

# PERFORMANCE AUDIT

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## Riverside School District Lackawanna County, Pennsylvania

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September 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Paul Brennan, Superintendent  
Riverside School District  
300 Davis Street  
Taylor, Pennsylvania 18517

Mr. Charles Maurer, Jr., Board President  
Riverside School District  
300 Davis Street  
Taylor, Pennsylvania 18517

Dear Mr. Brennan and Mr. Maurer:

We have conducted a performance audit of the Riverside School District (District) for the period July 13, 2012 through July 30, 2015. We evaluated the District's performance in the following areas:

- ü Academics
- ü Governance
- ü Financial Stability
- ü School Safety
- ü Bus Driver Requirements

We also determined the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit found that the District performed adequately in the areas listed above except as noted in the following observation:

- District Should Monitor Key Financial Indicators to Try to Prevent Further Fiscal Challenges

We discussed the observation with the District and provided recommendations to assist the District in improving its operations. We appreciate the District's cooperation during the course of the audit.

Sincerely,

Eugene A. DePasquale  
Auditor General

September 17, 2015

cc: **RIVERSIDE SCHOOL DISTRICT** Board of School Directors

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## Background Information<sup>i</sup>

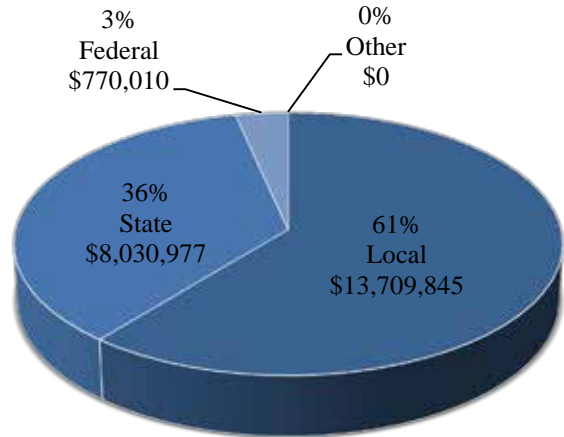
School Characteristics 2013-14 School Year <sup>ii</sup>	
County	Lackawanna
Total Square Miles	12
Resident Population <sup>iii</sup>	11,978
Number of School Buildings	3
Total Teachers	120
Total Full or Part-Time Support Staff	67
Total Administrators	8
Total Enrollment for Most Recent School Year	1,585
Intermediate Unit Number	19
District Vo-Tech School	Career Technology Center of Lackawanna County and Wilkes-Barre Area Career & Technical Center

### Mission Statement

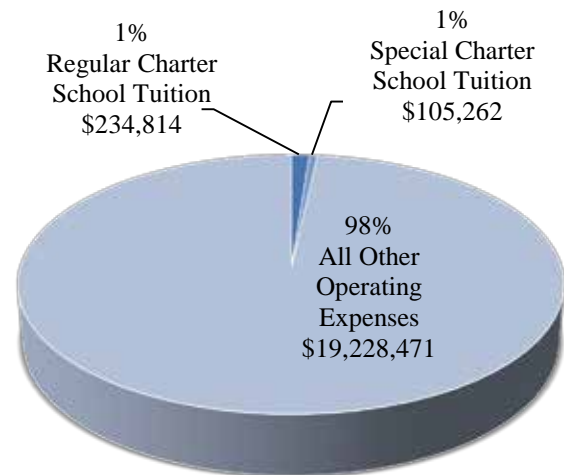
To think differently and collectively, in order to create a vehicle that will inspire a passion for learning, character, innovation, and social responsibility.

