

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 7, 2024**

NEW ISSUE-BOOK-ENTRY

**RATING: Moody's: "Aaa" (Underlying)  
(See "RATING" herein)**

*In the opinion of Bond Counsel, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and all regulations applicable thereunder, and subject to the conditions described in "TAX MATTERS" herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.*

*Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.*

**\$13,420,000\***

**Colonial School District  
Montgomery County, Pennsylvania  
General Obligation Bonds, Series A of 2024**

**Dated:** Date of Issue  
**Interest Due:** February 15 and August 15

**Principal Due:** February 15, as shown on inside front cover  
**First Interest Payment:** February 15, 2025

The General Obligation Bonds, Series A of 2024 (the "Bonds") in the aggregate principal amount of \$13,420,000\* will be issued in registered book-entry only form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), acting as paying agent and sinking fund depository, at its designated corporate trust office in Dallas, Texas. Interest on the Bonds is payable initially on February 15, 2025 and thereafter semiannually on February 15 and August 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting such payments to Beneficial Owners of the Bonds.

**The Bonds are subject to optional redemption prior to maturity as described herein.**

The Bonds are general obligations of the Colonial School District, Montgomery County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See "Security" and "Special Session Act 1 of 2006 (Taxpayer Relief Act)" *infra*).

Proceeds of the Bonds will be used towards: (1) currently refunding all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017 (the "2017 Bonds"), and (2) paying the costs and expenses related to the issuance of the Bonds.

**MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES  
{As Shown on Inside Cover}**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saxton & Stump, LLC, of Lancaster, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain other matters will be passed upon for the School District by Fox Rothschild LLP, of Blue Bell, Pennsylvania, School District Solicitor and McNees Wallace & Nurick LLC, of Lancaster, Pennsylvania, will pass upon certain legal matters for the Underwriter as Limited Scope Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about November \_\_, 2024.

**RAYMOND JAMES®**

Dated:

\_\_\_\_\_  
\*Estimated, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$13,420,000\***  
**Colonial School District**  
**Montgomery County, Pennsylvania**  
**General Obligation Bonds, Series A of 2024**

**Dated:** Date of Issue

**Principal Due:** February 15, as shown below

**Interest Due:** February 15 and August 15

**First Interest Payment:** February 15, 2025

<b>Maturity Date (February 15) Year</b>	<b>Principal Amounts</b>	<b>Interest Rates</b>	<b>Initial Offering Yields</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				

<sup>(1)</sup>The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\*Estimated, subject to change.

# Colonial School District

## Montgomery County, Pennsylvania

### BOARD OF SCHOOL DIRECTORS

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Beth Patruno.....	President
Gail Plant.....	Vice-President
Richard Carpenter Jr.....	Member
Chris Epstein.....	Member
Sharon Marino.....	Member
Mark Marsico.....	Member
Rasheda Randall.....	Member
Jeremy Schwartz.....	Member
William Winchester, Jr.....	Member
Jessica Lester.....	Secretary*
Mark Digian.....	Treasurer*

---

\*Non-voting members

**SUPERINTENDENT**  
DR. MICHAEL CHRISTIAN

**BUSINESS ADMINISTRATOR**  
MARK DIGIAN

**SCHOOL DISTRICT SOLICITOR**  
FOX ROTHSCHILD LLP  
Blue Bell, Pennsylvania

**BOND COUNSEL TO THE SCHOOL DISTRICT**  
SAXTON & STUMP, LLC  
Lancaster, Pennsylvania

**FINANCIAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**PAYING AGENT**  
BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
Dallas, Texas

**UNDERWRITER**  
RAYMOND JAMES & ASSOCIATES, INC.  
Lancaster, Pennsylvania

**LIMITED SCOPE UNDERWRITER'S COUNSEL**  
MCNEES WALLACE & NURICK LLC  
Lancaster, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
230 Flourtown Road  
Plymouth Meeting, Pennsylvania 19462-1291

No dealer, broker, salesman or other person has been authorized by the Colonial School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS PRELIMINARY OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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# PRELIMINARY OFFICIAL STATEMENT

**\$13,420,000\***

**Colonial School District**  
**Montgomery County, Pennsylvania**  
**General Obligation Bonds, Series A of 2024**

## INTRODUCTION

This Official Statement, including the cover page hereof and Appendices hereto, is furnished by Colonial School District, Montgomery County, Pennsylvania (the "School District"), in connection with the offering of \$13,420,000\* aggregate principal amount of its General Obligation Bonds, Series A of 2024, dated November \_\_, 2024 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on September 19, 2024 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82, as amended (the "Act").

## PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used towards: (1) currently refunding all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017 currently outstanding in the principal amount of \$13,930,000 (the "2017 Bonds"), and (2) paying the costs and expenses related to the issuance of the Bonds.

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

<b>SOURCES OF FUNDS</b>	<b><u>Total</u></b>
Bond Proceeds.....	
Net Original Issue Premium/Discount.....	
<b>Total Sources of Funds.....</b>	
<b>USES OF FUNDS</b>	
Amount Required to Call Series of 2017 Bonds.....	
Cost of Issuance <sup>(1)</sup> .....	
<b>Total Uses of Funds .....</b>	

<sup>(1)</sup>Includes legal, financial advisor, printing, credit rating, total bond discount, CUSIP, paying agent, and miscellaneous costs.

\*Estimated, subject to change.

## THE BONDS

### Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$13,420,000\*, will be dated as of November \_\_, 2024, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on February 15, 2025 and, thereafter, semiannually on February 15 and August 15 until the principal sum thereof is paid.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

### Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its corporate trust office in Dallas, Texas (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding February 15, 2025, in which event such Bond shall bear interest from November \_\_, 2024, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially on February 15, 2025, and thereafter, semiannually on February 15 and August 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “Book-Entry Only System,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or Bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15<sup>th</sup>) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity and interest rate.

\*Estimated, subject to change.

## SECURITY FOR THE BONDS

### General Obligation Pledge

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will to the fullest extent authorized under applicable law provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within the School District within the limits provided by law (see “Taxing Powers of the School District” herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see “Defaults and Remedies” herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “Commonwealth Enforcement of Debt Service Payments” herein).

### Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. But see “**Pennsylvania Budget Adoption**”.

### Pennsylvania Budget Adoption

The budgets for the 2018-19 and the 2019-20 fiscal years were adopted timely.

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the Commonwealth passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. On November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

Then Governor Tom Wolf timely signed the state’s 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week’s delay, a \$45.2 billion budget for the state’s 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

*During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “**Act 85 of 2016**” hereinafter.*

## **Act 85 of 2016**

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District’s general obligation bonds, including the Series of 2022 Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

## **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series A of 2024” (the “Sinking Fund”), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.



## BOOK-ENTRY ONLY SYSTEM

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of

Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

## REDEMPTION OF BONDS

### **Mandatory Redemption**

In the manner and upon the terms and conditions provided in the Resolution, the Bonds stated to mature on February 15 \_\_\_\_\_ and \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity in direct order of maturity pursuant to operation of the Sinking Fund in the manner set forth in the Resolution at a redemption price equal to one-hundred percent (100%) of the principal amount thereof, together with accrued interest on February 15 of the following years in the following principals amounts, as drawn by lot by the Paying Agent.

### **Optional Redemption**

The Bonds stated to mature on or after February 15, \_\_\_\_\_, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on \_\_\_\_\_, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such 2024 Bonds, together with accrued interest to the redemption date.

### **Notice of Redemption**

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than forty-five (45) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption. Any notice of redemption of Bonds may state that the redemption is conditioned upon the deposit of sufficient funds prior to the redemption date. If sufficient funds are not received, such notice of redemption shall be of no effect.

### **Manner of Redemption**

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

**THE SCHOOL DISTRICT**

The School District occupies a total land area of approximately 25 square miles in the southeast portion of Montgomery County and is comprised of the Borough of Conshohocken, Plymouth Township, and Whitemarsh Township. The School District, which is contiguous to Philadelphia, Norristown, Springfield, Upper Merion, and Wissahickon, is located twenty miles west of downtown Philadelphia and forty miles south of Allentown.

**Administration**

The School District is governed by a nine-member Board of School Directors (the “School Board”), elected for four-year terms. The Superintendent is the chief executive officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Chief Financial Officer is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

**School Facilities**

The School District operates five elementary schools, one middle school, and one high school, all as described in the following table.

**TABLE 1  
COLONIAL SCHOOL DISTRICT  
SCHOOL FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Addition/ Renovation Date(s)</b>	<b>Grades</b>	<b>Rated Pupil Capacity</b>	<b>2023-24 Enrollment</b>
<b>Elementary:</b>					
Conshohocken Elementary School.....	1958	1966, 1968, 1988, 2004	K-3	225	234
Plymouth Elementary School.....	1963	---	K-3	675	620
Ridge Park Elementary School.....	1962	2004	K-3	575	542
Whitemarsh Elementary School.....	1954	1959, 1967, 1988, 2004	K-3	500	500
Colonial Elementary School.....	1966	2009	4-5	875	847
<b>Secondary:</b>					
Colonial Middle School <sup>(1)</sup> .....	1968	2023*	6-8	1,150	1,271
Plymouth-Whitemarsh High School.....	1953	1956, 1962, 1966, 1987, 1988, 1999, 2017	9-12	1,790	1,605
<b>Total.....</b>					<b>5,619</b>

\*Complete new construction/building

<sup>(1)</sup>Includes grades 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> grades, with the 6<sup>th</sup> grade being classified as elementary.

Source: School District officials.

**Enrollment Trends**

Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials.

**TABLE 2  
COLONIAL SCHOOL DISTRICT  
ENROLLMENT TRENDS**

<b>Actual Enrollments</b>				<b>Projected Enrollments</b>			
<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>	<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2019-20	2,599	2,673	5,272	2024-25	3,126	2,685	5,811
2020-21	2,984	2,384	5,368	2025-26	3,160	2,709	5,869
2021-22	3,008	2,292	5,300	2026-27	3,194	2,739	5,933
2022-23	3,061	2,308	5,369	2027-28	3,177	2,802	5,979
2023-24	3,165	2,454	5,619	2028-29	3,199	2,832	6,031

Source: School District officials.

