

PERFORMANCE AUDIT

Eastern York School District York County, Pennsylvania

July 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Darla Pianowski, Superintendent
Eastern York School District
120 South Third Street, P.O. Box 150
Wrightsville, Pennsylvania 17368

Mr. Mark Keller, Board President
Eastern York School District
120 South Third Street, P.O. Box 150
Wrightsville, Pennsylvania 17368

Dear Dr. Pianowski and Mr. Keller:

We have conducted a performance audit of the Eastern York School District (District) for the period July 1, 2011 through June 30, 2015. We evaluated the District's performance in the following areas:

- Financial Stability
- School Safety
- Bus Driver Requirements
- District Procurement Cards

The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the 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 objectives.

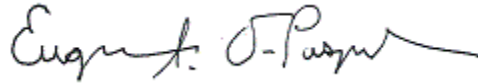
Our audit found that the District performed adequately in the areas listed above except as noted in the following finding:

- The District's General Fund Balance Decreased Almost \$4.2 Million from June 30, 2011 Through June 30, 2015.

Dr. Darla Pianowski
Mr. Mark Keller

We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

July 20, 2016

cc: **EASTERN YORK SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

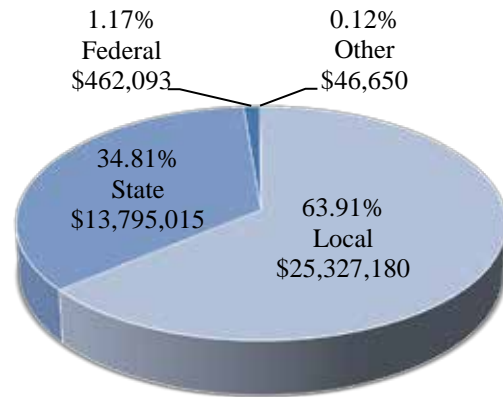
School Characteristics 2015-16 School Year ⁱⁱ	
County	York
Total Square Miles	54
Resident Population ⁱⁱⁱ	19,542
Number of School Buildings	5
Total Teachers	186
Total Full or Part-Time Support Staff	141
Total Administrators	16
Total Enrollment for Most Recent School Year	2,530
Intermediate Unit Number	12
District Vo-Tech School	York County School of Technology

Mission Statement

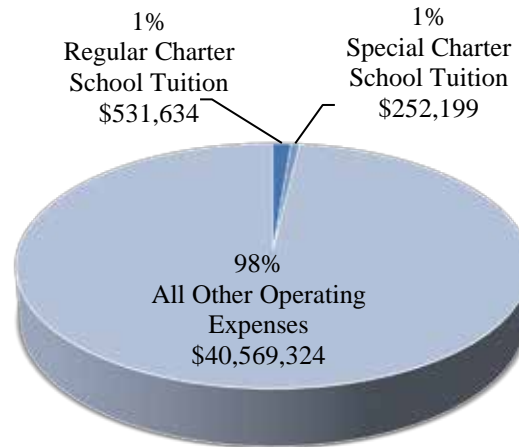
“The mission of Eastern York School District is to educate, prepare, and motivate each student to dream, to think, to learn, and to achieve throughout life.”

Financial Information

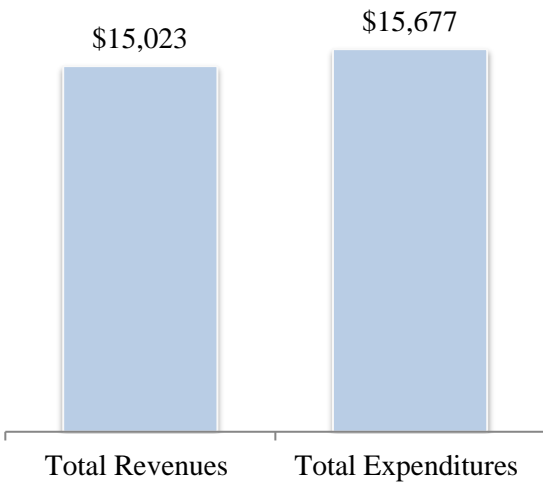
Revenue by Source for 2014-15 School Year