## Financial Information

### Revenue by Source for 2013-14 School Year



### Select Expenditures for 2013-14 School Year

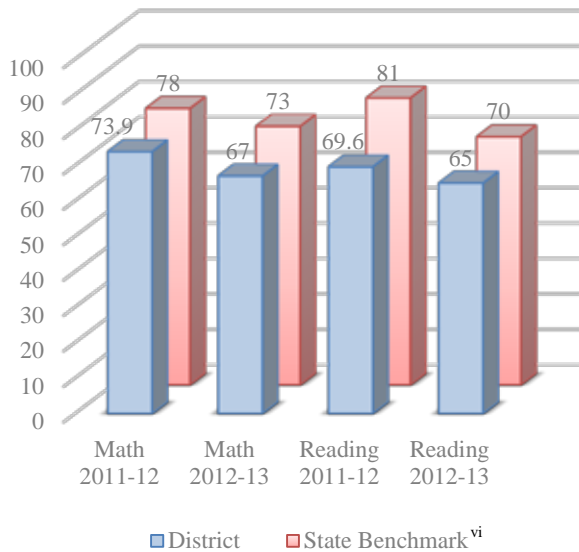


**Dollars Per Student  
2013-14 School Year**



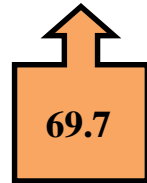
**Academic Information**

**Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA<sup>iv v</sup>**



**District's 2012-13 SPP Score<sup>vii</sup>**

A	B	C	D	F
90 - 100	80 - 89.9	70 - 79.9	60 - 69.9	<60
▲	▲	■	▼	▼



**Individual Building SPP and PSSA Scores<sup>viii</sup>  
2012-13 School Year**

<b>School Building</b>	<b>SPP Score</b>	<b>PSSA % School Proficient and Advanced in Math</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Math</b>	<b>PSSA % School Proficient and Advanced in Reading</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Reading</b>	<b>Federal Title I Designation (Reward, Priority, Focus, No Designation)<sup>ix</sup></b>
Riverside El West	70.7	80.15	73	75.00	70	No Designation
Riverside El East	77.6	68.81	73	60.24	70	No Designation
Riverside JSHS	68.2	61.39	73	65.51	70	N/A

## Findings and Observations

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### Observation

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### District Should Monitor Key Financial Indicators to Try to Prevent Further Fiscal Challenges

*Criteria relevant to the observation:*

The Pennsylvania School Boards Association (PSBA) in its Annual Overview of Fiscal Health for the 2009-10 school year provided the following information relevant to the following fiscal benchmarks:

- Operating position is the difference between actual revenues and actual expenditures. Financial industry guidelines recommend that the district operating position always be positive (greater than zero).

Best business practices and/or general financial statement analysis tools require the following:

- A school district should maintain a trend of stable or increasing fund balances.
- The trend of current ratios should be at least two to one or increasing. Anything less calls into question the school district's ability to meet its current obligations with existing resources.
- A quick asset ratio or trend of ratios approaching one or less indicates a declining ability to cover obligations with the most liquid assets.

During the current audit of the District, we reviewed several financial indicators in an effort to assess the District's financial stability. Our review found that the District is in a financially declining position.

We reviewed 22 financial benchmarks based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado State Auditor, and the National Forum on Education Statistics. The following were among the general areas we evaluated: (1) the level of the general fund – fund balance (assigned and unassigned), (2) the amount of total debt and debt service, (3) the current ratio (current assets ÷ current liabilities) of all governmental funds, and (4) the trend in financial position for the general fund.

If the District's financial indicators continue to decline, the District could be at risk of being added to the Pennsylvania Department of Education's (PDE) financial watch list.

Act 141 of 2012 permits PDE to place a school district with serious financial problems on a financial watch list.<sup>1</sup> This designation gives the District access to additional technical assistance from PDE. Likewise, if a school district's financial condition deteriorates to the point that it has to request an advance on its annual basic education subsidy, PDE may declare it to be in financial recovery status. School districts in financial recovery status have a PDE appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.<sup>2</sup>

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<sup>1</sup> 24 P.S. § 6-611-A (relating to Early Warning System).

<sup>2</sup> 24 P.S. § 6-601-A *et seq.*; *see in particular* Article IV-a(c) (School District Financial Recovery).

*Criteria relevant to the observation (continued):*

- A debt-to-asset ratio or trend of ratios increasing towards one to one or greater is an indication that the school district's liabilities are approaching the level of the district's assets. This indicates the district has a debt level that may be too great for the district to adequately function.

Our testing found the District scored negatively on the following benchmarks:

**Decreasing Fund Balance:** During the period 2006 to 2014, the fund balance in the general fund decreased. A decreasing fund balance indicates the District's expenditures are exceeding its revenues. This reduction of the fund balance is an indicator that the District's financial position is declining and could possibly lead to the District being put on the financial watch list. Without the generation of additional revenues or the reduction of expenditures, the fund balance will continue to decrease. The District should make a concerted effort towards preventing their fund balance from falling below zero so it is not added to the financial watch list, which could require PDE intervention.

