

**COLONIAL SCHOOL DISTRICT**  
**PLYMOUTH MEETING, PENNSYLVANIA**  
**AUDIT REPORT**  
**JUNE 30, 2008**

COLONIAL SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

February 12, 2009

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2007 financial statements and, in our report dated February 15, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2009 on our consideration of Colonial School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

Board of School Directors  
Colonial School District

principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

COLONIAL SCHOOL DISTRICT  
PLYMOUTH MEETING, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2008

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, 2008.

**Financial Highlights**

As of June 30, 2008, the general fund reported a positive fund balance of \$13.5 million of which \$4.4 million was allocated to balance the 2008-2009 budget. Operational revenues for 2007-2008 exceeded expenditures by \$2.8 million with local revenue sources accounting for \$2.4 million. Act 511 earned income tax revenue exceeded budgeted expectations by \$766,000 while current real estate taxes were \$704,000 greater than anticipated. The District also received a medical premium settlement for \$296,000 from Independence Blue Cross for the 2006-2007 fiscal year. A payment-in-lieu-of-real-estate-taxes (PILOT) totaling \$337,000 was received from The Hill at Whitmarsh TIF Project. Interest earnings from investments were \$290,000 over budgeted figures.

**Reporting the District as a Whole**

*The Statement of Net Assets and Statement of Activities*

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all the assets and liabilities of the District (except for fiduciary funds held in trust for student purposes), using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

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

The District's property tax base growth has slowed considerably the past few years from a high of 5.12 percent in 2003-2004 to the .47 percent experienced for 2007-2008. The current student population of 4,751 is estimated to increase by 89 students by the 2013-14 school year.

The reader is invited to review additional tax, enrollment, budget and financial information at its business office located in the Administrative Offices which are housed in the Colonial Elementary School or on-line at [www.colonialsd.org](http://www.colonialsd.org). Also available for review are official offering statements of recent district bond issues that contain related housing, commercial and demographic information about Colonial School District.

**Entity-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$20.1 million dollars at the close of the most recent fiscal year. In the prior year, assets exceeded liabilities by \$16.5 million.

**COLONIAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008**

The largest portion of the District's total assets (54 percent) reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The **Statement of Net Assets** contains information about what the District owns and owes, i.e., assets and liabilities; and what is left after assets are used to satisfy liabilities. The following table is a comparative analysis of fiscal year 2008 to 2007:

**STATEMENT OF NET ASSETS**  
(Expressed in Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$37,835,296	\$28,156,472	\$ 68,689	\$ 44,342	\$37,903,985	\$28,200,814
Capital assets	43,484,215	43,477,911	350,911	280,134	43,835,126	43,758,045
<b>Total Assets</b>	<b>\$81,319,511</b>	<b>\$71,634,383</b>	<b>\$ 419,600</b>	<b>\$ 324,476</b>	<b>\$81,739,111</b>	<b>\$71,958,859</b>
Current liabilities	\$11,067,974	\$12,061,725	\$ 90,323	\$ 56,237	\$10,576,538	\$12,117,962
Long-term liabilities	50,423,304	43,250,409	49,194	67,054	51,054,257	43,317,463
<b>Total Liabilities</b>	<b>61,491,278</b>	<b>55,312,134</b>	<b>139,517</b>	<b>123,291</b>	<b>61,630,795</b>	<b>\$55,435,425</b>
Net Assets:						
Invested in capital assets, net of debt	4,768,124	4,363,047	350,911	280,134	5,119,035	4,643,181
Restricted for:						
Capital projects	2,277,269	3,140,481			2,277,269	3,140,481
Unrestricted	12,782,840	8,818,721	(70,828)	(78,949)	12,712,012	8,739,772
<b>Total Net Assets</b>	<b>19,828,233</b>	<b>\$16,322,249</b>	<b>280,083</b>	<b>201,185</b>	<b>20,108,316</b>	<b>\$16,523,434</b>
<b>Total Liabilities and Net Assets</b>	<b>\$81,319,511</b>	<b>\$71,634,383</b>	<b>\$ 419,600</b>	<b>\$ 324,476</b>	<b>\$81,739,111</b>	<b>\$71,958,859</b>

Unrestricted accumulated net assets represent resources to be used for unanticipated fluctuations in expenditures and/or revenues that can occur after the Board of School Directors approves an annual budget. Such fluctuations can result in expenditures that are greater than current year revenues. At such times, the District must rely on its accumulated fund balance (unrestricted accumulated net assets) to make up the difference. Additionally, for certain categories of expenditures, the District may realize cost-saving opportunities if it prepays these expenses. If these prepayments are greater than currently realized revenues, then the District must rely on its unrestricted accumulated net assets in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net assets as an important criterion when establishing the bond rating for a public school district.

COLONIAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008

Total net assets of the District's governmental activities increased by \$3.5 million dollars, and unrestricted net assets reflect a positive balance of \$12.8 million dollars.

The **Statement of Activities** shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues include real estate tax revenue of \$59.6 million; earned income taxes of \$6.0 million; investment earnings of \$1.9 million; and unrestricted state entitlements of \$2.7 million that support the net cost of the District's services.

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

	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
<b>Program Expenses</b>				
<b>Governmental Activities</b>				
Instruction	\$ 50,940	\$ 43,695	\$ 47,995	\$ 41,035
Instructional student support	6,907	6,493	6,515	6,073
Administration	5,278	5,059	5,150	4,943
Maintenance	8,420	7,153	7,788	7,474
Pupil transportation	5,797	4,469	5,795	4,594
Student activities	1,297	1,212	1,142	1,054
Community services	32	(106)	57	(61)
Interest and fiscal charges	2,422	2,314	2,400	2,291
<b>Total Program Expenses</b>	<u>\$ 81,093</u>	<u>\$ 70,289</u>	<u>\$ 76,842</u>	<u>\$ 67,403</u>
<b>Business-type Activities:</b>				
Food Service	<u>\$ 1,997</u>	<u>\$ 285</u>	<u>\$ 1,834</u>	<u>\$ 213</u>

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

The **Statement of Changes in Net Assets** shown on the next page shows that program revenues accounted for \$12.5 million, or 14.4 percent of total revenues (\$86.7 million); and general revenues accounted for \$74.2 million, or 85.6 percent. Property and other tax revenue are up \$2.1 million due primarily to the 3.63 percent real estate tax rate increase, taxable assessment growth of .47 percent and Act 511 earned income taxes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008

