



**Colonial School District
Plymouth Meeting, Pennsylvania
Montgomery County**

Financial Statements
Year Ended June 30, 2021



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COLONIAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**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, 2021, and the related notes to the financial statements, which collectively comprise Colonial School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 13 to the financial statements, Colonial School District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Colonial School District's 2020 financial statements, and our report dated November 16, 2020 expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan PSERS contributions on pages 3 through 14 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colonial School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Colonial School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colonial School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
November 18, 2021**

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Management's discussion and analysis ("**MD&A**") of the financial performance of the Colonial School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of seven schools – five elementary schools, one middle school and one senior high school consisting of approximately 5,200 students. The District is located in eastern Montgomery County, and is comprised of the Borough of Conshohocken and the Townships of Plymouth and Whitemarsh. The District covers 30.0 square miles and is approximately 55 miles southeast of Reading, Pennsylvania; 15 miles northwest of Center City Philadelphia, Pennsylvania; 25 miles north of West Chester, Pennsylvania; 10 miles northwest of Valley Forge, Pennsylvania; and 45 miles south of Allentown, Pennsylvania. There are approximately 858 employees in the District, including 418 teachers, 44 administrators and 396 other employees, which include secretaries, custodial staff, maintenance staff, cafeteria staff, transportation staff and instructional aides.

The mission of the District is to be an innovative educational leader in preparing students to become life-long learners who are successful, contributing members of society. The quest for excellence will be achieved by promoting collaboration among all stakeholders in a mutually supportive and positive learning environment in which every member is engaged, inspired, challenged and driven by integrity and a desire to create a better future.

FINANCIAL HIGHLIGHTS

- The outbreak of the novel strain of coronavirus ("**COVID-19**"), which was identified in December 2019 and had a major impact on the 2019-2020 fiscal year, continued to have a major impact on the District during the 2020-2021 fiscal year. The school year started with 100% virtual instruction and not until October 2020 did students return to in-school instruction under a hybrid schedule that had students attending on alternate days to promote social distancing in the buildings. April 2021 marked the first month all students returned to the schools for in-person instruction. The Family First Corona Relief Act ("**FFCRA**"), authorized by the Federal Government, allowed all employees affected by COVID-19 the ability to take a leave of absence through December 31, 2020. This leave provision was utilized by approximately 40 employees, which complicated the staffing of schools. In addition to the wages and benefits of employees, COVID-19 also affected contracted services, transportation, facilities expenses, professional services, supplies and tuition expenses due to the extraordinary nature of the instructional model.
- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$125,808,998. During the 2020-2021 fiscal year, the District had a decrease in total net position of \$176,302. The net position of governmental activities decreased by \$308,218 and net position of business-type activities increased by \$131,916.
- The General Fund reported an increase in fund balance of \$6,762,859, bringing the cumulative balance to \$39,400,520 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$91,624 which is considered nonspendable, \$14,520 restricted for athletics, \$3,942,035 committed for employer retirement rate stabilization, \$2,044,870 committed for healthcare rate stabilization, \$3,425,328 for other post-employment benefits, \$1,000,000 committed for tax assessment appeals, \$6,000,000 committed for COVID-19 related expenditures, \$3,250,000 assigned for non-recurring expenditures and unassigned amounts of \$19,632,143.
- Total General Fund revenues and other financing sources were \$4,344,451 or 3.21% more than budgeted amounts and total General Fund expenditures and other financing uses were \$5,587,594 or 4.04% less than budgeted amounts resulting in a net positive variance of \$9,932,045. Local revenues were projected to be impacted by the depressed economy caused by the COVID-19 shutdown. Many assessment appeals initiated by the School District were settled in the District's favor between October 2020 and April 2021 due to the Montgomery Court's initiative to have virtual settlement meetings.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses an Internal Service Fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 24 and 25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 26 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information can be found on Pages 50 through 55 of this report.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$125,632,696. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 91,940,661	\$ 81,589,431	\$ 629,255	\$ 765,935	\$ 92,569,916	\$ 82,355,366
Noncurrent assets	168,983,114	132,160,990	56,539	63,568	169,039,653	132,224,558
Total assets	<u>260,923,775</u>	<u>213,750,421</u>	<u>685,794</u>	<u>829,503</u>	<u>261,609,569</u>	<u>214,579,924</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,337,903</u>	<u>40,743,438</u>	<u>411,009</u>	<u>396,319</u>	<u>35,748,912</u>	<u>41,139,757</u>
LIABILITIES						
Current liabilities	27,427,623	23,094,125	137,093	128,874	27,564,716	23,222,999
Noncurrent liabilities	387,355,242	347,624,374	2,824,302	3,102,658	390,179,544	350,727,032
Total liabilities	<u>414,782,865</u>	<u>370,718,499</u>	<u>2,961,395</u>	<u>3,231,532</u>	<u>417,744,260</u>	<u>373,950,031</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,303,038</u>	<u>7,291,367</u>	<u>120,181</u>	<u>110,979</u>	<u>5,423,219</u>	<u>7,402,346</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	25,359,478	29,259,073	56,539	63,568	25,416,017	29,322,641
Restricted	1,448,414	1,581,514	-	-	1,448,414	1,581,514
Unrestricted (deficit)	<u>(150,632,117)</u>	<u>(154,356,594)</u>	<u>(2,041,312)</u>	<u>(2,180,257)</u>	<u>(152,673,429)</u>	<u>(156,536,851)</u>
Total net position (deficit)	<u>\$(123,824,225)</u>	<u>\$(123,516,007)</u>	<u>\$(1,984,773)</u>	<u>\$(2,116,689)</u>	<u>\$(125,808,998)</u>	<u>\$(125,632,696)</u>

The District's total assets as of June 30, 2021 were \$261,609,569 of which \$77,165,207 or 29.50% consisted of cash and \$169,039,653 or 64.62% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$417,744,260 of which \$163,750,967 or 39.20% consisted of general obligation debt used to acquire and construct capital assets and \$200,156,600 or 47.91% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$152,673,429 as of June 30, 2021. The District's unrestricted net position increased by \$3,863,422 during 2020-2021 primarily due to the current year results of operations net of the current year change in the pension and OPEB liabilities and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$1,448,414 as of June 30, 2021. All of the District's restricted net position related to amounts restricted for capital and athletic expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; 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. For the year ended June 30, 2021, the District's net investment in capital assets, net of related debt, decreased by \$3,906,624 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 2,254,079	\$ 1,650,097	\$ 175,116	\$ 1,004,454	\$ 2,429,195	\$ 2,654,551
Operating grants and contributions	20,999,708	18,264,267	1,453,997	906,878	22,453,705	19,171,145
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	95,897,129	91,508,444	-	-	95,897,129	91,508,444
Earned income taxes levied for general purposes	10,804,319	9,340,045	-	-	10,804,319	9,340,045
Other taxes levied for general purposes	2,993,111	3,435,702	-	-	2,993,111	3,435,702
Grants and entitlements not restricted to specific programs	6,594,234	6,574,618	-	-	6,594,234	6,574,618
Investment earnings	121,536	1,266,396	-	11,436	121,536	1,277,832
Total revenues	<u>139,664,116</u>	<u>132,039,569</u>	<u>1,629,113</u>	<u>1,922,768</u>	<u>141,293,229</u>	<u>133,962,337</u>
EXPENSES						
Instruction	86,984,486	83,088,293	-	-	86,984,486	83,088,293
Instructional student support services	11,336,198	11,417,709	-	-	11,336,198	11,417,709
Administrative and financial support services	12,780,749	12,927,009	-	-	12,780,749	12,927,009
Operation and maintenance of plant services	9,886,747	10,156,937	-	-	9,886,747	10,156,937
Pupil transportation	5,440,903	5,114,093	-	-	5,440,903	5,114,093
Student activities	1,600,162	1,809,998	-	-	1,600,162	1,809,998
Community services	21,066	64,627	-	-	21,066	64,627
Interest and amortization expense related to noncurrent liabilities	11,922,023	3,493,797	-	-	11,922,023	3,493,797
Food service	-	-	1,497,197	2,120,069	1,497,197	2,120,069
Total expenses	<u>139,972,334</u>	<u>128,072,463</u>	<u>1,497,197</u>	<u>2,120,069</u>	<u>141,469,531</u>	<u>130,192,532</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (308,218)</u>	<u>\$ 3,967,106</u>	<u>\$ 131,916</u>	<u>\$ (197,301)</u>	<u>\$ (176,302)</u>	<u>\$ 3,769,805</u>

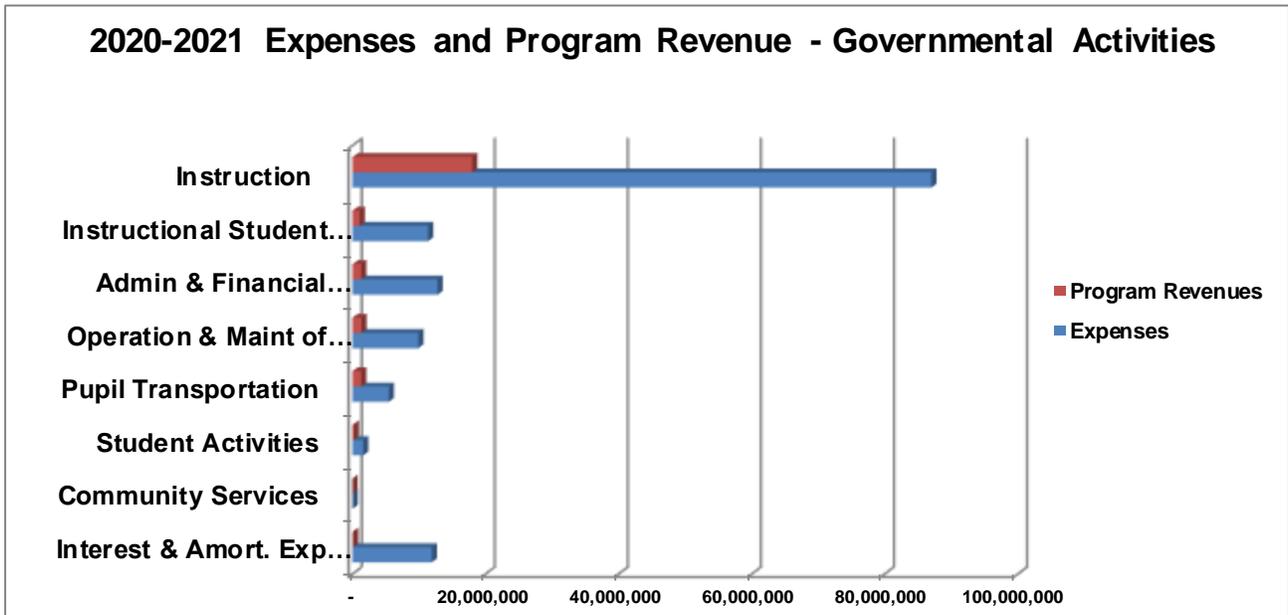
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing whose growth has continued in recent years. Although the District is primarily a residential community, the District also has a substantial property tax base derived from commercial facilities.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.