Select Expenditures for 2014-15 School Year

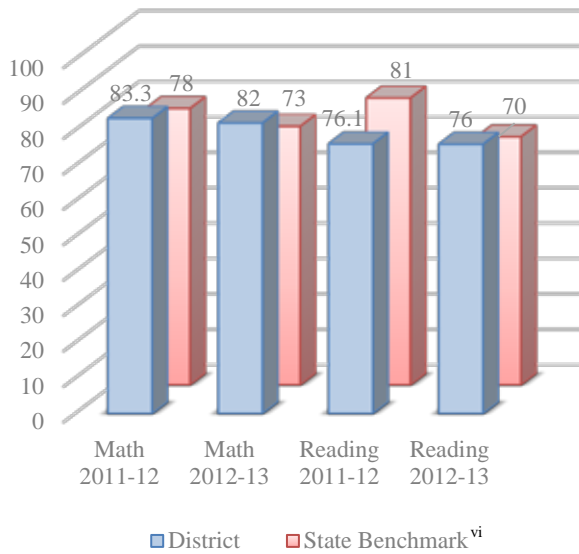


**Dollars Per Student
2013-14 School Year**



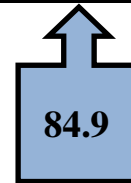
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{iv v}



District's 2012-13 SPP Score^{vii}

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



**Individual Building SPP and PSSA Scores^{viii}
2012-13 School Year**

School Building	SPP Score	PSSA % School Proficient and Advanced in Math	PSSA % Statewide Benchmark of 73% Above or Below	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark of 70% Above or Below	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
Canadochly Elementary School	81.9	79	6	70	---	No Designation
Eastern York High School	79.2	68	5	75	5	Not Applicable
Eastern York Middle School	91.0	88	15	82	12	Not Applicable
Kreutz Creek Elementary School	78.8	86	13	73	3	No Designation
Wrightsville Elementary School	88.7	90	17	79	9	No Designation

Findings and Observations

Finding

The District's General Fund Balance Decreased Almost \$4.2 Million from June 30, 2011 Through June 30, 2015

Criteria relevant to the finding:

The Pennsylvania School Boards Association (PASBO) 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 revenue 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.
- Financial industry guidelines recommend that a fund balance should range between 5 and 10 percent of annual expenditures.

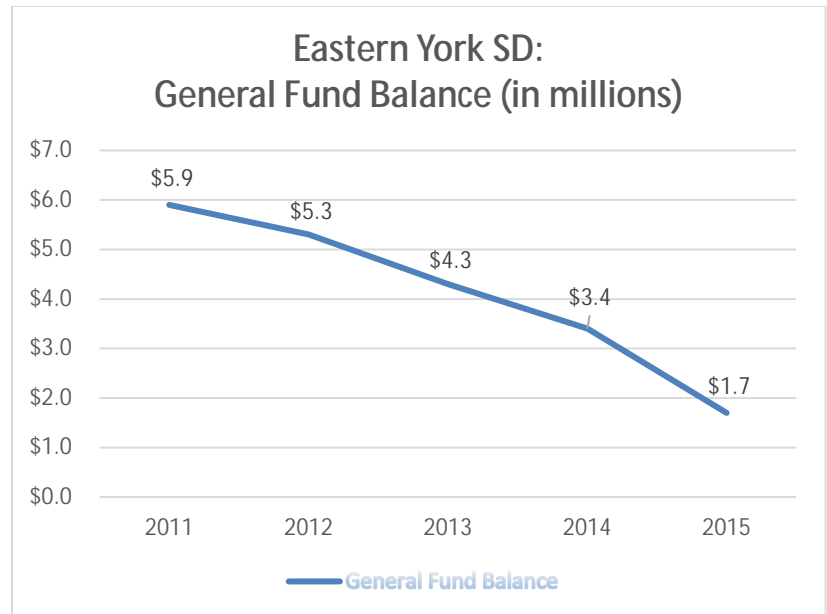
The benchmarks used as criteria for this objective were based also based on best business practices established by several entities/agencies, including PASBO, the Colorado State Auditor, and the National Forum on Education Statistics.

In order to assess the District's financial stability, we reviewed several financial benchmarks to evaluate changes in its financial position over a period of five fiscal years from June 30, 2011 through June 30, 2015. We found that the District is in a declining financial position. Our discussion of the declining financial position is summarized as follows:

- General Fund Balance
- General Fund Operations
- Budgeted vs. Actual Revenues
- Excessive Debt Service
- Quick Ratio

Decreasing General Fund Balance: Between fiscal years ending June 30, 2011 and June 30, 2015, the District's General Fund balance decreased from \$5.9 million to \$1.7 million. The following chart illustrates the District's weakening fund balance:

Chart 1



Criteria relevant to the finding (continued):

The annual General Fund budget is addressed under Section 687 of the Public School Code (PSC), 24 P.S. § 6-687, and specifically subsection (b), which provides, in part:

“The Board of School Directors, after making such revisions and changes therein as appear advisable, shall adopt the budget and the necessary appropriation measures required to put it into effect. The total amount of such budget shall not exceed the amount of funds, including the proposed annual tax levy and State appropriation, available for school purposes in that district.”