**CHANGES IN NET ASSETS**  
(Expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 889	\$ 906	\$ 1,284	\$ 1,208	\$ 2,173	\$ 2,114
Operating grants	8,996	8,533	429	413	9,425	8,946
Capital grants	918	-	-	-	918	-
Total Program Revenues	<u>10,803</u>	<u>9,439</u>	<u>1,713</u>	<u>1,621</u>	<u>12,516</u>	<u>11,060</u>
General Revenues						
Property and other taxes	69,103	67,016	-	-	69,103	67,016
Grants and entitlements	2,704	2,651	-	-	2,704	2,651
Investment earnings	1,939	2,077	1	2	1,940	2,079
Miscellaneous	412	68	-	-	412	68
Total General Revenues	<u>74,158</u>	<u>71,812</u>	<u>1</u>	<u>2</u>	<u>74,159</u>	<u>71,814</u>
<b>Total Revenues</b>	<u>84,961</u>	<u>81,251</u>	<u>1,714</u>	<u>1,623</u>	<u>86,675</u>	<u>82,874</u>
<b>Expenses</b>						
Program Expenses:						
Instruction	50,940	47,995	-	-	50,940	47,995
Support Services:						
Instructional staff support	6,907	6,515	-	-	6,907	6,515
Administration	5,278	5,150	-	-	5,278	5,150
Maintenance	8,420	7,788	-	-	8,420	7,788
Pupil transportation	5,797	5,795	-	-	5,797	5,795
Student activities	1,297	1,142	-	-	1,297	1,142
Community services	32	57	-	-	32	57
Interest and fiscal charges	2,422	2,400	-	-	2,422	2,400
Food service	-	-	1,997	1,834	1,997	1,834
<b>Total Expenses</b>	<u>81,093</u>	<u>76,842</u>	<u>\$1,997</u>	<u>1,834</u>	<u>83,090</u>	<u>78,676</u>
Excess (Deficiency) before transfers	3,868	4,409	(283)	(211)	3,585	4,198
Transfers	(362)	(299)	362	299	-	-
<b>CHANGES IN NET ASSETS</b>	<u>\$ 3,506</u>	<u>\$ 4,110</u>	<u>\$ 79</u>	<u>\$ 88</u>	<u>\$ 3,584</u>	<u>\$ 4,198</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008**

**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 the modified accrual accounting method, 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 the reader determine whether there are more or fewer financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Fund Financial Statements**

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

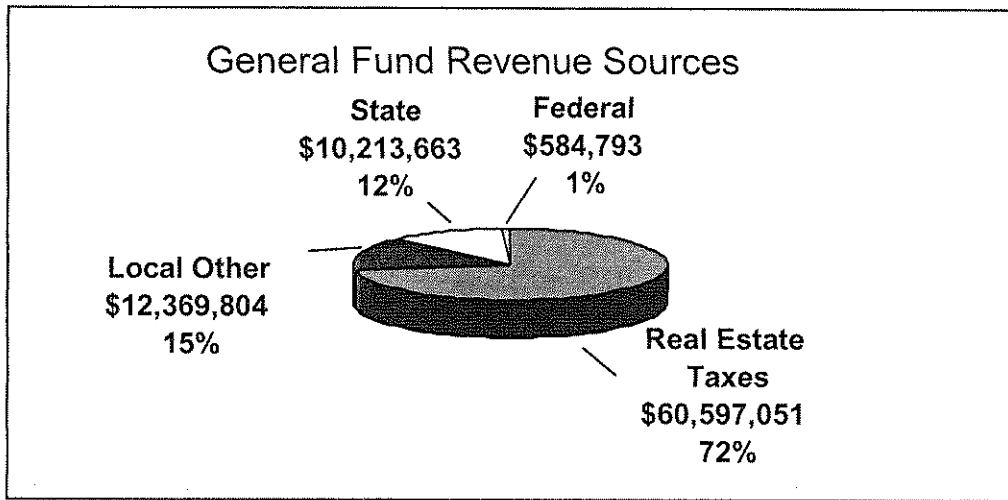
The District's governmental funds reported a combined fund balance of \$27.9 million, which is an increase of \$10.0 million from the previous year's total of \$17.9 million. The schedule below illustrates the fund balance and the total change in fund balances from June 30, 2007 to 2008.

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase (Decrease)</u>
General Fund	\$ 13,551,232	\$ 10,712,967	\$ 2,838,265
Capital Projects Funds	12,025,841	4,004,015	8,021,826
Capital Reserve Fund	2,277,269	3,128,998	(851,729)
Other Governmental Funds	<u>34,059</u>	<u>32,282</u>	<u>1,777</u>
Total	<u>\$ 27,888,401</u>	<u>\$ 17,878,262</u>	<u>\$ 10,010,139</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008

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



**General Fund**

Total general fund revenues exceeded expenditures by \$2,838,265, 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.

	2008 Actual	2007 Actual	Variance	
			\$	%
Current real estate taxes	\$59,624,297	\$57,547,536	\$ 2,076,761	3.6%
Interim real estate taxes	972,754	595,381	377,373	63.4%
Earned income taxes Act 511	6,066,745	5,580,419	486,326	8.7%
Transfer taxes	1,437,256	2,629,060	(1,191,804)	-45.3%
Delinquent taxes	470,300	577,155	(106,855)	-18.5%
Other local revenue	4,395,503	3,618,561	776,942	21.5%
State sources	10,213,663	9,677,503	536,160	5.5%
Federal sources	584,792	751,956	(167,164)	-22.2%
<b>Total</b>	<u>\$83,765,310</u>	<u>\$80,977,571</u>	<u>\$ 2,787,739</u>	<u>3.4%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008

**Other Funds**

The capital reserve fund's decrease of \$851,729 in fund balance is a result of capital improvement expenditures in 2007-2008. The increase in the capital projects fund balance of \$8,021,826 is a result of proceeds deposited from the new 2008 bond issue that was completed in June. Ultimately, the entire amount of the capital projects fund will be spent in accordance with provisions of the bond indenture.

**Business-type Activities**

Business-type activities include the food service program. This program had an increase in net assets of \$79,000 for the fiscal year. The general fund provided a contribution of \$178,176 to offset the operational deficit and \$68,906 for indirect costs. The general fund also provides a capital equipment contribution of \$17,000 and a "nutritional subsidy" of \$50,000, as the operation has moved to more nutritious meal offerings for students

**General Fund Budget Information**

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

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

<b>EXPENDITURES</b>		<b>Budgeted Amounts</b>		<b>Variance</b>	
		<b>Original</b>	<b>Final</b>	<b>Positive (Negative)</b>	<b>%</b>
Function	Instruction:				
1100	Regular programs	\$35,692,991	\$35,260,773	\$432,218	1.21%
1200	Special programs	11,854,731	12,065,344	(210,613)	-1.78%
1300	Vocational programs	2,177,664	2,177,664	-	0.00%
1400	Other instructional programs	2,076,570	2,064,270	12,300	0.59%
1600	Adult Education	65,689	65,689	-	0.00%
	<b>Total instruction</b>	<b>51,867,645</b>	<b>51,633,740</b>	<b>233,905</b>	<b>0.45%</b>
	Support services:				
2100	Pupil personnel services	2,903,481	2,923,332	(19,851)	-0.68%
2200	Instructional staff services	3,317,633	3,172,708	144,925	4.37%
2300	Administrative services	3,728,090	3,651,798	76,292	2.05%
2400	Pupil health	816,588	866,893	(50,305)	-6.16%
2500	Business services	1,040,038	1,093,866	(53,828)	-5.18%
2600	Operation and maintenance of plant services	8,090,289	8,258,553	(168,264)	-2.08%
2700	Student transportation services	6,160,591	6,170,689	(10,098)	-0.16%
2800	Information services	429,385	448,500	(19,115)	-4.45%
2900	Other support services	92,200	92,200	-	0.00%
	<b>Total Support Services</b>	<b>26,578,295</b>	<b>26,678,539</b>	<b>(100,244)</b>	<b>-0.38%</b>
	Operation of noninstructional activities:				
3200	Student activities	1,253,742	1,299,823	(46,081)	-3.68%
3300	Community services	31,750	32,570	(820)	-2.58%
	<b>Total Operation of Noninstructional Services</b>	<b>1,285,492</b>	<b>1,332,393</b>	<b>(46,901)</b>	<b>3.65%</b>
4000	Capital Outlay	110,271	75,901	34,370	31.17%
5110	Debt service	4,733,021	4,735,521	(2,500)	-0.05%
5200	Transfers	142,276	360,906	(218,630)	-153.67%
5900	Budgetary reserve	100,000	-	100,000	-00.00%
	<b>TOTAL EXPENDITURES</b>	<b>\$84,817,000</b>	<b>\$84,817,000</b>	<b>\$ -</b>	<b>0.00%</b>