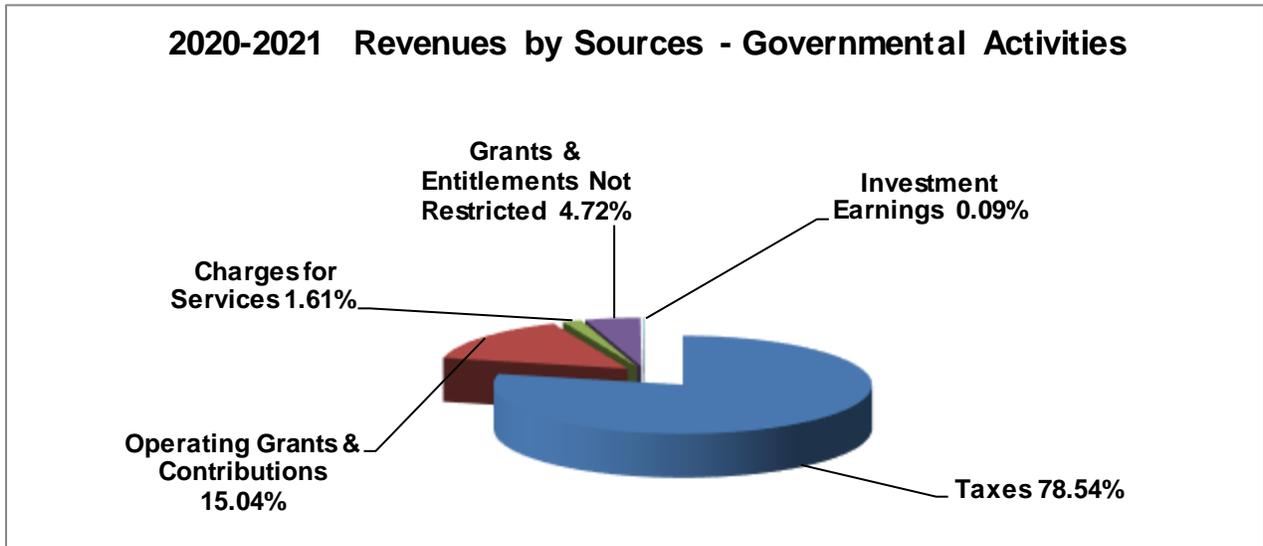
COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues and grants and entitlements not restricted for specific programs to finance its governmental activities.



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$61,511,509 which is an increase of \$4,592,847 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

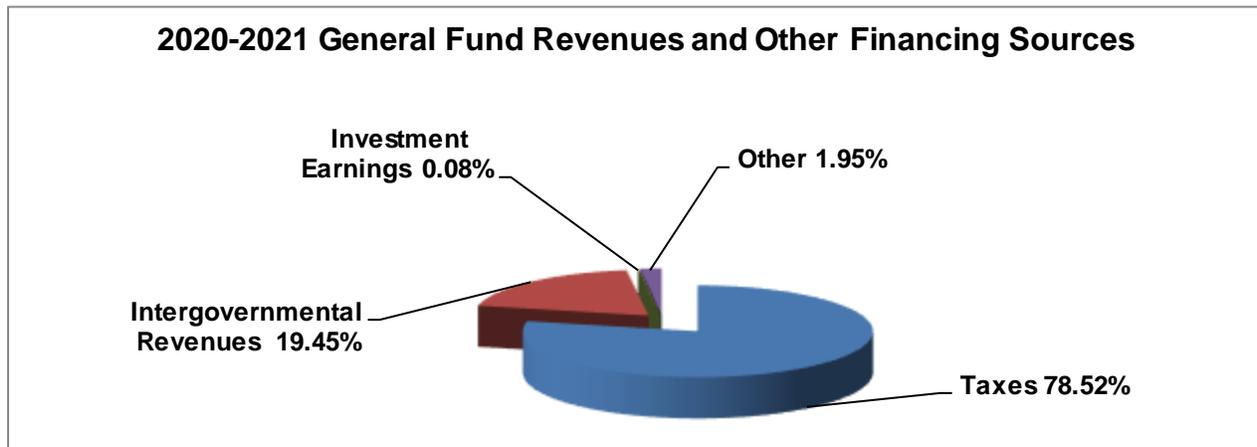
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>
General Fund	\$39,400,520	\$32,637,661	\$ 6,762,859
Capital Projects Fund	<u>22,110,989</u>	<u>24,281,001</u>	<u>(2,170,012)</u>
	<u>\$61,511,509</u>	<u>\$56,918,662</u>	<u>\$ 4,592,847</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$39,400,520 representing an increase of \$6,762,859 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 78.52% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$109,561,197	\$104,196,605	\$5,364,592	5.15
Intergovernmental revenues	27,136,052	24,155,032	2,981,020	12.34
Investment earnings	109,973	1,090,949	(980,976)	(89.92)
Other	<u>2,726,968</u>	<u>2,349,400</u>	<u>377,568</u>	<u>16.07</u>
	<u>\$139,534,190</u>	<u>\$131,791,986</u>	<u>\$7,742,204</u>	<u>5.87</u>

Net tax revenues increased by \$5,364,592 or 5.15% due to several factors. A millage increase of 2.60% in 2020-2021, tax assessment base growth, interim tax collections, an increase in collections for earned income taxes accounted for a majority of the current year increase in tax revenues.

Unanticipated sales of numerous large properties within the District occurred during 2020-2021 and 2019-2020 which resulted in large amounts of transfer taxes collected by the District. These sales are unforeseen and not expected to occur every year.

Delinquent taxes increased \$2,502,980 or 189.01%, compared to prior year due to the settlement and collection of many court-stipulated real estate tax appeals which cover numerous tax years.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

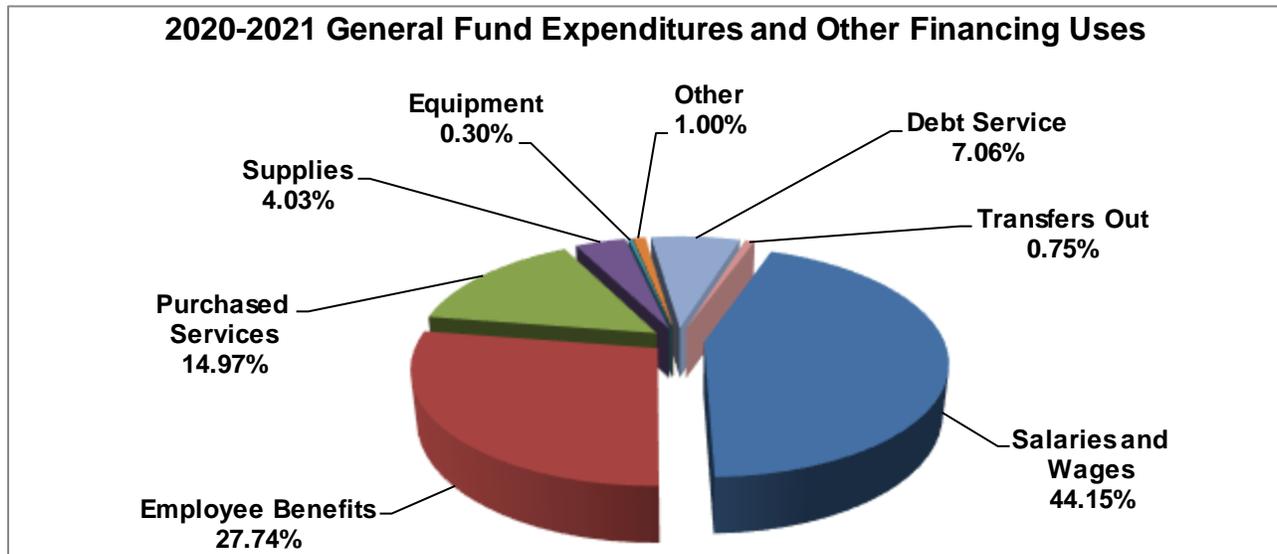
June 30, 2021

The following table summarizes changes in the District's tax revenues for 2021 compared to 2020:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$ 91,279,756	\$ 89,472,353	\$1,807,403	2.02
Interim tax	656,777	624,251	32,526	5.21
PURTA tax	98,816	87,496	11,320	12.94
PILOT tax	43,115	49,823	(6,708)	(13.46)
Earned income tax	10,804,319	9,340,045	1,464,274	15.68
Realty transfer tax	2,791,737	3,177,557	(385,820)	(12.14)
Amusement tax	59,443	120,826	(61,383)	(50.80)
Delinquent real estate tax	<u>3,827,234</u>	<u>1,324,254</u>	<u>2,502,980</u>	<u>189.01</u>
	<u>\$109,561,197</u>	<u>\$104,196,605</u>	<u>\$5,364,592</u>	<u>5.15</u>

Intergovernmental revenues increased primarily due to additional governmental funding received to aid with additional costs incurred associated with COVID-19.

