Conshohocken are collected by an elected tax collector, while the District is responsible for the collection of taxes from the Townships of Plymouth and Whitemarsh.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

more than \$5,000, and critical control assets as defined by District policy. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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

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

Implementation of GASB Statement

During the year ended June 30, 2016, the District implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the District's financial statement footnotes.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been 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, 2015, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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, 2016:

Instructional staff services	\$ 94,464
Pupil health	\$ 40,319
Information services	\$ 24,675
Student activities	\$ 139,183

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

NOTE 3     DEPOSITS AND INVESTMENTS

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2016, the carrying amount of the District's deposits was \$18,636,212, and the bank balance was \$19,023,495. Of the bank balance, \$625,584 was covered by federal depository insurance, while \$10,303,474 was covered through collateral held by financial institutions but not in the District's name.

The remaining cash deposits (\$8,094,437) 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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

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, 2016, 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. During the year ended June 30, 2016, permitted investments were expanded to include highly-rated commercial paper, bankers' acceptances, and negotiable certificates of deposit

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 2</u>	<u>Matures in Less Than One Year</u>	<u>Matures in One to Five Years</u>
Certificates of deposit	\$ 33,093,157	\$ 33,093,157	\$ 30,349,881	\$ 2,743,276

Interest Rate Risk

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

Custodial Credit Risk

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

NOTE 4 UNEARNED REVENUES

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Construction-in-progress	<u>2,275,341</u>	<u>23,493,690</u>	<u>310,212</u>	<u>25,458,819</u>
Total Capital Assets Not Being Depreciated	<u>8,818,346</u>	<u>23,493,690</u>	<u>310,212</u>	<u>32,001,824</u>
Capital assets being depreciated:				
Buildings and improvements	67,876,043	310,212	-	68,186,255
Site improvements	7,979,717	-	-	7,979,717
Furniture and equipment	13,044,897	425,915	-	13,470,812
Library books	1,273,155	-	-	1,273,155
Vehicles	<u>1,113,435</u>	<u>47,277</u>	-	<u>1,160,712</u>
Total Capital Assets Being Depreciated	<u>91,287,247</u>	<u>783,404</u>	-	<u>92,070,651</u>
Less accumulated depreciation for:				
Buildings and improvements	41,133,534	1,049,733	-	42,183,267
Site improvements	3,878,909	202,359	-	4,081,268
Furniture and equipment	11,502,065	317,526	-	11,819,591
Library books	1,273,155	-	-	1,273,155
Vehicles	<u>880,214</u>	<u>47,759</u>	-	<u>927,973</u>
Total Accumulated Depreciation	<u>58,667,877</u>	<u>1,617,377</u>	-	<u>60,285,254</u>
Total Capital Assets Being Depreciated, Net	<u>32,619,370</u>	<u>(833,973)</u>	-	<u>31,785,397</u>
Governmental Activities Assets, Net	<u>\$41,437,716</u>	<u>\$22,659,717</u>	<u>\$ 310,212</u>	<u>\$63,787,221</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	<u>506,180</u>	<u>23,816</u>	-	<u>529,996</u>
Total Accumulated Depreciation	<u>506,180</u>	<u>23,816</u>	-	<u>529,996</u>
Business-type Activities, Net	<u>\$ 167,714</u>	<u>\$ (23,816)</u>	<u>\$ -</u>	<u>\$ 143,898</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	\$ 1,164,190
Instructional student support	152,006
Administrative and financial support services	127,004
Operation and maintenance of plant services	146,193
Student activities	<u>27,984</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,617,377</u>
 Total Business-type Activities	 <u>\$ 23,816</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable From:</u>	<u>Amount</u>	<u>Payable To:</u>	<u>Amount</u>
Food Service Fund	<u>\$ 625,508</u>	General Fund	<u>\$ 625,508</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>\$ 2,870,272</u>	Capital Reserve Fund	\$ 2,500,000
		Food Service	50,272
		Capital Projects Fund	<u>320,000</u>
Total	<u>\$ 2,870,272</u>	Total	<u>\$ 2,870,272</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, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Bonds payable, net	\$ 42,464,162	\$ 30,186,525	\$(13,664,604)	\$ 58,986,083
Accumulated compensated absences	<u>3,260,386</u>	<u>128,143</u>	<u>-</u>	<u>3,388,529</u>
<b>TOTALS</b>	<u>\$ 45,724,548</u>	<u>\$ 30,314,668</u>	<u>\$(13,664,604)</u>	<u>\$ 62,374,612</u>
Business-type Activities:				
Accumulated compensated absences	<u>\$ 106,538</u>	<u>\$ -</u>	<u>\$ 28,244</u>	<u>\$ 78,314</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, 2016</u>
Bonds payable, at face	\$ 57,645,000
Unamortized bond discounts	(27,941)
Unamortized bond premiums	<u>1,369,024</u>
Bonds payable, net	<u>\$ 58,986,083</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.	\$ 1,885,000
Series of 2012, maturing through November 15, 2023, bearing interest ranging from 2.0% to 3.0%, interest payable semi-annually on May 15 and November 15. Issued to refund Series of 2008.	9,975,000
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.	9,605,000