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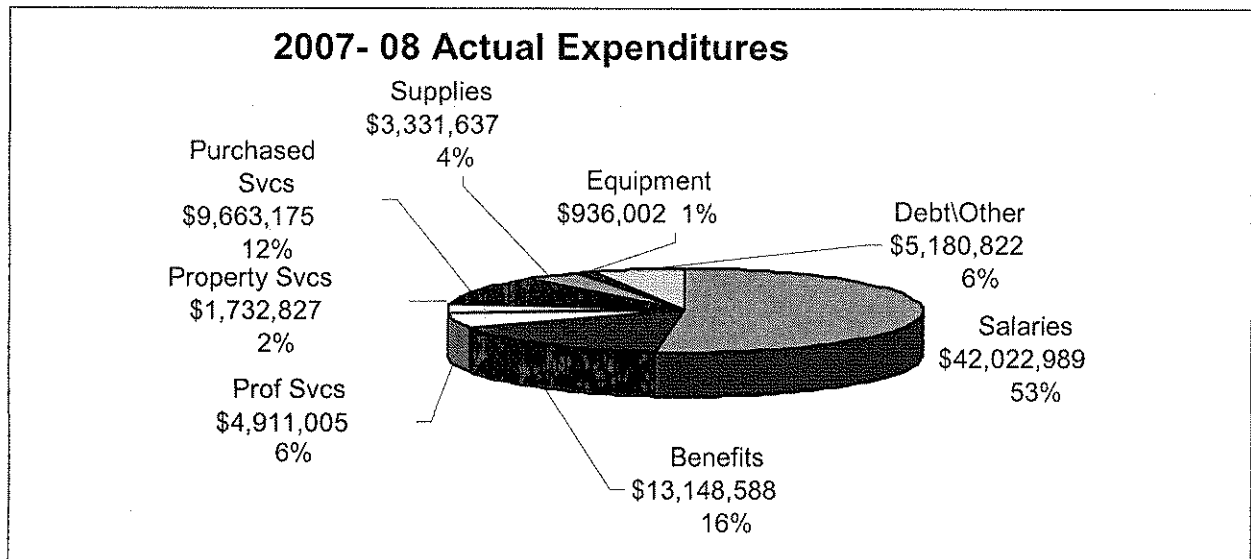
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008**

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

Function	Expenditures	Budgeted Amounts		Variance	
		Original	Final	Positive (Negative)	%
4000	Capital outlay	\$ 110,271	\$ 75,901	\$ 34,370	31.17%
5200	Transfers	\$ 142,276	\$ 360,906	\$ (218,630)	-153.67%
5900	Budgetary reserve	\$ 100,000	\$ -	\$ 100,000	100.00%

Function	Description	Reason for Variance
4000	Capital outlay	Transfers out for noncapital expenditures.
5200	Transfers	Transfers in for Food Service Fund, operational deficit, indirect costs, equipment, nutritional offerings.
5900	Budgetary reserve	Transfers out for additional classrooms due to enrollment increases at Ridge Park and Whitemarsh Elementary, contracted educational services, cheerleading jackets, on-line substitute teacher service, student advanced placement testing and food service fund contribution.

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.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
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<u>Object</u>	<u>Actual Expenditures</u>		<u>Variance</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>\$</u>	<u>%</u>
100 Salaries	\$ 42,022,989	\$ 39,846,101	\$ 2,176,888	5.46%
200 Benefits	13,148,588	12,271,830	876,758	7.14%
300 Professional services	4,911,005	4,526,940	384,065	8.48%
400 Purchased property services	1,732,827	1,539,563	193,264	12.55%
500 Purchased services	9,663,175	9,435,203	227,972	2.42%
600 Supplies	3,331,637	3,451,972	(120,335)	-3.49%
700 Equipment	936,002	912,167	23,835	2.61%
800 Debt service interest & other	2,063,479	2,080,314	(16,835)	-0.81%
900 Debt service principal & other	3,117,343	5,364,311	(2,246,968)	-41.89%
Total Expenditures by Object	<u>\$ 80,927,045</u>	<u>\$ 79,428,401</u>	<u>\$ 1,498,644</u>	<u>1.89%</u>

Expenditures were up \$1.5 million, or 1.89 percent over the prior year. It should be noted that for Object 900, the prior year included a \$2.6 million transfer to the capital reserve fund for future capital projects. Object 300, Professional Services, includes contracted educational services for special education. Object 400, Purchased Property Services, includes electricity, heating oil and natural gas expenditures. Object 500, Purchased Services, includes tuition to charter schools, approved private schools, private residential rehabilitative schools and other public schools for educational services. Also included in Object 500 are contracted student transportation costs.

### Capital Assets

The District has \$43.8 million dollars invested in capital assets net of depreciation; \$351,000 of net assets are located in the Food Service Fund. Acquisitions for governmental activities totaled \$3.4 million dollars and depreciation expense for the year was \$3.3 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

### Debt

In June of 2008, the District issued \$10 million of general obligation bonds to finance new capital projects located throughout the District. Some of the projects include classroom renovations; air-conditioning and the courtyard enclosure at Colonial Elementary School; technology and CITV equipment upgrades; lights for the artificial turf fields; and tennis courts at Victory Fields. Other District projects include District-wide kitchen modernization, lighting upgrades and HVAC improvements.

At June 30, 2008, the District had \$51.6 million in outstanding bonds and notes payable. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to legal limitation based on 225 percent of the average revenues for the prior three years. At June 30, 2008, the District's general obligation debt was \$118 million below the legal limit.

**COLONIAL SCHOOL DISTRICT  
PLYMOUTH MEETING, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2008**

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

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

The District's property tax base growth has slowed considerably the past few years from a high of 5.1 percent in 2003-2004 to the .47 percent realized during 2007-2008 placing the burden of future expenditure increases on taxpayers. The District is experiencing an increase in the number of commercial property assessment appeals as the common level ratio has fallen to 50.4 percent of market value for 2009.

The current economic downturn will have a negative impact on revenue sources that are sensitive to negative market conditions. Commercial and residential development has slowed, resulting in lower transfer and interim real estate taxes. Act 511 earned income taxes that had experienced growth since its implementation in July 2005 are projected to decrease in the next fiscal year. Interest earnings revenue also will decrease as interest rates for investments are significantly lower. State education subsidies and grants are also expected to decrease due to the current economic crisis.

Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen special education and transportation subsidies increase minimally as the costs for these mandated services have far exceeded the state revenue increases. The District receives an estimated 25 percent of the cost for these services in the form of state subsidies. Escalating health care premiums and the employer's share of retirement contributions will have a significant impact on future budgets. Future state legislation regarding school funding and real estate tax relief coupled with the financial burdens associated with the federal No Child Left Behind mandates will have a negative impact on the District's finances.

**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 Joseph P. Bickleman, Chief Financial Officer and Board Treasurer, at Colonial School District, 230 Flourtown Road, Plymouth Meeting, PA 19462, (610) 834-1671 extension 2121 or reference the District's website at [www.colonialsd.org](http://www.colonialsd.org).