Investment earnings decreased significantly compared to the prior year due to the current unfavorable economic conditions resulting in decreased interest rates with the District's financial depositories.



General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 58,619,422	\$ 57,106,269	\$ 1,513,153	2.65
Employee benefits	36,824,952	35,384,026	1,440,926	4.07
Purchased services	19,880,710	19,599,986	280,724	1.43
Supplies	5,351,525	4,081,128	1,270,397	31.13
Equipment	394,787	230,317	164,470	71.41
Other	1,320,393	208,750	1,111,643	532.52
Debt service	9,379,542	7,952,152	1,427,390	17.95
Transfers out	<u>1,000,000</u>	<u>2,000,000</u>	<u>(1,000,000)</u>	<u>(50.00)</u>
	<u>\$132,771,331</u>	<u>\$126,562,628</u>	<u>\$ 6,208,703</u>	<u>4.91</u>

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Salaries and wages increased by \$1,513,153 or 2.65% in 2020-2021 compared to 2019-2020 as a result of scheduled salary increases within the District's negotiated collective bargaining agreement as well as increases for other staff. A positive variance was realized due to several unplanned retirements and employees on FFCRA leave.

Employee benefits increased by \$1,440,926 or 4.07% primarily due to an increase in the required annual retirement contribution to 34.51% from 34.29% which represents a 0.64% increase from the prior year. Increase in healthcare of 7.93% and prescription drug premiums of 7.67% also attributed to the additional employee benefit expenditures.

Purchased services increased by \$280,724 or 1.43% overall but details reflect significant savings in transportation services as a direct result of the virtual instruction provided by the District through October. The District's transportation contractor was only compensated for fixed costs during this period. Increased costs were incurred for the purchase and leasing of additional technology for students learning in a virtual environment. The cost of tuition to charter schools also grew more than expected as students enrolled in cyber charter schools in lieu of the District program.

Supplies includes all instructional and operational supplies, utilities, textbooks, instructional and administrative software, and all equipment purchases that are valued at less than \$5,000 and increased by \$1,270,397 or 31.13% related to the supplies and equipment needed to disinfect and sanitize the schools due to COVID-19 and enable students and teachers to return to the buildings. COVID-19 related costs were funded by additional federal COVID-19 funds received.

Equipment expenditures increased by \$164,470 or 71.41% as a direct result of the COVID-19 pandemic as new sanitizing equipment and additional classroom furniture were purchased to comply with recommended social distancing. COVID-19 related costs were funded by additional federal pandemic funds received.

Debt service expenditures increased by \$1,427,390 or 17.95% consistent with scheduled debt service maturities on existing and new general obligation debt. The new debt was issued to fund the construction of new Colonial Middle School.

Transfers out in 2020-2021 and 2019-2020 were transfers to the Capital Reserve Fund to fund the construction projects various building projects including the paving and lighting project at the Plymouth Whitmarsh High School and parking lot repaving at three elementary schools.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$2,170,012 due to capital expenditures in excess of proceeds from the issuance of general obligation debt and transfers from the General Fund. The remaining fund balance of \$22,110,989 as of June 30, 2021 is restricted for future capital expenditures, namely the New Colonial Middle School.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Total General Fund revenues and other financing sources were \$4,344,451 or 3.21% more than budgeted amounts and total General Fund expenditures and other financing uses were \$5,587,594 or 4.04% less than budgeted amounts resulting in a net positive variance of \$9,932,045. Major budgetary highlights for 2020-2021 were as follows:

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- Total local source revenues were \$3,071,399 more than budgeted amounts due to collections for real estate, earned income, realty transfer taxes and the settlement of real estate assessment appeals. Several revenue accounts realized a negative variance due to the pandemic, i.e., Facility Rentals. Interest earnings were significantly less than projected due to the low interest rate economy.
- Total state source revenues were \$392,143 less than budgeted amounts primarily due to subsidies received being less than anticipated for retirement contributions, which are reimbursed at 50% of the benefit expense. In addition, the subsidy for court placed students received was less than budget by \$180,773 or 45.00% decrease.
- Total federal source revenues were approximately \$1,666,195 more than originally budgeted due to federal coronavirus and economic assistance grants received being more than anticipated. Several sources of revenue were received indirectly through intermediary organizations.
- Total special education expenditures were \$1,053,235 less than budgeted amounts due to the virtual nature of instruction and anticipated special education costs for contracted services and tuition to outside education agencies trending down due to COVID-19. Special education expenditures were less than budget also due to the retirement of employees at an unanticipated rate presumably as a result of COVID-19.
- Overall expenditures were \$7,240,768 less than budgeted and can be attributed to disruptions related to COVID-19 caused by operating under virtual, hybrid and in-person learning models as conditions permitted.
- Total debt service expenditures were \$262,749 less than budget due to savings related to refunding opportunities on general obligation debt.
- Total transfers out were \$931,000 more than budget due to an unbudgeted transfer of unassigned fund balance to the Capital Reserve Fund to fund the construction projects at Plymouth Whitemarsh High School, Colonial Elementary School and three elementary school parking lots.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

The net position of the business-type activities and food service fund increased by \$131,916 as a result of the operations. As of June 30, 2021, the business-type activities and food service fund had a deficit in net position of \$1,984,773. The deficit in net position correlates to the Food Service Fund and business-type activities recording its proportionate share of the net pension and OPEB liabilities in the Pennsylvania State Employees' Retirement System ("**PSERS**").

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$169,039,653 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment, library books and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was \$36,815,095 or 27.84%.

Current year capital additions were \$40,164,496 and depreciation expense was \$3,349,401.

Major capital additions for the current fiscal year include the following:

- | | |
|---|--------------|
| • New Colonial Middle School – Construction in Progress | \$38,851,471 |
| • High School parking lot and lighting | \$ 731,722 |

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$163,750,967 consisting of \$150,335,000 in bonds payable and net deferred credits of \$13,415,967. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$39,253,797 or 31.53% during the fiscal year. The increase was the result of the issuance of new general obligation bonds, the proceeds of which will be primarily used for the construction of the new Colonial Middle School and to fund the termination of the interest rate hedges from the 2018 parameters related to the Series of 2020 Bonds.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$163,750,967 is within the current debt limitation of the District which was \$300,275,384 as of June 30, 2021.

The District maintains a Aaa (Stable Outlook) from Moody's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$200,156,600 as of June 30, 2021. The District's net pension liability increased by \$9,844,951 or 5.17% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$21,535,837 as of June 30, 2021. The District's OPEB liability increased by \$2,353,767 or 12.27% during the fiscal year.

The District's liability for compensated absences totaled \$4,736,140 as of June 30, 2021. This liability decreased by \$409,353 or 7.96% during the fiscal year.

During the fiscal year, the District terminated its cash settled forward interest rate swap designed to manage interest rate risk and cost and intended to hedge interest rates on the future issuance of general obligation bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The primary factor that has impacted the School District, as well as the entire world, is the COVID-19 Pandemic. Pennsylvania Schools were closed on March 13, 2020 through June, 2020. The District opened the 2020-2021 school year virtually and plan to transition half the student population back to school as permitted on the hybrid method.
 - The 2020-2021 school year was the last year of the Collective Bargaining Agreement ("**CBA**") with the Colonial Education Association ("**CEA**"), the teacher's union. A new collective bargaining agreement was negotiated and the contract began in August 2021.
 - The District adopted a balanced budget for 2021-2022 totaling \$140,816,988 which used \$3,100,523 of General Fund fund balance and the real estate tax millage was increased to 0.631 mills or 2.71%.
 - In 2006, Act 1 was passed which repealed Act 72, and provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of real estate tax revenues or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (3.00% for Colonial School District for 2021-2022), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
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COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to PSERS. The 2017 law took effect in July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2022-2023 is projected at 35.79%. Currently, the employer contribution rate for 2021-2022 34.94%.
- The District is starting to see some change and positive results from growth in the economy. Commercial and residential development has started to take place and additional projects are currently in the pipeline at the municipal level. This will have a positive impact in terms of real estate tax collection, interim tax collection and earned income tax collection. However, with some of this development comes the potential for additional students, but the vast majority of the housing and residential development is geared toward young working professionals.
- Investment earnings continue to decline as the interest rate market is near record lows. Certainly not to be overlooked is the lack of sufficient state funding to the District. The District has seen its basic education and special education increase slightly due to a new funding formula; however, state mandates still exceed state reimbursement.
- The District has experienced high healthcare utilization with its medical and prescription healthcare in recent history; 2019-2020 represented improved healthcare utilization due to the shutdown of nonessential medical services due to COVID-19, but despite the short-term results, an increase was reflected in the 2020-2021 budget. The District is a member of the Bucks-Mont Health Insurance Consortium, utilizing their administration of the benefits programs (healthcare and prescription) for employees. There are several other school entities included in the consortium and rate increases are based on the utilization of the entire consortium. As such, the District maintains a net position within the Internal Service Fund, which is calculated by comparing the total payments made to the fund from the District to the actual health costs of healthcare/prescription claims paid to its members. As of June 30, 2021, the balance of the fund was \$4,037,460. This is an increase of \$1,786,239 from the prior year fund balance at June 30, 2020 of \$2,251,221.
- With the completion of renovations at the Plymouth Whitemarsh High School and West Gymnasium projects, the District is currently constructing the new Colonial Middle School. The new school is located directly behind the existing middle school. Construction started in October 2019. The financing plan for the new building includes three separate bond issues over the next three years that will have an impact on the District's debt service and therefore the annual budget in 2019-2020, 2020-2021 and 2021-2022. Additionally, various renovation projects were completed at Colonial Elementary School. These include repairs to the roof, improvements to the cafeteria and classroom expansion. Parking lot renovations including lighting upgrades at Plymouth Whitemarsh High School and Colonial Elementary were started in May and were completed in late 2020.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to District Business Office, Colonial School District, 230 Flourtown Road, Plymouth Meeting, PA 19462.

