

COLONIAL SCHOOL DISTRICT

Plymouth Meeting, Pa

www.colonialsd.org

ADOPTED BUDGET 2007-08

June 21, 2007

Colonial School District
Plymouth Meeting, Pa

**2007-08 Adopted Budget
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COLONIAL SCHOOL DISTRICT
ORGANIZATIONAL SECTION
2007-08 ADOPTED BUDGET

**COLONIAL SCHOOL DISTRICT'S
ORGANIZATIONAL STRUCTURE**

BOARD OF SCHOOL DIRECTORS

Marc Orlow, President

Gary Johnson, Vice-President

Thomas Davis

Hope Luken

Susan L. Moore

William Ryan

Dr. Pascal Scoles

Steven Slutsky

Mitch Zimmer

Non-Voting Officers

Dave Sherman, Secretary

Joseph P. Bickleman, Treasurer

COLONIAL SCHOOL DISTRICT BOARD OF SCHOOL DIRECTORS

**Mr. Marc M. Orlow
Board President, Attorney
Resident of Lafayette Hill**

Marc Orlow was appointed to the School Board in 1993 and elected to full terms in 1995, 1999 and 2003. Mr. Orlow served as Board Vice-President From 1997-2000. He was elected Board President in December 2000 and currently is serving his seventh term. Orlow has served on the Personnel, Finance and Audit, and Facilities Management and Transportation Committees, and has chaired the Community Relations Committee. He also has served as the Municipal Government Liaison for Whitemarsh Township.

Marc Orlow is a founding member of the Colonial Foundation for Educational Innovation. His extensive community service has not been limited to the school district. Mr. Orlow served on the Whitemarsh Government Study Commission in 1980. He coached in the Whitemarsh Little League from 1992 through 1999 and served on the league's board of directors from 1992-1994. He coached in the Whitemarsh Youth Basketball League from 1994-1997. After earning a bachelor of arts from Penn State in 1976, Orlow graduated cum laude from Delaware Law School. He opened his own law practice in 1992.

**Mr. Gary J Johnson
Board Vice President, Sales
Resident of Conshohocken**

Gary Johnson was elected to the School Board for four-year terms in 1995, 1999 and 2003. He was named Vice President in July 2004. Mr. Johnson is a member and past Chairperson of the Personnel Committee and is a member and past Chairperson of the Facilities Management and Transportation Committee and the Community Relations and Student Life Committee. He serves on the district's Technology Review Committee and is also on the board and serves as treasurer of the Central Montgomery County Area Vocational-Technical School.

Mr. Johnson was active in the Ridge Park Elementary School Parent Teacher Organization and the Colonial Parents' Council prior to joining the School Board.

**Mr. Thomas Davis
Quality Systems Consultant
Resident of Fort Washington**

Tom Davis was elected to the School Board in 2001 and re-elected to a four-year term in 2005. He serves as Chairperson of the Curriculum and Program Committee and is a member and past Chairperson of the Personnel Committee. Mr. Davis is the Board's representative to the Colonial Foundation for Educational Innovation (CFEI) and he is on the Board of the Central Montgomery County Area Vocational-Technical School.

Mr. Davis served as chairperson of the CFEI for four years. He also was a member of the district's strategic planning committee and served as coordinator of the KOALATY KID program at Conshohocken Elementary School. Mr. Davis has served on the boards for the Northwest Interfaith Hospitality Network, Handi-Crafters, Inc., and the Lewis & Clark Trail Heritage Foundation. He holds bachelor and master degrees in metallurgical engineering from the Rensselaer Polytechnic Institute and a business administration certificate from Villanova University. He has enjoyed a long career in quality systems and as a consultant. Mr. Davis served in the United States Navy during World War II.

COLONIAL SCHOOL DISTRICT BOARD OF SCHOOL DIRECTORS (Con't)

**Mrs. Hope Luken
Tax Compliance Analyst
Resident of Lafayette Hill**

Hope D. Luken was appointed to the School Board in August 2004 and elected to a two-year term in 2005. She serves as Chairperson of the Personnel Committee and is a member of the Finance and Audit, and the Community Relations and Student Life Committee. She also serves as the Board liaison to the Whitemarsh Parks and Recreation Board. She was an active member of the Parent Teacher Organizations at Whitemarsh and Colonial Elementary Schools and Colonial Middle School and has held leadership positions in those organizations. Hope continues to be actively involved with the PWHS-PTSO Post Prom Committee. Hope has served on the Board of Trustees of the William Jeanes Library, Chestnut Hill Meals on Wheels and Ply-Mar Swim Club.

**Ms. Susan L. Moore
Controller
Resident of Plymouth Meeting**

Susan L. Moore was appointed to the School Board in December 2001, and elected to a four-year term in 2003. She is Chairperson of the Facilities Management and Transportation Committee and is a member of the Curriculum and Program Committee. Mrs. Moore is on the Board of the Central Montgomery County Area Vocational-Technical School. She also serves as the board representative to the Plymouth-Whitemarsh High School Distinguished Graduates Organization.

Mrs. Moore, who holds a masters degree in education from Temple University, has extensive experience as a teacher in both public and private schools. She is quite familiar with the Colonial School District having volunteered and served as Vice President for both the Colonial Elementary School Parent Teachers Organization and the Colonial Middle School Home and School Association. She also has served on the Plymouth Whitemarsh High School Parent Teacher Student Organization and the Colonial Parents' Council. The current president of the Ply-Mar Swim and Tennis Club, Susan Moore is a past member of the Strategic Planning Evaluation Committee for Colonial.

**Dr. William Ryan
Social Worker and Psychological Services Associate for Mental Health
Resident of Conshohocken**

Dr. William Ryan was appointed to the School Board in June 2002, elected to a two-year term in 2003, and re-elected to a four-year term in 2005. He is a member of the Curriculum and Program Committee, and the Finance and Audit Committee. He is also the Board's Municipal Government Liaison to the Borough of Conshohocken and the Pennsylvania School Boards Association.

Dr. Ryan holds a doctorate in social work from the University of Pennsylvania. He is a licensed clinical social worker with Norristown State Hospital. Dr. Ryan has more than 30 years of experience of inpatient and outpatient psychiatric care. In 1998 he received the Churchman Family Award for outstanding service in mental health.

Dr. William Ryan is generous with his time. He serves as a Director of the Conshohocken Youth Foundation and has volunteered with youth basketball and Little League Baseball programs in the community. He is the former Board Secretary for the Conshohocken Catholic Youth Organization.

COLONIAL SCHOOL DISTRICT BOARD OF SCHOOL DIRECTORS (Con't)

Dr. Pascal Scoles
Education
Resident of Plymouth Meeting

Dr. Pascal Scoles was elected to a two-year term to the School Board in 2003 and re-elected to a four-year term in 2005. He is the Chairperson of the Community Relations and Student Life Committee and is a member of the Curriculum and Program Committee, and the Facilities Management and Transportation Committee. He is also the Board's Municipal Government Liaison to Plymouth Township and serves as the Board liaison to the Plymouth Parks and Recreation Board.

Dr. Scoles is Professor of Behavioral Science and directs the Human Services Program at Community College of Philadelphia. He received his doctorate in Addictions and Health from the University of Pennsylvania, his Master's degree from Rutgers University, where he was an NIMH Fellow, and his Bachelor's degree from LaSalle College, Philadelphia.

Dr. Pascal Scoles has been a Plymouth Township resident for over fifteen years. From 1991 to 2002 he served as member and Chairman of the Plymouth Township Park and Recreation Advisory Board. From 1985 to 1992 he served on the Board of Director's Plymouth Little League and from 1987 to 1999 he was Vice President and Travel Coach Coordinator of the Plymouth Soccer Club.

In 1986 he received the Meritorious Service Award, from the Commonwealth of Pennsylvania "in recognition of commendable service to the Citizens of Pennsylvania". In 1996 he was nominated and cited for academic excellence in Who's Who Among American Teachers.

Mr. Steven Slutsky
Compensation Consultant/Attorney
Resident of Whitemarsh Township

Steven Slutsky was appointed to the School Board in July, 2002, elected to a two-year term in 2003 and re-elected to a four-year term in 2005. He chairs the Finance and Audit Committee and is a member of the Personnel Committee.