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.*

Section 609 of the PSC, 24 P.S. § 6-609, provides, in part:

“No work shall be hired to be done, no materials purchased and no contracts made by any board or school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded.”

During this time period, the General Fund decreased approximately \$4.2 million, which was approximately a 71 percent decline. The General Fund balance of \$1,711,359, as of June 30, 2015, was 4.2 percent of the District’s expenditures, significantly less than the 10 percent recommended by the Government Finance Officers Association (GFAO).

During the fiscal year ending 2015, the District used its fund balance to pay for unbudgeted building repairs, which contributed to the decrease in fund balance.

The District’s Board Policy 620 Fund Balance states:

“The school district will strive to maintain an unassigned general fund balance of not less than **five percent** (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year”

The chart below shows that the District did not maintain the recommended level of unassigned fund balance as outlined in its own policy for the year ending June 30, 2015. The District’s fund balance did meet board policy guidelines for the years ending June 30, 2012, 2013, and 2014.

Table 1

Eastern York SD <i>(Unassigned Fund Balance ÷ Expenditures)</i>					
Fiscal Year Ending June 30	Unassigned Fund Balance¹		Total Budgeted Expenditures²		Unassigned Fund Balance as a Percentage of Budgeted Expenditures
2012	\$2,803,198	÷	\$37,836,803	=	7.41%
2013	\$2,313,561	÷	\$39,688,072	=	5.83%
2014	\$2,096,860	÷	\$40,777,277	=	5.14%
2015	\$1,101,718	÷	\$41,816,221	=	2.63%

¹ Information obtained from the District’s Independent Auditor’s Report, *Statement of Revenue, Expenditures and Changes in Fund Balance*, fiscal years ending 2011 through 2015.

² Information obtained from the District’s final budget (PDE-2028) for the fiscal years ending 2011 through 2015.

*Criteria relevant to the finding
(continued):*

The GFOA has developed Budgeting Best Practices for School Districts. Among the best practices are:

General Fund Reserve. School districts should establish a formal process on the level of unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk. The GFAO recommends, at a minimum, that school districts maintain an unrestricted fund balance in their general fund of no less than 10% of regular general fund operating revenues or regular general operating expenditures and operating transfers out.

The Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems notes the importance of the operating budget cycle. This process includes budget preparation, budget analysis, board approval, adoption, budget control, and budget to actual reports.

The manual addresses each part of budgeting cycle in detail; however, we would like to emphasize the following:

- The accurate estimation of revenue has a critical impact on the budget.
- Analysis of historical trends is a reliable method for the projection of revenue and expenditures for budget preparation and analysis.
- During budget control, revenue collections and expenditures should be monitored on a monthly basis.

An adequate fund balance is a necessary component of a fiscally healthy district. Just as individuals should have funds available to deal with emergencies or other unforeseen events, districts should also have funds in reserve to pay for emergency repairs or interruptions to revenues.

A decreasing fund balance also reduces the District's ability to generate investment income, pay for costs incurred in emergency situations or cover unexpected interruptions in revenues. In addition, the District's credit rating could be adversely affected by an inadequate fund balance, which could then increase the cost of borrowing. The decreasing General Fund balance was the result of operating deficits for every year reviewed. An operating deficit occurs when expenditures are greater than revenue.

Without the generation of additional revenues or the reduction of expenditures, the fund balance will continue to decrease and further weaken the District's financial position.

General Fund Operations:

For the period of the fiscal year ending June 30, 2012 through the fiscal year ending June 30, 2015, total expenditures exceeded total revenues (operational deficit) for all four years reviewed.