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 76,456,457	\$ 708,750	\$ 77,165,207	\$ 60,118,485
Investments	-	-	-	10,100,000
Taxes receivable	2,247,666	-	2,247,666	1,088,444
Due from other governments	5,687,739	-	5,687,739	4,380,063
Internal balances	214,482	(214,482)	-	-
Other receivables	2,599,769	69,424	2,669,193	1,923,638
Prepaid expenses	4,734,548	-	4,734,548	4,660,342
Inventories	-	65,563	65,563	84,394
Total current assets	91,940,661	629,255	92,569,916	82,355,366
NONCURRENT ASSETS				
Capital assets, net	168,983,114	56,539	169,039,653	132,224,558
Total assets	260,923,775	685,794	261,609,569	214,579,924
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	55,700	-	55,700	76,572
Accumulated decrease in fair value of hedging derivatives	-	-	-	11,590,650
Deferred charges OPEB - single employer	3,518,326	1,376	3,519,702	2,392,403
Deferred charges on proportionate share of OPEB - PSERS	1,091,621	23,709	1,115,330	1,066,718
Deferred charges on proportionate share of pension - PSERS	30,672,256	385,924	31,058,180	26,013,414
Total deferred outflows of resources	35,337,903	411,009	35,748,912	41,139,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	9,281,861	31,251	9,313,112	5,827,881
Accrued salaries, payroll withholdings and benefits	16,097,013	-	16,097,013	15,635,368
Accrued interest payable	1,852,817	-	1,852,817	1,373,101
Grants received in advance	79,400	-	79,400	133,776
Unearned revenue	-	105,842	105,842	113,564
Other liabilities	116,532	-	116,532	139,309
Total current liabilities	27,427,623	137,093	27,564,716	23,222,999
NONCURRENT LIABILITIES				
Due within one year	5,300,841	-	5,300,841	4,755,573
Due in more than one year	382,054,401	2,824,302	384,878,703	345,971,459
Total noncurrent liabilities	387,355,242	2,824,302	390,179,544	350,727,032
Total liabilities	414,782,865	2,961,395	417,744,260	373,950,031
DEFERRED INFLOWS OF RESOURCES				
Deferred credits OPEB - single employer	260,312	54,907	315,219	292,346
Deferred credits on proportionate share of OPEB - PSERS	199,663	4,337	204,000	257,000
Deferred credits on proportionate share of pension - PSERS	4,843,063	60,937	4,904,000	6,853,000
Total deferred inflows of resources	5,303,038	120,181	5,423,219	7,402,346
NET POSITION (DEFICIT)				
Net investment in capital assets	25,359,478	56,539	25,416,017	29,322,641
Restricted	1,448,414	-	1,448,414	1,581,514
Unrestricted (deficit)	(150,632,117)	(2,041,312)	(152,673,429)	(156,536,851)
Total net position (deficit)	\$ (123,824,225)	\$ (1,984,773)	\$ (125,808,998)	\$ (125,632,696)

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			2021	2020
	Services	Contributions	Contributions	Activities	Activities			
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 86,984,486	\$ 1,794,647	\$ 16,191,648	\$ -	\$ (68,998,191)	\$ -	\$ (68,998,191)	\$ (69,674,459)
Instructional student support services	11,336,198	-	1,073,289	-	(10,262,909)	-	(10,262,909)	(10,508,957)
Administrative and financial support services	12,780,749	26,355	1,255,812	-	(11,498,582)	-	(11,498,582)	(11,902,357)
Operation and maintenance of plant services	9,886,747	407,162	914,730	-	(8,564,855)	-	(8,564,855)	(7,383,520)
Pupil transportation	5,440,903	-	1,293,918	-	(4,146,985)	-	(4,146,985)	(3,660,501)
Student activities	1,600,162	25,915	155,756	-	(1,418,491)	-	(1,418,491)	(1,624,763)
Community services	21,066	-	-	-	(21,066)	-	(21,066)	(56,602)
Interest, swap termination fees and amortization expense related to noncurrent liabilities	11,922,023	-	114,555	-	(11,807,468)	-	(11,807,468)	(3,346,940)
Total governmental activities	<u>139,972,334</u>	<u>2,254,079</u>	<u>20,999,708</u>	<u>-</u>	<u>(116,718,547)</u>	<u>-</u>	<u>(116,718,547)</u>	<u>(108,158,099)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,497,197	175,116	1,453,997	-	-	131,916	131,916	(208,737)
Total primary government	<u>\$ 141,469,531</u>	<u>\$ 2,429,195</u>	<u>\$ 22,453,705</u>	<u>\$ -</u>	<u>(116,718,547)</u>	<u>131,916</u>	<u>(116,586,631)</u>	<u>(108,366,836)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					95,897,129	-	95,897,129	91,508,444
Earned income taxes levied for general purposes					10,804,319	-	10,804,319	9,340,045
Other taxes levied for general purposes					2,993,111	-	2,993,111	3,435,702
Grants and entitlements not restricted to specific programs					6,594,234	-	6,594,234	6,574,618
Investment earnings					121,536	-	121,536	1,277,832
Total general revenues					<u>116,410,329</u>	<u>-</u>	<u>116,410,329</u>	<u>112,136,641</u>
CHANGE IN NET POSITION (DEFICIT)					(308,218)	131,916	(176,302)	3,769,805
NET POSITION (DEFICIT)								
Beginning of year					(123,516,007)	(2,116,689)	(125,632,696)	(129,402,501)
End of year					<u>\$ (123,824,225)</u>	<u>\$ (1,984,773)</u>	<u>\$ (125,808,998)</u>	<u>\$ (125,632,696)</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Major Funds		Totals	
	General	Capital	2021	2020
	Fund	Projects		
ASSETS				
Cash	\$ 49,141,777	\$ 27,314,680	\$ 76,456,457	\$ 59,068,375
Investments	-	-	-	10,100,000
Taxes receivable	2,247,666	-	2,247,666	1,088,444
Due from other funds	478,176	2,920	481,096	704,341
Due from other governments	5,687,739	-	5,687,739	4,380,063
Other receivables	2,599,769	-	2,599,769	1,860,454
Prepaid items	91,624	605,464	697,088	2,409,121
Total assets	\$ 60,246,751	\$ 27,923,064	\$ 88,169,815	\$ 79,610,798
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,490,602	\$ 5,791,259	\$ 9,281,861	\$ 5,812,571
Due to other funds	245,798	20,816	266,614	272,588
Accrued salaries, payroll withholdings and benefits	16,097,013	-	16,097,013	15,635,368
Grants received in advance	79,400	-	79,400	133,776
Other liabilities	116,532	-	116,532	139,309
Total liabilities	20,029,345	5,812,075	25,841,420	21,993,612
DEFERRED INFLOW OF RESOURCES				
Unavailable revenues - property taxes	771,886	-	771,886	638,524
Unavailable revenues - other receivables	45,000	-	45,000	60,000
Total deferred inflows of resources	816,886	-	816,886	698,524
FUND BALANCES				
Nonspendable				
Prepaid items	91,624	605,464	697,088	2,409,121
Restricted for				
Capital projects	-	21,505,525	21,505,525	23,076,326
Athletics	14,520	-	14,520	23,869
Committed to				
Employer retirement rate stabilization	3,942,035	-	3,942,035	3,942,035
Healthcare rate stabilization	2,044,870	-	2,044,870	2,044,870
Other post-employment benefits	3,425,328	-	3,425,328	3,425,328
Tax assessment appeals	1,000,000	-	1,000,000	1,000,000
COVID-19 expenditures	6,000,000	-	6,000,000	-
Assigned for				
Non-recurring expenditures	3,250,000	-	3,250,000	3,250,000
Unassigned	19,632,143	-	19,632,143	17,747,113
Total fund balances	39,400,520	22,110,989	61,511,509	56,918,662
Total liabilities, deferred inflows of resources and fund balances	\$ 60,246,751	\$ 27,923,064	\$ 88,169,815	\$ 79,610,798