Mr. Slutsky is a past Chairman of the Whitemarsh Township Planning Commission. He has served as the Vice President of the Philadelphia Chapter of the National Association of Stock Plan Professionals, and is a Corporation Member of The College of Settlement of Philadelphia, a not-for-profit organization that brings disadvantaged youth to a camp-like setting.

Steven Slutsky holds a B.S. degree from the University of Pennsylvania's Wharton School, and a J.D. and MBA from Boston University. He is an Executive Compensation Consultant in the Philadelphia Office of the Global Human Resources Services business of Pricewaterhouse Cooper, a global human resources consulting, assurance, tax and advisory service firm. He has worked with clients internationally, in nearly every industry sector, on a wide range of compensation and benefits issues. Previously, Slutsky was an employment, labor and benefits attorney with Wolf, Block, Schorr and Solis-Cohen in Philadelphia, and Jackson Lewis in New York. Steven has substantial human resources, labor negotiation and related financial expertise.

Mr. Mitchell K. Zimmer
Pharmaceutical Sales Manager
Resident of Lafayette Hill

Mitch Zimmer was appointed to the School Board in June, 2004 and elected to a two-year term in 2005. He serves on the Community Relations and Student Life Committee, and the Finance and Audit Committee. He is also the district's liaison to the Montgomery County Intermediate Unit. Mr. Zimmer served on the Plymouth Whitemarsh High School Scholarship Fund Board of Governors. He has been an active member of the Whitemarsh Youth Basketball League Board of Trustees since 1991 and was the league's President from 1991 through 1998. Zimmer also was a member of the Board of Trustees at Congregation Or Ami and was Brotherhood President. Zimmer is a graduate of Brooklyn College.

COLONIAL SCHOOL DISTRICT
BOARD COMMITTEES

FACILITIES MANAGEMENT AND TRANSPORTATION COMMITTEE

Ms. Susan L. Moore, Chairperson
Dr. Pascal Scoles

Mr. Gary J. Johnson

Liaison, Terry Yemm

COMMUNITY RELATIONS AND STUDENT LIFE COMMITTEE

Dr. Pascal Scoles, Chairperson
Mrs. Hope Luken

Mr. Gary Johnson
Mr. Mitch Zimmer

Liaisons, Cassandra DeLong & David Sherman

CURRICULUM AND PROGRAM COMMITTEE

Mr. Thomas Davis, Chairperson
Dr. William Ryan

Ms. Susan L. Moore
Dr. Pascal Scoles

Liaisons, Dr. Mary Ellen Gorodetzer

FINANCE AND AUDIT COMMITTEE

Mr. Steven Slutsky, Chairperson
Dr. William Ryan

Mrs. Hope Luken
Mr. Mitch Zimmer

Liaison, Joseph P. Bickleman

PERSONNEL COMMITTEE

Mrs. Hope Luken, Chairperson
Mr. Gary J. Johnson

Mr. Thomas Davis
Mr. Steven Slutsky

Liaison, Gerald Berger

CENTER FOR TECHNICAL STUDIES JOINT OPERATING COMMITTEE:

Mr. Thomas Davis

Mr. Gary J. Johnson

Mrs. Susan L. Moore

INTERMEDIATE UNIT #23 BOARD MEMBER

Mr. Mitch Zimmer

PSBA REPRESENTATIVE

Dr. William Ryan

COLONIAL FOUNDATION FOR INOVATIONAL EDUCATION

Mr. Thomas Davis

BOARD LIAISONS:

Conshohocken Borough
Plymouth Parks & Recreation
Plymouth Township
Whitemarsh Parks & Recreation
Whitemarsh Township

Dr. William Ryan
Ms. Susan Moore
Dr. Pascal Scoles
Mrs. Hope Luken
Mr. Marc Orlow

**COLONIAL SCHOOL DISTRICT
ORGANIZATION
DISTRICT ADMINISTRATION**

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Dr. Vincent F. Cotter	Superintendent of Schools	834-1670 Ext. 2132
Dr. Mary Ellen Gorodetzer	Assistant Superintendent	834-1670 Ext. 2135
Gerald E. Berger	Director of Human Resources	834-1670 Ext. 2152
Joseph P. Bickleman	Chief Financial Officer/ Board Treasurer	834-1670 Ext. 2121
Andrew Boegly	Chief Information Officer	834-1670 Ext. 2129
Cassandra DeLong	Director of Pupil Services	834-1670 Ext. 2111
Terry Yemm	Director of Operations	834-1670 Ext. 2131
Elizabeth McKeaneey	Director of Curriculum, Instruction and Assessment	834-1670 Ext. 2155
Nancy Acconciamesa	Curriculum Supervisor- Mathematics	834-1670 Ext. 2144
Lorraine DeRosa	Curriculum Supervisor- Language Arts	834-1670 Ext. 2225
Sergio Anaya	Curriculum Supervisor- Social Studies	834-1670 Ext. 2164
Rebe Hayes-Kennedy	Supervisor of Spec. Ed., K-5	834-1670 Ext. 2134
Eileen Specter	Supervisor of Spec. Ed., 6-12	834-1670 Ext. 2105
Dr. Monica Sullivan	Principal, P-W HS	825-1500 Ext. 1085
Robert Fahler	Principal, Middle School	275-5104 Ext. 7150
Teresa Boegly	Principal, Colonial Elem.	941-0426 Ext. 2230
Julie Pustilnick	Principal, Conshohocken El.	828-0362 Ext. 5001
Judi Lipson	Principal, Plymouth Elem.	825-8190 Ext. 6001
Jason Bacani	Principal, Ridge Park Elem.	825-1083 Ext. 4001
Donna Drizin	Principal, Whitemarsh Elem.	828-9092 Ext. 3001
Paul Antal	District Safety Officer	825-1500 Ext. 1224
Evan L. Haines	Director of Food Services	834-1670 Ext. 2125
John Quinn	Director of CITV	825-1500 Ext. 1093
David M. Sherman	Director of Community Relations/Board Secretary	834-1670 Ext. 2115
Kathleen Ellis	Director of Transportation	834-1670 Ext. 2141
Joe Lally	Facilities Manager	825-1500 Ext. 1066

COLONIAL SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

Independent Auditors
Barbacane, Thornton & Company
14 West Third Street
Media, PA 19063
(610) 565-5222

Solicitor
Fox, Rothschild, LLP
1250 Broad Street-Suite 1000
Lansdale, PA 19446-0431
(215) 299-2167

Special Counsels
Sweet, Stevens, Tucker & Katz
116 East Court Street
Doylestown, PA 19401
(215) 348-5862

Official Depository
Wachovia Bank
Government Banking Division
2240 Butler Pike - Suite 300
Plymouth Meeting, PA 19462
(610) 834-2013

Colonial School District

2007-08 Budget Schedule

Budget Materials to Buildings	July 28, 2006
Enrollment Projections and Allocations To Buildings	September 15, 2006
Meetings between Building Principals and Facilities Manager	October 16-31, 2006
Building Budgets submitted to Chief Financial Officer	November 17-December 14, 2006
Building Budget Reviews with Superintendent and Administrators	November 17-December 14, 2006
Curriculum Committee Report	January 16, 2007
Buildings and Grounds Committee Report	January 16, 2007
Personnel Committee Report	January 18, 2007
Preliminary Budget Available to Public	January 23, 2007
Preliminary Budget Approved - Finance Committee Report	February 12, 2007
Proposed Final Budget Approved	May 17, 2007
Final Budget Approval	June 21, 2007

INTRODUCTORY SECTION
2007-08 ADOPTED BUDGET

BUDGET OVERVIEW

The adopted budget for the fiscal year 2007-08 for the Colonial School District has been developed through the cooperation of staff, administration and the Board of School Directors. This document is the result of input initiated in August from the Business Office and continued through development at the building level, district administration, School Board Committee structure, and finally public review. The preliminary budget was adopted at the board meeting to be held on February 12, 2007 and the proposed final budget was adopted May 17, 2007 with the final budget adopted June 21, 2007. The document represents the effort of many individuals throughout the Colonial community to provide information on the funding of the excellent educational program demanded by the students, parents and the tax-paying community.

The General Fund Budget of the Colonial School District for 2007-08 totals \$84,817,000, an increase of 5.68% or \$4,560,000 over the previous year's budget. The real estate tax mil rate is established at 15.99. This represents a 3.4% increase in real estate taxes to district taxpayers. This real estate tax rate translates to an annual increase of \$52 for every \$100,000 of property assessment or \$76.43 on the median assessed value of \$146,990.

