

December 11, 2007

To the Board of School Directors and the Citizens of Boyertown Area School District:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Boyertown Area School District, Pennsylvania, for the fiscal year ended June 30, 2007. The District's Business Office prepared this CAFR. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School District. We believe the data as presented is accurate in all material respects. It is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a clear understanding of the School District's financial affairs have been included.

The organization, form, contents of this CAFR, the accompanying financial statements, and the statistical tables were prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and the Public School Code of 1949, as amended, of the Commonwealth of Pennsylvania.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Boyertown Area School District's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

This CAFR includes all funds of the School District, consistent with the guidance contained in GASB 14, *The Financial Reporting Entity*, and GASB 39, *Determining Whether Certain Organizations Are Component Units*. The criteria used by the School District to evaluate whether additional entities should be included in the School District's reporting entity as component units includes whether the School District can impose its will on these entities and whether these entities bring the School District financial benefit or burden.

A related organization excluded is the Berks Career and Technology Center (Vo-Tech). A joint board consisting of school directors from each member district runs the Vo-Tech. Each member district pays a share of the operating costs, debt, and approves the Vo-Tech's budget. Since the School District cannot impose its will or have a voting majority, the Vo-Tech is considered a joint venture.

### **Local Economy**

The Boyertown Area School District is situated on the northwestern edge of the greater Philadelphia suburban sprawl in southeastern Pennsylvania. About 45 miles northwest of Philadelphia, it is just 20 miles south of Allentown and 20 miles east of Reading, straddling the Montgomery-Berks County line. When it was formed as a jointure in 1953 it was one of the largest school districts in the state, covering nearly 100 square miles. It encompasses Colebrookdale, Douglass, Earl, and Washington Townships and the Boroughs of Bally, Bechtelsville, and Boyertown in Berks County plus the Townships of Douglass, New Hanover, and Upper

Frederick in Montgomery County. The population in the District is over 40,000. With abundant room for growth, it is expected the population will increase steadily for the immediate future.

The District has been shifting from a predominance of farming and blue-collar homes to a suburban-type community. The preponderance of "new-comers" finds their employment outside the District boundaries in the King of Prussia, Exton, Allentown or Reading areas. The fairly recent modernization of U.S. Route 422, a major artery into the Philadelphia area, which just barely brushes the southern edge of the District, has caused more rapid growth on the eastern, or Montgomery County, side. Pennsylvania Routes 100 and 73 provide the other major traffic arteries across the District.

Approximately 7,141 students in the District are educated in ten modern buildings. Seven K-6 elementary schools funnel students into one of two 7-9 junior high schools. There is one senior high school serving grades 10, 11, and 12. Geographic size makes school bus transportation a fact of life for better than 90% of the student body at all levels, as presented by the map on the next page. The shaded area of the map is the area of the Boyertown Area School District. The blue line that circles the District represents the ten-mile radius beyond the District's boundaries. According to policy, the District "will provide transportation for resident students who attend non-public schools not operated for profit located within the District geographic boundaries or outside the boundaries via the nearest paved public highway when the distance does not exceed ten miles from the district boundaries."

The District's tax base has increased steadily and reflects new home construction on open land, more of which remains. Importantly, property tax collections remain strong. In addition, socioeconomic indices for per capita income and property values are very favorable relative to other areas of the State.

It appears that there may be construction of one or more major retailers within the District's boundaries. A Walmart has been constructed on Route 100 and a shopping center is expected to be constructed at Routes 73 & 663, tentatively housing a Home Improvement Warehouse and a major grocery store. This will add value to the tax rolls as well as create new jobs for the local economy. The adverse effect of these major retailers would be that they could possibly put the local stores out of business and cause congestion on an already heavily traveled infrastructure.

The job growth rate remains relatively strong in Berks County with an unemployment percent slightly below the national average.



## Long-term Financial Planning

The District has experienced moderate growth in student population over the last decade. A shift in population now has a majority of students attending from the eastern side of the District (Montgomery County) which is served by three of the District's ten schools. To address overcrowding and to maintain balanced classroom population, a redistricting plan is being explored. Any redistricting could require additional bus transportation.