See accompanying notes

COLONIAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 61,511,509
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	168,983,114
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	55,700
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	29,979,165
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 reported as deferred inflows of resources on the governmental funds balance sheet.	816,886
The Internal Service Fund is used by management to charge the cost of health insurance and prescription claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the governmental funds balance sheet.	4,037,460
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(387,355,242)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,852,817)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (123,824,225)</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Major Funds		Totals	
	General	Capital	2021	2020
	Fund	Projects		
REVENUES				
Local sources	\$ 112,400,537	\$ 11,563	\$ 112,412,100	\$ 107,811,952
State sources	22,705,320	-	22,705,320	22,226,399
Federal sources	4,428,333	-	4,428,333	1,928,632
Total revenues	<u>139,534,190</u>	<u>11,563</u>	<u>139,545,753</u>	<u>131,966,983</u>
EXPENDITURES				
Current				
Instruction	81,917,232	-	81,917,232	78,282,991
Support services	37,688,421	921,072	38,609,493	37,054,948
Operation of noninstructional services	1,587,379	-	1,587,379	1,827,927
Facilities acquisition, construction and improvement services	130	39,472,407	39,472,537	19,848,473
Debt service	9,379,542	7,248,000	16,627,542	7,952,152
Total expenditures	<u>130,572,704</u>	<u>47,641,479</u>	<u>178,214,183</u>	<u>144,966,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,961,486</u>	<u>(47,629,916)</u>	<u>(38,668,430)</u>	<u>(12,999,508)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	41,635,000	41,635,000	29,505,000
Issuance of debt - refunding	-	8,425,000	8,425,000	18,645,000
Repayment of debt - refunding	-	(9,534,937)	(9,534,937)	(19,258,182)
Bond premiums	-	3,934,841	3,934,841	6,184,086
Sale of/compensation for capital assets	-	-	-	450
Refund of prior year receipts	(1,198,627)	-	(1,198,627)	(48,046)
Transfers in	-	1,000,000	1,000,000	2,000,000
Transfers out	(1,000,000)	-	(1,000,000)	(2,000,000)
Total other financing sources (uses)	<u>(2,198,627)</u>	<u>45,459,904</u>	<u>43,261,277</u>	<u>35,028,308</u>
NET CHANGE IN FUND BALANCES	6,762,859	(2,170,012)	4,592,847	22,028,800
FUND BALANCES				
Beginning of year	<u>32,637,661</u>	<u>24,281,001</u>	<u>56,918,662</u>	<u>34,889,862</u>
End of year	<u>\$ 39,400,520</u>	<u>\$ 22,110,989</u>	<u>\$ 61,511,509</u>	<u>\$ 56,918,662</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,592,847

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 40,151,760	
Depreciation expense	<u>(3,329,636)</u>	36,822,124

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources June 30, 2020	(698,524)	
Deferred inflows of resources June 30, 2021	<u>816,886</u>	118,362

The Internal Service Fund is used by management to charge the cost of health insurance and prescription claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

1,786,239

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Payment of bonds payable	13,450,000	
Proceeds from the issuance of debt	(50,060,000)	
Proceeds from bond premiums	(3,934,841)	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,270,172</u>	(39,274,669)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in the governmental funds.

Current year change in accrued interest payable	(479,716)	
Current year change in compensated absences	373,643	
Current year change in net pension liability - PSERS and deferred outflows and inflows	(3,159,072)	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(1,118,848)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>30,872</u>	<u>(4,353,121)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (308,218)

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 708,750	\$ 1,050,110	\$ -	\$ -
Due from other funds	242,878	257,547	-	-
Other receivables	69,424	63,184	-	-
Inventories	65,563	84,394	-	-
Prepaid expenses	-	-	4,037,460	2,251,221
Total current assets	1,086,615	1,455,235	4,037,460	2,251,221
NONCURRENT ASSETS				
Capital assets, net	56,539	63,568	-	-
Total assets	1,143,154	1,518,803	4,037,460	2,251,221
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	385,924	375,419	-	-
Deferred charges OPEB - single employer	1,376	5,506	-	-
Deferred charges OPEB - PSERS	23,709	15,394	-	-
Total deferred outflows of resources	411,009	396,319	-	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Accounts payable	31,251	15,310	-	-
Due to other funds	457,360	689,300	-	-
Unearned revenues	105,842	113,564	-	-
Total current liabilities	594,453	818,174	-	-
NONCURRENT LIABILITIES				
Compensated absences	120,929	156,639	-	-
Net pension liability - PSERS	2,487,111	2,746,529	-	-
OPEB liability	29,694	74,627	-	-
Net OPEB liability - PSERS	186,568	124,863	-	-
Total noncurrent liabilities	2,824,302	3,102,658	-	-
Total liabilities	3,418,755	3,920,832	-	-
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	60,937	98,901	-	-
Deferred credits OPEB - single employer	54,907	8,369	-	-
Deferred credits on proportionate share of OPEB - PSERS	4,337	3,709	-	-
Total deferred inflows of resources	120,181	110,979	-	-
NET POSITION (DEFICIT)				
Net investment in capital assets	56,539	63,568	-	-
Unrestricted (deficit)	(2,041,312)	(2,180,257)	4,037,460	2,251,221
Total net position (deficit)	\$ (1,984,773)	\$ (2,116,689)	\$ 4,037,460	\$ 2,251,221

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (DEFICIT) - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
OPERATING REVENUES				
Charges for services	\$ 175,116	\$ 1,004,454	\$ 12,935,527	\$ 11,980,170
OPERATING EXPENSES				
Salaries	703,643	805,886	-	-
Employee benefits	253,692	550,946	11,149,288	10,745,284
Purchased property services	11,503	19,070	-	-
Other purchased services	61	346	-	-
Supplies	507,563	693,216	-	-
Depreciation	19,765	19,797	-	-
Dues and fees	970	235	-	-
Miscellaneous	-	30,573	-	-
Total operating expenses	<u>1,497,197</u>	<u>2,120,069</u>	<u>11,149,288</u>	<u>10,745,284</u>
Operating income (loss)	<u>(1,322,081)</u>	<u>(1,115,615)</u>	<u>1,786,239</u>	<u>1,234,886</u>
NONOPERATING REVENUES				
Earnings on investments	-	11,436	-	-
State sources	151,538	199,602	-	-
Federal sources	1,302,459	707,276	-	-
Total nonoperating revenues	<u>1,453,997</u>	<u>918,314</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	131,916	(197,301)	1,786,239	1,234,886
NET POSITION (DEFICIT)				
Beginning of year	<u>(2,116,689)</u>	<u>(1,919,388)</u>	<u>2,251,221</u>	<u>1,016,335</u>
End of year	<u>\$ (1,984,773)</u>	<u>\$ (2,116,689)</u>	<u>\$ 4,037,460</u>	<u>\$ 2,251,221</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 161,154	\$ 1,050,301	\$ -	\$ -
Cash received from assessments made to other funds	-	-	12,935,527	11,980,170
Cash payment to employees for services	(1,473,119)	(1,032,557)	-	-
Cash payments for insurance claims	-	-	(12,935,527)	(11,980,170)
Cash payments to suppliers for goods or services	(386,554)	(639,460)	-	-
Cash payments for other operating expenses	(970)	(30,808)	-	-
Net cash used for operating activities	(1,699,489)	(652,524)	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	176,239	221,389	-	-
Federal sources	1,194,626	643,120	-	-
Net cash provided by noncapital financing activities	1,370,865	864,509	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(12,736)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	-	11,436	-	-
Net increase in cash	(341,360)	223,421	-	-
CASH				
Beginning of year	1,050,110	826,689	-	-
End of year	\$ 708,750	\$ 1,050,110	\$ -	\$ -
Reconciliation of operating loss to net cash used for operating activities:				
Operating income (loss)	\$ (1,322,081)	\$ (1,115,615)	\$ 1,786,239	\$ 1,234,886
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Depreciation	19,765	19,797	-	-
Donated commodities used	97,801	110,313	-	-
(Increase) decrease in				
Other receivables	(6,240)	11,478	-	-
Inventories	18,831	(28,493)	-	-
Prepaid expenses	-	-	(1,786,239)	(1,234,886)
Deferred outflows of resources	(14,690)	36,354	-	-
Increase (decrease) in				
Accounts payable	15,941	(8,648)	-	-
Due to other funds	(231,940)	249,543	-	-
Unearned revenues	(7,722)	34,369	-	-
Compensated absences	(35,710)	15,437	-	-
Net pension liability	(259,418)	(44,050)	-	-
Net OPEB liability	16,772	11,848	-	-
Deferred inflows of resources	9,202	55,143	-	-
Net cash used for operating activities	\$ (1,699,489)	\$ (652,524)	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 97,801	\$ 110,313	\$ -	\$ -

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust	Custodial Funds	Totals	
			2021	2020
ASSETS				
Cash	\$ 285,011	\$ 303,000	\$ 588,011	\$ 609,312
LIABILITIES				
Accounts payable	9,100	10,104	19,204	-
NET POSITION				
Restricted for student activities	-	292,896	292,896	321,205
Net position held in trust for scholarships	275,911	-	275,911	288,107
Total net position	\$ 275,911	\$ 292,896	\$ 568,807	\$ 609,312

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust	Custodial Funds	Totals	
			2021	2020
ADDITIONS				
Receipts from student groups	\$ -	\$ 594,681	\$ 594,681	\$ 1,421,968
Local contributions	<u>5,579</u>	<u>-</u>	<u>5,579</u>	<u>14,237</u>
Total additions	<u>5,579</u>	<u>594,681</u>	<u>600,260</u>	<u>1,436,205</u>
DEDUCTIONS				
Student activity disbursements	-	622,990	622,990	1,502,110
Scholarships awarded and fees paid	<u>17,775</u>	<u>-</u>	<u>17,775</u>	<u>18,800</u>
Total deductions	<u>17,775</u>	<u>622,990</u>	<u>640,765</u>	<u>1,520,910</u>
CHANGE IN NET POSITION	(12,196)	(28,309)	(40,505)	(84,705)
NET POSITION				
Beginning of year	<u>288,107</u>	<u>321,205</u>	<u>609,312</u>	<u>694,017</u>
End of year	<u>\$ 275,911</u>	<u>\$ 292,896</u>	<u>\$ 568,807</u>	<u>\$ 609,312</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colonial School District (the "*District*") operates five elementary schools, one middle school and one senior high school to provide education and related services to the residents in the Townships of Plymouth and Whitemarsh 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 "*School Board*").

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 has 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 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

Government-Wide Financial Statements

The statement of net position (deficit) 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 activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. 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 as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position (deficit) that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The government-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 function. 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.

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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

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

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

The Capital Projects Fund accounts for financial resources that are restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other 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, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed 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 reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's participation in a consortium with other participating school districts and local educational agencies to provide self-insurance programs for health and prescription coverage.

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 funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. 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. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of the students.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

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

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund 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/due 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."