Employee's Salaries and Fringe Benefits, Object 100 and 200, account for the greatest portion of the budget. The 2007-08 budget contains \$41,916,361 for salaries and \$14,258,232 for fringe benefits, for a combined 66.23% of the total budget.

Total salaries, Object 100, are projected to increase \$1,935,979 or 4.84% over the prior year's budget. The budget provides for an additional 8.27 professional teaching positions and an increase of 15.0 positions in support staff. Six employee retirements, with projected savings of \$240,000, are included in the total salary expense. Staffing detail is provided on pages 72 and 73 of this document. An amount of \$300,000 is included for School, and District Improvement Teams, two critical components of Colonial's Pathways to Excellence Program.

Employee benefits, object 200, will increase \$1,252,449 or 9.63%. The medical, dental, and life insurance portion of employee benefits has increased \$639,494 or 9.69%. It is estimated that district employees will contribute \$561,000 towards the district's medical premium cost during fiscal year 2007-08. The district's retirement contribution rate will increase from 6.46% to 7.13% of gross wages. Overall retirement expense will increase \$386,143 or 14.95% over last year. One-half of this increase will be reimbursed from the state. The district's retirement contribution rate is projected to increase dramatically in the year 2012-13 due to the decline in investment earnings of the Public School Employee's Retirement System (PSERS) and its inability to fund retirees' pensions at current contribution rates. A History and Projection of Retirement Contribution Rates compiled by PSERS is found on page 90 of this report.

Contracted Professional Services, Object 300, is projected to increase \$33,669 or .60%. Included in this category are out-of-state student placements for special education services and contracted intermediate unit services for special education students. Also included in this section of the budget are costs for contracted alternative education, expenses for medical, legal, data processing, computer network support and licensing, staff in-service, and other professional services needed to support the special and regular education programs.

BUDGET OVERVIEW (Con't)

Purchased Property Services, Object 400, is projected to increase \$63,437 or 3.42%. Included in these services are building and equipment repairs, trash collection, electricity, water and sewer costs.

Purchased Services, Object 500, reflects a \$623,189 increase or 6.04% over the 2006-07 budget. Tuition paid to Approved Private Schools (APS) and Private Residential Rehabilitation Institutions (PRRI) is budgeted to increase by \$295,000 or 73.75% for autistic and emotional support students. The tuition charge for Colonial students enrolled at the Center for Technical Studies of Montgomery County is budgeted at \$2,177,644 the same level as 2006-07. This cost is based on a three-year average enrollment and the operating costs of the Tech School. Contracted transportation costs are expected to increase \$116,667 or 2.37%. The transportation budget includes contractual increases of 3% for the district's public and private school carrier. Other increases include telecommunication costs associated with classroom internet access, printing, travel, postage and tuition paid to charter schools and other districts.

Supplies Object 600, reflects an increase of \$258,799 or 6.63%. The increase is mainly due to textbook and supply expenditures related to district's instructional programs. Heating oil and natural gas, diesel fuel and gasoline are projected to increase \$34,792 or 5.83% over last year's budget. Fuel consumption has been reduced due to the installation of new boilers at the Colonial, and Plymouth Elementary schools. Costs for replacement textbooks, copy paper, multi-media, testing supplies and computer classroom software are also included in these accounts.

Equipment, Object 700, reflects an increase of \$225,569 or 37.14%. This increase is due to budgeted expenditures of \$200,602 for equipment related to the Classrooms of the Future State Grant that the district qualified for in 2006-07. Details of the planned technology projects for instruction can be found on page 76. There is also \$107,000 included for district facility projects (see page 77) which was the same level for 2006-07. Equipment needs for classrooms, maintenance, grounds and student activities and athletics are also included in this category.

Debt Service and Other Uses, Object 800 and 900, is projected to increase \$166,909 or 3.34%. Included in these accounts are the principal and interest payments on the district's debt. Debt repayment is increasing \$170,922 or 3.8% over the previous year. Future annual debt payments will be level for the next ten years. Debt payment schedules can be found on pages 65 through 68 of this document. Also included is the General Fund's contribution of \$50,000 to the Food Service Fund to offset the cost increases associated with more nutritional lunch offerings to the students. A budgetary reserve amount of \$100,000 for unexpected expenditures is also included in these accounts.

BUDGET OVERVIEW (Con't)

Local Revenues continue to be the primary source of funding for the Colonial School District. Approximately 83.09% of total revenues are derived from local sources which include current and interim real estate taxes, transfer and delinquent taxes, public utility tax, interest earnings, payments from other districts, tuition and facility rental payments. Taxable real estate assessment growth is projected to be .47% or \$18,082,729 over the previous year. This growth in the tax base will generate an estimated \$289,125 of new tax revenue. The 2007-08 preliminary budget includes \$5.3 million of Act 511 Earned Income Taxes (EIT). This is an increase of \$1,400,000 or 35.90% over last year. The Act 511 EIT tax enactment was approved by the school board on May 26, 2005 with an effective date of July 1, 2005. Additional revenue resulting from the rise in budgeted short term interest rates from 4.5% to 5.0% will generate an estimated \$1,373,080 of interest earnings an increase of \$236,910 or 20.85%. The budget also utilizes \$3,474,572 of the projected June 30, 2007 fund balance of \$10,251,848.

State Revenue provides for an overall increase of \$820,332 or 8.87%. Funds have been budgeted for two grants that the district was successful in obtaining during the 2006-07 school year. Funds have been budgeted in this category for the second year operation of the Classrooms of the Future Grant, \$202,539 and the College and Career Counseling Grant, \$180,000. Basic education subsidy is estimated to increase \$91,947, or 3.52%. Special education subsidy is budgeted to increase \$38,313 or 1.85%. The district will realize a debt payment reimbursement of \$108,734 (19.855%) associated with the debt payments related to the \$20 million renovation project at the vo-tech school. A State Accountability Grant of \$156,066 will offset a portion of the operating costs associated with the district's full day kindergarten program which was implemented in 2004-05. Construction costs to implement the full day program totaled \$4,683,648 with annual 04-05 operational costs, net of transportation savings, totaling \$327,123. Transportation subsidies are projected to remain level at \$1,249,360 but remains well short of total district transportation costs of \$6,160,591. The state retirement subsidy will increase \$200,701 due to the PSERS mandated contribution rate increasing from 6.46% to 7.13% of wages. The subsidy for the state's share of social security will also increase \$75,217 due to salary increases. The state is required to reimburse the district one-half of its retirement and social security costs.

Federal Revenues are projected to increase \$46,234 or 6.16% mainly due to the funding associated with the State's Classrooms of the Future Grant. Classrooms of the Future salaries and benefits of \$45,000 are classified and budgeted to the federal Title IID program for 2007-08. Federal dollars are spent when received on a dollar for dollar basis.

Copies of this document are available online at the district's website at www.colonialsd.org click on Our District, then Administration, then Finance. Copies can also be obtained in the Business Office.

**Colonial School District and
Special Session Act 1 of 2006 Adopted June 27, 2006**

1. Colonial School District's 2007-08 Budget will be subject to voter approval during the May 15, 2007 primary IF the real estate tax rate increases more than the 2007-08 state index of 3.4%. This ballot question is known as back-end referendum.

The District may apply for financial exceptions that, if approved by PDE or the Courts, will allow the district to raise taxes above the state index without voter referendum. The District currently qualifies to apply for three of the possible ten exceptions from PDE. They are:

- Special Education - Actual expenditure increases from 04-05 to 05-06
- School Construction – Debt incurred prior to June 27, 2006
- Retirement – Budgetary expenditure increases from 06-07 to 07-08

2. Colonial's budget process has been accelerated by 90 days. The 2007-08 Preliminary Budget **MUST** be available for public display by January 23, 2007 and Board approved by February 12, 2007.
3. Colonial School District residents had the opportunity to vote during the May 15, 2007 primary on a ballot question that would have increased the current earned income tax (EIT), or establish a personal income tax (PIT). The sole purpose of these additional taxes will be to lower real estate taxes on homestead/farmstead properties. This process is a TAX SHIFT from real estate taxes to EIT/PIT. This is known as front-end referendum. **THIS BALLOT QUESTION WAS DEFEATED AT THE MAY PRIMARY BY A 3 TO 1 MARGIN.**

To qualify for the real estate tax reduction, residents must complete a Homestead/Farmstead Exemption Application by March 31, 2007.