The following chart documents the District's decreasing fund balance:

<b>Fund Balance</b>	
<u>Year Ended June 30</u>	<u>Fund Balance</u>
2006	\$1,480,006
2007	\$1,003,883
2008	\$ 396,492
2009	\$1,068,589
2010	\$3,065,644
2011	\$3,093,015
2012	\$1,398,023
2013	\$ 165,248
2014	\$ 645,809

The District has lost 79 percent of its fund balance from year ended June 30, 2011 to June 30, 2014. A fund balance that was stable as recent as 2011 has now been depleted to the point that additional expenses or a shortfall in revenue would result in the fund balance falling below zero. It is imperative for the District to focus on building the fund balance back to a level of stability. The District stated that they used the general fund to balance the budget in fiscal years ending 2012, 2013, and 2014. A review of actual expenditures compared to budget expenditures found that special education and transportation expenditures exceeded



budgeted expenditures for fiscal years ending 2012 and 2013. Special education and vocational education exceeded budgeted expenditures for the fiscal year ending June 30, 2014.

The District should strive to enact budgets that are realistic, which is especially important considering financial obstacles that District highlighted in our ongoing discussions. The District stated that retirement and health care costs have increased along with the teacher contract in place from September 1, 2008 through August 31, 2013, which resulted in increased salaries and tuition reimbursement costs beyond expectations.

**Decreasing General Fund Current Ratio:** For the period 2006 to 2014, the general fund current ratio (current assets ÷ current liabilities) decreased. A decreasing trend towards one-to-one or lower indicates that the District’s financial solvency is decreasing toward a point where the District may not be able to pay its current debts without an infusion of cash. Potential creditors use this ratio to measure a district’s ability to pay its short-term debts. A declining fund balance may also prevent the District from obtaining any new debt, such as loans, or increase the interest rate on the debt it can obtain, thereby costing the District more money.

The following chart documents the District’s decreasing current ratio:

<b>Decreasing General Fund Current Ratio</b>			
<b>(Current Assets ÷ Current Liabilities)</b>			
<b>Year Ended June 30</b>	<b>Current Assets</b>	<b>÷ Current Liabilities</b>	<b>= Current Ratio</b>
2006	\$6,725,250	\$5,245,244	1.28 to 1
2007	\$6,562,081	\$5,558,198	1.18 to 1
2008	\$6,104,950	\$5,708,458	1.07 to 1
2009	\$6,614,356	\$5,545,767	1.19 to 1
2010	\$4,984,860	\$1,919,216	2.60 to 1
2011	\$4,863,939	\$1,770,924	2.75 to 1
2012	\$3,538,200	\$2,140,177	1.65 to 1
2013	\$3,484,450	\$3,319,202	1.05 to 1
2014	\$4,297,614	\$3,651,804	1.18 to 1

The District’s Superintendent stated that the trend in current ratios is decreasing due to level to declining state appropriations over the period. Our review of Total State

Revenue over the period calls this statement into question as Total State Revenue has increased over the period reviewed.

The following chart documents the District's Total State Revenue:

<b>Total State Revenue</b>	
<u>Fiscal Year</u>	<u>Amount</u>
2006-07	\$6,714,424
2007-08	\$7,459,140
2008-09	\$7,496,453
2009-10	\$7,000,809
2010-11	\$6,715,875
2011-12	\$7,466,910
2012-13	\$7,725,901
2013-14	\$8,030,978

The District did make a structural change after the fiscal year 2009 when they choose to sell their real estate tax accounts receivable to a private company. This decision was beneficial in the short term, but current liabilities have increased steadily over the last three fiscal years risking the District's financial solvency.

**Increasing Debt-to-Asset Ratio:** For the period 2006 to 2013, the general fund debt-to-asset ratio (current liabilities ÷ current assets) is increasing. An increasing trend towards one-to-one or more is an indication that the District may not be able to pay its current liabilities with current assets on hand. This trend could require the District to liquidate non-current assets or wait for an inflow of revenues. As a result, the District might have to increase the time it holds invoices prior to making payment. This action could impede the District's ability to obtain a loan or other debt instrument. It could also result in a higher cost for any new debt that is obtained.

