



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

Financial Statements
Year Ended June 30, 2023



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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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**

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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 of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Colonial School District, Plymouth Meeting, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Colonial School District, Plymouth Meeting, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Colonial School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colonial School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Colonial School District's 2022 financial statements, and our report dated December 23, 2022, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 contributions – PSERS on pages 4 through 15 and 51 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 the purpose 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 the 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 30, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Colonial School District's 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 30, 2023

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023. 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 5,600 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 809 employees in the District, including 439, 48 administrators and 322 other employees, which include secretaries, custodial staff, maintenance staff, cafeteria staff, transportation staff and instructional aides.

The mission of the District is for all students to learn, grow and serve in a school community that is welcoming for all. Furthermore, the vision of the District is to prepare resilient, lifelong learners and leaders who will enrich the world.

FINANCIAL HIGHLIGHTS

- 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 2022-2023 fiscal year of \$98,598,632. During the 2022-2023 fiscal year, the District had an increase in total net position of \$12,601,326. The net position of governmental activities increased by \$12,196,323 and net position of business-type activities increased by \$405,003.
- The General Fund reported a decrease in fund balance of \$68,699, bringing the cumulative balance to \$35,825,441 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes \$549,592 which is considered nonspendable, \$25,176 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, \$1,000,000 assigned for non-recurring expenditures and unassigned amounts of \$17,838,440.
- Total General Fund revenues and other financing sources were \$7,174,193 or 4.98% more than budgeted amounts and total General Fund expenditures and other financing uses were \$6,242,892 or 4.30% more than budgeted amounts resulting in a net positive variance of \$931,301. Local revenues were \$6,791,092 more than budget due to collections for real estate, earned income, realty transfer taxes, realty interim taxes and improved rates on investments at the District's depositories.

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.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 16 and 17 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, 2023

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 18 through 21 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 22 through 24 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 25 and 26 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 27 through 50 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 supplementary information can be found on Pages 51 through 58 of this report.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$98,598,632. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	\$ 80,332,468	\$ 82,488,168	\$2,263,753	\$ 1,883,050	\$ 82,596,221	\$ 84,371,218
Noncurrent assets	<u>189,375,687</u>	<u>188,601,504</u>	<u>26,305</u>	<u>39,628</u>	<u>189,401,992</u>	<u>188,641,132</u>
Total assets	<u>269,708,155</u>	<u>271,089,672</u>	<u>2,290,058</u>	<u>1,922,678</u>	<u>271,998,213</u>	<u>273,012,350</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,091,643</u>	<u>35,853,456</u>	<u>457,518</u>	<u>474,656</u>	<u>35,549,161</u>	<u>36,328,112</u>
LIABILITIES						
Current liabilities	25,297,953	26,752,129	362,161	268,593	25,660,114	27,020,722
Noncurrent liabilities	<u>367,196,734</u>	<u>360,938,339</u>	<u>2,810,073</u>	<u>2,664,539</u>	<u>370,006,807</u>	<u>363,602,878</u>
Total liabilities	<u>392,494,687</u>	<u>387,690,468</u>	<u>3,172,234</u>	<u>2,933,132</u>	<u>395,666,921</u>	<u>390,623,600</u>
DEFERRED INFLOWS OF RESOURCES	<u>10,315,694</u>	<u>29,459,566</u>	<u>163,391</u>	<u>457,254</u>	<u>10,479,085</u>	<u>29,916,820</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	30,502,792	28,618,658	26,305	39,628	30,529,097	28,658,286
Restricted	13,638,527	7,669,226	-	-	13,638,527	7,669,226
Unrestricted (deficit)	<u>(142,151,902)</u>	<u>(146,494,790)</u>	<u>(614,354)</u>	<u>(1,032,680)</u>	<u>(142,766,256)</u>	<u>(147,527,470)</u>
Total net position (deficit)	<u>\$ (98,010,583)</u>	<u>\$ (110,206,906)</u>	<u>\$ (588,049)</u>	<u>\$ (993,052)</u>	<u>\$ (98,598,632)</u>	<u>\$ (111,199,958)</u>

The District's total assets as of June 30, 2023 were \$271,998,213 of which \$68,391,233 or 25.14% consisted of cash and investments and \$189,401,992 or 69.63% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were \$395,666,921 of which \$161,484,202 or 40.81% consisted of general obligation debt used to acquire and construct capital assets and \$185,570,706 or 46.90% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$142,766,256 as of June 30, 2023. The District's unrestricted net position increased by \$4,761,214 during 2022-2023 primarily due to the current year results of operations and the current year change in the net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$13,638,527 as of June 30, 2023. 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, 2023, the District's net investment in capital assets, net of related debt, increased by \$1,870,811 because capital assets were being acquired with sources other than debt.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program revenues						
Charges for services	\$ 820,166	\$ 532,668	\$1,458,574	\$ 615,450	\$ 2,278,740	\$ 1,148,118
Operating grants and contributions	21,839,419	21,734,522	1,736,524	3,120,750	23,575,943	24,855,272
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	101,944,205	100,858,675	-	-	101,944,205	100,858,675
Earned income taxes levied for general purposes	12,119,429	11,400,091	-	-	12,119,429	11,400,091
Other taxes levied for general purposes	3,920,048	4,222,505	-	-	3,920,048	4,222,505
Grants and entitlements not restricted to specific programs	8,175,377	7,108,301	-	-	8,175,377	7,108,301
Investment earnings	<u>3,370,424</u>	<u>200,809</u>	<u>57,838</u>	<u>825</u>	<u>3,428,262</u>	<u>201,634</u>
Total revenues	<u>152,189,068</u>	<u>146,057,571</u>	<u>3,252,936</u>	<u>3,737,025</u>	<u>155,442,004</u>	<u>149,794,596</u>
EXPENSES						
Instruction	88,799,919	84,395,248	-	-	88,799,919	84,395,248
Instructional student support services	11,515,352	10,924,174	-	-	11,515,352	10,924,174
Administrative and financial support services	13,341,913	12,083,085	-	-	13,341,913	12,083,085
Operation and maintenance of plant services	10,936,215	10,936,301	-	-	10,936,215	10,936,301
Pupil transportation	7,357,432	6,373,645	-	-	7,357,432	6,373,645
Student activities	2,379,957	2,076,991	-	-	2,379,957	2,076,991
Community services	102,224	111,785	-	-	102,224	111,785
Interest and amortization expense related to noncurrent liabilities	5,559,733	5,519,184	-	-	5,559,733	5,519,184
Food service	-	-	<u>2,847,933</u>	<u>2,745,304</u>	<u>2,847,933</u>	<u>2,745,304</u>
Total expenses	<u>139,992,745</u>	<u>132,420,413</u>	<u>2,847,933</u>	<u>2,745,304</u>	<u>142,840,678</u>	<u>135,165,717</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 12,196,323</u>	<u>\$ 13,637,158</u>	<u>\$ 405,003</u>	<u>\$ 991,721</u>	<u>\$ 12,601,326</u>	<u>\$ 14,628,879</u>

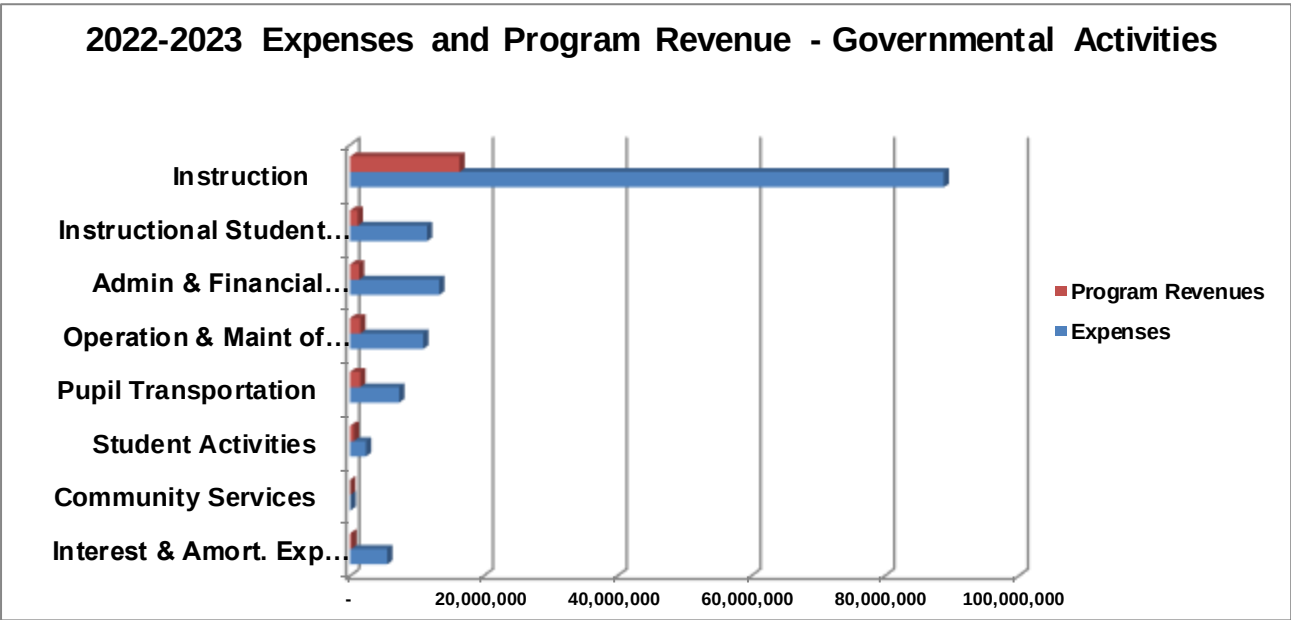
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively 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.