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

Assessed valuations of property are determined by the Montgomery County Board of Assessments. Taxes from the Borough of Conshohocken are collected by an elected tax collector, which the District is responsible for the collection of taxes from the Townships of Plymouth and Whitemarsh. The tax on real estate for public school purposes for fiscal 2020-2021 was 23.3640 mills (\$23.36 for \$1,000 of assessed valuation). 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.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 15
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. 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 (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-50 years, site improvements – 15-50 years, furniture and equipment – 5-20 years, vehicles 8-20 years and library books 7 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources 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 and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

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Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has 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, 2020, from which the summarized information was derived.

Use of Estimates

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.

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Implementation of New Accounting Pronouncements

Effective July 1, 2020, the District adopted the provisions of GASB Statement No.84 "*Fiduciary Activities*" GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*", GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund for the year ended June 30, 2021.

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

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The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

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GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a 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 the Capital Projects Fund.

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 School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without School 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.

(3) DEPOSITS

State 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.

COLONIAL SCHOOL DISTRICT

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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, 2021, the carrying amount of the District's deposits was \$77,753,218 and the bank balance was \$79,348,018. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any other political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,505,573 was covered by federal depository insurance and \$34,928,035 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2021, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,291,867	\$ -	\$ -	\$ 7,291,867
Construction in progress	<u>13,971,534</u>	<u>39,583,192</u>	<u>860,424</u>	<u>52,694,302</u>
Total capital assets not being depreciated	<u>21,263,401</u>	<u>39,583,192</u>	<u>860,424</u>	<u>59,986,169</u>
Capital assets being depreciated				
Buildings and improvements	151,014,042	-	-	151,014,042
Site improvements	12,779,479	870,673	-	13,650,152
Furniture and equipment	14,689,484	384,407	-	15,073,891
Library books	1,273,155	-	-	1,273,155
Vehicles	<u>1,362,880</u>	<u>173,912</u>	<u>-</u>	<u>1,536,792</u>
Total capital assets being depreciated	<u>181,119,040</u>	<u>1,428,992</u>	<u>-</u>	<u>182,548,032</u>
Less accumulated depreciation for				
Buildings and improvements	(48,766,733)	(2,703,461)	-	(51,470,194)
Site improvements	(5,970,199)	(337,933)	-	(6,308,132)
Furniture and equipment	(13,095,133)	(246,087)	-	(13,341,220)
Library books	(1,273,155)	-	-	(1,273,155)
Vehicles	<u>(1,116,231)</u>	<u>(42,155)</u>	<u>-</u>	<u>(1,158,386)</u>
Total accumulated depreciation	<u>(70,221,451)</u>	<u>(3,329,636)</u>	<u>-</u>	<u>(73,551,087)</u>
Total capital assets being depreciated, net	<u>110,897,589</u>	<u>(1,900,644)</u>	<u>-</u>	<u>108,996,945</u>
Governmental activities, net	<u>\$132,160,990</u>	<u>\$37,682,548</u>	<u>\$860,424</u>	<u>\$168,983,114</u>
Business-type activities				
Machinery and equipment	\$ 681,596	\$ 12,736	\$ -	\$ 694,332
Less accumulated depreciation	<u>(618,028)</u>	<u>(19,765)</u>	<u>-</u>	<u>(637,793)</u>
Business-type activities, net	<u>\$ 63,568</u>	<u>\$ (7,029)</u>	<u>\$ -</u>	<u>\$ 56,539</u>

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

Governmental activities	
Instruction	\$2,284,089
Instructional student support	300,992
Administrative and financial support services	332,840
Operation and maintenance of plant services	270,767
Pupil transportation	<u>140,948</u>
Total depreciation expense – governmental activities	<u>\$3,329,636</u>
Business-type activities	
Food service	<u>\$ 19,765</u>

As of June 30, 2021, the District had outstanding construction projects to be completed. The amounts remaining for the new Colonial Middle School was \$21,953,142.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	\$ 242,878	General Fund	\$ 242,878
General Fund	457,360	Food Service Fund	457,360
Capital Projects Fund	2,920	General Fund	2,920
General Fund	<u>20,816</u>	Capital Projects Fund	<u>20,816</u>
	<u>\$ 723,974</u>		<u>\$ 723,974</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$1,000,000</u>	General Fund	<u>\$1,000,000</u>

Transfers from the General Fund represent transfers to subsidize costs associated with the acquisition of capital assets.

(6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$113,725,000	\$50,060,000	\$13,450,000	\$150,335,000	\$4,450,000
Bond premiums	<u>10,772,170</u>	<u>3,934,841</u>	<u>1,291,044</u>	<u>13,415,967</u>	<u>850,841</u>
Total general obligation debt	<u>124,497,170</u>	<u>53,994,841</u>	<u>14,741,044</u>	<u>163,750,967</u>	<u>5,300,841</u>

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Other noncurrent liabilities					
Compensated absences	4,988,854	-	373,643	4,615,211	-
OPEB liability	10,455,450	2,504,904	230,962	12,729,392	-
Net OPEB liability - PSERS	8,527,130	63,053	-	8,590,183	-
Net pension liability – PSERS	187,565,120	10,104,369	-	197,669,489	-
Derivative instrument liability interest rate swap	<u>11,590,650</u>	<u>-</u>	<u>11,590,650</u>	<u>-</u>	<u>-</u>
Total other noncurrent liabilities	<u>223,127,204</u>	<u>12,672,326</u>	<u>12,195,255</u>	<u>223,604,275</u>	<u>-</u>
Total governmental activities	<u>347,624,374</u>	<u>66,667,167</u>	<u>26,936,299</u>	<u>387,355,242</u>	<u>5,300,841</u>
Business-type activities					
Compensated absences	156,639	-	35,710	120,929	-
OPEB liability	74,627	13,775	58,708	29,694	-
Net OPEB liability - PSERS	124,863	61,705	-	186,568	-
Net pension liability - PSERS	<u>2,746,529</u>	<u>-</u>	<u>259,418</u>	<u>2,487,111</u>	<u>-</u>
Total business-type activities	<u>3,102,658</u>	<u>75,480</u>	<u>353,836</u>	<u>2,824,302</u>	<u>-</u>
Total noncurrent liabilities	<u>\$350,727,032</u>	<u>\$66,742,647</u>	<u>\$27,290,135</u>	<u>\$390,179,544</u>	<u>\$5,300,841</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

(7) GENERAL OBLIGATION DEBT

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and are payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2016A	0.80% - 4.00%	\$ 9,520,000	11/01/2024	\$ 6,075,000
Series of 2017	1.25% - 5.00%	\$15,465,000	02/15/2039	15,445,000
Series of 2017A	1.05% - 5.00%	\$17,155,000	02/15/2039	17,140,000
Series of 2017B	2.00% - 4.00%	\$ 9,485,000	05/15/2023	3,970,000
Series of 2018	2.00% - 5.00%	\$ 9,520,000	02/15/2043	9,510,000
Series of 2019	1.38% - 3.00%	\$ 9,065,000	02/15/2034	9,060,000
Series of 2020	1.25% - 5.00%	\$29,505,000	02/15/2044	29,500,000
Series of 2020A	1.20% - 3.00%	\$ 9,580,000	02/15/2034	9,575,000
Series of 2021A	1.00% - 3.00%	\$35,105,000	02/15/2044	35,105,000
Series of 2021B	1.00% - 4.00%	\$ 6,530,000	02/15/2044	6,530,000
Series of 2021C	1.00% - 4.00%	\$ 8,425,000	02/15/2034	<u>8,425,000</u>
Total general obligation debt				<u>\$150,335,000</u>

General Obligation Bonds, Series A of 2021

On March 30, 2021, the District issued \$35,105,000 of general obligation bonds, Series A of 2021, the proceeds from which were used towards the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions, renovations and any other improvements or related expenses to the District's New Colonial Middle School Project, property acquisition and any other improvements or related expenses to other District facilities, and to pay for the costs of issuance.

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General Obligation Bonds, Series B of 2021

On March 30, 2021, the District issued \$6,530,000 of general obligation bonds, Series B of 2021, the proceeds from which were used to fund the termination payments of the interest rate hedges from the 2018 parameters related to the Series of 2020 bonds.

General Obligation Bonds, Series C of 2021

On May 21, 2021, the District issued 8,425,000 of general obligation bonds, Series C of 2021, the proceeds from which were used to advance refund all of the District's outstanding general obligation bonds, Series of 2016 and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by \$1,553,843.