The following chart documents the District's increasing debt-to-asset ratio:

<b>Increasing Debt-to-Asset Ratio</b>			
<b>(Current Liabilities ÷ Current Assets)</b>			
<u>Year Ended June 30</u>	<u>Current Liabilities</u>	<u>Current Assets</u>	<u>Current Ratio</u>
2006	\$5,245,244	\$6,725,250	0.78 to 1
2007	\$5,558,198	\$6,562,081	0.85 to 1
2008	\$5,708,458	\$6,104,950	0.94 to 1
2009	\$5,545,767	\$6,614,356	0.84 to 1
2010	\$1,919,216	\$4,984,860	0.39 to 1
2011	\$1,770,924	\$4,863,939	0.36 to 1
2012	\$2,140,177	\$3,538,200	0.60 to 1
2013	\$3,319,202	\$3,484,450	0.95 to 1
2014	\$3,651,804	\$4,297,614	0.85 to 1

In an effort to understand the District's overall reliance on debt, we compared the District's total revenue to short term debt and found that short term debt exceeded overall total District revenue for each of the five fiscal years listed below.

<b>Total Revenue compared to Short Term (ST) Debt</b>		
<u>Fiscal Year Ending</u>	<u>Total Revenue</u>	<u>ST Debt</u>
2010	\$22,235,305	\$27,518,268
2011	\$21,526,633	\$27,162,274
2012	\$20,842,813	\$28,569,213
2013	\$21,616,051	\$28,119,879
2014	\$22,510,833	\$26,255,909

Repeatedly maintaining short term debt that exceeds total District revenue is not sustainable for future operations and, if continued, will eventually force the District to make systematic changes to remain self-sufficient.

## **Recommendations**

The *Riverside School District* should:

1. Provide the Board of School Directors (Board) standard monthly updates on key financial benchmarks so that policy changes can be made before the District's financial condition worsens.
2. Implement written budgeting procedures to better address and plan for projected future costs. These procedures should address, but not be limited to, increased the Public School Employees' Retirement System (PSERS) rate contributions, reduction of charter school funding, unfunded special education mandated costs, and increased transportation costs.

## **Management Response**

Management stated the following:

“The Financial Industry Guidelines that are laid out by the state recommend that the district's operating position or fund balance to be at 5% - 10% of the budget. Unfortunately, we are nowhere near those percentages at this point. We are focused on trying to do whatever we can to stay out of financial recovery status or a negative fund balance. Some of the items that have been tough for us to address have been district percentage share increases for PSERS. This we do not have control over as it is set by the state. We are trying extremely hard to negotiate a cost controlled contract with the Riverside Education Association (REA). This and other cost control measures is crucial at this point to avoid furloughing an already lean staff. The district has negotiated a new contract that is better for our district financially with our busing services vendor. We continue to monitor these costs.

The district has raised taxes the past several budgets to use the needed revenue to stay afloat. We hired a new special education director who aggressively monitors student Individual Education Programs (IEP) and outside placements. The district has offered less expensive alternatives to charter schools (specifically cyber-charter) and has also been trying to keep students in our brick and mortar schools. With a high percentage of fixed costs, the district is actively trying to

bring in additional revenues through innovative concepts. In the long term, the district is also looking to engage in some TIF [Tax Increment Financing] and LERTA [Local Economic Revitalization Tax Assistance Act] projects that will payoff down the road.”

### **Auditor Conclusion**

We commend the District for making an effort to cut cost in specific areas and increase revenue through special projects. We recommend that they continue to monitor and try to improve the financial condition of the District. The effectiveness of their efforts will be determined during the next audit.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the District released on October 29, 2013, resulted in one finding. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations, interviewed District personnel, and performed audit procedures as detailed in each status section below.

### **Auditor General Performance Audit Report Released in October 29, 2013**

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**Finding:** **A Lack of Internal Controls Over the Process for Reporting Pupil Membership Resulted in Errors**

Finding Summary: Our prior audit of the District's pupil membership reports submitted to PDE found the District overstated the instructional days for resident students for the 2009-10 school year.