The following chart shows a comparison of the District’s operational position:

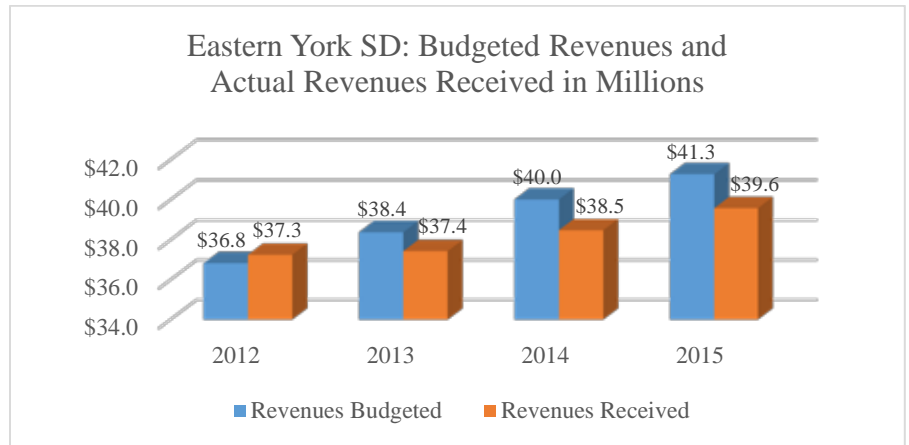
Table 2

Eastern York SD: Comparison of Operating Position³			
Fiscal Year Ending June 30	Total Revenues and Other Sources⁴	Total Expenditures and Other Financing Uses⁵	Surplus/ (Deficit)
2012	\$37,280,550	\$37,833,542	\$ (552,992)
2013	\$37,452,301	\$38,325,322	\$ (873,021)
2014	\$38,484,572	\$39,239,523	\$ (754,951)
2015	\$39,584,288	\$41,306,507	\$(1,722,219)
Total	\$152,801,711	\$156,704,894	\$(3,903,183)

Budgetary vs. Actual Revenues

One of the major causes of the District’s operating deficit for fiscal years ending June 30, 2012 through June 30, 2015, was that it did not receive the amount of budgeted revenues for the last three years as shown in the following graph:

Chart 2



³ The General Fund balance declined \$4,173,801 over the four fiscal years. Expenditures and other uses (transfers out to other funds) exceeded revenues and other sources (insurance recoveries, transfers in from other funds) by \$3,903,183. In addition, the District had \$270,618 of adjustments for depreciation on its textbooks over the four year period, which accounted for the total \$4,173,801 fund balance decline.

⁴ Information obtained from the District’s Independent Auditor’s Report, *Statement of Revenue, Expenditures and Changes in Fund Balance*, fiscal years ending 2011 through 2015.

⁵ Ibid.

Local and state revenues were over-budgeted for the three fiscal years ended June 30, 2013, 2014, and 2015. Federal revenues were over-budgeted for the fiscal years ended June 30, 2013 and 2014.

District personnel stated that they did not adequately adjust budgeted earned income tax revenues to reflect the changes in the earned income tax distributions under Act 32.⁶ As a result, revenues for earned income tax came in less than the amounts budgeted.

In addition, District personnel stated that the District experienced numerous appeals on the local real estate property assessments, which resulted in up to five years of real estate taxes having to be returned. District personnel also stated that budgeted state revenues were not realized after state budgets were passed which reduced or eliminated revenues.

The practice of budgeting revenue higher than actual received for multiple years contributed to the reduction of the General Fund balance. Historical trends should be used when projecting future revenue projections.

Excessive Debt Service:

Although the District's debt service payments decreased during our period of review, we noted that the debt service obligations for the fiscal year ending June 30, 2015, were slightly more than ten percent of the District's total expenditures (10.05 percent). The District's total debt obligation for the fiscal year ending 2015 was \$4.1 million. This was the lowest yearly debt obligation during our period reviewed, down from \$4.4 for the fiscal year ending June 30, 2012. The District accomplished a decline in required annual debt service payments by issuing General Obligation bonds for 2012, 2013, 2014, and 2015. The purposes of issuing the bonds was to retire existing debt with lower interest rate debt. However, there may come a point in time where lower interest rates may not be an option to lower future annual debt payment obligations.

⁶ Before Act 32 of 2008, earned income tax was distributed based on a budget and reconciled annually in August. After Act 32, all taxes collected are distributed within 30 days of receipt by the tax collector. Act 32 became mandatory January 1, 2012.