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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.	7,180,000
Series of 2015, maturing through February 15, 2034, bearing interest ranging from 0.5% to 4.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A.	9,950,000
Series of 2016, maturing through February 15, 2034, bearing interest ranging from 0.8% to 4.0%, interest payable semi-annually on February 15 and August 15. Issued to refund Series of 2009A.	9,530,000
Series of 2016A, maturing through May 1, 2034, bearing interest ranging from 0.8% to 2.0%, interest payable semi-annually on May 1 and November 1. Issued to partially refund Series of 2010 and fully refund Series of 2011.	<u>9,520,000</u>
<b>TOTAL</b>	<u><b>\$ 57,645,000</b></u>

***Bond Refundings***

The District issued \$9,520,000 of general obligation bonds for the purpose of fully and partially refunding two outstanding obligations. Series A of 2016 in the amount of \$9,520,000 was issued to currently refund all of Series of 2011, partially refund a portion of Series of 2010, and to pay the costs of issuing the bond. The current refunding of Series of 2011 resulted in a deferred loss on the refunding of \$222,854 for the District. The District realized a cash savings of \$1,098,324.

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
2017	\$ 3,375,000	\$ 1,473,559	\$ 4,848,559
2018	3,630,000	1,484,799	5,114,799
2019	3,910,000	1,424,642	5,334,642
2020	4,065,000	1,361,952	5,426,952
2021	4,170,000	1,258,996	5,428,996
2022 - 2026	14,820,000	5,031,515	19,851,515
2027 - 2031	14,025,000	3,326,627	17,351,627
2032 - 2035	<u>9,650,000</u>	<u>765,983</u>	<u>10,415,983</u>
	<u><b>\$ 57,645,000</b></u>	<u><b>\$ 16,128,073</b></u>	<u><b>\$ 73,773,073</b></u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 FUND BALANCE

As of June 30, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenditures	\$ 804,511	\$ 1,500	\$ -	\$ 806,011
Restricted:				
Capital projects	-	2,003,770	4,509,724	6,514,994
Athletics	35,578	-	-	35,578
Committed:				
Assessment appeals	800,000	-	-	800,000
Capital projects	10,794,400	-	-	10,794,400
Healthcare	2,044,870	-	-	2,044,870
OPEB	1,075,000	-	-	1,075,000
PSERS	3,926,137	-	-	3,926,137
Assigned for future				
Expenditures	4,330,000	-	-	4,330,000
Unassigned	8,792,139	-	-	8,792,139
Total Fund Balances	<u>\$ 32,602,635</u>	<u>\$ 2,005,270</u>	<u>\$ 4,509,724</u>	<u>\$ 39,117,629</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](http://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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9     PENSION PLAN (cont'd)

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

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

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

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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.