**SCHOOL DISTRICT FINANCES**

**Introduction**

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Chief Financial Officer and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

**Financial Reporting**

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. BBD LLP, Philadelphia, Pennsylvania, serves as the School District Auditor.

**Changes to the Budgeting Process of Pennsylvania School Districts under the 2006 Taxpayer Relief Act**

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by PDE and submitted to the board of school directors for approval prior to the beginning of each fiscal year on which commences July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”), all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the primary election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, but not later than 75 days prior to the upcoming primary election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming primary election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing.

PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming primary election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local primary election officials at least 50 days before the upcoming primary election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the primary election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

**Summary and Discussion of Financial Results**

A summary of the General Fund Balance Sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past four years, estimated 2023-24 and the budget for 2024-25. The School District is projecting for the 2024-25 fiscal year revenue of \$157,774,696 and expenditures of \$158,174,696. The expenditures include a budgetary reserve of \$500,000.

**TABLE 3  
COLONIAL SCHOOL DISTRICT  
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET  
(Years Ending June 30)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$26,573,623	\$41,980,479	\$49,141,777	\$45,164,219	\$48,646,734
Investments .....	10,017,523	0	0	0	0
Taxes Receivable .....	1,200,783	1,088,444	2,247,666	2,630,097	1,924,679
Due from Other Funds .....	449,285	676,764	488,280	387,912	20,172
Due from Other Governments .....	4,821,790	4,380,063	5,687,739	5,445,490	4,510,404
Other Receivables .....	2,422,698	1,860,454	2,589,666	2,559,231	3,047,131
Other .....	1,124,504	1,204,446	91,624	590,121	549,592
<b>TOTAL ASSETS</b> .....	<u>\$46,610,206</u>	<u>\$51,190,650</u>	<u>\$60,246,752</u>	<u>\$56,777,070</u>	<u>\$58,698,712</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$2,437,708	\$1,685,960	\$3,490,602	\$2,530,147	\$3,357,761
Accrued Salaries and Benefits .....	14,593,899	15,635,368	15,463,820	16,357,902	17,304,172
Current Portion of Long Term Debt .....	0	0	0	0	0
Unearned Revenues .....	702,637	832,300	896,286	619,053	1,029,049
Other .....	1,467,659	260,052	995,524	1,375,828	1,182,289
<b>TOTAL LIABILITIES</b> .....	<u>\$19,201,903</u>	<u>\$18,552,989</u>	<u>\$20,846,232</u>	<u>\$20,882,930</u>	<u>\$22,873,271</u>
<i>Deferred Inflows of Resources</i> .....	\$0	\$0	\$0	\$0	\$0
<b>FUND EQUITIES</b>					
Restricted Fund Balance .....	\$17,025	\$23,869	\$14,520	\$13,132	\$25,176
Committed Fund Balance .....	10,412,233	10,412,233	16,412,233	16,412,233	16,412,233
Nonspendable Fund Balance .....	1,124,504	1,204,446	91,624	590,121	549,592
Assigned Fund Balance .....	3,250,000	3,250,000	3,250,000	3,250,000	1,000,000
Unassigned Fund Balance .....	12,604,541	17,747,113	19,632,143	15,628,654	17,838,440
<b>TOTAL FUND EQUITIES</b> .....	<u>\$27,408,303</u>	<u>\$32,637,661</u>	<u>\$39,400,520</u>	<u>\$35,894,140</u>	<u>\$35,825,441</u>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b> .....	<u>\$46,610,206</u>	<u>\$51,190,650</u>	<u>\$60,246,752</u>	<u>\$56,777,070</u>	<u>\$58,698,712</u>

Source: School District Annual Financial Reports

**TABLE 4  
COLONIAL SCHOOL DISTRICT GENERAL FUND  
SUMMARY OF CHANGES IN FUND BALANCES\***

	<u>2020</u>	<u>2021</u>	<u>Actual 2022</u>	<u>2023</u>	<u>Estimated 2024<sup>(1)</sup></u>	<u>Budget 2025<sup>(2)</sup></u>
<b>Beginning Fund Balance</b>	\$27,408,304	\$32,637,662	\$39,400,522	\$35,894,142	\$35,894,142	\$27,063,932
Revenues over (under) Expenditure	5,229,358	6,762,860	(3,506,380)	(\$68,701)	(8,830,210)	(400,000)
<b>Ending Fund Balance</b>	<u>\$32,637,662</u>	<u>\$39,400,522</u>	<u>\$35,894,142</u>	<u>\$35,825,442</u>	<u>\$27,063,932</u>	<u>\$26,663,932</u>

\*Totals may not add due to rounding.

<sup>(1)</sup> Estimated, subject to change and final audit.

<sup>(2)</sup> Budget, as adopted June 10, 2024. See "Summary and Discussion of Financial Results".

Source: School District Annual Financial Reports and Budgets.

**Revenue**

The School District received an estimated \$154,349,624 in revenue in 2023-24 and has budgeted revenue of \$157,774,696 in 2024-25. Local sources decreased as a share of total revenue in the past five years from 82.4percent (2019-20) to an estimated 82.2 percent (2023-24). Revenue from Commonwealth sources decreased as a share of total revenue in the past five years from 16.9 percent to an estimated 16.5 percent. Federal and other sources increased as a share of total revenue in the past five years from 0.7 percent to an estimated 1.2 percent.

**TABLE 5  
COLONIAL SCHOOL DISTRICT - SUMMARY OF SCHOOL DISTRICT GENERAL FUND  
REVENUES AND EXPENDITURES\*  
(Years Ending June 30)**

REVENUE:	Actual				Estimated 2024 <sup>(2)</sup>	Budgeted 2025 <sup>(1)</sup>
	2020	2021	2022	2023		
<b>Local Sources:</b>						
Real Estate Taxes.....	\$89,472,353	\$91,279,756	\$94,968,529	\$98,190,584	\$101,579,798	\$104,228,962
Interim Taxes.....	624,251	656,777	2,366,854	1,843,237	1,005,977	1,000,000
Total Act 511 Taxes.....	12,638,429	13,655,500	15,203,853	15,673,369	14,792,763	15,375,000
Public Utility Realty Tax.....	87,496	98,816	103,831	106,363	104,074	100,000
Payment in Lieu of Taxes.....	49,823	43,115	314,913	259,745	295,613	266,630
Delinquency on Taxes Levied.....	1,324,254	3,827,234	3,807,706	1,721,103	1,312,249	2,000,000
Earnings from Investments.....	1,091,311	109,973	162,619	2,730,597	4,268,025	1,500,000
Fed. Rev. Rcvd. From Other Public Schools.....	966,958	1,574,616	960,792	1,154,996	1,243,662	1,000,000
Receipts from Other LEAs in PA – Education.....	1,598,022	1,818,735	1,913,231	2,030,936	1,681,640	0
Refunds of Prior Years Expenditures.....	202,292	363,765	177,285	84,310	0	304,999
Rentals.....	229,936	407,162	387,371	452,401	453,019	500,000
Contributions.....	104,316	43,871	21,487	121,219	18,127	50,000
Tuition.....	44,278	639.63	22,355	44,393	47,612	1,800,000
Other Sources.....	230,136	95,195	42,886	196,958	110,000	0
<b>Total Local Sources.....</b>	<b>\$108,663,855</b>	<b>\$113,975,153</b>	<b>\$120,453,712</b>	<b>\$124,610,209</b>	<b>\$126,912,559</b>	<b>\$128,125,591</b>
<b>State Sources:</b>						
Basic Instructional Subsidy.....	\$3,369,509	\$3,369,503	\$3,757,572	\$4,314,163	\$4,830,979	\$4,831,240
Tuition for Children in Prvt.Homes.....	101,647	219,227	56,695	119,605	139,517	100,000
Special Education.....	2,514,241	2,424,418	2,107,391	2,306,260	2,357,669	2,200,000
Transportation.....	1,045,194	765,918	746,284	812,288	285,204	900,000
Rentals and Sinking Fund Payments.....	146,857	114,554	242,523	199,185	177,244	175,000
Health Services.....	126,222	121,170	122,878	129,382	124,966	120,000
State Property Tax Reduction Allocation.....	3,205,110	3,224,730	3,350,729	3,861,214	3,846,686	4,461,097
Revenue for Social Security.....	1,933,176	2,294,076	2,253,281	2,333,056	2,389,549	2,741,032
Revenue for Retirement.....	9,614,528	9,896,667	10,558,334	11,024,145	10,994,280	11,703,395
Extra Grants/PA Accountability Grants.....	169,916	169,916	169,916	169,916	169,916	169,916
Additional Grants Not Listed Elsewhere.....	0	105,137	55,911	1,414	196,912	0
Other Sources.....	0	0	0	0	0	0
<b>Total State Sources.....</b>	<b>\$22,226,400</b>	<b>\$22,705,316</b>	<b>\$23,421,514</b>	<b>\$25,270,628</b>	<b>\$25,512,922</b>	<b>\$27,401,680</b>
<b>Total Federal Sources.....</b>	<b>\$961,674</b>	<b>\$2,853,717</b>	<b>\$2,406,376</b>	<b>\$1,418,623</b>	<b>\$1,924,143</b>	<b>\$2,246,425</b>
<b>Other Sources.....</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,000</b>
<b>TOTAL REVENUE.....</b>	<b>\$131,852,379</b>	<b>\$139,534,186</b>	<b>\$146,281,601</b>	<b>\$151,299,460</b>	<b>\$154,349,624</b>	<b>\$157,774,696</b>
<b>EXPENDITURES:</b>						
Instruction.....	\$78,629,246	\$82,284,653	\$87,626,458	\$87,387,392	\$93,643,025	\$97,116,116
Pupil Personnel Services.....	4,873,007	5,106,365	5,139,327	5,251,033	5,254,202	5,718,154
Instructional Staff.....	4,520,247	4,399,808	4,891,279	4,890,080	4,983,558	4,948,418
Administration.....	7,296,700	7,380,907	7,617,571	7,977,908	8,792,774	9,180,460
Pupil Health Services.....	1,376,008	1,474,643	1,531,572	1,569,551	1,641,669	1,679,030
Business.....	1,134,671	1,139,549	1,243,752	1,254,761	1,223,067	986,259
Operation & Maintenance of Plant Svcs.....	9,317,090	9,708,216	10,314,941	10,973,854	11,925,092	11,501,598
Student Transportation.....	4,841,915	5,249,907	6,215,655	6,981,494	8,249,225	8,192,666
Central.....	3,197,980	3,321,229	3,381,360	3,967,012	4,632,161	4,411,338
Other Support Services.....	85,521	87,953	90,110	90,870	94,662	99,466
Non-Instructional Services.....	1,882,501	1,577,128	2,277,139	2,466,380	2,391,039	2,075,013
Debt Service.....	7,457,708	10,030,587	10,452,424	11,807,826	10,990,146	11,646,178
Refund of Prior Year Receipts.....	0	0	0	0	535,714	0
Facilities Acq., Constr. & Improv. Services.....	10,427	130	6,393	0	0	0
Fund Transfers.....	2,000,000	1,010,250	9,000,000	6,750,000	8,823,500	120,000
Budgetary Reserve.....	0	0	0	0	0	500,000
<b>TOTAL EXPENDITURES.....</b>	<b>\$126,623,021</b>	<b>\$132,771,325</b>	<b>\$149,787,981</b>	<b>\$151,368,161</b>	<b>\$163,179,834</b>	<b>\$158,174,696</b>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES.....</b>	<b>\$5,229,358</b>	<b>\$6,762,861</b>	<b>(\$3,506,380)</b>	<b>(\$68,701)</b>	<b>(\$8,830,210)</b>	<b>(\$400,000)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup> Estimated, subject to change and final audit.