The Commonwealth of Pennsylvania has addressed real estate tax reform through the passage of 2006 Special Session, Act 1. Each public school in the Commonwealth must abide by Act 1. The District had the opportunity to swap education funding from the current property tax method to an increased income tax through a voter referendum in May 2007 but the measure was soundly rejected. Act 1 also provides a published index that would allow school districts to raise taxes as needed up to the index before voter approval would be sought to approve tax increases above the index. Act 1 also provides for the distribution of gambling revenues to school districts for

the purpose of lowering the property tax to qualified homeowners. Again, no additional funds would be received by the school district for education. Currently, the state funds approximately 31% of the District's programs

### Cash Management Policies and Practices

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, obligations of U.S. instrumentalities, obligations of other governmental units within the Commonwealth of Pennsylvania, and in an investment pool. The maturities of investments range from six months to about seven years. Investment income includes appreciation/depreciation in the fair value of investments. Increases in fair value during the year do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments, that the government intends to hold to maturity.

### Risk Management

The District purchases commercial insurance for areas of potential losses. Additional information on the District's risk management activities can be found in Note II.L of the notes to the financial statements.

The District participates in the Berks County Consortium for medical benefits for the employees of the District.

### Initiatives

#### Co-Curricular

The School District is committed to a broad range of co-curricular activities for all students in grades kindergarten through twelfth grade. These programs range from athletics to music, theater and arts, service clubs and various other clubs and programs. Present offerings include:

| <u>Music and Theater</u> | <u>Athletics</u> | <u>Service &amp; School Clubs</u> |                          |
|--------------------------|------------------|-----------------------------------|--------------------------|
| Band Front               | Baseball         | Academic Challenge                | Math Club                |
| Chamber Choir            | Basketball       | Action Flicks                     | National Honor Society   |
| Concert Choir            | Cheerleading     | All Sports Club                   | Newspaper                |
| Jazz Ensemble            | Cross Country    | Arts / Crafts Club                | Photography Club         |
| Marching Band            | Field Hockey     | Builders Club                     | SADD – Students Against  |
| Productions              | Football         | Chess Club                        | Drunk Driving            |
| Senior Class Play        | Golf             | Diversity Club                    | SAVE – Students Against  |
| Orchestra                | Lacrosse         | FBLA – Future Business            | Violation of the Earth   |
| Treble Singers           | Soccer           | Leaders of America                | Science Olympiad         |
| Vocal Ensemble           | Softball         | FHCC – Future Health              | Sign Club                |
|                          | Swimming         | Career Club                       | Student Council          |
|                          | Tennis           | Games Club                        | Support Our Troops       |
|                          | Track            | Japanese Garden                   | TSA – Technology Student |
|                          | Wrestling        | Juggling                          | Association              |
|                          |                  | Key Club                          | Virtual Stock Market     |
|                          |                  | Leo Club                          | Yearbook Clubs           |
|                          |                  | Library Club                      |                          |

The District has strived to become a “No Place for Hate” School District, being recognized as the first school district in the state to have all of the District's ten schools designated. Various diversity activities are held at the building and district levels.

## Instructional Services

The School District's Instructional Program is divided into Elementary Education: grades K-6 at seven sites; Junior High School: grades 7-9 at two sites; Senior High School: grades 10-12 at one site. Responsibility for administration and instructional leadership of the individual schools in the District is entrusted to the following building principals for the 2006-2007 school year:

|  |                              |
|--|------------------------------|
| Boyertown Elementary School              | Mr. Gregory M. Miller        |
| Colebrookdale Elementary School          | Dr. Thomas L. Shugar         |
| Earl Elementary School                   | Dr. Craig K. Zerr            |
| Gilbertsville Elementary School          | Mr. Ronald W. Christman      |
| New Hanover-Upper Frederick Elem. School | Mrs. M. Stephanie Wilson     |
| Pine Forge Elementary School             | Mrs. Melissa Woodard         |
| Washington Elementary School             | Mr. Christopher J. Iacobelli |
| Junior High East                         | Mr. Andrew Ruppert           |
| Junior High West                         | Mr. Gregory S. Galtere       |
| Senior High School                       | Mr. Daniel Goffredo          |

The instructional program includes the following subject areas:

|                               |                               |
|-------------------------------|-------------------------------|
| Art                           | Mathematics                   |
| Business Education            | Music                         |
| NJROTC                        | Science                       |
| Family/Consumer Science       | Social Studies                |
| World Language                | Technology Education          |
| Reading/Language Arts/English | Telecommunications            |
| Library                       | Health and Physical Education |

All curriculums indicate what the District expects students to know and to demonstrate as skills. Curriculums are provided to each teacher with additional copies at each building level. Curriculums have been adopted based on State Academic Standards and are being implemented in each area. Curriculum information and our graduation requirements are available at individual buildings.