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, 2016, the rate of the employer contribution was 25.84 percent of covered payroll, allocated 25.00 percent to pensions and 0.84 percent to health insurance assistance. The District's contribution to PSERS for the year ended June 30, 2016 was \$12,871,092.

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

At June 30, 2016, the District reported a liability of \$167,371,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the District's proportion was 0.3864 percent, which was a decrease of 0.0090 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$15,158,360. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 339,000
Changes in proportions	3,054,000	576,000
Difference between expected and actual experience	-	691,000
Difference between employer contributions and proportionate share of total contributions	251,089	-
Contributions subsequent to the date of measurement	<u>12,452,682</u>	<u>-</u>
	<u>\$15,757,771</u>	<u>\$ 1,606,000</u>

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

An amount of \$12,452,682 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, 2017. 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:

<u>Year Ended June 30,</u>	
2017	\$ (285,640)
2018	(285,640)
2019	(285,640)
2020	<u>2,556,009</u>
	<u>\$ 1,699,089</u>

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 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, 2014 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.

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	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, 2015.

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50 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.

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 206,300,000	\$ 167,371,000	\$ 134,650,000

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](http://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, 2016, the District's share of operating costs was \$1,634,661. 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.



COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 JOINT VENTURE (cont'd)

Future rental payments are as follows:

<u>Year Ending June 30,</u>		
2017	\$	549,561
2018		548,127
2019		547,514
2020		548,283
2021		547,584
2021-2024		<u>1,645,936</u>
Total		4,387,005
Less: Interest requirements		<u>(633,255)</u>
Outstanding rental payments	\$	<u><u>3,753,750</u></u>

NOTE 11 CONTINGENCIES AND COMMITMENTS

Construction-in-progress

As of June 30, 2016, the District had the following projects that were yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of June 30, 2016	Commitment
Plymouth Whitemarsh High School Renovations	\$ 38,546,358	\$ 24,583,263	\$ 13,963,095
High School West Gym	<u>843,750</u>	<u>59,063</u>	<u>784,687</u>
<b>TOTALS</b>	<u><u>\$ 39,390,108</u></u>	<u><u>\$ 24,642,326</u></u>	<u><u>\$ 14,747,782</u></u>

In addition, the District has incurred \$816,493 in costs related to the projects, not under formal contract.

Government Grants and Awards

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS (cont'd)

Litigation

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

NOTE 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 2015-2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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 2016, the District paid \$73,343 for current premiums, or

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

approximately 32 percent of total premiums. Plan members receiving benefits contributed \$158,725, or approximately 68 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	134,901
Adjustment to annual required contribution	<u>(184,040)</u>
Annual OPEB cost (expense)	621,993
Contributions made	<u>(153,153)</u>
Increase in net OPEB obligation	468,840
Net OPEB obligation - beginning of year	<u>2,997,813</u>
Net OPEB obligation - end of year	<u>\$ 3,466,653</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%

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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

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, 2016 was 22 years.

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 Whitmarsh, and Whitmarsh Continuing Care Retirement Community, which sets forth and confirms the basic terms and conditions of the TIF Plan.

The Tax Increment District was created as of February 7, 2005 with intent to develop a continuing care retirement community. The Tax Increment District shall continue in existence until February 7, 2025. Commencing on the date, 90 percent of the dwelling units in Phase I of the Retirement Community shall first become occupied, or made available for occupancy. The District paid \$483,572 under the agreement in fiscal year 2016.