Recommendations: We recommended that the District should:

1. Establish effective internal controls over the membership reporting process that includes the reconciliation of preliminary data before it is uploaded into the Pennsylvania Information Management System (PIMS) and the verification of actual membership days to computer-generated reports.
2. Provide child accounting staff with training to ensure they understand PDE's guidelines and instructions for reporting pupil membership.
3. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
4. Review subsequent years' reports and if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

5. Adjust the District's allocations to resolve any net overpayments in future funding based on these errors.

Current Status: During our current audit, we were able to reconcile the board approved school calendar to what was reported to PDE for the 2011-12 school year. We found that the District did implement our prior recommendations. All membership reports are reviewed by the

Superintendent prior to submission to PDE. The District has provided training to the PIMS coordinator through training seminars such as the ones PSBA and the intermediate unit offer. As of July 30, 2015, the District was not aware of any adjustment to their subsidies.

## **Appendix: Audit Scope, Objectives, and Methodology**

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School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,<sup>3</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### **Scope**

Overall, our audit covered the period July 13, 2012 through July 30, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls<sup>4</sup> to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives and are included in this report.

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<sup>3</sup> 72 P.S. § 403.

<sup>4</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.



## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's performance in the following areas:

- Ü Academics
- Ü Governance
- Ü Financial Stability
- Ü School Safety
- Ü Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- Ü Did the LEA's Board and administration maintain best practices in governing academics and student achievement by developing and executing a plan to improve student academic performance at its underperforming school buildings?
  - To address this objective, we considered a variety of District and school level academic results for the 2007-08 through 2012-13 school years to determine if the District had schools not meeting statewide academic standards established by PDE.<sup>5</sup> Since one underperforming school was identified, we selected this school for further review. This review consisted of conducting interviews with the Superintendent and any other designated employees and reviewing required School Improvement Plans and/or optional School Level Plans to determine if the selected underperforming schools have established goals for improving academic performance, are implementing goals, and are appropriately monitoring the implementation of these goals.
- Ü Did the LEA's Board and administration maintain best practices in overall organizational governance?
  - To address this objective, we surveyed the District's current Board, conducted in-depth interviews with the current Superintendent and his or her staff, reviewed

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<sup>5</sup> Academic data for the District and its school buildings included a five year trend analysis of Adequate Yearly Progress (AYP) results from the 2007-08 through 2011-12 school years, Pennsylvania System of School Assessment results in Math and Reading for the "all students" group for the 2011-12 and 2012-13 school years; School Performance Profile scores for the 2012-13 school year; and federal accountability designations (i.e. Priority, Focus, Reward, and No Designation) for Title I schools for the 2012-13 school year. All of the academic data standards and results we examined originated with PDE.

board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.

- Ü Based on an assessment of fiscal benchmarks, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
  - To address this objective, we reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2006-07 through 2013-14. The financial and statistical data was used to calculate ratios and trends for 22 benchmarks, which were deemed appropriate for assessing the District's financial stability.
- Ü Did the District pursue a contract buy-out with an administrator and, if it did, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
  - To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for the one administrator who separated from employment with the District during the audit period. We reviewed this one former administrator's contract to insure the provisions were followed and that the payment for unused sick and vacation time was not reported as eligible retirement compensation.
- Ü Did the District take appropriate actions to ensure it provided a safe school environment?
  - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports.
- Ü Did the District take appropriate corrective action to address findings and implement recommendations made in our prior audit?
  - To address this objective, we interviewed District administrators to determine what corrective action, if any, was taken to address prior audit recommendations. Where appropriate, we obtained documentary evidence and/or performed audit procedures to verify that corrective action was actually taken and those actions were sufficient to address the prior finding.
- Ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined

in applicable laws?<sup>6</sup> Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?

- To address this objective, we selected 5 of the 15 bus drivers hired by District bus contractors during the school year July 1, 2014 through June 30, 2015 and reviewed documentation to ensure the District complied with the requirements related to bus drivers listed above. We also determined whether the District had written policies and procedures governing the hiring of bus drivers and whether those procedures were sufficient to ensure compliance with bus driver hiring requirements.

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<sup>6</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Timothy Reese**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
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Assistant Executive Director for Member  
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This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).

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<sup>i</sup> Source: School district, PDE, and U.S. Census data.

<sup>ii</sup> Source: Information provided by the District administration.

<sup>iii</sup> Source: United States Census <http://www.census.gov/2010census>

<sup>iv</sup> PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

<sup>v</sup> PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a significant weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

<sup>vi</sup> In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>vii</sup> SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

<sup>viii</sup> *Id.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

<sup>ix</sup> Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a significant deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.