<sup>(2)</sup> Budget, as adopted June 10, 2024. See "Summary and Discussion of Financial Results".

Source: School District Annual Financial Reports and Budgets.

## TAXING POWERS OF THE SCHOOL DISTRICT

*Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 (see below),* the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, wage and other earned income taxes, real estate transfer taxes, gross receipts taxes, and occupation taxes, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. The Local Tax Enabling Act was amended by Act 222 of 2004 to authorize all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes any person whose total income from all sources is less than \$12,000 per year.

### The Taxpayer Relief Act (Act 1)

Under The Taxpayer Relief Act (Act 1), a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 ("Act 72"), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.



The Act 1 Index applicable to the School District in the current, and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2024-25	5.3%
2023-24	4.1%
2022-23	3.4%
2021-22	3.0%
2020-21	2.6%

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot for the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) its earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any future municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

**The Bonds are not “grandfathered” under the Taxpayer Relief Act**

The Bonds were not authorized before effective date of Act 1. Therefore, the Bonds are *not* “grandfathered” and the School District cannot be granted an exception to the Act 1 referendum requirement on the basis of the debt service due and payable on the Bonds if a tax increase greater than the Index is needed. **The School District anticipates that it will have sufficient new tax millage included in its 2024-25 budget to cover the full amount of the debt service on the Bonds without exceeding the Index and the approved exceptions.**

**Act 24 of 2001**

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district’s occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents’ wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation, and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

The School District does not presently levy an occupation tax.

**Act 48 of 2003**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$13,420,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$13,420,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

**Tax Levy Trends**

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Boroughs of Conshohocken, Plymouth and Whitemarsh Township and Montgomery County.

**TABLE 6  
COLONIAL SCHOOL DISTRICT  
TAX RATES**

<b>Fiscal Year</b>	<b>Real Estate (mills)</b>	<b>Real Estate Transfer (%)</b>	<b>Amusement (%)</b>	<b>Earned Income (%)</b>
2020-21	23.3640	0.500	5.000	0.500
2021-22	23.9950	0.500	5.000	0.500
2022-23	24.3950	0.500	5.000	0.500
2023-24	25.0200	0.500	5.000	0.500
2024-25	25.6780	0.500	5.000	0.500

Source: School District officials.

**TABLE 7  
COLONIAL SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Colonial School District.....	23.3640	23.9950	24.3950	25.0200	25.6780
Borough of Conshohocken.....	4.5000	4.5000	4.5000	4.5000	4.5000
Plymouth Township .....	2.3200	2.4200	2.6200	2.6200	2.6200
Whitemarsh Township .....	2.3633	2.3633	2.3633	2.3633	2.3633
Montgomery County .....	2.6950	2.6950	2.6950	2.6950	4.7880

Source: School District officials.

**Real Property Tax**

The real property tax (excluding interim taxes and delinquent collections) produced \$102,444,750 in 2023-24 or 66.4 percent of total revenue. The School District fiscal year is July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within 60 days of July 1 receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty. For the 2007-08 fiscal year, eligible taxpayers could opt into the installment method of payment for their school taxes. Installment payments are based upon three (3) one-third payments of the base tax amount. The due date for installment payments is August 15, October 15, and December 15.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide reassessment in Montgomery County was January 1, 1998.

**TABLE 8  
COLONIAL SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

<b>Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2019-20 .....	\$7,182,146,728	\$4,128,004,248	57.48%
2020-21 .....	7,775,540,991	4,167,854,703	53.60%
2021-22 .....	7,863,963,540	4,209,973,108	53.54%
2022-23 .....	8,702,844,584	4,279,088,012	49.17%
2023-24 .....	8,852,093,528	4,346,685,210	49.10%
Compound Average Annual Percentage Change .....	4.27%	1.04%	

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9  
COLONIAL SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2022</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>
	<b>Market</b>	<b>Assessed</b>	<b>Market</b>	<b>Assessed</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
Colonial School District	\$8,702,844,584	\$4,279,088,012	\$8,852,093,527	\$4,346,685,210
Borough of Conshohocken	1,605,695,293	700,853,788	1,706,622,741	744,891,688
Plymouth Township	3,445,175,643	1,686,533,778	3,498,052,926	1,709,569,248
Whitemarsh Township	3,651,973,648	1,891,700,446	3,647,417,860	1,892,224,274
Montgomery County	111,811,536,551	61,967,163,014	111,811,536,551	61,967,163,014

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10  
COLONIAL SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Residential.....	\$2,476,008,781	\$2,507,655,901	\$2,536,628,801	\$2,562,724,981	\$2,583,470,086
Lots .....	14,828,060	14,942,030	14,004,030	13,547,910	13,284,510
Industrial .....	146,718,610	143,685,130	135,845,345	138,293,675	136,484,905
Commercial .....	1,420,922,357	1,432,094,612	1,452,813,692	1,486,678,026	1,543,871,069
Agriculture .....	68,082,000	68,032,590	69,236,800	68,812,100	60,325,800
Mineral.....	0	0	0	7,586,880	7,586,880
Land .....	1,444,440	1,444,440	1,444,440	1,444,440	1,661,960
<b>Total.....</b>	<b>\$4,128,004,248</b>	<b>\$4,167,854,703</b>	<b>\$4,209,973,108</b>	<b>\$4,279,088,012</b>	<b>\$4,346,685,210</b>

Source: Pennsylvania State Tax Equalization Board.

**TABLE 11  
COLONIAL SCHOOL DISTRICT  
REAL PROPERTY TAX COLLECTION DATA**

<b>Year</b>	<b>Total<sup>(1)</sup> Flat Billing</b>	<b>Current Year Collections (July-June)</b>	<b>Current Year Collections as Percent of Total Flat Billing</b>	<b>Total Current Plus Delinquent</b>	<b>Total Current Plus Delinquent Collections as Percent of Total Flat Billing</b>
2019-20 .....	\$93,253,682	\$89,472,353	95.95%	\$90,493,830	97.04%
2020-21 .....	91,936,532	91,859,207	99.92%	94,479,714	102.77%
2021-22 .....	97,335,383	94,977,253	97.58%	98,776,235	101.48%
2022-23 .....	99,355,417	97,512,181	98.14%	99,387,577	100.03%
2023-24 (est.) .....	103,308,609	102,444,750	99.16%	102,639,963	99.35%

<sup>(1)</sup>Includes interim billings and payments.

Source: School District officials.

The ten largest real property taxpayers, together with 2023-24 assessed values are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 10.0 percent of total assessed value. All major real property tax accounts as listed below are current.

**TABLE 12  
COLONIAL SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS, 2023-24**

<b>Owner</b>	<b>2023-24 Assessed Value</b>
Whitemarsh Continuing Care	\$58,994,140
SORA West OU Owner LLC	47,976,610
Courts at Spring Mill LP <sup>(1)</sup>	46,221,840
AREP Eight Tower Bridge LLC	45,356,000
McNeilab Inc.	44,750,000
Metroplex West Associates LP	43,690,940
RP Riverwalk LLC	43,125,000
TB-BDN Plymouth Apts LP	38,137,200
Seven Tower Bridge Development LLC	27,809,100
Alliance HP Spring Mill Property	27,486,920
<b>Total</b>	<b>\$423,547,750</b>

Source: School District officials.

<sup>(1)</sup> Taxpayer initiated assessment appeal.

### Other Taxes

Under Act 511, the School District received an estimated \$102,444,750 in taxes in 2023-24. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Earned Income Tax and Amusement Tax are levied by the School District. Its limit under Act 511, equal to 12 mills on the market value of real property, was approximately \$106,225,122.

*Real Estate Transfer Tax:* The School District levies a tax of 1.00% (subject to 50% sharing) of the value of real estate transfers. For 2023-24 the School District received an estimated \$1,975,041 or 1.3 percent of total revenue.

*Amusement Tax:* The School District levies a tax of 10.0% (subject to 50% sharing) of the entrance fee to recreational facilities. For 2023-24 the School District received an estimated \$534,581 or less than one percent of total revenue.