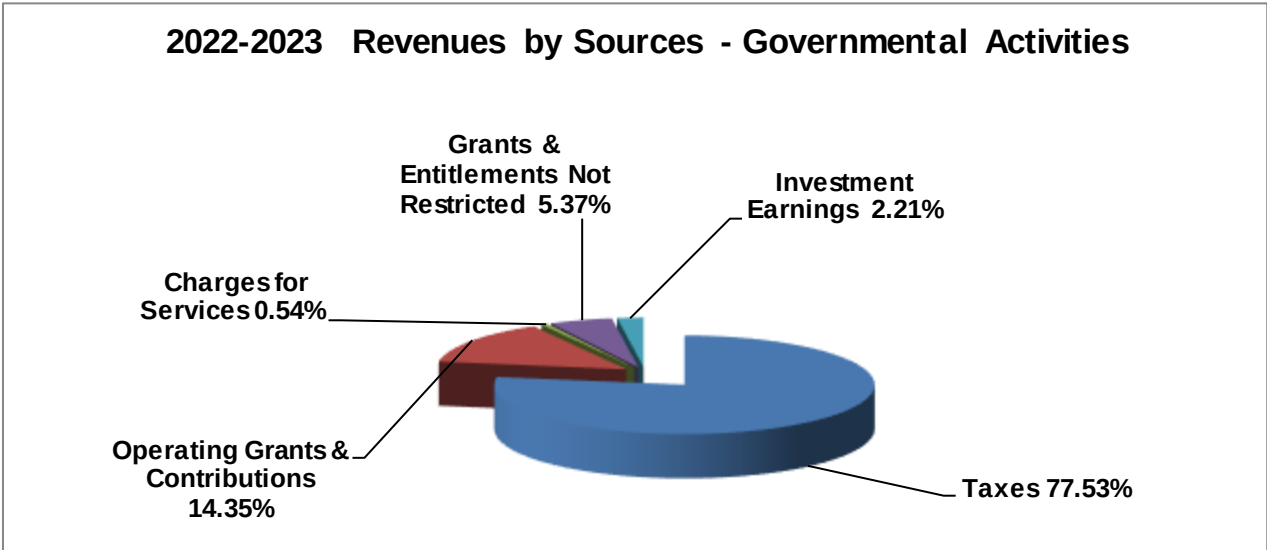
COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023



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, 2023, the District's governmental funds reported a combined fund balance of \$52,848,705 which is an increase of \$1,100,042 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

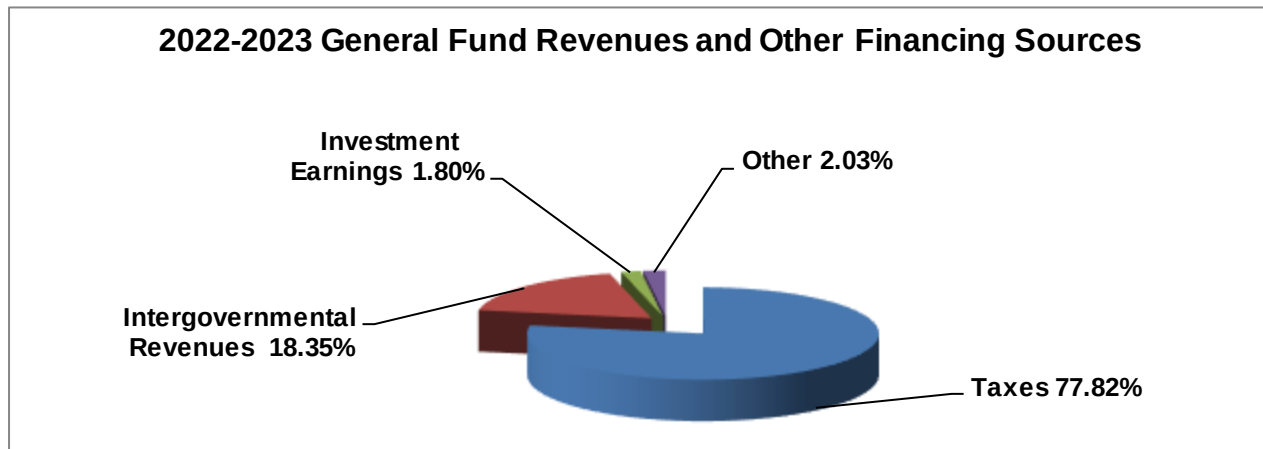
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General Fund	\$35,825,441	\$35,894,140	\$ (68,699)
Capital Projects Fund	<u>17,023,264</u>	<u>15,854,523</u>	<u>1,168,741</u>
	<u>\$52,848,705</u>	<u>\$51,748,663</u>	<u>\$1,100,042</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$35,825,441 representing a decrease of \$68,699 in relation to the prior year. The decrease 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 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 77.82% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$117,794,401	\$116,765,686	\$1,028,715	0.88
Intergovernmental revenues	27,774,525	26,788,682	985,843	3.68
Investment earnings	2,730,597	162,619	2,567,978	1579.14
Other	<u>3,075,437</u>	<u>2,601,809</u>	<u>473,628</u>	<u>18.20</u>
	<u>\$151,374,960</u>	<u>\$146,318,796</u>	<u>\$5,056,164</u>	<u>3.46</u>

Net tax revenues increased by \$1,028,715 or 0.88% due to several factors. A millage increase of 2.56% in 2022-2023, tax assessment base growth, an increase in collections for earned income taxes, decrease in realty transfer and decrease in interim taxes accounted for a majority of the current year change in tax revenues.

Interim tax collections decreased by \$523,617 or 22.12% and delinquent tax revenues decreased \$2,086,603 or 54.80% in 2022-2023 compared to 2021-2022 due to the turnover slowdown in the real estate market within the District.

Earned tax collections increased by \$719,338 or 6.31% in 2022-2023 compared to 2021-2022 which is an indicator of an improving economy in the District.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

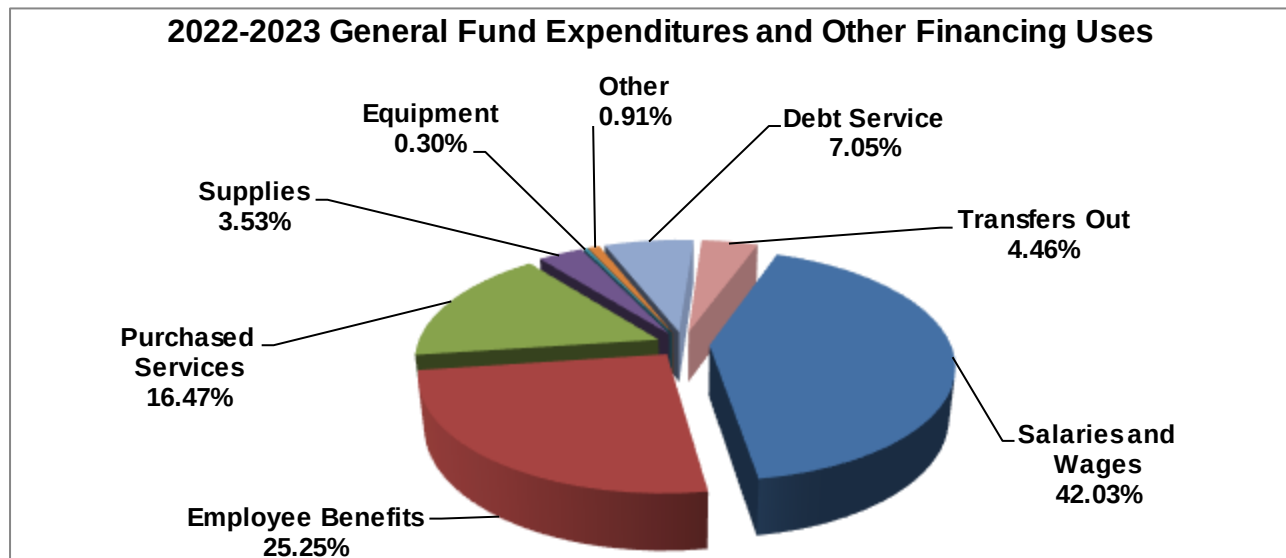
June 30, 2023

The following table summarizes changes in the District's tax revenues for 2023 compared to 2022:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$ 98,190,584	\$ 94,968,529	\$ 3,222,055	3.39
Interim tax	1,843,237	2,366,854	(523,617)	(22.12)
PURTA tax	106,363	103,831	2,532	2.44
PILOT tax	259,745	314,913	(55,168)	(17.52)
Earned income tax	12,119,429	11,400,091	719,338	6.31
Realty transfer tax	3,360,097	3,726,653	(366,556)	(9.84)
Amusement tax	193,843	77,109	116,734	151.39
Delinquent real estate tax	<u>1,721,103</u>	<u>3,807,706</u>	<u>(2,086,603)</u>	<u>(54.80)</u>
	<u>\$117,794,401</u>	<u>\$116,765,686</u>	<u>\$ 1,028,715</u>	<u>0.88</u>

Intergovernmental revenues increased primarily due to higher basic education, special education, and retirement state subsidies, offset by decreases in federal COVID-related subsidies.