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**  
(With Summarized Comparative Data for June 30, 2007)

	Governmental Activities	Business-type Activities	Totals	
			2008	2007
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,875,185	\$ 226,656	\$ 6,101,841	\$ 7,210,516
Investments	25,963,301	-	25,963,301	16,865,866
Taxes receivable	2,200,471	-	2,200,471	1,772,475
Internal balances	280,647	(280,647)	-	-
Note receivable	845,616	-	845,616	-
Due from other governments	1,326,912	54,172	1,381,084	1,146,768
Other receivables	1,062,151	19,585	1,081,736	607,432
Inventories	-	48,923	48,923	44,371
Other assets	1,480	-	1,480	242,145
Issuance costs	279,533	-	279,533	311,242
Land	6,543,005	-	6,543,005	6,543,005
Construction-in-progress	743,708	-	743,708	831,030
Site improvements	7,381,359	-	7,381,359	6,078,004
Buildings and improvements	54,977,491	-	54,977,491	54,696,679
Furniture and equipment	11,792,162	639,472	12,431,634	10,567,604
Accumulated depreciation	(37,953,510)	(288,561)	(38,242,071)	(34,958,277)
<b>TOTAL ASSETS</b>	<b>\$81,319,511</b>	<b>\$ 419,600</b>	<b>\$ 81,739,111</b>	<b>\$71,958,860</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,396,952	\$ 12,329	\$ 2,409,281	\$ 3,006,336
Accrued salaries and benefits	5,329,979	2,935	5,332,914	5,802,209
Other liabilities	171,736	-	171,736	137,406
Accrued interest payable	581,759	-	581,759	466,946
Deferred revenue	7,128	47,181	54,309	11,642
Judgment payable	-	-	-	69,166
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	2,540,000	-	2,540,000	2,475,000
Less: Bond discounts	(13,908)	-	(13,908)	(13,908)
Less: Deferred amounts on refunding	(110,146)	-	(110,146)	(110,146)
Note payable	27,000	-	27,000	26,000
Accumulated compensated absences/ early retirement incentive	137,474	27,878	165,352	247,311
Portion due or payable after one year:				
Bonds payable	48,980,000	-	48,980,000	41,520,000
Less: Bond discounts	(163,902)	-	(163,902)	(177,809)
Less: Deferred amounts on refunding	(604,112)	-	(604,112)	(714,258)
Note payable	87,000	-	87,000	114,000
Accumulated compensated absences/ early retirement incentive	2,124,318	49,194	2,173,512	2,575,530
<b>TOTAL LIABILITIES</b>	<b>61,491,278</b>	<b>139,517</b>	<b>61,630,795</b>	<b>55,435,425</b>
<b>NET ASSETS (DEFICIT):</b>				
Invested in capital assets, net of related debt	4,768,124	350,911	5,119,035	4,643,181
Restricted for capital assets	2,277,269	-	2,277,269	3,140,481
Unrestricted	12,782,840	(70,828)	12,712,012	8,739,773
<b>TOTAL NET ASSETS</b>	<b>19,828,233</b>	<b>280,083</b>	<b>20,108,316</b>	<b>16,523,435</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$81,319,511</b>	<b>\$ 419,600</b>	<b>\$ 81,739,111</b>	<b>\$71,958,860</b>

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

**COLONIAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008  
(With Summarized Comparative Data for the Year Ended June 30, 2007)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 50,939,834	\$ 6,524,547	\$ -	\$ (43,695,547)	\$ -	\$ (41,034,907)
Instructional student support	6,907,403	414,190	-	(6,493,213)	-	(6,072,524)
Administrative and financial support services	5,277,556	218,553	-	(5,059,003)	-	(4,942,511)
Operation and maintenance of plant services	8,419,663	348,674	918,370	(7,152,619)	-	(7,473,981)
Pupil transportation	5,797,166	1,327,643	-	(4,469,523)	-	(4,593,770)
Student activities	1,296,814	53,703	-	(1,211,862)	-	(1,054,492)
Community services	31,868	-	-	106,068	-	60,575
Interest on long-term debt	2,422,386	108,762	-	(2,313,624)	-	(2,291,739)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>81,092,690</b>	<b>8,996,072</b>	<b>918,370</b>	<b>(70,289,323)</b>	<b>-</b>	<b>(67,403,349)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food service	1,997,349	428,900	-	(284,788)	(284,788)	(213,151)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,997,349</b>	<b>428,900</b>	<b>-</b>	<b>(284,788)</b>	<b>(284,788)</b>	<b>(213,151)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 83,090,039</b>	<b>\$ 9,424,972</b>	<b>\$ 918,370</b>	<b>(70,289,323)</b>	<b>(284,788)</b>	<b>(67,616,500)</b>
<b>GENERAL REVENUES</b>						
Property taxes levied for general purposes				61,096,691	-	58,654,393
Taxes levied for specific purposes				8,006,219	-	8,361,117
Grants and entitlements not restricted to specific programs				2,704,156	-	2,651,133
Investment earnings				1,938,473	1,575	2,079,592
Miscellaneous				411,878	-	68,162
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				(362,111)	362,111	-
<b>GENERAL REVENUES AND TRANSFERS</b>				<b>73,795,306</b>	<b>363,686</b>	<b>71,814,397</b>
<b>CHANGE IN NET ASSETS</b>				<b>3,505,983</b>	<b>78,898</b>	<b>4,197,897</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>				<b>16,322,250</b>	<b>201,185</b>	<b>12,325,538</b>
<b>NET ASSETS, END OF YEAR</b>				<b>\$ 19,828,233</b>	<b>\$ 280,083</b>	<b>\$ 16,523,435</b>

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

**COLONIAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

(With Summarized Comparative Data for June 30, 2007)

	Major Funds			Nonmajor Fund	Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund		2008	2007
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,458,252	\$ 528,486	\$ 854,388	\$ 34,059	\$ 5,875,185	\$ 7,121,145
Investments	12,334,587	1,949,671	11,679,043	-	25,963,301	16,865,866
Taxes receivable	2,200,471	-	-	-	2,200,471	1,772,475
Due from other funds	336,308	538	-	-	336,846	227,485
Due from other governments	1,326,912	-	-	-	1,326,912	1,063,567
Note receivable	845,616	-	-	-	845,616	-
Other receivables	1,062,151	-	-	-	1,062,151	596,166
Other assets	1,480	-	-	-	1,480	242,145
<b>TOTAL ASSETS</b>	<b>\$ 22,565,777</b>	<b>\$ 2,478,695</b>	<b>\$ 12,533,431</b>	<b>\$ 34,059</b>	<b>\$ 37,611,962</b>	<b>\$ 27,888,849</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,744,135	\$ 201,426	\$ 451,391	\$ -	\$ 2,396,952	\$ 2,990,757
Due to other funds	-	-	56,199	-	56,199	43,619
Accrued salaries and benefits	5,329,979	-	-	-	5,329,979	5,799,762
Accumulated compensated absences/early retirement incentive	137,474	-	-	-	137,474	218,222
Judgments payable	-	-	-	-	-	69,166
Other liabilities	171,736	-	-	-	171,736	137,406
Deferred revenues	1,631,221	-	-	-	1,631,221	751,656
<b>TOTAL LIABILITIES</b>	<b>9,014,545</b>	<b>201,426</b>	<b>507,590</b>	<b>-</b>	<b>9,723,561</b>	<b>10,010,588</b>
<b>FUND BALANCES:</b>						
Reserved for capital projects and assets	-	2,277,269	12,025,841	-	14,303,110	7,133,013
Reserved for athletic	-	-	-	34,059	34,059	32,282
Unreserved	9,151,232	-	-	-	9,151,232	7,238,394
Unreserved - designated:						
Subsequent year appropriations	4,400,000	-	-	-	4,400,000	3,474,572
<b>TOTAL FUND BALANCES</b>	<b>13,551,232</b>	<b>2,277,269</b>	<b>12,025,841</b>	<b>34,059</b>	<b>27,888,401</b>	<b>17,878,261</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,565,777</b>	<b>\$ 2,478,695</b>	<b>\$ 12,533,431</b>	<b>\$ 34,059</b>	<b>\$ 37,611,962</b>	<b>\$ 27,888,849</b>