*Earned Income Tax.* The School District levied a tax of 1.0% (subject to 50% sharing) on the earned income of residents. In 2023-24 the collected portion of this tax yielded an estimated revenue of \$12,283,141 or 8.0 percent of total revenue.

### COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

### Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (10.00%) or the wealth based Market Value Aid Ratio ("MVAR") currently (12.72%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the Bonds will be 25.59% (there has been no determination by the PDE). The School District's CARF (which is higher than the MVAR) is 12.72%. The product of these two

factors is 3.26%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District’s MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 (“Act 25”), which contains authorization for the Commonwealth Finance Authority (“CFA”) to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District’s anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 shows the debt of the School District as of October 4, 2024 including the issuance of the Bonds.

**TABLE 13  
COLONIAL SCHOOL DISTRICT  
DEBT STATEMENT\*  
(As of October 4, 2024)**

<b>NONELECTORAL DEBT</b>	<b>Gross Outstanding</b>
General Obligation Bonds, Series A of 2024 (last maturity 2039) .....	\$13,420,000
General Obligation Bonds, Series of 2024 (last maturity 2043) .....	9,580,000
General Obligation Bonds, Series of 2023 (last maturity 2053) .....	15,000,000
General Obligation Bonds, Series of 2022 (last maturity 2033) .....	7,010,000
General Obligation Bonds, Series C of 2021 (last maturity 2033) .....	8,410,000
General Obligation Bonds, Series A of 2021 (last maturity 2044) .....	34,420,000
General Obligation Bonds, Series A of 2020 (last maturity 2034) .....	9,095,000
General Obligation Bonds, Series of 2020 (last maturity 2043) .....	29,485,000
General Obligation Bonds, Series of 2019 (last maturity 2044) .....	8,885,000
General Obligation Bonds, Series A of 2017 (last maturity 2039) .....	16,240,000
General Obligation Bonds, Series A of 2016 (last maturity 2024) .....	1,845,000
<b>TOTAL NONELECTORAL DEBT</b> .....	<u>\$153,390,000</u>
<b>TOTAL LEASE RENTAL DEBT</b> .....	<u>\$0</u>
 <b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	 <u><u>\$153,390,000</u></u>

\*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not include the Refunded Series of 2017 being refunded herein.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, principal of direct debt of the School District will total \$153,390,000.

**TABLE 14**  
**COLONIAL SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of October 4, 2024)**

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt .....	\$153,390,000	\$152,020,295
Lease Rental Debt .....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$153,390,000</b>	<b>\$152,020,295</b>
<b>OVERLAPPING DEBT</b>		
Montgomery County, General Obligation <sup>(2)</sup> .....	\$52,949,000	\$52,949,000
Municipal Debt .....	52,474,220	52,474,220
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$105,423,220</b>	<b>\$105,423,220</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$258,813,220</b>	<b>\$257,443,515</b>
<b>DEBT RATIOS</b>		
Per Capita .....	\$6,074.00	\$6,041.86
Percent 2023-24 Assessed Value .....	6.05%	6.02%
Percent 2023-24 Market Value .....	2.97%	2.96%

\*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not include the Refunded Series of 2017 being refunded herein. <sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current CARF. See "Commonwealth Aid to School Districts".

<sup>(2)</sup>Pro rata 7.78 percent share of \$680,272,868 principal amount outstanding.

**Debt Limit and Remaining Borrowing Capacity**

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2021-22 .....	\$144,567,585
Total Revenues for 2022-23 .....	\$150,507,135
Total Revenues for 2023-24 (estimated) .....	<u>\$153,572,330</u>
 Total Revenues, Past Three Years .....	 <u>\$448,647,049</u>
 Annual Arithmetic Average (Borrowing Base) .....	 <u>\$149,549,0016</u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<b>Legal Limit</b>	<b>Net Debt Outstanding*</b>	<b>Remaining Borrowing Capacity</b>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base .....	\$336,485,287	\$153,390,000	\$183,095,287

\*Includes the estimated Bonds described herein.

**Debt Service Requirements**

Table 15 presents the debt service requirements on the School District’s outstanding general obligation indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15  
COLONIAL SCHOOL DISTRICT,  
DEBT SERVICE REQUIREMENTS<sup>(1)</sup>**

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Principal</u>	<u>Series A of 2024 Interest</u>	<u>Subtotal</u>	<u>Total Requirements</u>
2024-25	\$11,224,946				
2025-26	11,282,510				
2026-27	11,287,700				
2027-28	11,288,490				
2028-29	11,369,430				
2029-30	11,414,938				
2030-31	11,417,713				
2031-32	11,416,488				
2032-33	11,416,163				
2033-34	11,416,088				
2034-35	11,413,713				
2035-36	11,412,663				
2036-37	11,417,163				
2037-38	11,416,413				
2038-39	11,414,813				
2039-40	11,416,713				
2040-41	11,415,300				
2041-42	11,415,088				
2042-43	11,415,475				
2043-44	11,415,863				
2044-45	2,095,000				
2045-46	2,097,500				
2046-47	2,096,500				
2047-48	2,097,000				
2048-49	2,098,750				
2049-50	2,096,500				
2050-51	2,095,250				
2051-52	2,094,750				
2052-53	2,094,750				
2053-54	0				
<b>Total</b>	<u>\$246,553,663</u>				

<sup>(1)</sup>Totals may not add due to rounding.

**TABLE 16  
COLONIAL SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY COMMONWEALTH AID\***

2023-24 (estimated) Commonwealth Aid Received.....	\$25,512,922
2023-24 (estimated) Debt Service Requirements .....	10,990,146
Maximum Future Debt Service Requirements after Issuance of Bonds .....	
Coverage of 2023-24 (estimated) Debt Service Requirements.....	2.32 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	times

\*Assumes current Commonwealth Aid Ratio. See “Commonwealth Aid to School Districts.”

**Future Financing**

The School District does not anticipate issuing additional long-term (non-refunding) debt in the next 1-3 years.

**LABOR RELATIONS**

**School District Employees**

There are presently 783 employees of the School District, including 439 teachers, 47 administrators and 297 other employees, which include secretaries, custodial staff, maintenance staff, cafeteria staff, transportation staff and instructional aides.

The School District’s teachers are represented by the Colonial Education Association (the “Association”), an affiliate of the Pennsylvania State Education Association (“PSEA”), under a contract with the School District which will expire June 30, 2028. The secretaries and instructional aides are represented by the Colonial Support Personnel Association, an affiliate of PSEA-NEA, are under a contract which expires June 30, 2025. The custodial and maintenance staff are represented by the Teamsters Local Union No. 384, under a contract which expires June 30, 2026.

**Pension Program**

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees’ Retirement System (“PSERS”), and a percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.9% for the fiscal year 2024-25.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.



Annual School District contributions have been as follows:

2020-21 .....	\$19,860,293.00
2021-22 .....	\$21,253,300.00
2022-23 .....	\$20,540,379.00
2023-24 .....	\$21,978,307
2024-25 (budgeted) .....	\$22,934,344

At June 30, 2023, the School 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 the PSERS total pension liability as of June 30, 2021 to June 30, 2022. The School District’s proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District’s proportion was 0.4174% which was an increase of 0.0067% from its proportion measured as of June 30, 2022.

As of June 30, 2023, the PSERS plan was 61.60% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS’ rate of return for fiscal year ended June 30, 2023 was 3.54%. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

**Other Post-Employment Benefits**

The District implemented Governmental Accounting Standards Board Statement No. 45, “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions,” for certain post-employment healthcare benefits and life insurance benefits provided by the District. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year.

Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition. The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors.

For further information on the School District’s OPEB see Note 13 in “Appendix C – Audited Financial Statements”.

**LITIGATION**

At the time of settlement, the President or Vice-President of the School District, will deliver a certificate dated as of the date of delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

**TAX MATTERS**

**Federal**

**Exclusion of Interest From Gross Income.** In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals; however, such interest is considered in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022.

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and the representations in the Tax Compliance Certificate executed by the School District on the date of issuance of the Bonds relating to actions to be taken by the School District after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes. These covenants and representations relate to the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

**Other Federal Tax Matters.** Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions, subject to Code Section 265, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

The School District has **not** designated and determined under and for purposes of Section 265(b)(3)(B) of the Code to qualify each of the Bonds as a “qualified tax-exempt obligation” as such phrase is defined in the Code.

**Bond Counsel is not rendering any opinion as to any federal tax matters other than as described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the form of Bond Counsel opinion included as APPENDIX C. Purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.**

## **Pennsylvania**

In the opinion of Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

## **Other Jurisdictions**

The Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

## **Other**

The Inflation Reduction Act, H.R. 5376 (the “IRA”) was passed by both houses of Congress and signed by the President; as passed, the IRA includes a 15% alternative minimum tax to be imposed on the “adjusted financial statement income”, as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. If the IRA is enacted as passed, interest on the Bonds will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

## **BONDHOLDER CONSIDERATIONS**

*The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire official Statement inclusive of its Appendices.*

## **Cybersecurity**

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District’s current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the s, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

## Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

## Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See “TAX MATTERS” herein.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal Year Ending	Filing Due Date	Filing Dates:		
		Audit	Operating Data	Budget
6/30/2023	3/26/2024	12/6/2023	7/31/2023	7/31/2023
6/30/2022	3/27/2023	1/3/2023	5/25/2023*	12/19/2022
6/30/2021	3/27/2022	11/29/2021	8/4/2021	7/29/2021
6/30/2020	3/27/2021	12/3/2020	7/30/2020	7/7/2020
6/30/2019	3/26/2020	11/22/2019	12/16/2019	6/21/2019

\*The School District did not timely file its operating data, but subsequently filed to EMMA on this date. A failure to timely file notice was filed to EMMA on 8/10/2023. Although filed, it was not timely filed.