Investment earnings increased compared to the prior year due to improved economic conditions resulting in increased interest rates with the District's financial depositories.



General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 63,652,391	\$ 61,796,174	\$ 1,856,217	3.00
Employee benefits	38,236,970	38,790,910	(553,940)	(1.43)
Purchased services	24,938,332	23,349,025	1,589,307	6.81
Supplies	5,344,860	5,423,095	(78,235)	(1.44)
Equipment	458,177	259,841	198,336	76.33
Other	1,379,503	687,568	691,935	100.64
Debt service	10,683,426	10,518,563	164,863	1.57
Transfers out	<u>6,750,000</u>	<u>9,000,000</u>	<u>(2,250,000)</u>	<u>(25.00)</u>
	<u>\$151,443,659</u>	<u>\$149,825,176</u>	<u>\$ 1,618,483</u>	<u>1.08</u>

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Salaries and wages increased by \$1,856,217 or 3.0% in 2022-2023 compared to 2021-2022 as a result of scheduled salary increases within the District's negotiated collective bargaining agreement as well as increases for other staff.

Employee benefits decreased by \$553,940 or 1.43% primarily due to a decrease in the required annual retirement contribution to 34.00% from 35.26% which represents a 1.26% decrease from the prior year. Use of the District's Fund Balance at the Buck-Mont Healthcare Consortium of approximately \$1,000,000 also had a favorable impact on the overall healthcare expenditures during 2022-2023.

Purchased services increased by \$1,589,307 or 6.81% overall due to increased enrollment within the special education department and increase in transportation costs for the 2022-2023 school year. More specifically the cost for transportation related services increased \$890,783 year over year and the costs for Professional Services related to the Early Intervention program increased \$499,281 year over year.

Supplies include all instructional and operational supplies, utilities, textbooks, instructional and administrative software, and all equipment purchases that are valued at less than \$5,000 and decreased by \$78,235 or 1.44%. Supplies include those items needed to disinfect and sanitize the schools due to COVID-19 which were not required in the same volume as purchased in prior year.

Equipment expenditures increased by \$198,336 or 76.33 % as a direct result of the purchase of new vehicles for the Facilities, Security and Grounds/Maintenance department.

Debt service expenditures increased by \$164,863 or 1.57% consistent with scheduled debt service maturities on existing and new general obligation debt.

Transfers out in 2022-2023 represent transfers to the Capital Reserve Fund in the amount of \$6,750,000 to fund the construction projects at various buildings. Projects included new softball field dugouts, overhead PA system at Whitemarsh Elementary School, roof and HVAC at Conshohocken Elementary Schools, Learning Cottages at Plymouth Elementary School, and new generators at various 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 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$1,168,741 due to transfers from the General Fund in excess of capital expenditures. The remaining fund balance of \$17,023,264 as of June 30, 2023 is restricted for future capital expenditures.

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 \$7,174,193 or 4.98% more than budgeted amounts and total General Fund expenditures and other financing uses were \$6,242,892 or 4.30% more than budgeted amounts resulting in a net positive variance of \$931,301. Major budgetary highlights for 2022-2023 were as follows:

- Total local source revenues were \$6,791,092 more than budgeted amounts due to collections for real estate, earned income, realty transfer taxes, realty interim taxes and improved rates on investments at the District's depositories.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- Total state source revenues were \$774,004 more than budgeted amounts primarily due to subsidies received being more than anticipated for basic education.
- Total federal source revenues were \$389,903 less than originally budgeted due to federal COVID-19 economic assistance grant expenditures being less than anticipated.
- Total special education expenditures were \$455,599 more than budgeted amounts due to increased enrollment of students within the special education department. Increased enrollment required additional resources allocated for tuition and specialized professional services.
- Overall expenditures and other financing sources (uses) were \$6,243,892 more than budgeted and can be primarily attributed to the transfer of funds totaling \$6,750,000 Capital Reserve funds.
- Total transfers out were \$6,621,500 more than budget due to an unbudgeted transfer of unassigned fund balance to the Capital Reserve Fund in the amount of \$6,750,000 for future construction projects.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

The net position of the business-type activities and food service fund increased by \$405,003 as a result of the operations. As of June 30, 2023, the business-type activities and food service fund had a deficit in net position of \$588,049. The deficit in net position correlates to the Food Service Fund and business-type activities recording is 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, 2023 amounted to \$189,401,992 net of accumulated depreciation and amortization. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment, library books, vehicles and right-to-use leased equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$760,860 or 0.40%.

Current year capital additions were \$6,446,316 and depreciation and amortization expense was \$5,685,456.

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

- CMS building improvements \$4,591,436

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$161,484,202 consisting of \$149,035,000 in bonds payable and net deferred credits of \$12,449,202. 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 decreased by \$5,100,838 or 3.06% during the fiscal year.

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 \$161,484,202 is within the current debt limitation of the District which was \$328,028,483 as of June 30, 2023.

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

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 \$185,570,706 as of June 30, 2023. The District's net pension liability increased by \$16,950,716 or 10.05% 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 \$18,357,408 as of June 30, 2023. The District's OPEB liability decreased by \$4,665,153 or 20.26% during the fiscal year.

The District's other liabilities for compensated absences and leases payable totaled \$4,594,491 as of June 30, 2023. These liabilities decreased by \$780,796 or 14.53% during the fiscal year.

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 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 2023-2024 totaling \$151,153,201 which used \$0 of General Fund fund balance and the real estate tax millage was increased to 25.02 mills or 2.57%.
- 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 (5.30% for Colonial School District for 2023-2024), 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.
 - ♦ 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.

COLONIAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- 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 2024-2025 is projected at 34.73%. Currently, the employer contribution rate for 2023-2024 34.00%.
- 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.
- 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. 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, 2023, the balance of the fund was \$3,636,835. This is a decrease of \$1,996,118 from the prior year fund balance at June 30, 2022 of \$5,632,953. The decrease is largely due to the use of Fund Balance for the December 2022 healthcare premium.
- Construction of the Colonial Middle School began in October 2019 and the school was opened April 2022. Construction is still ongoing as of June 30, 2023, but is expected to be completed by June 2024.
- The District is in the process of replacing its backup generators at five of the elementary schools. The project is expected to begin during the 2023-2024 school year and be completed during the 2024-2025 school year.
- Renovation of the Colonial Elementary School is scheduled to begin May 2024 with an anticipated completion date of August 2025. The project will create 18 additional education rooms and new offices for the District Administration team within the existing structure of the Colonial Elementary School.

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 the District Business Office, Colonial School District, 230 Flourtown Road, Plymouth Meeting, PA 19462.