The following chart shows the District’s future annual debt obligations:

Table 3

Eastern York SD: Future Payments Due on General Obligation Bonds and Notes⁷			
Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$2,973,000	\$1,046,112	\$4,019,112
2017	\$3,341,000	\$1,005,364	\$4,346,364
2018	\$3,433,000	\$919,394	\$4,352,394
2019	\$3,613,900	\$893,672	\$4,507,572
2020	\$3,812,400	\$796,351	\$4,608,751
Totals	\$17,173,300	\$4,660,893	\$21,834,193

Due to the increase in future debt payment obligations, it is imperative that the District manage its operations so that it not only begins to generate a surplus of revenues over expenses but also that this surplus is adequate to cover required debt payment obligations. When debt becomes excessive, it places an increasing burden to meet the debt service payments on the taxpayers. If the District cannot increase its General Fund balance or is forced to restructure existing debt, it could place an unmanageable burden on future taxpayers. In addition, higher debt can affect the District’s credit rating, which may result in the District having to pay higher interest rates on future amounts borrowed.

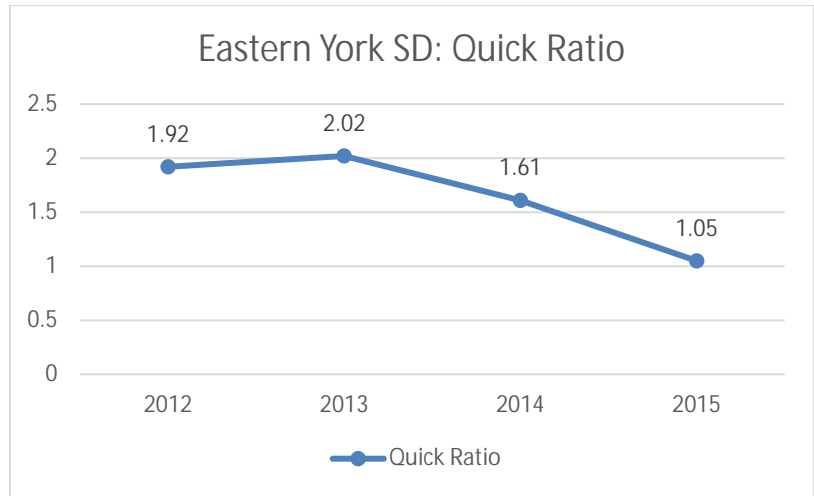
Decreasing Quick Ratio

One of the key measures of a District’s financial condition is known as the quick ratio [(cash and cash equivalents + investments) /current liabilities]. This measures the District’s ability to pay current liabilities with its most liquid assets. A quick ratio approaching one or less indicates a declining ability to cover obligations with the District’s most current assets.

⁷ Information obtained from the District’s Independent Auditor’s Report, fiscal years ending 2015.

The following graph illustrates the District's decreasing quick ratio by the end of the audit period:

Chart 3



The two most significant factors, according to the District's administration, for the deterioration of the General Fund balance were (1) the District's approving of deficit budget spending and (2) collecting less revenue than the budgeted revenue. District administrators noted that taxes were raised for the fiscal year ending June 30, 2016, and that the District intends to budget a tax increase for the fiscal year ending June 30, 2017. In addition, the District has also taken measures to reduce operating expenses.

The District acknowledged that spending down its General Fund balance to address unbudgeted building repairs was a poor business decision.

We encourage the District to develop a business model where expenditures are less than revenues and a balanced budget can be implemented moving forward. The trend in the District's General Fund balance has shown that the balance is not large enough to continue to absorb persistent unbalanced budgets and operating deficits.

Recommendations

The Eastern York School District should:

1. Follow Board Policy 620 in maintaining an adequate minimum General Fund balance to ensure the financial stability of the District.

2. Develop written guidelines for maximum debt levels that should be maintained to ensure financial stability of the District.
3. Conservatively project revenue based on historical data.
4. Adjust the District's long-range financial plan as necessary to address the District's deteriorating fund balance, increasing annual debt obligations, declining liquidity, and recent projections of unrealistic revenue.

Management Response

District management provided the following response:

The Administration provides financial data to the Board of Directors on a monthly basis including the status of the fund balance and the balance in the Capital Funds.

The Board has always tried to maintain a fund balance in accordance with its own policies and state guidelines. Until the year ended 6/30/15 the Board did maintain an unassigned fund balance of greater than 5% but under the state maximum of 8%. The Board has approved a Proposed Final Budget for the 2016-17 fiscal year with an anticipated tax increase and no use of fund balance to balance the budget.