The School District is very proud that all curriculums have been written by teams of staff members to meet the various needs of today's learners. The District believes that over the next five to six years it must continue to focus attention on the evolving State Standards and assure that the District's curriculum and instructional programs meet the needs of all students.

## Remediation Program

In conjunction with state regulations, our District provides a remediation program for grades first through ninth in all schools. The purpose of this program is to help students achieve state academic standards. The remediation program functions in various ways depending upon the grade level and individual needs of the students.

## District Technology Program

The School District submitted the state mandated Technology Plan in September 2006. The three-year plan is a reporting mechanism used by the state to determine the uses of technology within the School District, which allows them to track the changing technology trends in education. It is used by the District as a blueprint for future technology implementation. District technology initiatives that have been completed or are currently being implemented:

- District Wide Area Network
- Individual building wiring
- Internet and District e-mail
- An acceptable use policy for Internet usage
- A District web page – currently being updated
- Computer labs in all buildings and computers in all classrooms
- Computers in all District offices
- Computers in libraries for electronic databases, Internet, and circulation
- Two-way interactive distance learning
- TV studios in the secondary schools upgraded to digital
- District software purchased for student grading, attendance, and parent communication
- Implementation of wireless network
- Business applications package which includes accounting, personnel, purchasing, and bidding
- IP telephony system
- Implementation of various technologies such as Smart Boards to support learning

The District will continue to place and upgrade computers in classrooms and subject areas. The continued purchase of software programs for curriculum areas and for instructional management is essential. Access to computers for teachers and the replacement and upgrade of all technology will aid in instruction. Currently, the District has more than 3,000 computers in place as well as peripherals, network, distance learning equipment, television equipment, and technology curriculums. The District participates in the Children's Internet Protection Act established by the Federal Government.

## Special Education Services

The Boyertown Area School District provides special education services and gifted support services to more than 1,400 students, or 19% of the total student enrollment. Of this, the percentage of disabled students is 14% or slightly less than the statewide average. The District has more than 350 gifted students – approximately 5% of total enrollment. The number of students in out-of-district placements is approximately 85.

Special Education Programs in Boyertown serve students that are mildly to severely mentally retarded, hearing impaired, speech/language impaired, visually impaired, learning disabled, emotionally disturbed, physically disabled, other health impaired, brain damaged, autistic and gifted. Each neighborhood school operates its own program with the exception of district life skills support programs offered at Colebrookdale Elementary School, Junior High School East, and the Senior High School. In 2006-2007 the District implemented a Kindergarten through 2<sup>nd</sup> grade autistic program at Washington Elementary School and an emotional support program, serving grades 10 – 12 at the high school.

## District Program of Assessment

The School District has in place a standardized assessment system with a broad range of assessment instruments – kindergarten through twelfth grade. This system is meant to be an addition to classroom and building assessments that are in place as part of the District's curriculums. The District uses standardized tests primarily to provide parents, teachers, and administrators with information to help diagnose skill and learning deficiencies for individual students. In addition, information from standardized test results, grouped by school, grade, and subject, are provided to the administration, the school board and to the public as a means of accountability and to focus discussion regarding additions and revisions to the instructional program.