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

	Governmental	Business-type	Totals	
	Activities	Activities	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 61,169,458	\$ 2,145,053	\$ 63,314,511	\$ 66,585,546
Investments	5,076,722	-	5,076,722	-
Taxes receivable	1,924,679	-	1,924,679	2,630,097
Due from other governments	4,510,404	-	4,510,404	5,445,490
Internal balances	(13)	13	-	-
Other receivables	3,047,131	89,952	3,137,083	2,788,476
Prepaid expenses	4,604,087	-	4,604,087	6,858,520
Inventories	-	28,735	28,735	63,089
Total current assets	80,332,468	2,263,753	82,596,221	84,371,218
NONCURRENT ASSETS				
Capital assets, net	189,375,687	26,305	189,401,992	188,641,132
Total assets	269,708,155	2,290,058	271,998,213	273,012,350
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	27,702	-	27,702	34,828
Deferred charges OPEB - single employer	3,158,389	1,768	3,160,157	3,271,449
Deferred charges on proportionate share of OPEB - PSERS	1,634,454	32,057	1,666,511	1,836,613
Deferred charges on proportionate share of pension - PSERS	30,271,098	423,693	30,694,791	31,185,222
Total deferred outflows of resources	35,091,643	457,518	35,549,161	36,328,112
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	4,331,418	106,981	4,438,399	7,434,983
Accrued salaries, payroll withholdings and benefits	18,385,532	25,056	18,410,588	17,025,744
Accrued interest payable	2,142,778	-	2,142,778	2,163,049
Grants received in advance	337,296	-	337,296	101,581
Unearned revenue	-	230,124	230,124	192,414
Other liabilities	100,929	-	100,929	102,951
Total current liabilities	25,297,953	362,161	25,660,114	27,020,722
NONCURRENT LIABILITIES				
Due within one year	5,477,931	-	5,477,931	5,687,807
Due in more than one year	361,718,803	2,810,073	364,528,876	357,915,071
Total noncurrent liabilities	367,196,734	2,810,073	370,006,807	363,602,878
Total liabilities	392,494,687	3,172,234	395,666,921	390,623,600
DEFERRED INFLOWS OF RESOURCES				
Deferred credits OPEB - single employer	3,769,559	61,526	3,831,085	649,820
Deferred credits on proportionate share of OPEB - PSERS	1,823,239	35,761	1,859,000	139,000
Deferred credits on proportionate share of pension - PSERS	4,722,896	66,104	4,789,000	29,128,000
Total deferred inflows of resources	10,315,694	163,391	10,479,085	29,916,820
NET POSITION (DEFICIT)				
Net investment in capital assets	30,502,792	26,305	30,529,097	28,658,286
Restricted	13,638,527	-	13,638,527	7,669,226
Unrestricted (deficit)	(142,151,902)	(614,354)	(142,766,256)	(147,527,470)
Total net position (deficit)	\$ (98,010,583)	\$ (588,049)	\$ (98,598,632)	\$ (111,199,958)

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	Totals	
		Services	Contributions	Contributions			2023	2022
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 88,799,919	\$ 37,361	\$ 16,339,526	\$ -	\$ (72,423,032)	\$ -	\$ (72,423,032)	\$ (67,881,750)
Instructional student support services	11,515,352	-	1,146,216	-	(10,369,136)	-	(10,369,136)	(9,823,398)
Administrative and financial support services	13,341,913	17,713	1,324,097	-	(12,000,103)	-	(12,000,103)	(10,831,562)
Operation and maintenance of plant services	10,936,215	452,401	1,075,999	-	(9,407,815)	-	(9,407,815)	(9,435,378)
Pupil transportation	7,357,432	-	1,509,739	-	(5,847,693)	-	(5,847,693)	(5,017,722)
Student activities	2,379,957	302,691	244,657	-	(1,832,609)	-	(1,832,609)	(1,774,967)
Community services	102,224	10,000	-	-	(92,224)	-	(92,224)	(111,785)
Interest and amortization expense related to noncurrent liabilities	5,559,733	-	199,185	-	(5,360,548)	-	(5,360,548)	(5,276,661)
Total governmental activities	139,992,745	820,166	21,839,419	-	(117,333,160)	-	(117,333,160)	(110,153,223)
BUSINESS-TYPE ACTIVITIES								
Food service	2,847,933	1,458,574	1,736,524	-	-	347,165	347,165	990,896
Total primary government	\$ 142,840,678	\$ 2,278,740	\$ 23,575,943	\$ -	(117,333,160)	347,165	(116,985,995)	(109,162,327)
GENERAL REVENUES								
Property taxes levied for general purposes					101,944,205	-	101,944,205	100,858,675
Earned income taxes levied for general purposes					12,119,429	-	12,119,429	11,400,091
Other taxes levied for general purposes					3,920,048	-	3,920,048	4,222,505
Grants and entitlements not restricted to specific programs					8,175,377	-	8,175,377	7,108,301
Investment earnings					3,370,424	57,838	3,428,262	201,634
Total general revenues					129,529,483	57,838	129,587,321	123,791,206
CHANGE IN NET POSITION (DEFICIT)					12,196,323	405,003	12,601,326	14,628,879
NET POSITION (DEFICIT)								
Beginning of year					(110,206,906)	(993,052)	(111,199,958)	(125,828,837)
End of year					\$ (98,010,583)	\$ (588,049)	\$ (98,598,632)	\$ (111,199,958)

See accompanying notes

COLONIAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2023	2022
ASSETS				
Cash	\$ 48,646,734	\$ 12,522,724	\$ 61,169,458	\$ 65,207,412
Investments	-	5,076,722	5,076,722	-
Taxes receivable	1,924,679	-	1,924,679	2,630,097
Due from other funds	20,172	-	20,172	373,186
Due from other governments	4,510,404	-	4,510,404	5,445,490
Other receivables	3,047,131	-	3,047,131	2,581,419
Prepaid items	549,592	417,660	967,252	1,225,567
Total assets	\$ 58,698,712	\$ 18,017,106	\$ 76,715,818	\$ 77,463,171
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,357,761	\$ 973,657	\$ 4,331,418	\$ 7,358,804
Due to other funds	-	20,185	20,185	607,956
Accrued salaries, payroll withholdings and benefits	18,385,532	-	18,385,532	17,025,744
Grants received in advance	337,296	-	337,296	101,581
Other liabilities	100,929	-	100,929	102,951
Total liabilities	22,181,518	993,842	23,175,360	25,197,036
DEFERRED INFLOW OF RESOURCES				
Unavailable revenues - property taxes	676,753	-	676,753	487,472
Unavailable revenues - other receivables	15,000	-	15,000	30,000
Total deferred inflows of resources	691,753	-	691,753	517,472
FUND BALANCES				
Nonspendable				
Prepaid items	549,592	417,660	967,252	1,225,567
Restricted for				
Capital projects	-	16,605,604	16,605,604	15,219,077
Athletics	25,176	-	25,176	13,132
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	6,000,000
Assigned for				
Non-recurring expenditures	1,000,000	-	1,000,000	3,250,000
Unassigned	17,838,440	-	17,838,440	15,628,654
Total fund balances	35,825,441	17,023,264	52,848,705	51,748,663
Total liabilities, deferred inflows of resources and fund balances	\$ 58,698,712	\$ 18,017,106	\$ 76,715,818	\$ 77,463,171

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 52,848,705
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.	189,375,687
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).	27,702
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.	24,748,247
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.	691,753
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.	3,636,835
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(367,196,734)
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>(2,142,778)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (98,010,583)</u>

COLONIAL SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Funds		Totals	
	General	Capital	2023	2022
	Fund	Projects Fund		
REVENUES				
Local sources	\$ 123,609,235	\$ 649,537	\$ 124,258,772	\$ 119,568,304
State sources	25,270,628	-	25,270,628	23,421,514
Federal sources	2,495,097	-	2,495,097	3,367,168
Total revenues	<u>151,374,960</u>	<u>649,537</u>	<u>152,024,497</u>	<u>146,356,986</u>
EXPENDITURES				
Current				
Instruction	87,566,395	-	87,566,395	87,264,483
Support services	42,691,433	172,887	42,864,320	40,497,832
Operation of noninstructional services	2,551,006	-	2,551,006	2,329,639
Facilities acquisition, construction and improvement services	-	6,057,909	6,057,909	23,676,336
Debt service	10,683,426	-	10,683,426	10,523,917
Total expenditures	<u>143,492,260</u>	<u>6,230,796</u>	<u>149,723,056</u>	<u>164,292,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,882,700</u>	<u>(5,581,259)</u>	<u>2,301,441</u>	<u>(17,935,221)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	7,365,000
Bond premiums	-	-	-	804,911
Proceeds from extended term financing	-	-	-	480,233
Refund of prior year receipts	(1,201,399)	-	(1,201,399)	(477,769)
Transfers in	-	6,750,000	6,750,000	9,000,000
Transfers out	(6,750,000)	-	(6,750,000)	(9,000,000)
Total other financing sources (uses)	<u>(7,951,399)</u>	<u>6,750,000</u>	<u>(1,201,399)</u>	<u>8,172,375</u>
NET CHANGE IN FUND BALANCES	<u>(68,699)</u>	<u>1,168,741</u>	<u>1,100,042</u>	<u>(9,762,846)</u>
FUND BALANCES				
Beginning of year	<u>35,894,140</u>	<u>15,854,523</u>	<u>51,748,663</u>	<u>61,511,509</u>
End of year	<u>\$ 35,825,441</u>	<u>\$ 17,023,264</u>	<u>\$ 52,848,705</u>	<u>\$ 51,748,663</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,100,042
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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 and amortization expense in the current period.