A Local Tax Study Commission (LTSC), which was board appointed on August 17, 2006, was comprised of nine residents of the Colonial School District. The LTSC studied the district's current tax structure and made its recommendation to the board on November 13, 2006. The LTSC recommended a .6% Earned Income Tax. The recommendation will be studied by the Board with a final decision to be made by March 12, 2007.

4. Colonial School District residents will be eligible for real estate tax reductions when gambling revenues become available in the future, possibly the 2008-09 fiscal year. To qualify, residents must complete a Homestead / Farmstead Exemption Application by March 31, 2007. The state has certified to Colonial that no gambling revenue is available for real estate tax reduction for the 2007-08 school year.
5. Colonial School District residents are eligible for real estate tax relief for 2006 through the state's expanded Property Tax and Rent Rebate Program. Information is available at the state's department of revenue website:
<http://www.revenue.state.pa.us/prrr/site/default.asp>
6. Colonial School District must offer Homestead and Farmstead property owners the opportunity to pay their real estate taxes with three installment payments.

ACT 1 & 2007-08 BUDGET DEVELOPMENT TIMELINES

07/24/06	Tax Study Comm/Front End Ref.	CSD	District to Advertise for Tax Study Comm. Applicants
07/28/06	Budget Development Timelines	CSD	Budget calendar & budget request forms distributed to administrators
08/07/06	Tax Study Comm/Front End Ref.	CSD	District deadline to apply for Tax Study Comm membership
08/08/06	Tax Study Comm/Front End Ref.	CSD	Tax Study Comm applications screened by Finance Committee
08/17/06	Tax Study Comm/Front End Ref.	CSD	District to appoint Tax Study Comm members
09/01/06	Budget Development Timelines	Act 1	PDE publishes index for district budgets
09/14/06	Tax Study Comm/Front End Ref.	Act 1	Deadline for district to appoint tax study commission (TSC)
09/15/06	Budget Development Timelines	CSD	Administrators provided per-pupil allocations & EXCEL files
10/01/06	Homestead/Farmstead Application	CSD	MONTCO business mgrs to coordinate homestead mailing with county
10/16/06	Budget Development Timelines	CSD	Dir. of Operations begins discussions with principals for capital needs
11/13/06	Tax Study Comm/Front End Ref.	CSD	Tax Study Comm report presented to board for action-work session
11/15/06	Tax Study Comm/Front End Ref.	CSD	Deadline for Tax Study Comm report to board
11/17/06	Budget Development Timelines	CSD	Budget reviews begin with Superintendent, CFO, Administrator
11/17/06	Budget Development Timelines	CSD	Budgets submitted for: CE, RP, PE, WE
11/23/06	Budget Development Timelines	CSD	Budgets submitted for: CES, CMS, PW
11/30/06	Budget Development Timelines	CSD	Budgets submitted for: Supt, Board, CIO, Pupil Svcs, CFO, CITV
12/01/06	Tax Installment Payments	CSD	District to develop installment bill for homestead properties
12/06/06	Budget Development Timelines	CSD	Budgets submitted for: Asst Supt, HR, Trans, Fed Pr, Fac, AES, PR
12/13/06	Tax Study Comm/Front End Ref.	Act 1	Deadline for Tax Study Comm to present report to board for action
12/15/06	Budget Development Timelines	CSD	District to certify Sterling Tax Credits
12/31/06	Homestead/Farmstead Application	Act 1	Deadline to mail homestead/farmstead applications
01/12/07	Budget Development Timelines	CSD	Preliminary budget to board for review
01/16/07	Budget Development Timelines	CSD	Curriculum, Facilities, Committee Reports presented at work session
01/18/07	Budget Development Timelines	CSD	Personnel Committee Report presented at formal board meeting
01/23/07	Budget Development Timelines	CSD	Deadline for public display of preliminary budget
01/25/07	Budget Development Timelines	Act 1	Deadline for public display of preliminary budget
02/02/07	Budget Development Timelines	CSD	Deadline to advertise notice of meeting to adopt preliminary budget
02/05/07	Budget Development Timelines	Act 1	Deadline for district to advertise intent to adopt preliminary budget
02/12/07	Budget Development Timelines	CSD	Adoption of preliminary budget & Finance Com. report at work session
02/14/07	Budget Development Timelines	Act 1	Deadline to adopt preliminary budget
02/19/07	Budget Development Timelines	Act 1	Deadline to submit proposed tax increase to PDE
02/22/07	Budget Development Timelines	Act 1	Deadline for district to advertise that district is seeking exceptions
02/26/07	Tax Study Comm/Front End Ref.	Act 1	Deadline for district to advertise resolution for front end ref.
03/01/07	Budget Development Timelines	Act 1	Deadline to submit exception filings to PDE/Court
03/12/07	Tax Study Comm/Front End Ref.	CSD	District adopts resolution for front end ref. ballot question-work session
03/13/07	Tax Study Comm/Front End Ref.	Act 1	Deadline to adopt resolution authorizing front end ref. ballot question
03/16/07	Budget Development Timelines	Act 1	Deadline to submit back-end ref ballot question to county-if over index
03/21/07	Budget Development Timelines	Act 1	PDE or Court rules if exceptions were granted or denied
03/26/07	Budget Development Timelines	Act 1	Deadline to submit referendum question if exceptions are denied
03/31/07	Homestead/Farmstead Application	Act 1	Deadline for homeowners to file homestead application

ACT 1 & 2007-08 BUDGET DEVELOPMENT TIMELINES

04/16/07	Tax Study Comm/Front End Ref.	Act 1	Deadline for district to submit front end ref. question to county officials
05/01/07	Homestead/Farmstead Application	Act 1	County assessor to submit homestead exemptions to school districts
05/15/07	Budget Development Timelines	Act 1	Primary Election Day
05/15/07	Tax Study Comm/Front End Ref.	Act 1	Primary Election Day
05/17/07	Proposed Final Budget Adopted	CSD	Proposed Final Budget Adopted
06/01/07	Homestead/Farmstead Application	CSD	District to set homestead exclusion amount
06/11/07	Budget Development Timelines	Act 1	Deadline to print and display budget
06/11/07	Budget Development Timelines	CSD	Deadline to advertise notice of meeting to adopt final budget
06/20/07	Budget Development Timelines	Act 1	Deadline to advertise of intent to adopt budget
06/21/07	Budget Development Timelines	CSD	Final budget adoption at formal board meeting
06/21/07	Tax Installment Payments	CSD	District resolution for homestead installment payments
06/30/07	Budget Development Timelines	Act 1	Deadline to adopt final budget
06/30/07	Homestead/Farmstead Application	Act 1	Deadline for district to set homestead exclusion amount

SIGNIFICANT LAWS THAT AFFECT THE BUDGET AND FISCAL ADMINISTRATION

The Pennsylvania Public School Code of 1949, as amended, gives local Boards the authority to conduct the financial affairs of the District. The School Code contains provisions that require the Board to perform certain acts (mandatory), provisions that provide discretion to the Board to either act or refrain from acting (permissive), and provisions where the Board is prohibited from acting either in total or until certain conditions have been satisfied (prohibited). The School District is also subject to statutes of the Commonwealth such as the Municipal Code, the Fiscal Code and other laws that apply to governmental entities.

Budget Statutes: The School Laws of Pennsylvania, as enacted by the Commonwealth legislature, mandate that public school districts approve an annual budget on the modified accrual basis of accounting for the operation of Governmental Funds (the General Fund and the Special Revenue Funds) prior to the start of the fiscal year. Section 687 of the School Code requires that a proposed budget be prepared at least thirty (30) days prior to adoption of the budget for the following fiscal year in a format stipulated by the Department of Education. The format requires that revenues and expenditures be presented by function and object classification.

The School Code also mandates that the proposed budget be available for public inspection at least twenty (20) days prior to the date set for adoption. Districts are also required to provide notice prior to any final action on the budget. The "Notice of Proposed Budget" must be published at least once in a newspaper of general circulation within the community at least ten (10) days before the adoption of a final budget. The notice must include the time and place of the meeting at which the final budget will be adopted and a statement that the proposed budget is available for public inspection.