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

**COLONIAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

TOTAL GOVERNMENTAL FUND BALANCES \$ 27,888,401

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

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

Land	\$ 6,543,005	
Construction-in-progress	743,708	
Site improvements	7,381,359	
Buildings and improvements	54,977,491	
Furniture and equipment	11,792,162	
Accumulated depreciation	<u>(37,953,510)</u>	43,484,215

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	(51,520,000)	
Note payable	(114,000)	
Accumulated compensated absences/early retirement incentive	(2,124,318)	
Accrued interest payable	<u>(581,759)</u>	(54,340,077)

Refunded and new debt and issuance costs resulted in deferred charges which will be amortized over the life of the new debt but do not represent current rights. 1,171,601

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 1,624,093

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 19,828,233

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, 2008**  
(With Summarized Comparative Data for the Year Ended June 30, 2007)

	Major Funds			Totals		
	General Fund	Capital Reserve Fund	Capital Projects Fund	Nonmajor Fund	2008	2007
<b>REVENUES:</b>						
Local sources	\$ 72,000,567	\$ 142,786	\$ 146,482	\$ 31,249	\$ 72,321,084	\$ 70,225,590
State sources	10,213,663	-	-	-	10,213,663	9,677,503
Federal sources	1,486,862	-	-	-	1,486,862	1,571,096
<b>TOTAL REVENUES</b>	<b>83,701,092</b>	<b>142,786</b>	<b>146,482</b>	<b>31,249</b>	<b>84,021,609</b>	<b>81,474,189</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction	49,189,830	-	-	-	49,189,830	46,422,524
Support services	25,302,597	-	-	-	25,302,597	24,372,257
Operation of noninstructional services	1,270,859	-	-	76,233	1,347,092	1,281,767
Capital outlay	67,621	994,515	2,076,627	-	3,138,763	5,040,416
Debt service	4,652,811	-	-	-	4,652,811	4,467,916
<b>TOTAL EXPENDITURES</b>	<b>80,483,718</b>	<b>994,515</b>	<b>2,076,627</b>	<b>76,233</b>	<b>83,631,093</b>	<b>81,584,880</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,217,374</b>	<b>(851,729)</b>	<b>(1,930,145)</b>	<b>(44,984)</b>	<b>390,516</b>	<b>(110,691)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from extended financing	64,218	-	-	-	64,218	-
Issuance of debt	-	-	10,000,000	-	10,000,000	-
Refund of prior year receipts	(82,484)	-	-	-	(82,484)	(97,808)
Transfers in	-	-	38,455	46,761	85,216	2,647,086
Transfers out	(360,843)	-	(86,484)	-	(447,327)	(2,780,810)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(379,109)</b>	<b>-</b>	<b>9,951,971</b>	<b>46,761</b>	<b>9,619,623</b>	<b>(231,532)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,838,265</b>	<b>(851,729)</b>	<b>8,021,826</b>	<b>1,777</b>	<b>10,010,139</b>	<b>(342,223)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>10,712,967</b>	<b>3,128,998</b>	<b>4,004,015</b>	<b>32,282</b>	<b>17,878,262</b>	<b>18,220,484</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 13,551,232</b>	<b>\$ 2,277,269</b>	<b>\$ 12,025,841</b>	<b>\$ 34,059</b>	<b>\$ 27,888,401</b>	<b>\$ 17,878,261</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  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 10,010,139

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 outlay) 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 capital outlays (\$3,273,227) exceeded depreciation (\$3,266,923) in the period. 6,304

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 29,340

Notes receivable is a current year revenue in the governmental funds but only to the extent that payments are received. In the statement of activities the note is recorded as revenue when issued. 845,617

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount of debt repayments made during the year. 2,501,000

Issuance of debt is a revenue in the governmental funds but increases liabilities in the statement of net assets. This is the amount of debt incurred during the year (10,000,000)

Governmental funds report issuance costs, bond discounts and deferred amounts on refunding as expenditures. However, these amounts are reported on the statement of net assets as deferred charges and are amortized over the life of the debt. This is the amount of amortization recognized on issuance costs, bond discounts and deferred amounts on refunding during the year. (155,762)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid exceeded current period amounts earned. 384,158

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. (114,813)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,505,983

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, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 69,647,582	\$ 69,647,582	\$ 72,000,567	\$ 2,352,985
State sources	10,065,038	10,065,038	10,213,663	148,625
Federal sources	1,629,808	1,629,808	1,486,862	(142,946)
<b>TOTAL REVENUES</b>	<b>81,342,428</b>	<b>81,342,428</b>	<b>83,701,092</b>	<b>2,358,664</b>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	35,692,991	35,260,773	34,653,070	607,703
Special programs	11,854,731	12,065,344	10,555,536	1,509,808
Vocational programs	2,177,664	2,177,664	2,072,703	104,961
Other instructional programs	2,076,570	2,064,270	1,845,244	219,026
Adult education	65,689	65,689	63,277	2,412
<b>Total instruction</b>	<b>51,867,645</b>	<b>51,633,740</b>	<b>49,189,830</b>	<b>2,443,910</b>
Support services:				
Pupil personnel services	2,903,481	2,923,332	2,831,823	91,509
Instructional staff services	3,317,633	3,172,708	2,982,656	190,052
Administrative services	3,728,090	3,651,798	3,538,106	113,692
Pupil health	816,588	866,893	820,347	46,546
Business services	1,040,038	1,093,866	1,029,438	64,428
Operation and maintenance of plant services	8,090,289	8,258,553	7,819,049	439,504
Student transportation services	6,160,591	6,170,689	5,806,406	364,283
Information services	429,385	448,500	386,263	62,237
Other support services	92,200	92,200	88,509	3,691
<b>Total Support Services</b>	<b>26,578,295</b>	<b>26,678,539</b>	<b>25,302,597</b>	<b>1,375,942</b>
Operation of noninstructional activities:				
Student activities (3200)	1,253,742	1,299,823	1,238,991	60,832
Community services (3300)	31,750	32,570	31,868	702
<b>Total Operation of Noninstructional Services</b>	<b>1,285,492</b>	<b>1,332,393</b>	<b>1,270,859</b>	<b>61,534</b>
Capital outlay (4600)	110,271	75,901	67,621	8,280
Debt service (5100)	4,733,021	4,735,521	4,652,811	82,710
<b>TOTAL EXPENDITURES</b>	<b>84,574,724</b>	<b>84,456,094</b>	<b>80,483,718</b>	<b>3,972,376</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b>(3,232,296)</b>	<b>(3,113,666)</b>	<b>3,217,374</b>	<b>6,331,040</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out (5200)	(142,276)	(360,906)	(360,843)	63
Proceeds of extended financing	-	-	64,218	64,218
Refund of prior year receipts	-	-	(82,484)	(82,484)
Budgetary reserve	(100,000)	-	-	-
<b>TOTAL OTHER FINANCING USES</b>	<b>(242,276)</b>	<b>(360,906)</b>	<b>(379,109)</b>	<b>(18,203)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,474,572)</b>	<b>(3,474,572)</b>	<b>2,838,265</b>	<b>6,312,837</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>10,712,967</b>	<b>10,712,967</b>	<b>10,712,967</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 7,238,395</b>	<b>\$ 7,238,395</b>	<b>\$ 13,551,232</b>	<b>\$ 6,312,837</b>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2008**  
**(With Comparative Data for June 30, 2007)**