Capital outlay expenditures	\$ 6,446,316	
Depreciation and amortization expense	<u>(5,672,133)</u>	774,183

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, 2022	(517,472)	
Deferred inflows of resources June 30, 2023	<u>691,753</u>	174,281

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.

(1,996,118)

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.

Repayment of bonds payable	4,215,000	
Repayment of extended term financing	586,969	
Amortization of bond premiums and deferred amounts on debt refunding	<u>878,712</u>	5,680,681

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	20,271	
Current year change in compensated absences	179,104	
Current year change in net pension liability - PSERS and deferred outflows and inflows	6,795,968	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(682,032)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>149,943</u>	<u>6,463,254</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ 12,196,323</u>
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See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Food Service Fund		Internal Service Fund	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 2,145,053	\$ 1,378,134	\$ -	\$ -
Due from other funds	13	603,415	-	-
Other receivables	89,952	207,057	-	-
Inventories	28,735	63,089	-	-
Prepaid expenses	-	-	3,636,835	5,632,953
Total current assets	<u>2,263,753</u>	<u>2,251,695</u>	<u>3,636,835</u>	<u>5,632,953</u>
NONCURRENT ASSETS				
Capital assets, net	26,305	39,628	-	-
Total assets	<u>2,290,058</u>	<u>2,291,323</u>	<u>3,636,835</u>	<u>5,632,953</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	423,693	431,713	-	-
Deferred charges OPEB - single employer	1,768	5,269	-	-
Deferred charges OPEB - PSERS	32,057	37,674	-	-
Total deferred outflows of resources	<u>457,518</u>	<u>474,656</u>	<u>-</u>	<u>-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Accounts payable	106,981	76,179	-	-
Due to other funds	-	368,645	-	-
Accrued salaries and benefits	25,056	-	-	-
Unearned revenues	230,124	192,414	-	-
Total current liabilities	<u>362,161</u>	<u>637,238</u>	<u>-</u>	<u>-</u>
NONCURRENT LIABILITIES				
Compensated absences	82,488	97,211	-	-
Net pension liability - PSERS	2,561,510	2,334,286	-	-
OPEB liability	18,558	33,616	-	-
Net OPEB liability - PSERS	147,517	199,426	-	-
Total noncurrent liabilities	<u>2,810,073</u>	<u>2,664,539</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,172,234</u>	<u>3,301,777</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	66,104	403,233	-	-
Deferred credits OPEB - single employer	61,526	51,169	-	-
Deferred credits on proportionate share of OPEB - PSERS	35,761	2,852	-	-
Total deferred inflows of resources	<u>163,391</u>	<u>457,254</u>	<u>-</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	26,305	39,628	-	-
Unrestricted (deficit)	(614,354)	(1,032,680)	3,636,835	5,632,953
Total net position (deficit)	<u>\$ (588,049)</u>	<u>\$ (993,052)</u>	<u>\$ 3,636,835</u>	<u>\$ 5,632,953</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Food Service Fund</u>		<u>Internal Service Fund</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES				
Charges for services	\$ 1,458,574	\$ 615,450	\$ 11,534,992	\$ 13,503,781
OPERATING EXPENSES				
Salaries	916,714	866,237	-	-
Employee benefits	431,678	698,780	13,531,110	11,908,288
Purchased property services	21,388	17,399	-	-
Other purchased services	1,667	1,521	-	-
Supplies	1,443,178	1,129,281	-	-
Depreciation	13,323	20,615	-	-
Dues and fees	620	340	-	-
Miscellaneous	19,365	11,131	-	-
Total operating expenses	<u>2,847,933</u>	<u>2,745,304</u>	<u>13,531,110</u>	<u>11,908,288</u>
Operating income (loss)	<u>(1,389,359)</u>	<u>(2,129,854)</u>	<u>(1,996,118)</u>	<u>1,595,493</u>
NONOPERATING REVENUES				
Earnings on investments	57,838	825	-	-
State sources	468,291	256,101	-	-
Federal sources	1,268,233	2,864,649	-	-
Total nonoperating revenues	<u>1,794,362</u>	<u>3,121,575</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	405,003	991,721	(1,996,118)	1,595,493
NET POSITION (DEFICIT)				
Beginning of year	<u>(993,052)</u>	<u>(1,984,773)</u>	<u>5,632,953</u>	<u>4,037,460</u>
End of year	<u>\$ (588,049)</u>	<u>\$ (993,052)</u>	<u>\$ 3,636,835</u>	<u>\$ 5,632,953</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Food Service Fund		Internal Service Fund	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 1,613,389	\$ 564,389	\$ -	\$ -
Cash received from assessments made to other funds	-	-	11,534,992	13,503,781
Cash payment to employees for services	(1,383,474)	(1,540,069)	-	-
Cash payments for insurance claims	-	-	(11,534,992)	(13,503,781)
Cash payments to suppliers for goods or services	(1,247,461)	(921,539)	-	-
Cash payments for other operating expenses	(19,985)	(11,471)	-	-
Net cash used for operating activities	<u>(1,037,531)</u>	<u>(1,908,690)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	412,404	213,663	-	-
Federal sources	1,334,208	2,367,290	-	-
Net cash provided by noncapital financing activities	<u>1,746,612</u>	<u>2,580,953</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(3,704)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	57,838	825	-	-
Net increase (decrease) in cash	766,919	669,384	-	-
CASH				
Beginning of year	1,378,134	708,750	-	-
End of year	<u>\$ 2,145,053</u>	<u>\$ 1,378,134</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating income (loss)	\$ (1,389,359)	\$ (2,129,854)	\$ (1,996,118)	\$ 1,595,493
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Depreciation	13,323	20,615	-	-
Donated commodities used	153,616	179,260	-	-
(Increase) decrease in				
Other receivables	117,105	(137,633)	-	-
Inventories	34,354	2,474	-	-
Prepaid expenses	-	-	1,996,118	(1,595,493)
Deferred outflows of resources	17,138	(63,647)	-	-
Increase (decrease) in				
Accounts payable	30,802	44,928	-	-
Due to other funds	71,053	(88,715)	-	-
Accrued salaries and benefits	25,056	-	-	-
Unearned revenues	37,710	86,572	-	-
Compensated absences	(14,723)	(23,718)	-	-
Net pension liability	227,224	(152,825)	-	-
Net OPEB liability	(66,967)	16,780	-	-
Deferred inflows of resources	(293,863)	337,073	-	-
Net cash used for operating activities	<u>\$ (1,037,531)</u>	<u>\$ (1,908,690)</u>	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 153,616	\$ 179,260	\$ -	\$ -

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Funds	Totals	
			2023	2022
ASSETS				
Cash	\$ 291,542	\$ 644,464	\$ 936,006	\$ 739,991
LIABILITIES				
Accounts payable	-	101,883	101,883	32,747
NET POSITION				
Restricted for student activities		542,581	542,581	432,036
Net position held in trust for scholarships	291,542	-	291,542	275,208
Total net position	\$ 291,542	\$ 542,581	\$ 834,123	\$ 707,244

See accompanying notes

COLONIAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Funds	Totals	
			2023	2022
ADDITIONS				
Receipts from student groups	\$ -	\$ 1,310,798	\$ 1,310,798	\$ 1,090,152
Local contributions	38,259	-	38,259	20,222
Total additions	38,259	1,310,798	1,349,057	1,110,374
DEDUCTIONS				
Student activity disbursements	-	1,200,253	1,200,253	951,012
Scholarships awarded and fees paid	21,925	-	21,925	20,925
Total deductions	21,925	1,200,253	1,222,178	971,937
CHANGE IN NET POSITION	16,334	110,545	126,879	138,437
NET POSITION				
Beginning of year	275,208	432,036	707,244	568,807
End of year	<u>\$ 291,542</u>	<u>\$ 542,581</u>	<u>\$ 834,123</u>	<u>\$ 707,244</u>

See accompanying notes

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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, 2023

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, 2023

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, 2023

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 2022-2023 was 24.3950 mills (\$24.40 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, 2023

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, 2023.

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, 2022, 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, 2022, the District adopted the provisions of GASB Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* and GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*.

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) 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. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *"Accounting Changes and Error Corrections"* will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *"Compensated Absences"* will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

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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 AND INVESTMENTS

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.

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, 2023, the carrying amount of the District's deposits was \$64,250,517 and the bank balance was \$65,987,394. 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, \$505,607 was covered by federal depository insurance and \$7,731,793 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, 2023, PSDLAF and PLGIT were rated as AAAM by a nationally recognized statistical rating agency.

Investments

At June 30, 2023, the District had the following investments:

Investments due within one year –
U.S. Treasury bills

\$5,076,722

U.S. Treasury bills were valued using Level 2 inputs.