The actions for final adoption of the budget and the necessary appropriations required to put it into effect must be voted on at a duly advertised public meeting. Section 508 of the School Code requires a majority vote of the Board of School Directors to adopt the annual budget and to levy and assess taxes. The vote must be by a duly recorded (roll call) vote that records how each member voted. Failure to have five affirmative votes renders action of the Board of Directors void and unenforceable. Failure to adopt a budget by July 1 causes the District to lose its authority to expend funds.

Within fifteen (15) days after adoption of the budget, a certified copy of the adopted budget must be provided to the Department of Community Affairs in conformance with section 687 of the School Code. Section 687 of the School Code also prohibits deficit financing in public schools. Accordingly, the total amount of the adopted budget may not exceed the amount of funds, including the proposed annual tax levy and state appropriations, available to the District.

SIGNIFICANT LAWS THAT AFFECT THE BUDGET AND FISCAL ADMINISTRATION (Con't)

The Commonwealth has established a mandatory accounting system that must be used by every school entity that is based on Generally Accepted Accounting Principles (GAAP) for governmental units. GAAP is consistent with state and federal laws. The accounting system provides for the establishment of Governmental Funds including a General (Operating) Fund and Special Revenue Funds that include a Capital Reserve Fund and an Athletic Fund. The legal authority for the operation of the Capital Reserve Fund is specifically provided in Section 2932 of the Municipal Code. Monies in the Capital Reserve Fund must be kept in a special fund or account, separate and apart from any other fund. All interest earnings from the investment of Capital Reserve funds must be paid into the Capital Reserve Fund as set forth in Section 2932 of the Municipal Code.

The monies in the Capital Reserve Fund may be expended only for capital improvements and for replacement of and or additions to public works and improvements, and for deferred maintenance thereof, as approved by the Board of School Directors. Specific projects must be identified, together with the year of proposed completion.

Under Section 2932 of the Municipal Code, the Board of Directors may authorize transfers from the General Fund into the Capital Reserve Fund from a one (1) mill levy of general taxes designated for the purpose of this fund. Additional monies in the Capital Reserve Fund may consist (a) of monies transferred into the Capital Reserve Fund during any fiscal year from appropriations made for any particular purposes which may not be needed; and (b) of surplus monies in the General Fund of the treasury of the District at the end of any fiscal year.

The authority for the establishment of the Athletic Fund is located in Section 511 of the Public School Code. The purpose of the Fund is to account for revenues generated through gate receipts incurred by the interscholastic athletic program. Section 511 mandates that the Board of Directors prescribe, adopt and enforce reasonable rules and regulations, as it may deem proper, regarding the management, supervision, control or prohibition of exercises, athletics or games of any kind.

Bidding and Purchasing Statutes: School Boards are required under Section 801 of the Public School Code to purchase and provide all furniture, equipment, textbooks, school supplies and other items for the use of the District to maintain the educational environment. Section 807.1 (as amended by Act 30 of 1990) sets forth the requirement for competitive bidding at \$10,000 or more. However, any purchase of \$4,000 but less than \$10,000 requires three price quotations.

SIGNIFICANT LAWS THAT AFFECT THE BUDGET AND FISCAL ADMINISTRATION (Con't)

Purchases of \$10,000 or more require public notice by advertisement once a week for three weeks in not less than two newspapers of general circulation. The Board must accept the lowest responsible bid (where kind, quality and material are equal). Boards may reject any and all bids or select a single item from any bid.

Section 521 of the School Code permits purchases to be made through intergovernmental cooperative agreements (joint purchase agreements). School entities may also "piggy-back" on state or other government contracts following the appropriate legal requirements. Even though purchasing may require competitive bidding, Boards may establish reasonable criteria such as color, unit/size, or any other reasonable criteria specific to the District's needs. The School Code also provides for the exemption of several items, such as globes, maps, textbooks, educational films, and teacher demonstration devices from the bidding requirement process. Services are also excluded from the competitive bidding requirements but school districts may choose to bid service agreements and contracts.

Cash Management and Investments Statutes: Section 440.1 of the Public School Code permits the investment of funds in (a) United States Treasury bills; (b) short-term obligations of the United States Government or its agencies or instrumentalities; (c) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (d) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; (e) obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; or (f) deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Payment of Financial Obligations: Section 439 and 607 of the Public School Code provide direction on the payment of financial obligations. Section 439 requires that all payments be approved by the Board of School Directors. An order to pay must be signed directly or through facsimile signature by the Board president. Bills may be paid prior to Board approval for certain conditions that include the receipt of a discount or the avoidance of a late charge or due to other advantages that may accrue to the District such as increased interest income through proper cash management. Section 607 requires that proper school orders be drawn prior to payment, that there be sufficient funds in the treasury and that a separate order be drawn for each account or payment. Boards are also permitted to establish policy regarding processes and procedures for the disbursement of school funds including such matters as payments prior to Board approval.

SIGNIFICANT LAWS THAT AFFECT THE BUDGET AND FISCAL ADMINISTRATION (Con't)

The Fiscal Code of the Commonwealth (as amended by Act 138 of 1994) also requires political subdivisions, including school entities, to pay interest penalties to certain qualified small businesses for regular, every day, normal goods and services when payments are more than fifteen (15) days past due. Past due is defined as the terms for payment as specified in the contract or thirty (30) days after receipt of a proper invoice.

The Public Works Contract Regulation Law (as amended by Act 142 of 1994) regulates the payment to contractors and subcontractors working on public construction projects. Under the law, school districts are required to make payment or incur interest penalties, to contractors and subcontractors within twenty (20) days after delivery of the invoice unless other terms are set forth in contract documents to which school districts must adhere or incur interest penalties.

Construction of Facilities: Boards are charged with the requirement to provide the necessary grounds and suitable buildings to accommodate all school-age children in the district. This authority also includes the renovation and expansion of existing facilities. In most cases, school districts seeking state reimbursement are required to participate in PlanCon, an acronym for the Pennsylvania Department of Education's Planning Construction Workbook. The process involves a number of phases, beginning with a definition of the project and justification of its need. Succeeding steps include: site approval; estimated project cost data; architectural reviews; cost data based on actual bids; and finally, approval of the bond issue or other funding mechanism. Specific requirements are detailed in regulations adopted by the State Board of Education and in standards promulgated by the Pennsylvania Department of Education.

School Boards are required by Act 34 of 1973 to conduct public hearings. A second hearing is required if the bids received for a construction project exceed the initial Department of Education approved estimates by eight (8) percent. Act 34 is also referred to as the "Taj Mahal Law," because it requires voter approval of any building project that exceeds per-pupil cost figures that are revised annually to reflect changes in the cost of living. Alterations to existing buildings are excluded from this requirement. School buildings may be financed in a variety of ways that include: local authority, state authority, general obligation bonds or local funds.

Audits of Financial Records: All school districts are required to have an annual audit of financial records. The audit must be completed by an independent certified public accountant. Such audit must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) to insure consistency. Completion of the audit and issuance of the audit report marks the end of the budget cycle for a single year.

SIGNIFICANT LAWS THAT AFFECT THE BUDGET AND FISCAL ADMINISTRATION (Con't)

In addition to the requirement of an annual audit, Section 2553 of the Public School Code requires the comptroller of the Department of Education to perform regular audits and field audits and at his or her discretion to perform special audits to verify receipts and expenditures. Such audits are usually limited to specific use of program funds given for state and federal projects.

The state Fiscal Code requires the auditor general's office to audit the accounts and records of all school districts. Examination is made by the Auditor General of receipts and expenditures related to state payments for public education. The purpose is to verify that the monies received from the Commonwealth were properly paid and that the District properly complied with all laws and regulations.

The Bureau of School Audits and the Auditor General's office have also published specific guidelines for the audit of student activity funds (Agency Funds). The objectives are to insure that basic internal controls are established for effective management of the organization; that all cash intended for the organization is received, promptly recorded, reconciled and kept under adequate security; that cash is disbursed only upon proper authorization, for valid purposes, and is properly recorded; that purchases and accounts payable are supported by appropriate documentation, promptly paid and properly recorded; and that inventory is appropriately safeguarded and properly recorded.

SIGNIFICANT BOARD POLICY AND PROCEDURES THAT AFFECT THE BUDGET

The Board of Directors is an extension of the State Legislature with the responsibility to provide for a thorough and efficient education for the students of the Commonwealth based on local control of community schools. To accomplish this responsibility, the Board of Directors is granted authority through the Public School Code and the Pennsylvania constitution to establish policy for the operation of the school system. Policies are plans and procedures that are developed to provide guidelines for desired actions. The School District has a number of policies that direct the budget development and budget management process, the most important of which are discussed below.