	Major Fund	
	Food Service Fund	
	2008	2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 226,656	\$ 89,370
Due from other governments	54,172	83,201
Other receivables	19,585	11,266
Inventories	48,923	44,371
Total Current Assets	349,336	228,208
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	639,472	551,824
Accumulated depreciation	(288,561)	(271,690)
Capital Assets, Net	350,911	280,134
<b>TOTAL ASSETS</b>	<b>\$ 700,247</b>	<b>\$ 508,342</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 12,329	\$ 15,579
Due to other funds	280,647	183,866
Accrued salaries and benefits	2,935	2,447
Accumulated compensated absences	27,878	29,089
Deferred revenue	47,181	9,122
Total Current Liabilities	370,970	240,103
<b>NONCURRENT LIABILITIES:</b>		
Accumulated compensated absences	49,194	67,054
Total Noncurrent Liabilities	49,194	67,054
Total Liabilities	420,164	307,157
<b>NET ASSETS (DEFICIT):</b>		
Invested in capital assets, net of related debt	350,911	280,134
Unrestricted (Deficit)	(70,828)	(78,949)
Total Net Assets	280,083	201,185
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 700,247</b>	<b>\$ 508,342</b>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(With Comparative Data for the Year Ended June 30, 2007)**

	Major Fund	
	Food Service Fund	
	2008	2007
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 1,283,661	\$ 1,208,015
Total Operating Revenues	<u>1,283,661</u>	<u>1,208,015</u>
<b>OPERATING REVENUES</b>		
Salaries	812,157	746,583
Employee benefits	254,459	227,878
Supplies	807,154	706,602
Repairs and maintenance	18,940	18,333
Other operating expenses	87,768	99,470
Depreciation	16,871	35,544
Total Operating Expenses	<u>1,997,349</u>	<u>1,834,410</u>
<b>OPERATING LOSS</b>	<u>(713,688)</u>	<u>(626,395)</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	1,575	2,212
State sources	106,502	89,748
Federal sources	322,398	323,496
Total Nonoperating Revenues	<u>430,475</u>	<u>415,456</u>
<b>LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>(283,213)</u>	<u>(210,939)</u>
Transfers in	275,627	133,724
Capital contribution from capital projects	86,484	165,210
Total Transfers and Capital Contributions	<u>362,111</u>	<u>298,934</u>
<b>CHANGE IN NET ASSETS</b>	78,898	87,995
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>201,185</u>	<u>113,190</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 280,083</u>	<u>\$ 201,185</u>

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(With Comparative Data for the Year Ended June 30, 2007)**

	Major Fund	
	Food Service Fund	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,313,401	\$ 1,244,212
Payments to suppliers	(780,105)	(673,932)
Payments to employees	(988,418)	(933,008)
Payments for other operating expenses	(106,708)	(117,803)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(561,830)</b>	<b>(480,531)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	104,507	85,821
Federal sources	318,571	251,268
Transfers in	275,627	133,724
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>698,705</b>	<b>470,813</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(1,164)	(31,454)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,164)</b>	<b>(31,454)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Earnings on investments	1,575	2,212
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,575</b>	<b>2,212</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>137,286</b>	<b>(38,960)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>89,370</b>	<b>128,330</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 226,656</b>	<b>\$ 89,370</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (713,688)	\$ (626,395)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	16,871	35,544
Commodities used	34,851	44,643
(Increase) Decrease in:		
Other receivables	(8,319)	32,634
Inventories	(4,552)	4,114
Increase (Decrease) in:		
Accounts payable	(3,250)	(16,087)
Due to other funds	96,781	30,110
Accrued salaries and benefits	488	2,447
Accumulated compensated absences	(19,071)	8,896
Deferred revenue	38,059	3,563
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (561,830)</b>	<b>\$ (480,531)</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	<b>\$ 34,851</b>	<b>\$ 44,643</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:</b>		
Capital contribution from capital projects	<b>\$ 86,484</b>	<b>\$ 165,210</b>

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

**COLONIAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
JUNE 30, 2008**

	<u>Private - Purpose Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 588	\$ 316,975
Investments	<u>24,513</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,101</u></u>	<u><u>\$ 316,975</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Due to student groups	\$ -	<u><u>\$ 316,975</u></u>
<b>NET ASSETS:</b>		
Reserved for trust	<u>25,101</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 25,101</u></u>	

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

**COLONIAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(With Comparative Data For the Year Ended June 30, 2007)

	Private - Purpose Trust	
	2008	2007
ADDITIONS		
Local contributions	\$ 3,265	\$ 6,100
TOTAL ADDITIONS	3,265	6,100
DEDUCTIONS		
Fees paid and scholarships awarded	3,500	5,975
TOTAL DEDUCTIONS	3,500	5,975
CHANGE IN NET ASSETS	(235)	125
NET ASSETS, BEGINNING OF YEAR	25,336	25,211
NET ASSETS, END OF YEAR	\$ 25,101	\$ 25,336

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

COLONIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colonial School District ("The District") operates five elementary schools, one middle school and one senior high school to provide education and related services to the residents of Plymouth and 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 No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

*Entity-wide Financial Statements*

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

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

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

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

***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned.

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

***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

***Proprietary Fund***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized 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 (cont'd)

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

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

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

*Fiduciary Funds*

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organization 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 do not involve measurement of results of operations.

Cash and Cash Equivalents

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

Receivables and Payables

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

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

Property Taxes

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

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

Real estate taxes for the District are collected from the Borough of Conshohocken and the Townships of Plymouth and Whitemarsh. The tax on real estate for public school purposes for fiscal 2007-2008 was 15.99 mills (\$15.99 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Montgomery County Board of Assessments. Taxes from the Board of Conshohocken are collected by an elected tax collector, while the District is responsible for the collection of taxes from the Townships of Plymouth and Whitemarsh.

Prepaid Items and Inventories

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

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

Capital Assets

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

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

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

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

Buildings and improvements	50 years
Site improvements	15-20 years
Furniture and equipment	5-20 years
Vehicles	10 years
Library books	7 years

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

Compensated Absences

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

Long-term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Excess of Expenditures Over Appropriations

Refunds of prior year receipts in excess of general fund appropriations in the amount of \$82,484 was financed with current year revenue sources and existing fund balance.

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, 2008, the carrying amount of the District's deposits was \$6,419,404 and the bank balance was \$5,612,468. Of the bank balance, \$100,000 was

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

covered by federal depository insurance and \$5,512,468 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's Program for Local Governments (INVEST). Although not registered with the Securities and Exchange commission and not subject to regulatory oversight, PSDLAF and INVEST act like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization and is subject to an independent annual audit.

*Investments*

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

As of June 30, 2008, the District had the following investments:

Certificates of deposit due within one year - collateral held by the pledging bank's agent in the District's name - PLGIT	\$ 25,007,089
PSDLAF	<u>980,725</u>
Total	<u>\$ 25,987,814</u>

Interest Rate Risk

The District manages its exposure to fair value losses arising from increasing interest rates by investing in securities with maturity dates under one year. At June 30, 2008, the District's investments in certificates of deposit had maturity dates of less than one year.