COLONIAL SCHOOL DISTRICT

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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2023.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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	-	380,114	-	380,114
Total capital assets not being depreciated	<u>7,291,867</u>	<u>380,114</u>	<u>-</u>	<u>7,671,981</u>
Capital assets being depreciated				
Buildings and improvements	224,511,494	509,224	-	225,020,718
Site improvements	13,757,807	327,681	-	14,085,488
Furniture and equipment	18,338,234	5,193,710	282,880	23,249,064
Library books	1,273,155	-	-	1,273,155
Vehicles	1,562,961	35,587	-	1,598,548
Right-to-use leased equipment	1,107,664	-	683,645	424,019
Total capital assets being depreciated	<u>260,551,315</u>	<u>6,066,202</u>	<u>966,525</u>	<u>265,650,992</u>
Less accumulated depreciation for				
Buildings and improvements	(54,630,010)	(4,136,083)	-	(58,766,093)
Site improvements	(6,656,289)	(362,323)	-	(7,018,612)
Furniture and equipment	(14,672,417)	(899,548)	(282,880)	(15,289,085)
Library books	(1,273,155)	-	-	(1,273,155)
Vehicles	(1,208,479)	(52,647)	-	(1,261,126)
Right-to-use leased equipment	(801,328)	(221,532)	(683,645)	(339,215)
Total accumulated depreciation	<u>(79,241,678)</u>	<u>(5,672,133)</u>	<u>(966,525)</u>	<u>(83,947,286)</u>
Total capital assets being depreciated, net	<u>181,309,637</u>	<u>394,069</u>	<u>-</u>	<u>181,703,706</u>
Governmental activities, net	<u>\$188,601,504</u>	<u>\$ 774,183</u>	<u>\$ -</u>	<u>\$189,375,687</u>
Business-type activities				
Machinery and equipment	\$ 698,036	\$ -	\$ -	\$ 698,036
Less accumulated depreciation	(658,408)	(13,323)	-	(671,731)
Business-type activities, net	<u>\$ 39,628</u>	<u>\$ (13,323)</u>	<u>\$ -</u>	<u>\$ 26,305</u>

COLONIAL SCHOOL DISTRICT

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

Governmental activities

Instruction	\$3,836,395
Instructional student support	495,822
Administrative and financial support services	572,769
Operation and maintenance of plant services	465,448
Pupil transportation	<u>301,699</u>

Total depreciation expense – governmental activities \$5,672,133

Business-type activities

Food service	<u>\$ 13,323</u>
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As of June 30, 2023, the District had outstanding construction commitments for various capital projects in the amount of \$1,060,498.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	\$ 13	General Fund	\$ 13
General Fund	<u>20,185</u>	Capital Projects Fund	<u>20,185</u>
	<u>\$ 20,198</u>		<u>\$ 20,198</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, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$6,750,000</u>	General Fund	<u>\$6,750,000</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, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$153,250,000	\$ -	\$ 4,215,000	\$149,035,000	\$4,305,000
Bond premiums	<u>13,335,040</u>	<u>-</u>	<u>885,838</u>	<u>12,449,202</u>	<u>885,838</u>
Total general obligation debt	<u>166,585,040</u>	<u>-</u>	<u>5,100,838</u>	<u>161,484,202</u>	<u>5,190,838</u>

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Other noncurrent liabilities					
Leases payable	995,617	-	586,969	408,648	287,093
Compensated absences	4,282,459	-	179,104	4,103,355	-
OPEB liability	13,266,865	1,226,714	3,823,381	10,670,198	-
Net OPEB liability - PSERS	9,522,654	-	2,001,519	7,521,135	-
Net pension liability – PSERS	<u>166,285,704</u>	<u>16,723,492</u>	<u>-</u>	<u>183,009,196</u>	<u>-</u>
Total other noncurrent liabilities	<u>194,353,299</u>	<u>17,950,206</u>	<u>6,590,973</u>	<u>205,712,532</u>	<u>287,093</u>
Total governmental activities	<u>360,938,339</u>	<u>17,950,206</u>	<u>11,691,811</u>	<u>367,196,734</u>	<u>5,477,931</u>
Business-type activities					
Compensated absences	97,211	-	14,723	82,488	-
OPEB liability	33,616	5,271	20,329	18,558	-
Net OPEB liability - PSERS	199,426	-	51,909	147,517	-
Net pension liability - PSERS	<u>2,334,286</u>	<u>227,224</u>	<u>-</u>	<u>2,561,510</u>	<u>-</u>
Total business-type activities	<u>2,664,539</u>	<u>232,495</u>	<u>86,961</u>	<u>2,810,073</u>	<u>-</u>
Total noncurrent liabilities	<u>\$363,602,878</u>	<u>\$18,182,701</u>	<u>\$11,778,772</u>	<u>\$370,006,807</u>	<u>\$5,477,931</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, 2023 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	\$ 3,285,000
Series of 2017	1.25% - 5.00%	\$15,465,000	02/15/2039	14,835,000
Series of 2017A	1.05% - 5.00%	\$17,155,000	02/15/2039	16,690,000
Series of 2018	2.00% - 5.00%	\$ 9,520,000	02/15/2043	9,500,000
Series of 2019	1.38% - 3.00%	\$ 9,065,000	02/15/2034	9,050,000
Series of 2020	1.25% - 5.00%	\$29,505,000	02/15/2044	29,490,000
Series of 2020A	1.20% - 3.00%	\$ 9,580,000	02/15/2034	9,565,000
Series of 2021A	1.00% - 3.00%	\$35,105,000	02/15/2044	34,905,000
Series of 2021B	1.00% - 4.00%	\$ 6,530,000	02/15/2044	6,110,000
Series of 2021C	1.00% - 4.00%	\$ 8,425,000	02/15/2034	8,415,000
Series of 2022	4.00%	\$ 7,365,000	02/15/2044	<u>7,190,000</u>
Total general obligation debt				<u>\$149,035,000</u>

COLONIAL SCHOOL DISTRICT

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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>
2024	\$ 4,305,000	\$ 5,806,065	\$ 10,111,065
2025	4,960,000	5,704,275	10,664,275
2026	5,085,000	5,575,775	10,660,775
2027	5,280,000	5,388,425	10,668,425
2028	5,480,000	5,186,525	10,666,525
2029-2033	30,610,000	22,719,175	53,329,175
2033-2038	37,140,000	16,190,450	53,330,450
2039-2043	45,865,000	7,467,650	53,332,650
2044	<u>10,310,000</u>	<u>355,650</u>	<u>10,665,650</u>
	<u>\$149,035,000</u>	<u>\$74,393,990</u>	<u>\$223,428,990</u>

(8) LEASES PAYABLE

The District has entered into long-term lease agreements for various equipment. Initial lease liabilities were recorded in the amount of \$2,556,233. As of June 30, 2023, the value of the lease liabilities is \$408,648. The leases have interest rates ranging from 2.59% to 5.56%. The equipment's estimated useful lives were 4 to 5 years as of their contract commencements. The value of the capital assets as of June 30, 2023 is \$402,474, net of accumulated depreciation of \$2,153,759, and is included with noncurrent assets on the statement of net position. Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2024	\$296,991
2025	124,707
Less: amount representing interest	<u>(13,050)</u>
Present value of minimum lease payments	<u>\$408,648</u>

(9) 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

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.

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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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.00% 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

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%

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T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 pension plan from the District were \$21,741,791 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$185,570,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.4174 percent, which was an increase of 0.0067 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of \$183,009,196 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 \$2,561,510 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized net pension expense of \$14,811,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,000	\$1,605,000
Changes in assumptions	5,541,000	-
Net difference between projected and actual investment earnings	-	3,148,000
Changes in proportions	3,328,000	36,000
Contributions subsequent to the measurement date	<u>21,741,791</u>	<u>-</u>
	<u>\$30,694,791</u>	<u>\$4,789,000</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

\$21,741,791 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, 2024. 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,

2024	\$ 1,893,000
2025	1,939,000
2026	(4,063,000)
2027	<u>4,395,000</u>
	<u>\$ 4,164,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0 %	5.3%
Private equity	12.0 %	8.0%
Fixed income	33.0 %	2.3%
Commodities	9.0 %	2.3%
Infrastructure/MLPs	9.0 %	5.4%
Real estate	11.0 %	4.6%
Absolute return	6.0 %	3.5%
Cash	3.0 %	0.5%
Leverage	<u>(11.0)%</u>	0.5%
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$240,023,015</u>	<u>\$185,570,706</u>	<u>\$139,660,817</u>

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 PSERS' website at www.psers.state.pa.us.