Operating Budget Policy: The operating budgets will be prepared within the context of the overall financial objectives of the District to provide for high quality programs and services that meet the educational needs of students within the ability of the taxpayers of the community to provide the financial resources.

The operating budget of the District will be formulated such that current revenues and current expenditures are balanced on an annual basis. The District will avoid budgetary procedures such as postponing or deferring current expenditures and advancing or accruing future revenues in order to balance the operating budget. The District recognizes that such procedures do nothing more than a help meet immediate needs at the expense of increased future obligations and reduced future financial resources. The District will also refrain from refunding short-term debt unless there is a significant present value financial advantage to the transaction.

The District will continue to maintain an interactive on-line budgetary accounting information system that is employed as a management control device to administer the spending plan. The data in the budgetary accounting information system will be utilized to prepare management reports for fiscal control and to prepare reports for the Board of Directors that compare actual revenues and expenditures to budget amounts.

The budget will be administered within applicable local, state and federal laws. Accordingly, the District will not obligate funds in excess of the approved financial plan unless the Board amends the budget by making additional appropriations or increasing existing appropriations to meet emergencies. All expenditures will be made in accord with approved disbursement practices and legal purchasing requirements. Whenever possible, the District will integrate performance measurement and productivity indicators within the budget to insure the most effective and efficient utilization of available financial resources.

SIGNIFICANT BOARD POLICY AND PROCEDURES THAT AFFECT THE BUDGET (Con't)

Decision making authority is delegated to budget managers of responsibility cost centers who are accountable for the effective and efficient utilization of resources appropriated by the Board. Budget managers of responsibility cost centers will be provided financial resources over which they are able to exercise discretionary decision-making authority.

Revenue Estimation Procedures: The Chief Financial Officer of the District will estimate annual revenues by an objective, analytical process. The District will not include revenue estimates in the budget that cannot be verified with documentation of its source and amount. Revenue estimates will be based on objective data such as historical trend analysis and validated state estimates of sources and amounts of subsidy.

Budgetary Reserve: The District will maintain a budgetary reserve designated by the Board in each fiscal year in order to provide for operating contingencies. The maintenance of a budgetary reserve is recognized by the Department of Education to be a sound management practice given that there are certain variables over which control is not possible regardless of the care with which the budget is prepared. These variables include unpredictable changes in the cost of goods and services as well as the occurrence of events which are vaguely perceptible during the time of budget preparation, but which, nevertheless, may require expenditures by the District during the year for which the budget is prepared.

No expenditures will be made from the budgetary reserve unless authorized and approved by the Board of Directors. The transfer from the budgetary reserve to the functional line item will be approved by the Board, and may only be made during the last nine months of the fiscal year.

Fund Balance Reserve: The District will maintain an undesignated, unreserved fund balance in an amount directed by the Board each fiscal year. The monies in the fund balance will only be expended with the specific authorization of the Board of Directors for unexpected financial obligations.

Accounting, Auditing, Budgeting and Financial Reporting Policies: The accounting system will report financial information, on a basis consistent with Generally Accepted Accounting Principals (GAAP), as established by the Governmental Accounting Standards Board. Management control and Board oversight will be maintained through the use of regular reports that present financial activity by fund function, and object as well as by responsibility cost center.

SIGNIFICANT BOARD POLICY AND PROCEDURES THAT AFFECT THE BUDGET (Con't)

An independent public accounting firm, selected by the Board of Directors, will perform an annual audit of the financial records of the District. The report will provide an opinion on the financial controls and records of the District.

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BUDGET DEVELOPMENT PROCESS

The budget process can be desegregated conceptually into a five-step process that includes: planning, preparation, adoption, implementation, and evaluation. The process is driven by two objectives - to provide every child in the District with the best possible educational opportunities and to maximize the use of available resources. Within this framework, the Board attempts to balance the educational needs of students and the resources available to the District from local, state, and federal sources. The product, the School District's budget that details the revenues and expenditures to support educational programs and services, is a delicate balance of policy choices.

Budget Planning: For the fiscal year that begins July 1, the planning process for budgeting starts in August when the Administration develops a budget calendar. The calendar includes all of the important activities in the budgeting process; the dates on which important decisions are scheduled to be made; and the person responsible for the activity. Once adopted the calendar represents the guidelines for the preparation and adoption of the financial plan of the School District.

Preparation of the Operating Budget: The preparation of the budget is the process of defining service levels such as the course offerings in the educational program; projecting student enrollment; developing staffing allocations; estimating expenditure needs to support programs and services; and projecting available revenues. The process begins when the Director of Human Resources provides a five-year forecast of enrollment to the Board and Administration in September. This enrollment estimate is an important assumption on which per pupil expenditure appropriations, instructional staffing allocations, and service levels such as the number of course sections and the number of transportation vehicles are based.

The Administration then provides per pupil allocations for the projected student enrollment. The per-pupil appropriations are established early in the budget cycle to permit staff involvement in the determination of resource allocations within the buildings. This also permits the acquisition of supplies, materials and equipment at the lowest price through the public bidding process and timely delivery of purchases prior to the opening of the school term. The budget process is continued during November when course offerings are developed that will form the educational programs for the next year.

Since salaries and fringe benefits constitute approximately seventy percent of the total budget expenditures, the Board gives careful consideration to staffing allocations for both instructional and non-instructional positions to provide for defined service levels. The professional staffing needed to support the educational program is a function of both the projected student enrollment, and this is reviewed by the Administration and Board during October and November budget development meetings. The staffing needs of the District are constructed on a zero base approach at all levels.

BUDGET DEVELOPMENT PROCESS BOARD COMMITTEE STRUCTURE

The Colonial School Board functions through sub-committees that provide recommendations for full Board consideration. Although Board Members are appointed to Committees based upon recommendation to the Board President, each member is encouraged to attend the meetings of the Board Committees to understand the issues discussed at the Committee Level. The standing committees include Personnel, Facilities Management/Transportation, Curriculum/Program, Community Relations/Student Life, Health and Wellness, and Finance/Audit.

The Personnel Committee of the Board is responsible for reviewing, studying and recommending to the whole Board all matters that involve personnel. During the budget process the Committee reviews the enrollment projections and recommends the necessary levels of professional staff to be included in the budget. The Committee also reviews other areas of staffing such as custodial and maintenance, cafeteria, secretarial, instructional and non-instructional aides, as well as the administrative alignment and recommends the positions to be funded.

On an annual basis the Committee recommends all salary schedules for non-bargaining unit employees while also guiding the negotiations related to contracts with the Colonial Teachers Association, the Teamsters representing the custodial and maintenance departments, and the Association representing the Food Service and Secretarial workers in the district. This Committee also reviews the fringe benefit packages offered to these groups.

The Personnel Committee also provides significant input on the salary levels of administration by performing the review of the Superintendent and establishing approved levels of funding for administration. Periodically the review of job descriptions is necessary to establish new levels of responsibility and compensation, and this Committee also performs this task.

The Facilities Management and Transportation Committee of the Board reviews all personnel and facility issues related to the maintenance of the district facilities and vehicles. During the budget process this includes thorough analysis of all projects proposed for the forthcoming budget. The Committee decides upon the level of funding and the specific projects to be included in the budget following a visitation by individual members to each location. The Committee is responsible for evaluating the entire 2600, 4200 and 4600 accounts in the budget document presented.

BUDGET DEVELOPMENT PROCESS
BOARD COMMITTEE STRUCTURE (cont.)

Capital projects included within the budget are developed and reviewed at all levels of the budget process. In December the Facilities Manager meets with each Building Principal to review the needs of the building. Costs of projects are then estimated by the Facilities Manager and presented to the District Administration for review. During a Budget Review with each Building Principal, the Superintendent establishes priorities for these projects, with funding established within the budget for those projects determined by the Superintendent. The Facilities Management and Transportation Committee of the Board reviews the projects and provides recommendations to the full Board in March. The Board determines if projects will be funded through the General Operating Budget, the Capital Reserve, or will be funded through a General Obligation Bond.

Each year the District updates its five year Capital Reserve Fund plan that provides for the maintenance of facilities. Projects are prioritized based on resolution of safety matters, compliance with state and federal statutes, maintenance of existing facilities, and improvements to the instructional environment and buildings. In the update of the plan, the Directors consider recommendations from the District Administration and Facilities Management and Transportation Committee.