NOTE 15 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 9, 2016, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Measurement Date	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.3864%	0.3774%
District's proportion of the net pension liability - dollar value	\$ 167,371,000	\$ 149,378,000
District's covered employee payroll	48,723,417	48,153,100
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	343.51%	310.21%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

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

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 12,452,682	\$ 9,921,062
Contributions in relation to the contractually required contribution	<u>12,452,682</u>	<u>9,921,062</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 49,810,728	\$ 48,723,417
Contributions as a percentage of covered-employee payroll	25.00%	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

December 9, 2016

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colonial School District ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of School Directors  
Colonial School District

Compliance and Other Matters

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

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

Purpose of this Report

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

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

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

December 9, 2016

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Colonial School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Board of School Directors  
Colonial School District

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

  
BARBACANE, THORNTON & COMPANY LLP

**COLONIAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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 07/01/2015	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2016	AMOUNT PASSED THROUGH TO SUB-RECIPIENTS
<b>U.S. Department of Education</b>											
Passed through PA Dept of Education											
Title I	I	84.010	014-15-0091	07/01/14 - 09/30/15	\$ 384,273	\$ 204,819	\$ 22,138	\$ 182,681	\$ 182,681	\$ -	-
Total CFDA #84.010	I	84.010	015-16-0091	07/01/15 - 09/30/16	387,238	467,316	22,138	407,008	407,008	(38,170)	-
Title II - Improving Teacher Quality	I	84.367	020-16-0091	07/01/15 - 09/30/16	145,565	107,001	-	128,524	128,524	21,523	-
Total CFDA #84.367	I	84.365	010-15-0091	09/29/14 - 09/30/15	22,526	4,505	(3,123)	7,628	7,628	-	-
Title III	I	84.365	010-16-0091	09/29/15 - 09/30/16	38,161	24,777	-	28,349	28,349	3,572	-
Total CFDA #84.365	I	84.027	062-15-0023	07/01/14 - 06/30/15	961,516	84,846	84,846	-	-	-	-
Passed through Montgomery County I.U.	I	84.027	062-16-0023	07/01/15 - 06/30/16	968,416	823,229	-	968,416	968,416	145,187	-
I.D.E.A. - Section 619	I	84.027	N/A	07/01/15 - 06/30/16	2,751	2,751	(3,123)	2,751	2,751	-	-
Total CFDA #84.027	I					910,826	84,846	971,167	971,167	145,187	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						1,514,425	103,861	1,542,676	1,542,676	132,112	-
<b>U.S. Department of Agriculture</b>											
Passed through PA Dept of Agriculture											
National Lunch School Program	I	10.555	N/A	07/01/15 - 06/30/16	N/A	94,197	-	94,197	94,197	-	-
Passed through PA Dept of Education											
National Lunch School Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	67,764	67,764	-	-	-	-
National Lunch School Program	I	10.555	N/A	07/01/15 - 06/30/16	N/A	382,083	-	450,909	450,909	68,826	-
Total CFDA #10.555	I					544,044	67,764	545,106	545,106	68,826	-
Breakfast Program	I	10.553	N/A	07/01/14 - 06/30/15	N/A	14,448	14,448	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/15 - 06/30/16	N/A	70,982	-	85,261	85,261	14,279	-
Total CFDA #10.553	I					85,430	14,448	85,261	85,261	14,279	-
Summer Food	I	10.559	N/A	07/01/14 - 06/30/15	N/A	2,392	2,392	-	-	-	-
Summer Food	I	10.559	N/A	07/01/15 - 06/30/16	N/A	7,973	-	7,973	7,973	-	-
Total CFDA #10.559	I					10,365	2,392	7,973	7,973	-	-
Total Nutrition Cluster						639,839	84,604	638,340	638,340	83,105	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						639,839	84,604	638,340	638,340	83,105	-
<b>TOTAL FEDERAL AWARDS</b>						\$2,154,264	\$ 188,465	\$ 2,181,016	\$ 2,181,016	\$ 215,217	\$ -

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 2015-2016 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, 2016 was \$77,793.

NOTE E INDIRECT COST RATE

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

COLONIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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

*Financial Statements*

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported
- Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

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

Unmodified

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

       Yes   X   No

Identification of major program:

CFDA Number  
84.027

Name of Federal Program or Cluster  
Special Education (IDEA)

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

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes        No

COLONIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

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

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.