In-Substance Defeasance

The District has advance refunded portions of its general obligation bonds, Series of 2016 (the "**Series of 2016 Bonds**") by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. At June 30, 2021, the \$9,375,000 of the Series of 2016 Bonds is considered defeased. The District has authorized to call the remaining defeased bonds for redemption on August 15, 2021.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 4,450,000	\$ 5,518,382	\$ 9,968,382
2023	4,040,000	5,612,493	9,652,493
2024	4,125,000	5,518,465	9,643,465
2025	4,675,000	5,423,875	10,098,875
2026	4,790,000	5,306,775	10,096,775
2027-2031	26,750,000	23,730,275	50,480,275
2032-2036	32,455,000	18,286,050	50,741,050
2037-2041	40,500,000	10,644,300	51,144,300
2042-2044	<u>28,550,000</u>	<u>2,145,850</u>	<u>30,695,850</u>
	<u>\$150,335,000</u>	<u>\$82,186,465</u>	<u>\$232,521,465</u>

(8) PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees Retirement System ("**PSERS**") and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Pennsylvania Public School Employees' Retirement System ("**PSERS**") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$19,570,180 for the year ended June 30, 2021.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability of \$200,156,600 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4065 percent, which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$197,669,489 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$2,487,111 of the net pension liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized pension expense of \$22,409,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 524,000	\$4,797,000
Difference between expected and actual investment earnings	8,797,000	-
Changes in proportions	2,167,000	107,000
Contributions subsequent to the measurement date	<u>19,570,180</u>	<u>-</u>
	<u>\$31,058,180</u>	<u>\$4,904,000</u>

\$19,570,180 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2022	\$ 609,000
2023	793,000
2024	2,568,000
2025	<u>2,614,000</u>
	<u>\$6,584,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS's total pension liability as the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.00 %	5.2%
Private equity	15.00 %	7.2%
Fixed income	36.00 %	1.1%
Commodities	8.00 %	1.8%
Absolute return	10.00 %	2.5%
Infrastructure/MLPs	6.00 %	5.7%
Real estate	10.00 %	5.5%
Risk parity	8.00 %	3.3%
Cash	6.00 %	(1.0)%
Financing (LIBOR)	(14.00)%	(0.7)%
	<u>100.00 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$247,636,007</u>	<u>\$200,156,600</u>	<u>\$159,934,909</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Pension Plan Fiduciary Net Position

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

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents until the retired employee reaches Medicare age. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active employees	750
Vested former participants	-
Retired participants	<u>21</u>
Total	<u>771</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$12,759,086, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$12,729,392 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$29,694 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

Balance as of July 1, 2020	<u>\$10,530,077</u>
Changes for the year:	
Service cost	699,658
Interest on total OPEB liability	373,015
Differences between expected and actual experience	1,289
Changes in assumptions	1,391,515
Benefit payments	<u>(236,468)</u>
Net changes	<u>2,229,009</u>
Balance as of June 30, 2021	<u>\$12,759,086</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,351,390. At June 30, 2021, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 932,154	\$ 53,675
Changes in assumptions	2,360,741	261,544
Contributions subsequent to the measurement date	<u>226,807</u>	<u>-</u>
	<u>\$3,519,702</u>	<u>\$315,219</u>

\$226,807 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30,

2022	\$ 278,717
2023	278,717
2024	278,717
2025	278,717
2026	278,717
Thereafter	<u>1,584,091</u>
	<u>\$2,977,676</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$11,190,903</u>	<u>\$12,759,086</u>	<u>\$14,607,721</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$13,679,588</u>	<u>\$12,759,086</u>	<u>\$11,864,444</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 1.86% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 3.36% to 1.86%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023; rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$476,330 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the District reported a liability of \$8,776,751 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4062 percent, which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net OPEB liability of \$8,590,183 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$186,568 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized OPEB expense of \$499,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 81,000	\$ -
Changes in assumptions	358,000	193,000
Difference between expected and actual investment earnings	15,000	-
Changes in proportions	185,000	11,000
Contributions subsequent to the measurement date	<u>476,330</u>	<u>-</u>
	<u>\$1,115,330</u>	<u>\$204,000</u>

\$476,330 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2022	\$ 82,000
2023	80,000
2024	78,000
2025	101,000
2026	68,000
Thereafter	<u>26,000</u>
	<u>\$435,000</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Actuarial Assumptions

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 2.66% – Standard & Poors 20-year municipal bond rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0)%
US core fixed income	46.5%	(0.1)%
Fixed income	<u>3.2%</u>	(0.1)%
	<u>100.00%</u>	

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the net OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$8,775,626</u>	<u>\$8,776,751</u>	<u>\$8,777,649</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$10,006,851</u>	<u>\$8,776,751</u>	<u>\$7,758,123</u>

OPEB Plan Fiduciary Net Position

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

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(10) JOINT VENTURE

The District is a participating member of the Central Montco Technical High School (the "**Technical School**"). The board of directors from each member district must approve the Technical School's annual budget. Each member pays an allocated share of operating costs of the Technical School based on the number of students attending from each district. For fiscal year ended June 30, 2021, the District's share of operating costs was \$959,822. The financial statements of the Technical School are available from the Central Montco Technical High School located at 821 Plymouth Road, Norristown, PA 19401.

The District has entered into a lease agreement with the Technical School to provide rental payments to retire the Technical School's outstanding debt obligations. The lease agreement provides that in the event the Technical School either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulates sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. The District's share of rent expense for 2020-2021 was \$547,584.

Future rental payments are as follows:

<u>Year ended June 30,</u>	
2022	\$ 549,684
2023	547,444
2024	<u>548,809</u>
	1,645,937
Less: Interest requirements	<u>(111,186)</u>
	<u>\$1,534,751</u>

(11) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Tax Increment Financing Plan and Cooperation Agreement

The District, Whitmarsh Township and Montgomery County (the "**taxing bodies**") have entered into a tax increment financing agreement ("**TIF agreement**") with the Redevelopment Authority of Montgomery County (the "**Authority**"). In conjunction with the TIF agreement, the Authority has created a tax increment financing district ("**TIF District**") in Whitmarsh Township and prepared a project plan ("**TIF project**") which includes, the redevelopment of property as a continuing care retirement community and the acquisition of adjoining land to be preserved as open space. Under the TIF agreement, the District will allocate to the Authority between \$7,895,000 and \$11,600,000 of real estate taxes resulting from an increase in the total market value of taxable real property in the TIF District as a result of changes in the assessed valuation in excess of the real estate tax assessment on the effective date of the TIF agreement. The Authority will expend the real estate tax revenues generated by the TIF District for the acquisition of the open space land or for the debt service on the bonds (if any) that are issued to finance the acquisition. The TIF District will terminate after a period of 20 years and any remaining balance after payment of all costs of the TIF project will be returned to the taxing bodies. During 2020-2021, the District paid the Authority \$483,572 under the TIF agreement.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(12) RISK MANAGEMENT

Medical

The District participates in a consortium with other participating school districts and educational agencies from Montgomery and Bucks County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium ("**SDIC**"), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to SDIC.

Other Risks

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. The District has purchased a commercial insurance policy to safeguard its assets and there were no significant reductions in insurance coverage during 2020-2021. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

(13) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2019 was an increase in Custodial Fund net position of \$401,347. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COLONIAL SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 109,329,138	\$ 109,329,138	\$ 112,400,537	\$ 3,071,399
State sources	23,145,963	23,097,463	22,705,320	(392,143)
Federal sources	2,172,877	2,762,138	4,428,333	1,666,195
Total revenues	<u>134,647,978</u>	<u>135,188,739</u>	<u>139,534,190</u>	<u>4,345,451</u>
EXPENDITURES				
Instruction				
Regular programs	59,967,260	60,484,921	58,983,246	1,501,675
Special programs	22,738,634	22,420,808	21,367,564	1,053,244
Vocational programs	1,477,935	1,477,935	959,822	518,113
Other instructional programs	439,615	481,460	562,837	(81,377)
Nonpublic school programs	-	2,403	12,444	(10,041)
Adult education programs	81,592	81,592	31,319	50,273
Total instruction	<u>84,705,036</u>	<u>84,949,119</u>	<u>81,917,232</u>	<u>3,031,887</u>
Support services				
Pupil support services	5,011,421	5,019,850	5,116,065	(96,215)
Instructional staff services	4,981,840	4,985,131	4,201,773	783,358
Administrative services	7,478,202	7,482,437	7,398,782	83,655
Pupil health	1,318,444	1,418,641	1,475,364	(56,723)
Business services	1,209,920	1,209,920	1,140,737	69,183
Operation and maintenance of plant services	9,954,823	9,868,061	9,709,376	158,685
Student transportation services	7,184,246	7,184,246	5,250,608	1,933,638
Support services - central	3,321,080	3,734,907	3,307,762	427,145
Other support services	91,521	91,521	87,954	3,567
Total support services	<u>40,551,497</u>	<u>40,994,714</u>	<u>37,688,421</u>	<u>3,306,293</u>
Operation of noninstructional services				
Student activities	2,152,611	2,174,471	1,566,313	608,158
Community services	53,300	52,877	21,066	31,811
Total operation of noninstructional services	<u>2,205,911</u>	<u>2,227,348</u>	<u>1,587,379</u>	<u>639,969</u>
Facilities acquisition, construction and improvement services				
	-	-	130	(130)
Debt service				
	9,642,291	9,642,291	9,379,542	262,749
Total expenditures	<u>137,104,735</u>	<u>137,813,472</u>	<u>130,572,704</u>	<u>7,240,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,456,757)</u>	<u>(2,624,733)</u>	<u>8,961,486</u>	<u>11,586,219</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	1,000	1,000	-	(1,000)
Refund of prior year receipts	-	-	(1,198,627)	(1,198,627)
Transfers out	(69,000)	(69,000)	(1,000,000)	(931,000)
Budgetary reserve	(500,000)	(476,453)	-	476,453
Total other financing sources (uses)	<u>(568,000)</u>	<u>(544,453)</u>	<u>(2,198,627)</u>	<u>(1,654,174)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,024,757)</u>	<u>\$ (3,169,186)</u>	<u>6,762,859</u>	<u>\$ 9,932,045</u>
FUND BALANCE				
Beginning of year			32,637,661	
End of year			<u>\$ 39,400,520</u>	

COLONIAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.4065%	0.4068%	0.4028%	0.4026%	0.3894%	0.3864%	0.3774%
District's proportionate share of the net pension liability	\$ 200,156,600	\$ 190,311,649	\$ 193,363,999	\$ 198,838,000	\$ 192,974,000	\$ 167,371,000	\$ 149,378,000
District's covered-employee payroll	\$ 57,007,750	\$ 56,103,178	\$ 54,246,486	\$ 51,700,932	\$ 50,427,790	\$ 48,723,417	\$ 48,153,100
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	351.10%	339.22%	356.45%	384.59%	382.67%	343.51%	310.21%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	54.00%	54.00%	51.84%	50.14%	54.36%	57.24%