Funds for new construction or major renovations are provided for through the issuance of debt. The impact of capital projects are considered in the development of the proposed and projected operating budgets.

The review of transportation operations and the expenditures of the 2700 account is also a responsibility of this committee. A review of expenditures of the current and prior years, the comparison of costs between the contracted and district-owned portion of the operation, and the replacement of district vehicles are all important functions performed by this committee on an annual basis during the budget process.

The Curriculum and Program Committee has the responsibility to receive and review curriculum proposals that are presented through the office of the Assistant Superintendent. Proposals originate from the staff curriculum committees where teachers and administrators review curricular areas on a five year cycle. Proposals that gain the support of the administration's curriculum council and the approval of the superintendent are forwarded to the Board curriculum and program committee for consideration. Following careful analysis of the proposals the curriculum and program committee makes recommendations for budget consideration to the full Board.

BUDGET DEVELOPMENT PROCESS
BOARD COMMITTEE STRUCTURE (cont.)

The Community Relations and Student Life Committee of the Board is responsible for publicity for District functions and distributing information about noteworthy events to the press and public. This task is accomplished through the dissemination of press releases and announcements on a routine basis by the district staff. The committee also deals with review and evaluation of student activities, policies, calendars, handbooks and other publications.

The Health and Wellness Committee is responsible for reviewing the district's safety and security programs, policies, and related activities. It also makes recommendations regarding faculty and student wellness in the areas of student nutrition and diet, counseling and intervention programs.

The Finance and Audit Committee of the Board reviews all revenue sources and projections that are provided by the administration, as well as, audit reports, investment vehicles, depositories, and approves the budget schedule for the budgetary process. Through review of the administration's Five Year Financial Plan, direction is provided from this Committee to the administration to determine the direction of the budget.

The community relations and student life committee has set as its primary policy goal the establishment of a strong two-way communication link with all segments of the community. The purpose behind this goal is for the Board and District Administration to be able to communicate its goals and objectives to the public as clearly as possible and to be able to receive feedback and input from the public, which the Board views as an essential component to its decision making process.

In order to accomplish this goal, the Committee has implemented a number of initiatives, each designed to become annual features so that the communication link between the community and District becomes a part of the way the District business is conducted. Brief summaries of these initiatives are as follows:

1. **Town Meetings** - Each year, a series of three town meetings have been held, one each in the Borough of Conshohocken and in the Townships of Plymouth and Whitemarsh. The purpose of the Town Meetings are to provide an informal opportunity for members of the public to express their views on any subject and discuss it with Board members and Administrators without the time constraints and formalities of the Board's public meetings. The Board has taken this opportunity to give the public a brief update on a variety of topics at meetings held in public buildings in each community.
2. **Annual Report** - The Committee has also implemented the distribution of an Annual Report, a newsletter produced in a cost efficient newspaper style, which provides the public with a summary the fiscal condition of the District as well as highlighting the many programs that took place in the schools and reviewing the challenges that must be addressed in the future.

BUDGET DEVELOPMENT PROCESS
BOARD COMMITTEE STRUCTURE (cont.)

3. **Board/PTO Forums - The Board holds informal forums with the District's seven different Parent-Teacher or Home and School Associations. Approximately three Board members on a rotating basis attend PTO meetings in order to have a brief opportunity to discuss concerns of parents. The goal is to have various Board members attend at least two - three meetings a year. The program was implemented in this past school year and proved to be very successful.**

4. **Parent Surveys - Recognizing that the views, thoughts and opinions of the consumers of the District's services are essential to the evaluation of the District's performance, a comprehensive Parent Survey is distributed in the Spring of each year, seeking input on teacher performance as well as opinions on the performance of the administrative staff, pupil services and the performance of the School Board. While this type of analysis is common in private industry, it is almost unheard of among public school institutions. The Survey represents a clear recognition on the part of the District regarding how high a value it has placed on seeking input from the community.**

BUDGET ADMINISTRATION AND MANAGEMENT PROCESS

Budget Adoption, Implementation, and Evaluation: The budget of the District for the next fiscal year is proposed at a Board meeting in February. The Board considers the budget and provides for public input and comment on the financial plan to fund the District's educational programs and services up to its final passage in June. The implementation of the approved financial plan is discussed in the following section on the budget administration and management process. The final step in the budget process is the evaluation of the financial plan. The results of operations for the fiscal year are set forth annually in the District Annual Financial Audit.

Budget administration and management is the process of regulating expenditures during the fiscal year to ensure that they do not exceed authorized amounts and that they are used for intended, proper, and legal purposes. The management of the budget is accomplished in a variety of ways: monitoring program implementation; controlling expenditures; tracking revenue receipts; making corrections in expenditure allocations to reflect changes in costs, service levels or plans; and reporting to the Board and public on fiscal operations.

During the preparation of the budget, the document itself serves as the vehicle for planning and resource allocation decisions in the District. After the Board adopts the budget in May and the appropriations are made to the various accounts, it then becomes the major fiscal management tool for administering and controlling expenditures. There are, however, other budget administration and management issues important to the budget process that are discussed below.

Organization for Budget Management: The decision-making philosophy and organizational structure of the District for budgeting combines elements of the management team and school management concepts. It is an approach between centralization and decentralization in philosophy and structure. Many of the decisions in the District are formulated by staff members at the building locations with overall district administrative review.

For example, the curriculum council, which is comprised of central office administrators and building principals, reviews and approves curriculum recommendations to the School Board Curriculum Committee, which makes final recommendations to the full Board for approval. Funds to support curriculum revisions are then controlled by the Director of Curriculum and Instruction through the allocation of special allocations for curriculum revision and new adoptions.

The overall spending and revenue plans are coordinated by the central office to keep the District's total expenditures within available revenues. District level coordination is also exercised in such areas as personnel policies that are established and monitored centrally to maintain general uniformity and compliance with negotiated collective bargaining agreements as well as state and federal

BUDGET ADMINISTRATION AND MANAGEMENT PROCESS (cont.)

statutes. However, budgetary allocations are the responsibility of building administrators, and funds are provided in an unrestricted, lump-sum amount. Decisions on how to allocate these monies are made at the site or department level. For example, principals, who are responsibility cost center managers, provide participation by the professional staff in the decision making process on the use of building resources through Building Committees.

Expenditure Control and Approvals: For management control purposes, the operating budget (General Fund) of the District is disaggregated into cost centers. A budget manager (an administrator or coordinator such as Building Principal or Transportation Director) is accountable for the management of the financial resources approved by the Board for each of the cost centers in the operating budget. In addition, the Athletic and Food Service Directors are assigned as the budget manager for the Athletic Fund and the Enterprise Fund, respectively. The Chief Financial Officer is the budget manager for the Capital Reserve Fund. Thus, every expenditure appropriation in the District's budgets is assigned to a cost center manager who is accountable for the proper expenditure of funds.

Each of the budget managers is authorized to approve the expenditure of funds within their respective responsibility cost center appropriations, provided that funds are expended in accord with District purchasing procedures and legal requirements. Administrative regulations require that all purchase orders be forwarded to the business office to verify availability of funds, proper account coding, and compliance with legal purchasing procedures. All bid awards and contracts must be approved by the Board of Directors. The Chief Financial Officer carefully monitors comparisons between budget and actual expenditures to maintain cost control and to insure against overspending.

Encumbrance Control: Another important component in the District's financial control and reporting system is the encumbrance of funds. Encumbrances are obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. The purpose for the encumbrance of funds is to insure that obligations are recognized as soon as financial commitments are made. Otherwise, the accounting system would only record actual amounts entered into the expenditure accounts, not those that are planned or anticipated. In short, the encumbrance of funds is an important control measure to prevent the inadvertent over expenditure of budget appropriations due to the lack of information about future commitments. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are canceled.

BUDGET ADMINISTRATION AND MANAGEMENT PROCESS (cont.)

Transfers between Budget Accounts: The budget is a spending plan based on a series of assumptions and estimates. Rarely, if ever, will all of the actual expenditures be equal to the detailed budget estimates. As actual expenditures are incurred, adjustments are required in the budget between accounts to cover higher than expected costs or to provide for an unanticipated expense. However, District controls on the transfer of funds insure that expenditures do not exceed available financial resources.