Credit Risk

The District limits its investment choices to those with the highest credit ratings. As of June 30, 2008, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating organization.

NOTE 4 DEFERRED REVENUES

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 4 DEFERRED REVENUES (cont'd)

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

Deferred revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,543,005	\$ -	\$ -	\$ 6,543,005
Construction-in-progress	<u>831,030</u>	<u>1,179,043</u>	<u>1,266,365</u>	<u>743,708</u>
Total Capital Assets Not Being Depreciated	<u>7,374,035</u>	<u>1,179,043</u>	<u>1,266,365</u>	<u>7,286,713</u>
Capital assets being depreciated:				
Site improvements	6,078,004	1,303,355	-	7,381,359
Buildings and improvements	54,696,679	280,812	-	54,977,491
Furniture and equipment	<u>10,015,780</u>	<u>1,776,382</u>	-	<u>11,792,162</u>
Total Capital Assets Being Depreciated	<u>70,790,463</u>	<u>3,360,549</u>	-	<u>74,151,012</u>
Less accumulated depreciation for:				
Site improvements	1,716,915	139,281	-	1,856,196
Buildings and improvements	24,342,451	1,711,867	-	26,054,318
Furniture and equipment	<u>8,627,221</u>	<u>1,415,775</u>	-	<u>10,042,996</u>
Total accumulated depreciation	<u>34,686,587</u>	<u>3,266,923</u>	-	<u>37,953,510</u>
Total Capital Assets Being Depreciated, Net	<u>36,103,876</u>	<u>93,626</u>	-	<u>36,197,502</u>
Governmental Activities Assets, Net	<u>\$43,477,911</u>	<u>\$ 1,272,669</u>	<u>\$ 1,266,365</u>	<u>\$43,484,215</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 551,824	\$ 87,648	\$ -	\$ 639,472
Total Capital Assets Being Depreciated	<u>551,824</u>	<u>87,648</u>	-	<u>639,472</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>271,690</u>	<u>16,871</u>	-	<u>288,561</u>
Total accumulated depreciation	<u>271,690</u>	<u>16,871</u>	-	<u>288,561</u>
Business-type Activities, Net	<u>\$ 280,134</u>	<u>\$ 92,711</u>	<u>\$ 21,934</u>	<u>\$ 350,911</u>

COLONIAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental activities:	
Instruction	\$ 2,295,665
Instructional student support	309,644
Administrative and financial support services	238,880
Operation and maintenance of plant services	364,911
Student activities	<u>57,823</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,266,923</u>
Total Business-type Activities	<u>\$ 16,871</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

<u>Receivable From</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 280,647	Food Service Fund	\$ 280,647
General Fund	55,661	Capital Projects Fund	55,661
Capital Reserve Fund	<u>538</u>	Capital Projects Fund	<u>538</u>
	<u>\$ 336,846</u>		<u>\$ 336,846</u>

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

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>	
General Fund	Capital Projects Fund	\$ 38,455
General Fund	Food Service Fund	275,627
Capital Projects Fund	Food Service Fund	86,484
General Fund	Nonmajor fund	46,761

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Governmental Activities:</b>				
Bonds payable	\$ 43,995,000	\$ 10,000,000	\$ 2,475,000	\$ 51,520,000
Notes payable	140,000	-	26,000	114,000
Deferred amount on refunding	(824,404)	-	(110,146)	(714,258)
Bond discounts	(191,717)	-	(13,907)	(177,810)
Accumulated compensated absences/early retirement incentive	<u>2,726,698</u>	<u>914,290</u>	<u>1,379,196</u>	<u>2,261,792</u>
<b>TOTALS</b>	<u>\$ 45,845,577</u>	<u>\$ 10,914,290</u>	<u>\$ 3,756,143</u>	<u>\$ 53,003,724</u>
<b>Business-type Activity:</b>				
Accumulated compensated absences	<u>\$ 96,143</u>	<u>\$ 27,878</u>	<u>\$ 46,949</u>	<u>\$ 77,072</u>

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

General Obligation Bonds

Series of 2002A, maturing through November 15, 2014, bearing interest ranging from 1.50% to 4.00%, interest payable semi-annually on May 15 and November 15.	\$ 6,900,000
Series of 2003, maturing through November 15, 2014, bearing interest ranging from 1.10% to 3.50%, interest payable semi-annually on May 15 and November 15.	6,985,000
Series of 2004, maturing through August 15, 2015, bearing interest ranging from 1.60% to 4.25%, interest payable semi-annually on February 15 and August 15.	9,975,000
Series of 2005, maturing through September 1, 2018, bearing interest ranging from 2.80% to 3.95%, interest payable semi-annually on March 1 and September 1.	7,760,000
Series of 2006, maturing through February 15, 2025, bearing interest ranging from 3.40% to 4.25%, interest payable semi-annually on February 15 and August 15.	9,900,000

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

Series of 2008, maturing through May 15, 2025, bearing interest ranging from 3.25% to 4.00%, interest payable semi-annually on May 15 and November 15. 10,000,000

Total General Obligation Bonds 51,520,000

Note Payable

Series of 2001, maturing through August 25, 2011, bearing interest at 3.8%, interest payable monthly. 114,000

TOTAL \$ 51,634,000

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2009	\$ 2,567,000	\$ 1,880,313	\$ 4,447,313
2010	2,658,000	1,829,154	4,487,154
2011	2,754,000	1,739,909	4,493,909
2012	2,845,000	1,645,762	4,490,762
2013	2,945,000	1,547,779	4,492,779
2014-2018	16,495,000	5,958,682	22,453,682
2019-2023	18,125,000	2,694,928	20,819,928
2024-2025	3,245,000	213,570	3,458,570
	<u>\$ 51,634,000</u>	<u>\$ 17,510,097</u>	<u>\$ 69,144,097</u>

NOTE 8 PENSION PLAN

Plan Description

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 8 PENSION PLAN (cont'd)

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2008, the rate of employer contribution was 7.13 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2006, 2007 and 2008 were \$1,776,303, \$2,566,886, and \$2,817,291, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 9 OPERATING LEASES

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

Year Ending June 30,

2009	\$ 166,720
2010	166,720
2011	<u>166,720</u>
Total	<u>\$ 500,160</u>

Rental expense including short-term rentals for the year ended June 30, 2008 was \$330,724.

NOTE 10 SPECIAL TERMINATION BENEFITS

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

In order for an employee to retire and participate in a district-sponsored ERIP, the District must first decide whether or not to offer a special termination plan in the year the employee is retiring; the retiring employee must meet certain age and district service year requirements; a specified minimum number of employees must opt into the ERIP; and the retiring employee must be eligible to receive other pension benefits provided through the PSERS, described in

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 10 SPECIAL TERMINATION BENEFITS (cont'd)

Note 8. The District's current ERIP plan provides for the payment of specific dollars to be applied toward the healthcare premiums of the participating retiree and spouse for a limited number of years.

As of June 30, 2008, the District had one ERIP plan in effect. The number of participants and the present value of those benefits as of June 30, 2008 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Healthcare Premium</u>
July 1, 2006	33	<u>\$ 237,600</u>

During the year ended June 30, 2008, the cost of these benefits was \$140,384.