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In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,990,052	\$ 18,217,464	\$ 17,092,125	\$ 15,096,672	\$ 12,452,682	\$ 9,921,062	\$ 7,518,000
Contributions in relation to the contractually required contribution	<u>18,990,052</u>	<u>18,217,464</u>	<u>17,092,125</u>	<u>15,096,672</u>	<u>12,452,682</u>	<u>9,921,062</u>	<u>7,518,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 57,007,750	\$ 56,103,178	\$ 54,246,486	\$ 51,700,932	\$ 50,427,790	\$ 48,723,417	\$ 48,153,100
Contributions as a percentage of covered-employee payroll	33.31%	32.47%	31.51%	29.20%	24.69%	20.36%	15.61%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 699,658	\$ 697,463	\$ 493,285	\$ 479,326
Interest on total OPEB liability	373,015	315,784	233,726	171,497
Differences between projected and actual experience	1,289	-	1,140,476	-
Changes of assumptions	1,391,515	(309,098)	1,259,778	150,086
Benefit payments	<u>(236,468)</u>	<u>(160,073)</u>	<u>(251,454)</u>	<u>(215,638)</u>
Net change in total pension liability	2,229,009	544,076	2,875,811	585,271
Total OPEB liability, beginning	<u>10,530,077</u>	<u>9,986,001</u>	<u>7,110,190</u>	<u>6,524,919</u>
Total OPEB liability, ending	<u>\$ 12,759,086</u>	<u>\$ 10,530,077</u>	<u>\$ 9,986,001</u>	<u>\$ 7,110,190</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 58,745,542	\$ 54,727,223	\$ 54,727,223	\$ 48,534,167
Net OPEB liability as a % of covered payroll	21.72%	19.24%	18.25%	14.65%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.4062%	0.4068%	0.4028%	0.4026%
District's proportionate share of the net OPEB liability	\$ 8,776,751	\$ 8,651,993	\$ 8,398,174	\$ 8,203,000
District's covered-employee payroll	\$ 57,007,750	\$ 56,103,178	\$ 54,246,486	\$ 51,700,932
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.40%	15.42%	15.48%	15.87%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COLONIAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date			
	2021	2020	2019	2018
Contractually required contribution	\$ 478,191	\$ 466,075	\$ 450,024	\$ 445,712
Contributions in relation to the contractually required contribution	<u>478,191</u>	<u>466,075</u>	<u>450,024</u>	<u>445,712</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 57,007,750	\$ 56,103,178	\$ 54,246,486	\$ 51,700,932
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.86%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

COLONIAL SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2021

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,489,134	\$ 25,825,546	\$ 27,314,680
Due from other funds	-	2,920	2,920
Prepaid items	<u>1,500</u>	<u>603,964</u>	<u>605,464</u>
Total assets	<u>\$ 1,490,634</u>	<u>\$ 26,432,430</u>	<u>\$ 27,923,064</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 34,424	\$ 5,756,835	\$ 5,791,259
Due to other funds	<u>20,816</u>	<u>-</u>	<u>20,816</u>
Total liabilities	<u>55,240</u>	<u>5,756,835</u>	<u>5,812,075</u>
FUND BALANCES			
Nonspendable			
Prepaid items	1,500	603,964	605,464
Restricted for			
Capital projects	<u>1,433,894</u>	<u>20,071,631</u>	<u>21,505,525</u>
Total fund balances	<u>1,435,394</u>	<u>20,675,595</u>	<u>22,110,989</u>
Total liabilities and fund balances	<u>\$ 1,490,634</u>	<u>\$ 26,432,430</u>	<u>\$ 27,923,064</u>

COLONIAL SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND**

Year ended June 30, 2021

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 419	\$ 11,144	\$ 11,563
EXPENDITURES			
Current			
Support services	227,608	693,464	921,072
Noninstructional support services	-	-	-
Facilities acquisition, construction and improvement services	896,562	38,575,845	39,472,407
Debt service	-	7,248,000	7,248,000
Total expenditures	<u>1,124,170</u>	<u>46,517,309</u>	<u>47,641,479</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,123,751)</u>	<u>(46,506,165)</u>	<u>(47,629,916)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	41,635,000	41,635,000
Issuance of debt - refunding	-	8,425,000	8,425,000
Repayment of debt - refunding	-	(9,534,937)	(9,534,937)
Bond premiums	-	3,934,841	3,934,841
Transfers in	1,000,000	-	1,000,000
Total other financing sources (uses)	<u>1,000,000</u>	<u>44,459,904</u>	<u>45,459,904</u>
NET CHANGE IN FUND BALANCES	(123,751)	(2,046,261)	(2,170,012)
FUND BALANCES			
Beginning of year	<u>1,559,145</u>	<u>22,721,856</u>	<u>24,281,001</u>
End of year	<u>\$ 1,435,394</u>	<u>\$ 20,675,595</u>	<u>\$ 22,110,989</u>

SINGLE AUDIT

COLONIAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200091	07/01/19 - 09/30/20	\$ 487,743	\$ 223,323	\$ 65,941	\$ 157,382	\$ 157,382	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210091	07/01/20 - 09/30/21	520,937	289,839	-	314,642	314,642	24,803	-
Total CFDA #84.010						513,162	65,941	472,024	472,024	24,803	-
Title II - Improving Teacher Quality	I	84.367	020-200091	07/01/19 - 09/30/20	102,848	14,670	8,271	6,399	6,399	-	-
Title II - Improving Teacher Quality	I	84.367	020-210091	07/01/20 - 09/30/21	108,882	68,684	-	82,687	82,687	14,003	-
Total CFDA #84.367						83,354	8,271	89,086	89,086	14,003	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210091	07/01/20 - 09/30/21	33,138	33,138	-	33,138	33,138	-	-
CARES Act - ESSER Fund Local	I	84.425	200-200091	03/13/20 - 09/30/21	358,877	321,100	(37,777)	357,290	357,290	(1,587)	-
CARES Act - ESSER Fund Local	I	84.425	200-210091	03/13/20 - 09/30/23	1,635,479	114,103	-	1,269,704	1,269,704	1,155,601	-
COVID-19 SECIM	I	84.425	252-210091	03/13/20 - 09/30/21	49,716	13,083	-	-	-	(13,083)	-
Passed-Through the Pennsylvania Commission on Crime and Delinquency											
CARES Act - ESSER Fund Local	I	84.425	34958	03/12/20 - 09/30/22	160,329	159,553	-	159,891	159,891	338	-
Total CFDA #84.425						607,839	(37,777)	1,786,885	1,786,885	1,141,269	-
Passed Through the Montgomery County I.U.											
Title III - Language Instruction for English Learners	I	84.365	N/A	07/01/20 - 06/30/21	4,264	4,264	-	4,264	4,264	-	-
I.D.E.A. - Section 611	I	84.027	062-200023	07/01/19 - 06/30/20	964,501	-	60,248	-	-	60,248	-
I.D.E.A. - Section 611	I	84.027	062-210023	07/01/20 - 06/30/21	977,799	813,546	-	977,799	977,799	164,253	-
Total CFDA #84.027						813,546	60,248	977,799	977,799	224,501	-
I.D.E.A. - Section 619	I	84.173	N/A	07/01/20 - 06/30/21	4,092	4,092	-	4,092	4,092	-	-
Total U.S. Department of Education						2,059,395	96,683	3,367,288	3,367,288	1,404,576	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Treasury</u>											
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-34020	03/01/20 - 10/30/20	307,612	307,612	55,592	252,020	252,020	-	-
<u>Passed Through the Montgomery County I.U.</u>											
COVID-19 Relief Fund	I	21.019	N/A	03/13/20 - 12/31/20	592,725	592,725	-	592,725	592,725	-	-
Total CFDA #21.019						900,337	55,592	844,745	844,745	-	-
Total U.S. Department of Treasury						900,337	55,592	844,745	844,745	-	-
<u>U.S. Department of Homeland Security</u>											
<u>Passed-Through the Pennsylvania Emergency Management Agency</u>											
Disaster Grants - Public Assistance	I	97.036	FEMA-4506-DR-PA	03/12/20 - 09/30/22	31,865	31,865	-	31,865	31,865	-	-
<u>U.S. Department of Health and Human Services</u>											
<u>Passed-Through the Pennsylvania Department of Public Welfare</u>											
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	17,159	-	17,159	17,159	-	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Summer Food	I	10.559	N/A	07/01/20 - 06/30/21	N/A	1,106,172	48,780	1,204,658	1,204,658	147,266	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	97,801	-	97,801	97,801	-	-
Total U.S. Department of Agriculture						1,203,973	48,780	1,302,459	1,302,459	147,266	-
Total Federal Awards						\$4,212,729	\$201,055	\$5,563,516	\$5,563,516	\$1,551,842	\$-
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 817,638	\$ 60,248	\$ 981,891	\$ 981,891	\$ 224,501	\$ -
Child Nutrition Cluster (CFDA's #10.555 and #10.559)						\$1,203,973	\$ 48,780	\$ 1,302,459	\$ 1,302,459	\$ 147,266	\$ -

Source Codes

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

COLONIAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) 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 #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which 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, 2021 was \$167,276.

(5) INDIRECT COSTS

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

COLONIAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



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

**Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colonial School District, Plymouth Meeting, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Colonial School District's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colonial School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
November 18, 2021**



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

**Board of School Directors
Colonial School District
Plymouth Meeting, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Colonial School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Colonial School District's major federal programs for the year ended June 30, 2021. Colonial School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Colonial School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
November 18, 2021**

COLONIAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Colonial School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Colonial School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Colonial School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Colonial School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Coronavirus Relief Fund – CFDA Number 21.019
 - ESF – Elementary and Secondary Education – CFDA Number 84.425
 - Child Nutrition Cluster:
 - National School Lunch Program – CFDA Number 10.555
 - Summer Food Service Program – CFDA Number 10.559
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Colonial School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None