Responsibility cost center managers have the authority to transfer funds between accounts that increase or decrease appropriated amounts with certain constraints. Such constraints include that transfers between responsibility cost centers, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School Board. In addition, transfers between functions within a responsibility cost center must also have the prior approval of the Board of Directors. For example, appropriations for instruction cannot be transferred to support services or vice versa without Board approval.

Management Information and Reporting for Control: The District maintains an interactive, on-line budgetary accounting and control system that provides reports to assist Board Members, the Chief Financial Officer, and responsibility cost center managers in administering, monitoring and controlling the implementation of the budget. The information from the automated accounting information system is important and relevant in evaluating the financial condition of the District and the fiscal performance of responsibility cost center managers.

The reports produced from the information system are designed for specific District needs and to meet state and federal reporting requirements. Among the most important of the documents for management control purposes are expenditure reports which are prepared by function and by responsibility cost center. Revenue reports are also prepared that track receipts against budget.

FINANCIAL SECTION
2007-08 ADOPTED BUDGET

DISTRICT FINANCIAL STRUCTURE

The Colonial School District was formed by state law and began operations on July 1, 1969. The School District occupies a land area of 25 square miles in the southwest portion of Montgomery County and is comprised of the Borough of Conshohocken, Plymouth and Whitemarsh Townships. The School District is contiguous with Philadelphia, Norristown and Upper Merion Township and is located twenty miles west of downtown Philadelphia.

The School District is a political subdivision of the Commonwealth of Pennsylvania created to assist in the administration of the General Assembly's duties under the Constitution of Pennsylvania to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth".

The School District is governed by a Board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four year term. The Directors serve on the Board without compensation. The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other school facilities necessary to educate every person residing in the School District, between the ages of six and twenty-one years, who may attend.

The Reporting Entity

The School District is legally autonomous and fiscally independent entity under the laws of the Commonwealth of Pennsylvania. The laws of the Commonwealth give the District corporate powers that distinguish it as a legally separate entity from the Commonwealth of Pennsylvania and any of its political subdivisions. The School District has the power to determine its budget; to approve and modify that budget; to levy taxes, set rates and establish charges; and to issue bonded debt. The powers may be exercised without substantive approval by another government.

The School District is subject to the general oversight of the Pennsylvania Department of Education on matters that are relevant to the determination of fiscal independence. The oversight generally includes an approval process that is compliance oriented and is more ministerial than substantive in nature.

The School District consists of four primary schools (grades K-3), one elementary school (grades 4-5), one middle school (grades 6-8), and one high school (grades 9-12). In addition, the Colonial School District is one of three sending districts to the Center for Technical Studies for students in grades ten through twelve. Elementary school attendance areas are established to provide the best balance of classes per grade level and educational services for each building.

Fund Structure and Accounting

The accounting system of the School District is organized on the basis of funds. Each fund is considered a separate accounting entity, with a set of self-balancing accounts that comprise its assets, liabilities and fund balance/retained earnings, revenues and expenditures/expenses as appropriate. School District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund classifications used by the School District have been defined by generally accepted accounting standards and includes three broad categories: governmental, proprietary, and fiduciary.

Resources segregated into the Governmental Fund category are those used for the usual school services financed by local taxes, state subsidy and federal aid. The School District uses two types of Governmental Funds: a General Fund and Special Revenue Funds (Capital Reserve and Athletic Funds). The General Fund is the operating fund of the School District. Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The Capital Reserve Fund is restricted to expenditures for capital items and/or debt service, while the Athletic Fund is restricted to expenditures for athletic activities.

Resources segregated into the Proprietary Fund category are those used to finance activities similar to those often found in the private sector. The activities are usually financed, at least partially, from a user charge. The School District uses only one Proprietary Fund: an Enterprise Fund (the Food Service Fund). The Food Service Fund is used to account for all revenues, food purchases, costs and expenses pertaining to food service operations which are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs, including depreciation and indirect costs, of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Resources segregated into the Fiduciary Funds are those held by the School District as a trustee or agent for some other entity or group. The School District uses two Fiduciary Fund types: Trust and Agency Funds. Trust Funds are used to account for scholarship funds held by the School District in a custodial capacity and include both expendable and nonexpendable trusts. The Agency Fund is used for to account for the receipts and disbursements of monies from student activity organizations. These organizations exist at the explicit approval of and are subject to revocation by the School Board of Directors. This accounting reflects the District's agency relationship with the student activity organizations.

The School District is legally required to adopt budgets for the General Fund and all Special Revenue Funds. The District is not required and does not adopt budgets for Enterprise and Fiduciary Funds.

Basis for Measuring Available Revenue and Expenditures

The modified accrual basis of accounting is used for the governmental fund types. Under this system, revenues are recognized when susceptible to accrual - both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on general long-term debt which is recognized when due.

Property taxes collected within sixty (60) days subsequent to the year end are susceptible to accrual under the modified accrual basis of accounting and are recognized as revenue in the current year.

The Proprietary Fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period earned and expenses are recognized in the period incurred.

CLASSIFICATION OF REVENUE AND EXPENDITURES

The Pennsylvania Department of Education has adopted a system for the classification of revenue and expenditures based on generally accepted accounting standards for school entities. The system is used for budgeting, accounting, and financial reporting in compliance with Generally Accepted Accounting Principles (GAAP), as established by the Governmental Accounting Standards Board (GASB).

The classification and coding structure to record financial transactions under the accounting system provides for three basic types of activity: revenues and other financing sources; expenditures and other financing uses; and transactions affecting the balance sheet only. For each type of transaction, the specific account code is made up of a combination of dimensions. Each dimension describes one way of classifying a financial activity.

As required by the Pennsylvania Department of Education, the District classifies revenues by fund and revenue source dimensions. Revenues are desegregated into three sources: Local Sources, State Sources and Federal Sources. Local sources include such receipts as property taxes, amusement taxes, interest on investments, and rental incomes. State sources consist of monies received by the District from the Commonwealth of Pennsylvania, among which are funds to support the basic instructional program, special education services, transportation of students, and health services. Federal sources are those funds provided by the federal government, primarily reimbursement for expenses for the Chapter I program for disadvantaged students.

The Department also requires the School District to classify expenditures by a combination of dimensions. The required expenditure dimensions include: fund, function, object, funding source and instructional organization. The School District also further classifies expenditures by operational unit for budgetary responsibility purposes, but these are not outlined in this document.

The function dimension is used to classify expenditures according to the principal purpose for which expenditures are made (e.g. Instruction, Support Services). As used in the expenditure classification system, the object dimension applies to the article purchased or the service obtained (e.g. Salaries, Fringe Benefits, Purchased Services, Supplies, Equipment).

The School District is legally required to prepare budgets at the fund, function and object level of classification. Accordingly, revenue and expenditures are presented herein at the level required by the Department of Education.

REVENUE CLASSIFICATION 6000 LOCAL REVENUE SOURCES

6111 Current Real Estate Taxes

Real estate tax is the main source of revenue for funding the operation of the Colonial School District. It is based on the assessed valuation, as determined by the Montgomery County Board of Assessment, of all taxable property within the school district. The taxes are collected by the elected tax collector of the Borough of Conshohocken, and by a district employee for Plymouth and Whitemarsh Townships.

2007-08 Budget Notes

The district's assessed value has grown from \$3,817,829,149 in May of 2006 to \$3,836,011,878 as of June 2007. This represents a growth rate of .47% or \$18,082,729 in assessed value. The assessed value increase for 2007-08 will generate an estimated \$289,125 of new tax revenue.

In the last four years the district had an average growth rate of 1.02% or \$38,134,520 of assessed value amounting to an average of \$568,979 of new tax revenue per year.

6111 Interim Real Estate Taxes

Interim real estate taxes are levied under Act 544 of 1952 (Section 677.1) on the increase in assessed valuations of local property as a result of construction or improvements to that property during the fiscal year.

2007-08 Budget Notes

Actual interim taxes have been under the budgeted amount the last two years due to the slow down in new commercial and residential properties. Due to these facts the 2007-08 budget figure will remain the same as 2005-06, \$750,000.

6113 Public Utility Realty Tax

Lands and structures owned by public utilities and used in providing their services are subject to state taxation under Act 66 of 1970. The state collects the fees and then distributes an amount based upon a statewide formula to local taxing authorities, including school districts, and that payment of state tax is in lieu of local taxes upon public utility realty.