(10) 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.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2022:

Active employees	712
Vested former participants	-
Retired participants	<u>34</u>
Total	<u>746</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 July 1, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 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 \$10,688,756, all of which is unfunded. As of June 30, 2023, the OPEB liability of \$10,670,198 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 \$18,558 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, 2023 was as follows:

Balance as of July 1, 2022	<u>\$13,300,481</u>
Changes for the year:	
Service cost	911,479
Interest on total OPEB liability	320,506
Differences between expected and actual experience	(848,381)
Changes in assumptions	(2,709,733)
Benefit payments	<u>(285,596)</u>
Net changes	<u>(2,611,725)</u>
Balance as of June 30, 2023	<u>\$10,688,756</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,206,757. At June 30, 2023, 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	\$ 702,823	\$ 783,121
Changes in assumptions	1,931,409	3,047,964
Contributions subsequent to the measurement date	<u>525,925</u>	<u>-</u>
	<u>\$3,160,157</u>	<u>\$3,831,085</u>

\$525,925 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, 2024. 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:

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Year ended June 30,

2024	\$ (25,228)
2025	(25,228)
2026	(25,228)
2027	(25,228)
2028	(25,228)
Thereafter	<u>(1,070,713)</u>
	<u>\$ (1,196,853)</u>

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

The following presents the OPEB liability for June 30, 2023, 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>\$9,576,695</u>	<u>\$10,688,756</u>	<u>\$11,979,654</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 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.06%</u>	<u>4.06%</u>	<u>5.06%</u>
OPEB Liability	<u>\$11,466,296</u>	<u>\$10,688,756</u>	<u>\$9,943,835</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.50% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023, and 5.50% in 2024 and 2025; rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for administrators and all other employees. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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, 2022, there were no assumed future benefit increases to participating eligible retirees.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

For Class DC members to become eligible for health insurance premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$472,511 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$7,668,652 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.4166 percent, which was an increase of 0.0064 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the OPEB liability of \$7,521,135 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 \$147,517 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).

For the year ended June 30, 2023, the District recognized OPEB expense of \$310,000. At June 30, 2023, 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 expected and actual experience	\$ 71,000	\$ 41,000
Changes in assumptions	851,000	1,811,000
Net difference between projected and actual investment earnings	21,000	-
Changes in proportions	251,000	7,000
Contributions subsequent to the measurement date	<u>472,511</u>	<u>-</u>
	<u>\$1,666,511</u>	<u>\$1,859,000</u>

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

\$472,511 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, 2024. 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,

2024	\$(108,000)
2025	(84,000)
2026	(118,000)
2027	(163,000)
2028	<u>(192,000)</u>
	<u><u>\$(665,000)</u></u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poor's 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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	<u>100.00%</u>	0.50%

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, 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, 2022, 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, 2022, calculated using current healthcare cost trends as well as what net 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>
District's proportionate share of the net OPEB liability	<u>\$7,667,873</u>	<u>\$7,668,652</u>	<u>\$7,669,277</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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

	<u>1% Decrease</u> <u>3.09%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>4.09%</u>	<u>1% Increase</u> <u>5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$8,672,325</u>	<u>\$7,668,652</u>	<u>\$6,828,791</u>

OPEB Plan Fiduciary Net Position

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

(11) 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 the operating costs of the Technical School based on the number of students attending from each district. For the fiscal year ended June 30, 2023, the District's share of operating costs was \$825,000. 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 2022-2023 was \$558,988.

Future rental payments are as follows:

<u>Year ended June 30,</u>	
2024	\$548,809
Less: Interest requirements	<u>(18,559)</u>
	<u>\$530,250</u>

(12) 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.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 2022-2023, the District paid the Authority \$483,572 under the TIF agreement.

During 2019-2020 the District, Borough of Conshohocken, and Montgomery County (the "**taxing bodies**") 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 the Borough of Conshohocken and prepared a project plan ("**TIF project**") which includes, the redevelopment of property as a new multi-story office building, parking garage and associated improvements. Under the TIF agreement, the District will allocate to the Authority between \$2,000,000 and \$6,000,000 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 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 2022-2023, the District paid the Authority \$153,632 under the TIF agreement.

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.

(13) 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.

COLONIAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, 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 2022-2023. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2023, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

In August 2023, the District issued \$15,000,000 of general obligation bonds, Series of 2023, the proceeds from which are to be used to be used towards payment of the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions, renovations and any other improvements or related expenses to the District's Colonial Elementary School Project, property acquisition and any other improvements or related expenses to other District facilities, and to pay for the costs of issuance.

REQUIRED SUPPLEMENTARY INFORMATION

COLONIAL SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 116,818,143	\$ 116,818,143	\$ 123,609,235	\$ 6,791,092
State sources	24,496,624	24,496,624	25,270,628	774,004
Federal sources	2,885,000	2,885,000	2,495,097	(389,903)
Total revenues	<u>144,199,767</u>	<u>144,199,767</u>	<u>151,374,960</u>	<u>7,175,193</u>
EXPENDITURES				
Instruction				
Regular programs	63,038,925	62,924,180	61,011,899	1,912,281
Special programs	24,100,250	24,104,718	24,560,317	(455,599)
Vocational programs	1,250,000	1,250,000	825,000	425,000
Other instructional programs	455,965	433,833	1,001,340	(567,507)
Nonpublic school programs	-	-	80,044	(80,044)
Adult education programs	82,408	82,408	87,795	(5,387)
Total instruction	<u>88,927,548</u>	<u>88,795,139</u>	<u>87,566,395</u>	<u>1,228,744</u>
Support services				
Pupil support services	5,221,752	5,254,619	5,251,398	3,221
Instructional staff services	4,690,322	4,742,936	4,650,052	92,884
Administrative services	8,128,653	8,139,488	7,996,887	142,601
Pupil health	1,404,931	1,433,751	1,571,051	(137,300)
Business services	1,234,850	1,234,850	1,258,157	(23,307)
Operation and maintenance of plant services	10,941,664	11,051,211	10,985,218	65,993
Student transportation services	7,750,365	7,750,365	6,980,805	769,560
Support services - central	3,405,720	3,414,133	3,906,995	(492,862)
Other support services	96,110	96,110	90,870	5,240
Total support services	<u>42,874,367</u>	<u>43,117,463</u>	<u>42,691,433</u>	<u>426,030</u>
Operation of noninstructional services				
Student activities	1,989,566	1,982,824	2,448,782	(465,958)
Community services	64,800	64,403	102,224	(37,821)
Total operation of noninstructional services	<u>2,054,366</u>	<u>2,047,227</u>	<u>2,551,006</u>	<u>(503,779)</u>
Facilities acquisition, construction and improvement services	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Debt service	<u>10,668,986</u>	<u>10,668,986</u>	<u>10,683,426</u>	<u>(14,440)</u>
Total expenditures	<u>144,528,267</u>	<u>144,631,815</u>	<u>143,492,260</u>	<u>1,139,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(328,500)</u>	<u>(432,048)</u>	<u>7,882,700</u>	<u>8,314,748</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	1,000	1,000	-	(1,000)
Refund of prior year receipts	(50,000)	(50,000)	(1,201,399)	(1,151,399)
Transfers out	(122,500)	(128,500)	(6,750,000)	(6,621,500)
Budgetary reserve	(500,000)	(390,452)	-	390,452
Total other financing sources (uses)	<u>(671,500)</u>	<u>(567,952)</u>	<u>(7,951,399)</u>	<u>(7,383,447)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>(68,699)</u>	<u>\$ 931,301</u>
FUND BALANCE				
Beginning of year			35,894,140	
End of year			<u>\$ 35,825,441</u>	

COLONIAL SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date								
	<u>2022</u>	<u>2021</u>	<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	0.4174%	0.4107%	0.4065%	0.4068%	0.4028%	0.4026%	0.3894%	0.3864%	0.3774%
District's proportionate share of the net pension liability	\$ 185,570,706	\$ 168,619,990	\$ 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	\$ 61,264,787	\$ 58,146,628	\$ 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	302.90%	289.99%	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	61.34%	63.67%	54.32%	54.00%	54.00%	51.84%	50.14%	54.36%	57.24%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 20,805,581	\$ 19,515,989	\$ 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>20,805,581</u>	<u>19,515,989</u>	<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	\$ 61,264,787	\$ 58,146,628	\$ 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	33.96%	33.56%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 911,479	\$ 909,423	\$ 699,658	\$ 697,463	\$ 493,285	\$ 479,326
Interest on total OPEB liability	320,506	251,949	373,015	315,784	233,726	171,497
Differences between projected and actual experience	(848,381)	-	1,289	-	1,140,476	-
Changes of assumptions	(2,709,733)	(393,170)	1,391,515	(309,098)	1,259,778	150,086
Benefit payments	<u>(285,596)</u>	<u>(226,807)</u>	<u>(236,468)</u>	<u>(160,073)</u>	<u>(251,454)</u>	<u>(215,638)</u>
Net change in total pension liability	(2,611,725)	541,395	2,229,009	544,076	2,875,811	585,271
Total OPEB liability, beginning	<u>13,300,481</u>	<u>12,759,086</u>	<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>\$ 10,688,756</u>	<u>\$ 13,300,481</u>	<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%	0.00%	0.00%
Covered payroll	\$ 60,256,520	\$ 58,745,542	\$ 58,745,542	\$ 54,727,223	\$ 54,727,223	\$ 48,534,167
Net OPEB liability as a % of covered payroll	17.74%	22.64%	21.72%	19.24%	18.25%	14.65%