Additionally, the School District entered into a Continuing Disclosure Agreement with the State Public School Building Authority (Commonwealth of Pennsylvania) in connection with the Central Montgomery County Area Vocational Technical School, Revenue Bonds, Series of 2013. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

<b>Fiscal Year</b> <u>Ending</u>	<b>Filing</b> <u>Due Date</u>	<b>Filing Dates:</b>		
		<u>Audit</u>	<b>Operating</b> <u>Data</u>	<u>Budget</u>
6/30/2023	12/27/2023	2/27/2024*	2/27/2024*	2/27/2024*
6/30/2022	12/27/2022	1/9/2023*	12/28/2022*	12/21/2022
6/30/2021	12/27/2021	3/1/2022*	3/1/2022*	3/1/2022*
6/30/2020	12/27/2020	12/21/2020	12/21/2020	12/21/2020
6/30/2019	12/27/2019	12/16/2019	12/16/2019	12/16/2019

*\*The School District failed to timely file this annual information to EMMA, but subsequently filed to EMMA on the dates represented in the table. A failure to timely file notice was filed to EMMA on 2/28/2024. Although filed, it was not timely filed.*

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

### RATING

Moody’s Investor’s Service, Inc. has assigned its underlying rating of “Aaa” to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### UNDERWRITING

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the “Underwriter”) subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$ (representing the par amount of the Bonds of \$ , [plus/less] an original issue [premium/discount] of \$ less an underwriting discount of \$ . The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds on the Delivery Date if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

**LEGAL OPINION**

The Bonds are offered subject to the receipt of the approving legal opinion of Saxton & Stump, LLC, Bond Counsel to the School District, of Lancaster, Pennsylvania. Certain legal matters will be passed upon for by Fox Rothschild LLP, of Blue Bell, Pennsylvania, School District Solicitor and McNees Wallace & Nurick LLC, LLC, Lancaster, Pennsylvania, will pass upon certain legal matters for the Underwriter.

**FINANCIAL ADVISOR**

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization, and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

**MISCELLANEOUS**

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

COLONIAL SCHOOL DISTRICT  
Montgomery County, Pennsylvania

By: \_\_\_\_\_  
President, Board of School Directors

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**APPENDIX A - Demographic and  
Economic Information Relating to the  
Colonial School District**

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**Introduction**

The School District occupies a total land area of approximately 25 square miles in the southeast portion of Montgomery County and is comprised of the Borough of Conshohocken, Plymouth Township and Whitemarsh Township. The School District, which is contiguous to Philadelphia, Norristown, Springfield, Upper Merion and Wissahickon are located twenty miles west of downtown Philadelphia and forty miles south of Allentown.

**Population**

Table A-1 shows recent population trends for the School District, Montgomery County and the Commonwealth.

**TABLE A-1  
RECENT POPULATION TRENDS**

<b>Geographic Area</b>	<b>Census: 2010</b>	<b>Census: 2020</b>	<b>Change: 2010 to 2020</b>
	<b>Number</b>	<b>Number</b>	<b>Percent</b>
<i>School District</i> .....	41,707	47,224	1.25%
<i>Montgomery County</i> .....	799,874	856,553	0.69%
<i>Pennsylvania</i> .....	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau, Census 2020.

**Employment**

Listed below are some of the larger employers within Montgomery County:

<b>Name</b>
Merck Sharp & Dohme Corp.
Abington Memorial Hospital
Main Line Hospitals Inc.
State Government
SEI Investments Company
Albert Einstein Medical Center
SmithKline Beecham Corporation
Giant Food Stores LLC
Lockheed Martin Corp
Montgomery County

Source: Center for Workforce Information – 1st Quarter of 2024.

Overall Nonfarm Jobs data is not compiled for the School District or municipalities within it, but such data is compiled for the Philadelphia, PA-NJ-DE-MD Metropolitan Statistical Area (the “PMSA”) an area which includes the School District).

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**  
**(Philadelphia Metropolitan Statistical Area)**  
**(Bucks, Chester, Delaware, Montgomery and Philadelphia – PA Counties)**  
**(New Castle – DE County, Cecil – MD County)**  
**(Burlington, Camden, Gloucester and Salem -NJ counties)**

Establishment Data	Industry Employment				Net Change From:	
	Mar 2024	Feb 2024	Jan 2024	Mar 2023	Feb 2024	Mar 2023
<b>TOTAL NONFARM</b>	3,084,100	3,065,200	3,047,000	3,052,600	18,900	31,500
<b>TOTAL PRIVATE</b>	2,734,500	2,716,700	2,705,400	2,712,800	17,800	21,700
<b>GOODS PRODUCING</b>	301,400	299,600	299,200	303,300	1,800	-1,900
Construction, Natural Resources, and Mining	120,000	117,600	117,400	122,400	2,400	-2,400
Manufacturing	181,400	182,000	181,800	180,900	-600	500
Durable Goods	92,200	92,800	92,800	92,000	-600	200
Non-Durable Goods	89,200	89,200	89,000	88,900	0	300
<b>SERVICE-PROVIDING</b>	2,782,700	2,765,600	2,747,800	2,749,300	17,100	33,400
<b>PRIVATE SERVICE-PROVIDING</b>	2,433,100	2,417,100	2,406,200	2,409,500	16,000	23,600
Trade, Transportation, and Utilities	535,200	534,600	541,200	543,600	600	-8,400
Wholesale Trade	121,000	120,500	121,000	121,300	500	-300
Retail Trade	275,200	273,900	278,000	280,100	1,300	-4,900
Transportation, Warehousing, and Utilities	139,000	140,200	142,200	142,200	-1,200	-3,200
<b>Information</b>	52,900	52,800	52,300	54,200	100	-1,300
<b>Financial Activities</b>	229,900	229,600	229,300	228,900	300	1,000
Finance and insurance	188,300	188,300	188,000	188,400	0	-100
<b>Professional and Business Services</b>	490,200	487,700	487,200	498,000	2,500	-7,800
Professional and technical services	250,300	249,500	250,000	254,800	800	-4,500
Administrative and waste services	171,400	169,400	168,700	174,400	2,000	-3,000
<b>Education and Health Services</b>	734,500	730,200	713,800	701,000	4,300	33,500
Health care and social assistance	589,000	584,700	581,600	557,300	4,300	31,700
Hospitals	143,500	143,200	143,000	139,700	300	3,800
<b>Leisure and Hospitality</b>	267,400	259,800	259,100	262,000	7,600	5,400
Accommodation and food services	216,000	211,300	210,100	214,500	4,700	1,500
<b>Other Services</b>	123,000	122,400	123,300	121,800	600	1,200
<b>Government</b>	349,600	348,500	341,600	339,800	1,100	9,800
Federal Government	56,300	56,300	56,000	53,600	0	2,700
State Government	56,700	56,200	52,600	54,900	500	1,800
Local Government	236,600	236,000	233,000	231,300	600	5,300
Data benchmarked to March 2023						

Source: Pennsylvania State Employment Service: [www.paworkstats.state.pa.us](http://www.paworkstats.state.pa.us).

Table A-4 shows recent trends in employment and unemployment for Montgomery County and the Commonwealth. The unemployment rate has increased.

**TABLE A-4  
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
NOT SEASONALLY ADJUSTED**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<b>Montgomery County</b>							
Civilian Labor Force (000)	457.8	447.0	443.2	460.6	467.5	476.3	0.80%
Employment (000)	442.9	412.9	421.9	445.6	456.3	461.8	0.84%
Unemployment (000)	14.9	34	21.2	14.9	11.2	14.5	-0.54%
Unemployment Rate	3.20%	7.60%	4.8	3.2	2.40%	3.00%	
<b>Pennsylvania</b>							
Civilian Labor Force (000)	6,492.0	6,388.0	6,406.0	6,452.0	6,485.0	6,602.0	0.34%
Employment (000)	6,208.0	5,808.0	5,999.0	6,204.0	6,296.0	6,355.0	0.56%
Unemployment (000)	284.0	580.0	407.0	248.0	189.0	247.0	-5.23%
Unemployment Rate	4.40%	9.10%	6.3	3.8	2.90%	3.70%	

<sup>(1)</sup>As of June 2024.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

**Income**

The data in Table A-5 show trends in per capita income for the School District, Montgomery County and Pennsylvania over the 2010-2020 period.

**TABLE A-5  
TRENDS IN PER CAPITA INCOME\***

	<u>2010</u>	<u>2020</u>	<b>Annual Average Percentage Change 2010-2020</b>
School District.....	\$43,302	\$55,535	2.52%
Montgomery County .....	40,076	49,905	2.22%
Pennsylvania .....	27,049	35,518	2.76%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau, 2020

Table A-6 shows recent trends for retail sales in Montgomery County and the State.

**TABLE A-6  
TOTAL RETAIL SALES  
(000)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Montgomery County.....	\$13,399,099	\$21,566,509	\$22,055,191	\$21,239,179	\$22,982,660	\$24,998,262
MSA .....	85,594,993	118,054,280	121,588,785	117,611,766	129,095,108	138,955,072
Pennsylvania.....	188,389,810	244,709,540	251,185,116	274,685,600	297,770,327	310,912,244

Source: The Nielson Company

### **Commercial Activity**

Development in the service area is primarily residential and commercial in nature, with some light industrial development. Local officials anticipate continuous growth, as evidenced by residential development and recent construction. Access to major highways, U.S. Routes 476 and Interstate Route 76, and the availability of sewers and sewage treatment capacity are expected to influence growth. The completion of the Blue Route, which terminates at the junction of the Northeast Extension of the Pennsylvania Turnpike and the East-West Pennsylvania Turnpike in Plymouth Township, has increased commercial activity in the School District.

### **Educational Institutions**

Major colleges and universities located near the School District include Chestnut Hill College, Ursinus College, Bryn Mawr College, Haverford College, Temple University's Ambler Campus, West Chester University, Villanova University, and University of Pennsylvania.

### **Medical Facilities**

Major hospital facilities servicing the School District area include Montgomery Hospital, Mercy Suburban Hospital, Chestnut Hill Hospital, Bryn Mawr Hospital, Abington Memorial Hospital, and Lankenau Hospital.