## Vocational/Technical Support

As part of its educational program, the School District provides tenth, eleventh, and twelfth grade students with the opportunity to participate in vocational and technical education at the Berks Career and Technical Center (BCTC). The BCTC offers half-day classes in three-year vocational/technical programs, which prepare students for skilled work experiences after graduation and for future education in college, or technical school programs. During the 2006-2007 school year, approximately 230 Boyertown Area School District students, or approximately 14% of the high school enrollment, attend BCTC East or West Campus. They participate in one of the following programs:

|                                 |                                 |
|---------------------------------|---------------------------------|
| Auto Collision Repair Tech.     | Electronic Technology           |
| Automotive Technology           | Health Occupations              |
| Building Construction Occ.      | Health Related Technology       |
| Cabinetmaking                   | Heavy Equipment Technology      |
| CAD                             | Horticulture                    |
| Carpentry                       | HVAC/R                          |
| CIS-Applications                | Machinist/Toolmaker             |
| CIS-Programming                 | Masonry                         |
| Commercial Art                  | Occupational Child Development  |
| Commercial Photography          | Painting and Decorating         |
| Computer Information Services   | Plumbing and Heating            |
| Computerized Machine Technology | Pre-Engineering                 |
| Cosmetology                     | Pre-Vocational                  |
| Culinary Arts                   | Printing Technology             |
| Dental Occupations              | Protective Services             |
| Diesel Technology               | Recreational/Power Equip. Tech. |
| Drafting Design Technology      | Robotics and Automation Tech.   |
| Electrical Occupations          | Service Occupations             |
|                                 | Welding                         |

## Strategic Plan Goals

The School District Strategic Plan – 2006/2012 was approved by the Board of School Directors on September 2006, after a series of public meetings and a community needs assessment. Various working committees prepared the following goals during the course of the Plan's development. Such goals have served as the focus of District efforts over the last 6 years.

1. All students (100%) will be proficient in Reading, as measured by the annual state-wide PSSA assessments by 2012, increasing incrementally by a minimum of 5% at each level.
2. All students (100%) will read on grade level by the end of third grade as measured by guided reading levels and DIBELS assessments. The number of proficient students will increase each year, K-3, until 100% is reached.
3. All students (100%) will be proficient in Mathematics, as measured by the annual state-wide PSSA assessments by 2012, increasing incrementally by a minimum of 4% at the elementary and junior high and 8% at the senior high.
4. All students (100%) will be proficient in Science, as measured by the annual state-wide PSSA assessments by 2012, increasing incrementally by an amount to be determined.
5. All students (100%) will be proficient in writing, as measured by the annual state-wide PSSA assessments by 2012, increasing incrementally by an amount to be determined.

6. The reading, writing, math and science achievement of all students will be documented, analyzed and monitored in order to address individual needs with research-based, academic interventions.

## **Pension**

The District participates in the Public School Employees Retirement System. Currently, the District pays 6.46% of payroll costs. The rate jumps to 7.13% for 2007 – 2008 and increasing to an estimated high of approximately 18.73% in 2013. Although the Commonwealth funds 50% of the District's cost, the District will have to budget for a larger expenditure in the future, unless some form of legislation is enacted by the state. Additional information on the District's pension can be found in Note II.I of the notes to the financial statements.

## **Accounting System and Budgetary Control**

All governmental and agency funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred except for: (1) disbursements for inventory type items, which are expenditures at the time of purchase, and (2) principal and interest on general long-term debt which is recognized when due. Financial statements for the Proprietary Fund are maintained on the accrual basis of accounting, with revenue recognized when earned and expenses recorded when incurred.

In developing and evaluating the School District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements; and (3) maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the School District's internal accounting controls: (1) adequately safeguard assets; (2) provide reasonable assurance of proper recording of financial transactions; and (3) maintain accountability for assets.

The School District maintains budgetary controls, which ensures compliance with legal provisions embodied in the annual appropriated budget that is adopted by the Board of School Directors by June 30<sup>th</sup> of each year. The Business Office maintains budgetary control at the major expenditure classification through monitoring and review. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

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

## **Independent Audit**

The School District had an independent audit of all its funds performed for the year ended June 30, 2007. The report of our certified public accountants, Major & Mastro, LLC, appears in the Financial Section of this CAFR.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Boyertown Area School District for its comprehensive annual financial report for the year ended June 30, 2006. This was the fourth time that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The completion of this CAFR represents the fifth time the School District has prepared such a report and demonstrates a commitment to continue the excellence in financial reporting. The preparation of the CAFR was made possible by the dedicated service of the Business Office. They have our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation is also expressed to the Superintendent and the Board of School Directors for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the School District.

Sincerely,



Carol J. Pitts  
Director of Business Services



David A. Szablowski  
Assistant to the Superintendent  
for Business Affairs