NOTE 11 JOINT VENTURE

The District is a participating member of the Center For Technical Studies (the "Vo-Tech"). The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of operating costs of the Vo-Tech based on the number of students attending from each district. For fiscal year ended June 30, 2008, the District's share of operating costs was \$2,072,703. The financial statements of the Vo-Tech are available from the Center for Technical Studies located at Plymouth Road and New Hope Street, Norristown, PA 19401.

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

Future rental payments are as follows:

Year Ending June 30,

2009	\$ 549,339
2010	549,311
2011	548,170
2012	550,830
2013	549,430
2014-2018	2,745,282
2019-2023	2,743,094
2024	549,413
Total	<u>8,784,869</u>
Less: Interest requirements	<u>(2,806,869)</u>
Outstanding rental payments	<u>\$ 5,978,000</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

Capital Improvement Commitments

As of June 30, 2008, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed to date are as follows:

<u>Project</u>	<u>Project Amount</u>	<u>Completed to June 30, 2008</u>	<u>Commitments</u>
Colonial Elementary - enclose courtyard, classroom renovations HVAC	\$ 7,426,255	\$ 442,235	\$ 6,984,020
Lights for stadium	122,675	-	122,675
Stadium entrance ADA and pressbox	397,113	88,908	308,205
Fire alarm systems district upgrades	<u>520,575</u>	<u>121,009</u>	<u>399,566</u>
	<u>\$ 8,466,618</u>	<u>\$ 652,152</u>	<u>\$ 7,814,466</u>

In addition, the District has incurred costs in the amount of \$91,556 for other projects that were not under a formal construction commitment as of June 30, 2008.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2007-2008 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 14 PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued several pronouncements prior to June 30, 2008 that have effective dates that may affect future financial presentations:

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements:

- GASB Statement No. 43, "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans," issued April 2004, will be effective to the District beginning with its year ended June 30, 2009. This Statement establishes uniform financial reporting standards for OPEB (other post-employment benefits) and supersedes the interim guidance included in Statement No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans."
- GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

NOTE 15 SUBSEQUENT EVENT

On January 20, 2009, the District issued bonds in the amount of \$9,260,000 for the purpose of partially refunding outstanding bonds Series A of 2002 and Series of 2003.

**SINGLE AUDIT**

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

February 12, 2009

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania as of and for the year ended June 30, 2008, and have issued our report thereon dated February 12, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Board of School Directors  
Colonial School District

Compliance and Other Matters

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

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

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

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

REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

February 12, 2009

Board of School Directors  
Colonial School District  
Plymouth Meeting, Pennsylvania

Compliance

We have audited the compliance of Colonial School District, Plymouth Meeting, Pennsylvania, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Colonial School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Colonial School District's management. Our responsibility is to express an opinion on Colonial School District's compliance based on our audit.

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

In our opinion, Colonial School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Colonial School District, Plymouth Meeting, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Colonial School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

To the Board of School Directors  
Colonial School District

procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Colonial School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

COLONIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Colonial School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the "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."
3. No instances of noncompliance relating to the financial statements of Colonial School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award program for Colonial School District expresses an unqualified opinion.
6. The auditee is considered to be a low-risk auditee. The dollar threshold for determining a Type A program is \$300,000.
7. The program tested as a major program was:

<u>Program Name</u>	<u>CFDA #</u>
IDEA B	84.027

**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.

**COLONIAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS  
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2007	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2008
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed through PA Department of Education										
Title I	I	84.010	013-07-0091	07/01/06 - 09/30/07	\$ 396,916	\$ 103,814	\$ 44,568	\$ 59,246	\$ 59,246	\$ -
Title I	I	84.010	013-08-0091	07/01/07 - 09/30/08	454,287	292,055	-	324,249	324,249	32,194
Title I - Academic Achievement	I	84.010	077-07-0091	07/01/06 - 09/30/07	4,152	4,152	-	4,152	4,152	-
Title II - Improving Teacher Quality	I	84.367	020-07-0091	07/01/06 - 09/30/07	172,597	11,496	11,496	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-08-0091	07/01/07 - 09/30/08	174,209	161,766	-	174,209	174,209	12,443
Title II Education Technology	I	84.318	055-07-0091	07/01/06 - 09/30/07	45,000	15,000	15,000	-	-	-
Drug-Free Schools	I	84.186	100-07-0091	07/01/06 - 09/30/07	13,075	4,670	4,670	-	-	-
Drug-Free Schools	I	84.186	100-08-0091	07/01/07 - 09/30/08	12,640	7,584	-	12,640	12,640	5,056
Title V - Innovative Education	I	84.298	011-08-0091	07/01/07 - 09/30/08	-	4,449	-	4,449	4,449	-
Passed through Capital Area I.U.										
Title II O Education Technology	I	84.318	055-08-0091	07/01/07 - 09/30/08	30,000	30,000	-	30,000	30,000	-
Passed through Midwestern I.U.										
Mini-Grant	I	84.012	-	07/01/07 - 06/30/08	1,000	600	-	600	600	-
Passed through Montgomery County I.U.										
I.D.E.A.	I	84.027	062-07-0025	07/01/06 - 06/30/07	823,793	66,414	66,414	-	-	-
I.D.E.A.	I	84.027	062-08-0025	07/01/07 - 06/30/08	845,076	501,256	-	845,076	845,076	343,820
Title III	I	84.365	010-06-1523	07/01/05 - 06/30/06	8,174	3,740	737	3,003	3,003	-
Title III	I	84.365	010-07-1523	07/01/06 - 06/30/07	13,712	-	-	13,712	13,712	13,712
Title III	I	84.365	010-08-1523	07/01/07 - 06/30/08	14,268	-	-	9,679	9,679	9,679
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>										
						1,206,996	142,885	1,481,015	1,481,015	416,904
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Passed through PA Department of Agriculture										
Value of USDA Commodities	I	10.550	N/A	N/A	N/A	28,298	(11,064)	29,851	29,851	(9,511)
Passed through PA Department of										
National Lunch School Program	I	10.555	N/A	07/01/06 - 06/30/07	N/A	64,062	64,062	-	-	-
National Lunch School Program	I	10.555	N/A	07/01/08 - 06/30/08	N/A	210,755	-	250,230	250,230	39,475
Breakfast Program	I	10.553	N/A	07/01/06 - 06/30/07	N/A	8,152	8,152	-	-	-
Breakfast Program	I	10.553	N/A	07/01/07 - 06/30/08	N/A	32,789	-	38,630	38,630	5,841
Summer Food	I	10.559	N/A	07/01/07 - 06/30/08	N/A	2,813	-	3,687	3,687	874
State Matching Share	S	N/A	N/A	07/01/06 - 06/30/07	N/A	10,889	10,889	-	-	-
State Matching Share	S	N/A	N/A	07/01/07 - 06/30/08	N/A	41,661	-	49,642	49,642	7,981
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>										
						399,419	72,039	372,040	372,040	44,660
<b>TOTAL FEDERAL AWARDS</b>										
						\$ 1,606,415	\$ 214,924	\$ 1,853,055	\$ 1,853,055	\$ 461,564

Source Codes  
D- Direct Funding  
I- Indirect Funding  
S- State Share

Footnotes:  
a) Total amount of commodities received from U.S. Department of Agriculture.  
b) Beginning inventory at July 1.  
c) Total amount of commodities used.  
d) Ending inventory at June 30.

COLONIAL SCHOOL DISTRICT

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

NOTE A SCOPE OF SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.550, Value of USDA Commodities, represent surplus food consumed by the District during the 2007-2008 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, 2008 was \$5,847.