### **Utilities**

The following public utilities serve the School District: natural gas is supplied by Aqua Pennsylvania Incorporated; electric power is provided by PECO Energy, telephone service is provided by Verizon, and water in the service area is provided by the Philadelphia Suburban Water Authority and private water systems.

### **Transportation**

Norfolk Southern provides freight service and Greyhound and Trailways provide bus service. Philadelphia International Airport is the nearest airport with scheduled commercial service.

**APPENDIX B –  
Opinion of Bond Counsel**

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# **DRAFT**

**COLONIAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, PENNSYLVANIA  
\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES A OF 2024**

---

## **OPINION**

We have acted as Bond Counsel in connection with the issuance by the Colonial School District, Montgomery County, Pennsylvania (the "School District"), of the \$ \_\_\_\_\_ General Obligation Bonds, Series A of 2024 dated \_\_\_\_\_, 2024 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to a resolution adopted by the Board of School Directors of the School District on September 19, 2024.

2. The Bonds are a valid and binding obligation of the School District.

3. The School District has established with the Paying Agent, as Sinking Fund Depository, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.

4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive

to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

Saxton & Stump, LLC

\_\_\_\_\_, 2024



**APPENDIX C –  
Audited Financial Statement – June 30, 2023**

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

Financial Statements  
Year Ended June 30, 2023



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

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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.

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# 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
<b>ASSETS</b>						
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>
<b>Total assets</b>	<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>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<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>
<b>LIABILITIES</b>						
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>
<b>Total liabilities</b>	<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>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<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>
<b>NET POSITION (DEFICIT)</b>						
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>
<b>Total net position (deficit)</b>	<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	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
<b>Program revenues</b>						
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	-	-	-	-	-	-
<b>General revenues</b>						
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	3,370,424	200,809	57,838	825	3,428,262	201,634
<b>Total revenues</b>	<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>
<b>EXPENSES</b>						
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	-	-	2,847,933	2,745,304	2,847,933	2,745,304
<b>Total expenses</b>	<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>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<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>

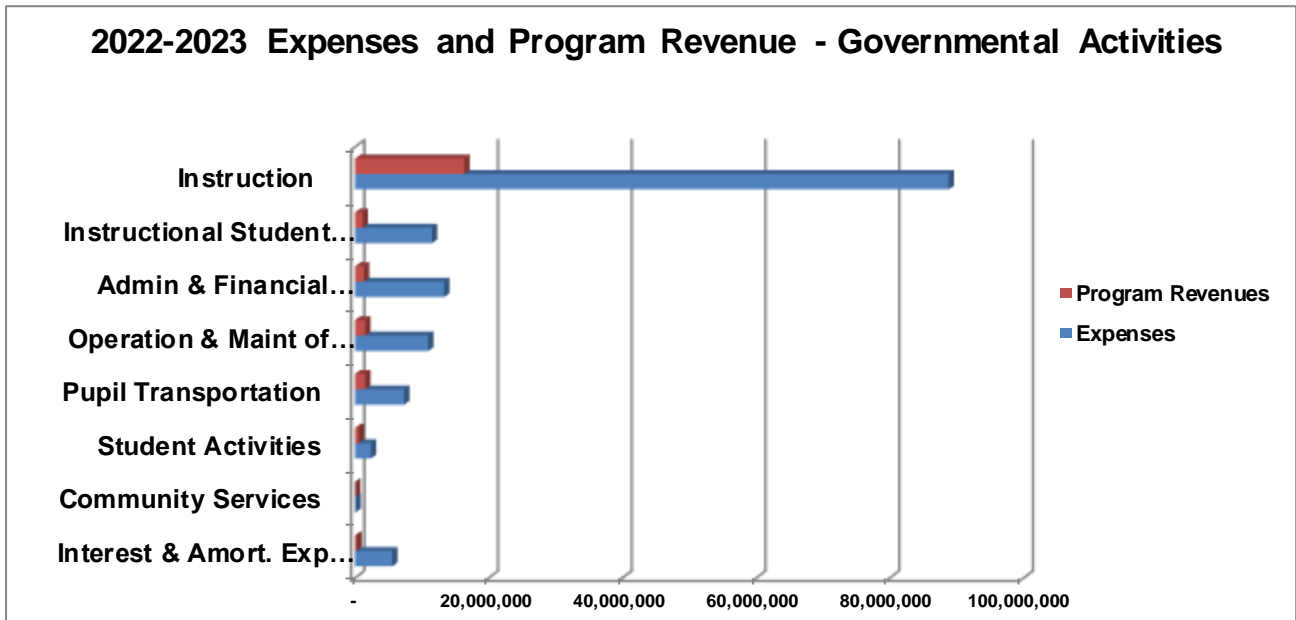
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively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

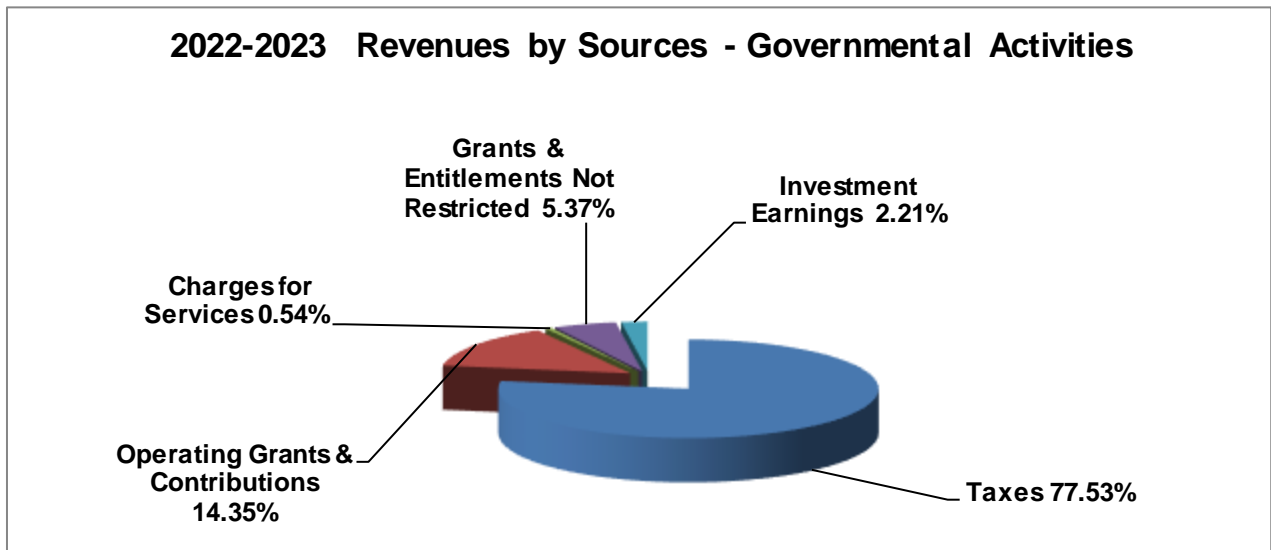
**COLONIAL SCHOOL DISTRICT**

**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

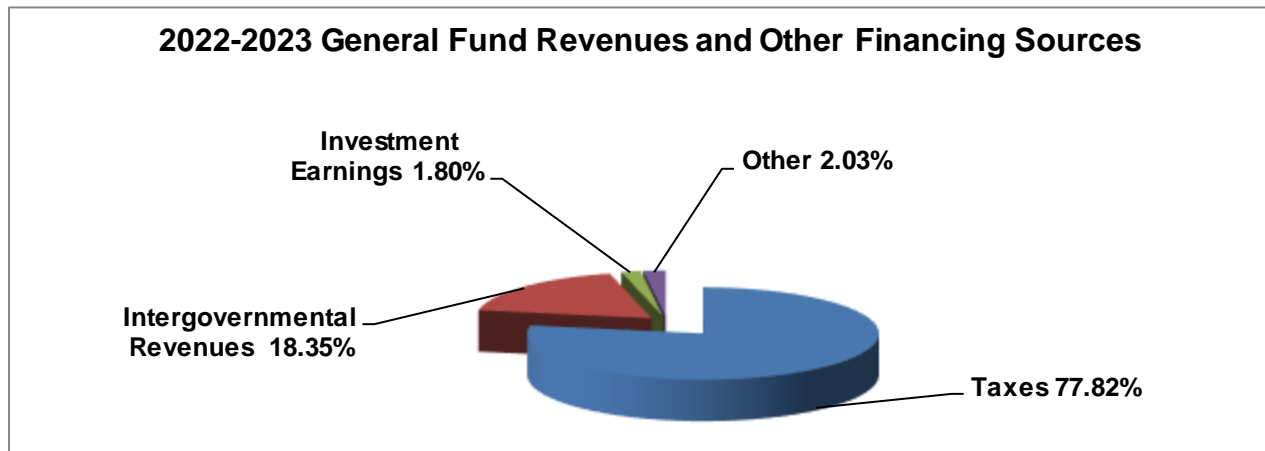
June 30, 2023

	<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

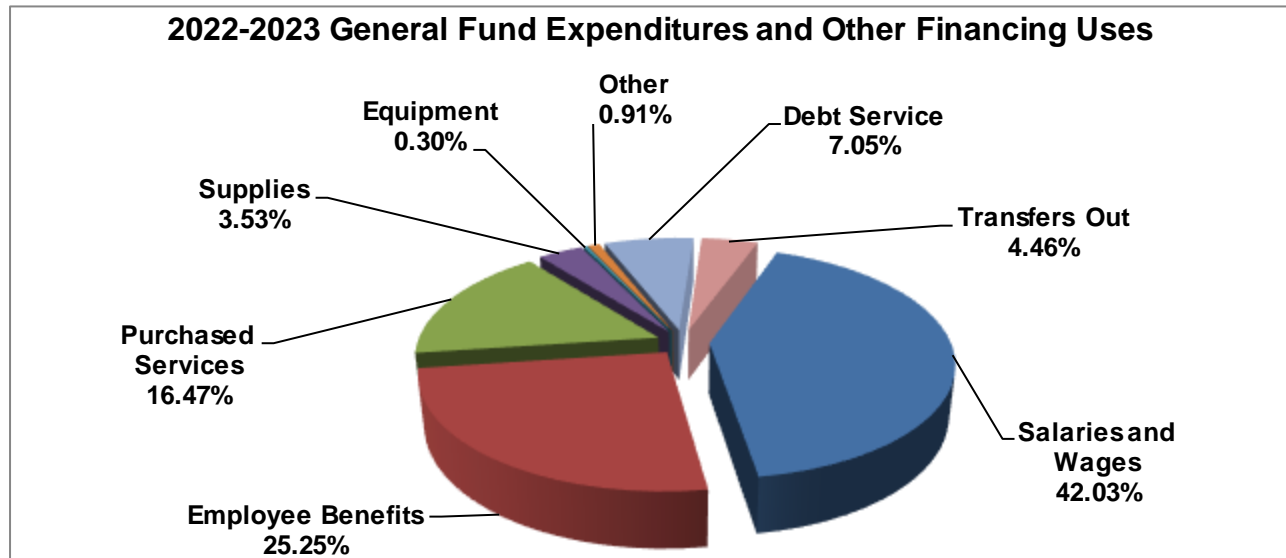
June 30, 2023

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

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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 Whitmarsh 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