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.4166%	0.4102%	0.4062%	0.4068%	0.4028%	0.4026%
District's proportionate share of the net OPEB liability	\$ 7,668,652	\$ 9,722,080	\$ 8,776,751	\$ 8,651,993	\$ 8,398,174	\$ 8,203,000
District's covered-employee payroll	\$ 61,264,787	\$ 58,146,628	\$ 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	12.52%	16.72%	15.40%	15.42%	15.48%	15.87%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

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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 OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 486,476	\$ 477,329	\$ 478,191	\$ 466,075	\$ 450,024	\$ 445,712
Contributions in relation to the contractually required contribution	<u>486,476</u>	<u>477,329</u>	<u>478,191</u>	<u>466,075</u>	<u>450,024</u>	<u>445,712</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 61,264,787	\$ 58,146,628	\$ 57,007,750	\$ 56,103,178	\$ 54,246,486	\$ 51,700,932
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.86%

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

COLONIAL SCHOOL DISTRICT**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND****June 30, 2023**

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 8,722,049	\$ 3,800,675	\$ 12,522,724
Investments	5,076,722	-	5,076,722
Prepaid items	<u>414,160</u>	<u>3,500</u>	<u>417,660</u>
Total assets	<u>\$ 14,212,931</u>	<u>\$ 3,804,175</u>	<u>\$ 18,017,106</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 180,248	\$ 793,409	\$ 973,657
Due to other funds	<u>5,172</u>	<u>15,013</u>	<u>20,185</u>
Total liabilities	<u>185,420</u>	<u>808,422</u>	<u>993,842</u>
 FUND BALANCES			
Nonspendable			
Prepaid items	414,160	3,500	417,660
Restricted for			
Capital projects	<u>13,613,351</u>	<u>2,992,253</u>	<u>16,605,604</u>
Total fund balances	<u>14,027,511</u>	<u>2,995,753</u>	<u>17,023,264</u>
 Total liabilities and fund balances	<u>\$ 14,212,931</u>	<u>\$ 3,804,175</u>	<u>\$ 18,017,106</u>

COLONIAL SCHOOL DISTRICT

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

Year ended June 30, 2023

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 406,853	\$ 242,684	\$ 649,537
EXPENDITURES			
Current			
Support services	172,887	-	172,887
Facilities acquisition, construction and improvement services	1,159,479	4,898,430	6,057,909
Total expenditures	1,332,366	4,898,430	6,230,796
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(925,513)	(4,655,746)	(5,581,259)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,750,000	-	6,750,000
Total other financing sources (uses)	6,750,000	-	6,750,000
NET CHANGE IN FUND BALANCES	5,824,487	(4,655,746)	1,168,741
FUND BALANCES			
Beginning of year	8,203,024	7,651,499	15,854,523
End of year	\$ 14,027,511	\$ 2,995,753	\$ 17,023,264

SINGLE AUDIT

COLONIAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN</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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Title I - Improving Basic Programs	I	84.010	013-220091	07/01/21 - 09/30/22	\$ 530,150	\$ 240,307	\$ 77,395	\$ 162,912	\$ 162,912	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-230091	07/01/22 - 09/30/23	471,919	235,618	-	244,126	244,126	8,508	-
Total ALN 84.010						475,925	77,395	407,038	407,038	8,508	-
Title II - Improving Teacher Quality	I	84.367	020-220091	07/01/21 - 09/30/22	107,916	5,890	(5,729)	11,619	11,619	-	-
Title II - Improving Teacher Quality	I	84.367	020-230091	07/01/22 - 09/30/23	98,000	97,526	-	98,000	98,000	474	-
Total ALN 84.367						103,416	(5,729)	109,619	109,619	474	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220091	08/15/21 - 09/30/22	34,686	21	21	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230091	08/29/22 - 09/30/23	38,790	36,951	-	38,790	38,790	1,839	-
Total ALN 84.424						36,972	21	38,790	38,790	1,839	-
COVID-19 - ARP ESSER (8754 - Homeless)	I	84.425W	181-212092	03/13/20 - 09/30/24	14,921	5,739	1,745	4,502	4,502	508	-
COVID-19 - ARP ESSER (8744)	I	84.425U	223-210091	03/13/20 - 09/30/24	3,445,148	1,378,059	867,925	431,942	431,942	(78,192)	-
COVID-19 - ARP ESSER 2.5%	I	84.425U	224-210091	03/13/20 - 09/30/24	211,000	46,036	(11,509)	50,422	50,422	(7,123)	-
COVID-19 - ARP ESSER 7%	I	84.425U	225-210091	03/13/20 - 09/30/24	267,765	29,211	(5,881)	105,837	105,837	70,745	-
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 - ESSER Fund Local	I	84.425D	2020-ES-01-34958	03/12/20 - 09/30/22	160,329	776	338	438	438	-	-
Total ALN 84.425						1,459,821	852,618	593,141	593,141	(14,062)	-
<u>Passed Through the Montgomery County I.U.</u>											
Title III - Language Instruction for English Learners	I	84.365	N/A	07/01/21 - 06/30/22	6,986	192	192	-	-	-	-
Title III - Language Instruction for English Learners	I	84.365	N/A	07/01/22 - 06/30/23	19,258	19,258	-	19,258	19,258	-	-
Total ALN 84.365						19,450	192	19,258	19,258	-	-
COVID-19 ARP I.D.E.A. - Section 611	I	84.027X	062-220023	07/01/21 - 09/30/22	224,819	-	-	84,125	84,125	84,125	-
I.D.E.A. - Section 611	I	84.027	062-230023	07/01/22 - 06/30/23	987,818	855,258	-	987,818	987,818	132,560	-
Total ALN 84.027						855,258	-	1,071,943	1,071,943	216,685	-
I.D.E.A. - Section 619	I	84.173	N/A	07/01/22 - 06/30/23	4,532	4,532	-	4,532	4,532	-	-
Total U.S. Department of Education						2,955,374	924,497	2,244,321	2,244,321	213,444	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN</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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Health and Human Services											
Passed-Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	21,570	-	21,570	21,570	-	-
U.S. Department of Homeland Security											
Passed-Through the Pennsylvania Emergency Management Agency											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/22 - 06/30/23	10,622	10,622	-	10,622	10,622	-	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	I	10.649	N/A	07/01/22 - 06/30/23	N/A	3,135	-	3,135	3,135	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	78,731	78,731	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	190,824	-	205,010	205,010	14,186	-
Total ALN 10.553						269,555	78,731	205,010	205,010	14,186	-
Summer Food	I	10.559	N/A	07/01/22 - 06/30/23	N/A	4,996	-	4,996	4,996	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/21 - 09/30/22	N/A	-	(103,525)	103,525	103,525	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 09/30/23	N/A	139,292	-	19,385	19,385	(119,907)	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	332,318	332,318	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	734,806	-	778,566	778,566	43,760	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	153,616	-	153,616	153,616	-	-
Total ALN 10.555						1,360,032	228,793	1,055,092	1,055,092	(76,147)	-
Total U.S. Department of Agriculture						1,637,718	307,524	1,268,233	1,268,233	(61,961)	-
Total Federal Awards						\$ 4,625,284	\$ 1,232,021	\$ 3,544,746	\$ 3,544,746	\$ 151,483	\$ -
Special Education Cluster (IDEA) (ALN #84.027 and #84.173)						\$ 859,790	\$ -	\$ 1,076,475	\$ 1,076,475	\$ 216,685	\$ -
Child Nutrition Cluster (ALN #10.553, #10.555, and #10.559)						\$ 1,555,852	\$ 228,793	\$ 1,265,098	\$ 1,265,098	\$ (61,961)	\$ -

Source Codes

D - Direct Funding

I - Indirect Funding

S - State Share

COLONIAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

(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 ALN 10.555 USDA Commodities represent federal surplus food consumed by the District during the 2022-2023 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, 2023 was \$218,585.

(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, 2023

There were no audit findings for the year ended June 30, 2022.



**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, 2023, 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 30, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 30, 2023



**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

Opinion on Each Major Federal Program

We have audited Colonial School District's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Colonial School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Colonial School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Colonial School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Colonial School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Colonial School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Colonial School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Colonial School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Colonial School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 30, 2023

COLONIAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

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:
 - Special Education Cluster (IDEA):
 - Special Education – Grants to States (IDEA, Part B) – ALN 84.027
 - Special Education – Preschool Grants (IDEA Preschool) – ALN 84.173
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