The Administration will develop written guidelines for maximum debt levels. Although no written guidelines have been developed, the District has not borrowed any new money since 2007 and has continually refinanced debt to reduce costs associated with the current borrowings. Additionally, the District has not restructured its debt to extend it past the useful life on any project or issued variable rate debt. The savings from the most recent refinance was transferred to the Capital projects fund to preserve funds if an unexpected capital expenditure would occur.

The Administration reviews historical revenue data when budgeting and will budget more conservatively for revenues in the future.

The District's long range financial plan is discussed at monthly budget and finance meetings with the Board of Directors and adjusted as needed for changes in revenue and expenditure projections.

Auditor Conclusion

We are encouraged that the District realizes the seriousness of its financial challenges, holds discussions with its Board of School Directors (Board) regarding these challenges, presents regular financial reports to the Board, and has begun to implement corrective action in other areas. We will review the effectiveness of the changes being made and any additional corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on April 24, 2013, resulted in two findings, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released in April 24, 2013

Prior Finding No. 1: Lack of Documentation to Support Reported Transportation Data

Prior Finding

Summary:

Our prior audit of the District's pupil transportation records for the 2008-09 and 2009-10 school years, found the District did not obtain or retain adequate documentation necessary to permit verification of the data submitted to PDE.

Prior

Recommendations:

We recommended that the District should:

1. Develop and implement procedures and guidelines for the collection, verification, and reporting of transportation data to ensure that all data elements (number of vehicles, contractor costs, days transported, pupils, and miles) are accurately reported to PDE.
2. Reconcile payments made to the contractor, for to-and-from school transportation, with district-generated worksheets to ensure payments and transportation data are reported accurately to PDE.
3. Require the contractor to submit monthly invoices and verify the number of days each vehicle provided transportation.
4. Compute and report mileage and pupil counts in accordance with PDE guidelines.
5. Maintain supporting documentation for all data reported to PDE.
6. Review transportation reports submitted to PDE for years subsequent to the audit and, if verifiable errors are found, submit revisions to PDE.

Current Status: During our current audit, we reviewed documentation which supported the amounts paid to contractors, daily mileage calculations, and pupil rosters for the 2014-15 school year, and found that the District did implement our recommendations.

Prior Finding No. 2: Certification Deficiency

Prior Finding Summary:

Our prior audit of the District's professional employees' certifications for the period September 15, 2009 through January 27, 2012, found one individual was employed in a position for which he was not properly certified.

Prior Recommendations:

We recommended that the District should:

Take the necessary action, based on the Bureau of School Leadership and Teacher Quality's final determination, to ensure the individual obtained proper certification or reassign him to a position for which he was properly certified.

We also recommended that PDE should:

Adjust the District's allocations to recover the subsidy forfeiture of \$7,392.

Current Status: During our current audit procedures, we found that the District did implement the recommendations. We also found that PDE adjusted the District's allocations to recover the revised subsidy forfeiture of \$7,234 on December 26, 2013.

Appendix: Audit Scope, Objectives, and Methodology

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,⁸ 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 1, 2011 through June 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 controls⁹ 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, 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 are included in this report.

⁸ 72 P.S. § 403.

⁹ 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 efficiency and effectiveness in the following areas:

- Financial Stability
- School Safety
- Bus Driver Requirements
- District Procurement Cards

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

- 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, general fund budgets, independent auditor's reports, and summaries of child accounting, for fiscal years July 1, 2011 through June 30, 2015. 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 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 records, and anti-bullying policies.
- 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 outline in applicable laws?¹⁰ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?

¹⁰ 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.

- To address this objective, we selected 5 of the 69 bus drivers hired by the District bus contractor, between November 10, 2011 through January 14, 2016, and reviewed documentation to ensure the District complied with bus driver's requirements.

Ü Did the District have adequate controls over its District issued procurement cards?

- To address this objective, we reviewed two of the seven monthly statements from July 1, 2015 through January 31, 2016, for the only two District issued procurement cards active during this time period. We reviewed the procurement card statements, purchase receipts and the administrative review and approval process to ensure that the controls were adequate and were being enforced. We also determined if the District had written policies and procedures governing the use of procurement cards and if those policies and procedures appeared to be sufficient and adhered to.

Distribution List

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
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Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
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Harrisburg, PA 17105

Mr. Nathan Mains

Executive Director
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050

This report is a matter of public record and is available online at 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.

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

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

^{iv} 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.

^v 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 material 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.

^{vi} 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.

^{vii} 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.

^{viii} *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.

^{ix} 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.