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- 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

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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

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- 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 Activities	Business-type Activities	Totals	
			2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
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
<b>Total current assets</b>	<b>80,332,468</b>	<b>2,263,753</b>	<b>82,596,221</b>	<b>84,371,218</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	189,375,687	26,305	189,401,992	188,641,132
<b>Total assets</b>	<b>269,708,155</b>	<b>2,290,058</b>	<b>271,998,213</b>	<b>273,012,350</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
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
<b>Total deferred outflows of resources</b>	<b>35,091,643</b>	<b>457,518</b>	<b>35,549,161</b>	<b>36,328,112</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
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
<b>Total current liabilities</b>	<b>25,297,953</b>	<b>362,161</b>	<b>25,660,114</b>	<b>27,020,722</b>
<b>NONCURRENT LIABILITIES</b>				
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
<b>Total noncurrent liabilities</b>	<b>367,196,734</b>	<b>2,810,073</b>	<b>370,006,807</b>	<b>363,602,878</b>
<b>Total liabilities</b>	<b>392,494,687</b>	<b>3,172,234</b>	<b>395,666,921</b>	<b>390,623,600</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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
<b>Total deferred inflows of resources</b>	<b>10,315,694</b>	<b>163,391</b>	<b>10,479,085</b>	<b>29,916,820</b>
<b>NET POSITION (DEFICIT)</b>				
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)
<b>Total net position (deficit)</b>	<b>\$ (98,010,583)</b>	<b>\$ (588,049)</b>	<b>\$ (98,598,632)</b>	<b>\$ (111,199,958)</b>

See accompanying notes

# COLONIAL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			Activities	Activities
	Services	Contributions	Contributions					
<b>GOVERNMENTAL ACTIVITIES</b>								
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)
<b>Total governmental activities</b>	<u>139,992,745</u>	<u>820,166</u>	<u>21,839,419</u>	<u>-</u>	<u>(117,333,160)</u>	<u>-</u>	<u>(117,333,160)</u>	<u>(110,153,223)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	2,847,933	1,458,574	1,736,524	-	-	347,165	347,165	990,896
<b>Total primary government</b>	<u>\$ 142,840,678</u>	<u>\$ 2,278,740</u>	<u>\$ 23,575,943</u>	<u>\$ -</u>	<u>(117,333,160)</u>	<u>347,165</u>	<u>(116,985,995)</u>	<u>(109,162,327)</u>
<b>GENERAL REVENUES</b>								
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
<b>Total general revenues</b>					<u>129,529,483</u>	<u>57,838</u>	<u>129,587,321</u>	<u>123,791,206</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					12,196,323	405,003	12,601,326	14,628,879
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(110,206,906)	(993,052)	(111,199,958)	(125,828,837)
<b>End of year</b>					<u>\$ (98,010,583)</u>	<u>\$ (588,049)</u>	<u>\$ (98,598,632)</u>	<u>\$ (111,199,958)</u>

See accompanying notes

# COLONIAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds		Totals	
	General	Capital	2023	2022
	Fund	Projects		
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>\$ 58,698,712</b>	<b>\$ 18,017,106</b>	<b>\$ 76,715,818</b>	<b>\$ 77,463,171</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
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
<b>Total liabilities</b>	<b>22,181,518</b>	<b>993,842</b>	<b>23,175,360</b>	<b>25,197,036</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenues - property taxes	676,753	-	676,753	487,472
Unavailable revenues - other receivables	15,000	-	15,000	30,000
<b>Total deferred inflows of resources</b>	<b>691,753</b>	<b>-</b>	<b>691,753</b>	<b>517,472</b>
<b>FUND BALANCES</b>				
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
<b>Total fund balances</b>	<b>35,825,441</b>	<b>17,023,264</b>	<b>52,848,705</b>	<b>51,748,663</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 58,698,712</b>	<b>\$ 18,017,106</b>	<b>\$ 76,715,818</b>	<b>\$ 77,463,171</b>

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

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 52,848,705</b>
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>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (98,010,583)</u></b>

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See accompanying notes

# 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		
<b>REVENUES</b>				
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
<b>Total revenues</b>	<u>151,374,960</u>	<u>649,537</u>	<u>152,024,497</u>	<u>146,356,986</u>
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<u>143,492,260</u>	<u>6,230,796</u>	<u>149,723,056</u>	<u>164,292,207</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,882,700</u>	<u>(5,581,259)</u>	<u>2,301,441</u>	<u>(17,935,221)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>Total other financing sources (uses)</b>	<u>(7,951,399)</u>	<u>6,750,000</u>	<u>(1,201,399)</u>	<u>8,172,375</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(68,699)</u>	<u>1,168,741</u>	<u>1,100,042</u>	<u>(9,762,846)</u>
<b>FUND BALANCES</b>				
Beginning of year	<u>35,894,140</u>	<u>15,854,523</u>	<u>51,748,663</u>	<u>61,511,509</u>
<b>End of year</b>	<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

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 1,100,042

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** \$ 12,196,323

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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	
	2023	2022	2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
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
<b>Total current assets</b>	<b>2,263,753</b>	<b>2,251,695</b>	<b>3,636,835</b>	<b>5,632,953</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	26,305	39,628	-	-
<b>Total assets</b>	<b>2,290,058</b>	<b>2,291,323</b>	<b>3,636,835</b>	<b>5,632,953</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
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	-	-
<b>Total deferred outflows of resources</b>	<b>457,518</b>	<b>474,656</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	106,981	76,179	-	-
Due to other funds	-	368,645	-	-
Accrued salaries and benefits	25,056	-	-	-
Unearned revenues	230,124	192,414	-	-
<b>Total current liabilities</b>	<b>362,161</b>	<b>637,238</b>	<b>-</b>	<b>-</b>
<b>NONCURRENT LIABILITIES</b>				
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	-	-
<b>Total noncurrent liabilities</b>	<b>2,810,073</b>	<b>2,664,539</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,172,234</b>	<b>3,301,777</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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	-	-
<b>Total deferred inflows of resources</b>	<b>163,391</b>	<b>457,254</b>	<b>-</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	26,305	39,628	-	-
Unrestricted (deficit)	(614,354)	(1,032,680)	3,636,835	5,632,953
<b>Total net position (deficit)</b>	<b>\$ (588,049)</b>	<b>\$ (993,052)</b>	<b>\$ 3,636,835</b>	<b>\$ 5,632,953</b>

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>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,458,574	\$ 615,450	\$ 11,534,992	\$ 13,503,781
<b>OPERATING EXPENSES</b>				
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	-	-
<b>Total operating expenses</b>	<u>2,847,933</u>	<u>2,745,304</u>	<u>13,531,110</u>	<u>11,908,288</u>
<b>Operating income (loss)</b>	<u>(1,389,359)</u>	<u>(2,129,854)</u>	<u>(1,996,118)</u>	<u>1,595,493</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	57,838	825	-	-
State sources	468,291	256,101	-	-
Federal sources	1,268,233	2,864,649	-	-
<b>Total nonoperating revenues</b>	<u>1,794,362</u>	<u>3,121,575</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	405,003	991,721	(1,996,118)	1,595,493
<b>NET POSITION (DEFICIT)</b>				
Beginning of year	<u>(993,052)</u>	<u>(1,984,773)</u>	<u>5,632,953</u>	<u>4,037,460</u>
<b>End of year</b>	<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	
	2023	2022	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
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)	-	-
<b>Net cash used for operating activities</b>	<u>(1,037,531)</u>	<u>(1,908,690)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	412,404	213,663	-	-
Federal sources	1,334,208	2,367,290	-	-
<b>Net cash provided by noncapital financing activities</b>	<u>1,746,612</u>	<u>2,580,953</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	(3,704)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	57,838	825	-	-
<b>Net increase (decrease) in cash</b>	766,919	669,384	-	-
<b>CASH</b>				
Beginning of year	1,378,134	708,750	-	-
<b>End of year</b>	<u>\$ 2,145,053</u>	<u>\$ 1,378,134</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>				
Operating income (loss)	\$ (1,389,359)	\$ (2,129,854)	\$ (1,996,118)	\$ 1,595,493
<b>Adjustments to reconcile operating income (loss) to net cash used for operating activities</b>				
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	-	-
<b>Net cash used for operating activities</b>	<u>\$ (1,037,531)</u>	<u>\$ (1,908,690)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
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

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

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

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### (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

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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

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### ***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

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**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

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### **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:

# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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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.

# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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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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# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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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	<u>\$5,076,722</u>
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U.S. Treasury bills were valued using Level 2 inputs.



# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 7,291,867	\$ -	\$ -	\$ 7,291,867
Construction in progress	<u>-</u>	<u>380,114</u>	<u>-</u>	<u>380,114</u>
<b>Total capital assets not being depreciated</b>	<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	<u>1,107,664</u>	<u>-</u>	<u>683,645</u>	<u>424,019</u>
<b>Total capital assets being depreciated</b>	<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	<u>(801,328)</u>	<u>(221,532)</u>	<u>(683,645)</u>	<u>(339,215)</u>
<b>Total accumulated depreciation</b>	<u>(79,241,678)</u>	<u>(5,672,133)</u>	<u>(966,525)</u>	<u>(83,947,286)</u>
<b>Total capital assets being depreciated, net</b>	<u>181,309,637</u>	<u>394,069</u>	<u>-</u>	<u>181,703,706</u>
<b>Governmental activities, net</b>	<u>\$188,601,504</u>	<u>\$ 774,183</u>	<u>\$ -</u>	<u>\$189,375,687</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 698,036	\$ -	\$ -	\$ 698,036
Less accumulated depreciation	<u>(658,408)</u>	<u>(13,323)</u>	<u>-</u>	<u>(671,731)</u>
<b>Business-type activities, net</b>	<u>\$ 39,628</u>	<u>\$ (13,323)</u>	<u>\$ -</u>	<u>\$ 26,305</u>

**COLONIAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

<b>Governmental activities</b>	
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>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$5,672,133</u></b>
<b>Business-type activities</b>	
Food service	<u>\$ 13,323</u>

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>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
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>
<b>Total general obligation debt</b>	<u>166,585,040</u>	<u>-</u>	<u>5,100,838</u>	<u>161,484,202</u>	<u>5,190,838</u>

**COLONIAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

<b>Other noncurrent liabilities</b>					
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>
<b>Total other noncurrent liabilities</b>	<u>194,353,299</u>	<u>17,950,206</u>	<u>6,590,973</u>	<u>205,712,532</u>	<u>287,093</u>
<b>Total governmental activities</b>	<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>
<b>Business-type activities</b>					
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>
<b>Total business-type activities</b>	<u>2,664,539</u>	<u>232,495</u>	<u>86,961</u>	<u>2,810,073</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<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:

<b><u>Description</u></b>	<b><u>Interest Rate(s)</u></b>	<b><u>Original Issue Amount</u></b>	<b><u>Final Maturity</u></b>	<b><u>Principal Outstanding</u></b>
<b>General obligation bonds</b>				
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>
<b>Total general obligation debt</b>				<u>\$149,035,000</u>

# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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](http://www.psers.state.pa.us).

# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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%

**COLONIAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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

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\$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](http://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

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### 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:

<b>Balance as of July 1, 2022</b>	<u>\$13,300,481</u>
<b>Changes for the year:</b>	
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>
<b>Net changes</b>	<u>(2,611,725)</u>
<b>Balance as of June 30, 2023</b>	<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:

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**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:

	<b><u>1% Decrease</u></b>	<b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
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:

	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
	<b><u>3.06%</u></b>	<b><u>4.06%</u></b>	<b><u>5.06%</u></b>
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

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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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
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>

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# COLONIAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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\$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

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	<u>1% Decrease</u> <u>3.09%</u>	<u>Current 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](http://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

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### **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

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### 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
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	<u>2,885,000</u>	<u>2,885,000</u>	<u>2,495,097</u>	<u>(389,903)</u>
<b>Total revenues</b>	<u>144,199,767</u>	<u>144,199,767</u>	<u>151,374,960</u>	<u>7,175,193</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
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	<u>82,408</u>	<u>82,408</u>	<u>87,795</u>	<u>(5,387)</u>
<b>Total instruction</b>	<u>88,927,548</u>	<u>88,795,139</u>	<u>87,566,395</u>	<u>1,228,744</u>
<b>Support services</b>				
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	<u>96,110</u>	<u>96,110</u>	<u>90,870</u>	<u>5,240</u>
<b>Total support services</b>	<u>42,874,367</u>	<u>43,117,463</u>	<u>42,691,433</u>	<u>426,030</u>
<b>Operation of noninstructional services</b>				
Student activities	1,989,566	1,982,824	2,448,782	(465,958)
Community services	<u>64,800</u>	<u>64,403</u>	<u>102,224</u>	<u>(37,821)</u>
<b>Total operation of noninstructional services</b>	<u>2,054,366</u>	<u>2,047,227</u>	<u>2,551,006</u>	<u>(503,779)</u>
<b>Facilities acquisition, construction and improvement services</b>				
	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<b>Debt service</b>				
	<u>10,668,986</u>	<u>10,668,986</u>	<u>10,683,426</u>	<u>(14,440)</u>
<b>Total expenditures</b>	<u>144,528,267</u>	<u>144,631,815</u>	<u>143,492,260</u>	<u>1,139,555</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(328,500)</u>	<u>(432,048)</u>	<u>7,882,700</u>	<u>8,314,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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	<u>(500,000)</u>	<u>(390,452)</u>	<u>-</u>	<u>390,452</u>
<b>Total other financing sources (uses)</b>	<u>(671,500)</u>	<u>(567,952)</u>	<u>(7,951,399)</u>	<u>(7,383,447)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>(68,699)</u>	<u>\$ 931,301</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>35,894,140</u>	
<b>End of year</b>			<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%	

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

# COLONIAL SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date									
	<u>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>
<b>TOTAL PENSION LIABILITY</b>						
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>
<b>Net change in total pension liability</b>	(2,611,725)	541,395	2,229,009	544,076	2,875,811	585,271
<b>Total OPEB liability, beginning</b>	<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>
<b>Total OPEB liability, ending</b>	<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>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 60,256,520	\$ 58,745,542	\$ 58,745,542	\$ 54,727,223	\$ 54,727,223	\$ 48,534,167
<b>Net OPEB liability as a % of covered payroll</b>	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**

	<b>Measurement Date</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
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%

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**

	<b>Measurement Date</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
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.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**COLONIAL SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND**

**June 30, 2023**

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	<b>Capital Reserve Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>ASSETS</b>			
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>
<b>Total assets</b>	<b><u>\$ 14,212,931</u></b>	<b><u>\$ 3,804,175</u></b>	<b><u>\$ 18,017,106</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 180,248	\$ 793,409	\$ 973,657
Due to other funds	<u>5,172</u>	<u>15,013</u>	<u>20,185</u>
<b>Total liabilities</b>	<b><u>185,420</u></b>	<b><u>808,422</u></b>	<b><u>993,842</u></b>
<b>FUND BALANCES</b>			
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>
<b>Total fund balances</b>	<b><u>14,027,511</u></b>	<b><u>2,995,753</u></b>	<b><u>17,023,264</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 14,212,931</u></b>	<b><u>\$ 3,804,175</u></b>	<b><u>\$ 18,017,106</u></b>

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**COLONIAL SCHOOL DISTRICT**

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

Year ended June 30, 2023

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

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**SINGLE AUDIT**

# COLONIAL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

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Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
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	-
<b>Passed-Through the Pennsylvania Commission on Crime and Delinquency</b>											
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)	-
<b>Passed Through the Montgomery County I.U.</b>											
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	-	-
<b>Total U.S. Department of Education</b>						<b>2,955,374</b>	<b>924,497</b>	<b>2,244,321</b>	<b>2,244,321</b>	<b>213,444</b>	<b>-</b>

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>
<b>U.S. Department of Health and Human Services</b>											
<b>Passed-Through the Pennsylvania Department of Public Welfare</b>											
Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	21,570	-	21,570	21,570	-	-
<b>U.S. Department of Homeland Security</b>											
<b>Passed-Through the Pennsylvania Emergency Management Agency</b>											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/22 - 06/30/23	10,622	10,622	-	10,622	10,622	-	-
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
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	-
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
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)	-
<b>Total U.S. Department of Agriculture</b>						<b>1,637,718</b>	<b>307,524</b>	<b>1,268,233</b>	<b>1,268,233</b>	<b>(61,961)</b>	<b>-</b>
<b>Total Federal Awards</b>						<b>\$ 4,625,284</b>	<b>\$ 1,232,021</b>	<b>\$ 3,544,746</b>	<b>\$ 3,544,746</b>	<b>\$ 151,483</b>	<b>\$ -</b>
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

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### (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**

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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

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### 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

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**APPENDIX D –  
Continuing Disclosure Certificate**

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# DRAFT

## COLONIAL SCHOOL DISTRICT MONTGOMERY COUNTY, PENNSYLVANIA

\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES A OF 2024  
DATED, ISSUED AND DELIVERED \_\_\_\_\_, 2024

### CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ \_\_\_\_\_ General Obligation Bonds, Series A of 2024 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Colonial School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

**Section 1. Undertaking to file current information with MSRB.** The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2024:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated \_\_\_\_\_:

(i) Table 6 (Tax Rates) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(ii) Table 8 (Real Property Assessment Data) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iii) Table 11 (Real Property Tax Collection Data) (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and.

(iv) Table 12 (Ten Largest Real Property Taxpayers, 2023-24) (may be contained within the budget or audit for the current fiscal year without need for further cross reference).

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

**Section 2. Modification of types of information and format of information permitted.** The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

**Section 3. Time period within which annual information must be filed.** The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2024. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

**Section 4. Notice of failure to comply with annual information updates.** The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

**Section 5. Event disclosure.** The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;

- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);

m. Merger, consolidation or acquisition involving the School District, if material; or

n. Appointment of successor or additional trustee or the change of name of a trustee, if material.

o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

For purposes of this Section, the term financial obligation shall mean a (i) debt obligation; (ii) derivative instrument entered onto in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such

other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

**Section 6. Termination of reporting obligation.** The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

**Section 7. Enforcement.** The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

**Section 8. Amendment; waiver.** Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

**Colonial School District**

By: \_\_\_\_\_  
(Vice) President

Attest: \_\_\_\_\_  
Secretary

(SEAL)

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