

East Allegheny School District
Treasurer's Monthly Financial Statement

3/27/2015

Bank Balance			\$311,099.64
Outstanding Checks			(\$91,714.63)
Book Balance - Feb 2015			\$219,385.01
February 2015			
Current Real Estate Taxes		\$70,270.94	
Public Utility Tax		\$0.00	
Payments in Lieu of Current		\$0.00	
Local Tax		\$3,078.41	
Earned Income Tax		\$116,620.64	
Deed Transfer Tax		\$4,355.58	
Business Privilege		\$19,081.25	
Amusement		\$0.00	
Mercantile Tax		\$56,480.54	
Delinquent Real Estate Tax		\$46,522.01	
Delinquent Business Privilege		\$3,485.57	
Delinquent Mercantile Tax		\$8,344.76	
Interest, Temporary Investments		\$12,857.53	
Bookstore Sales		\$107.99	
State Revenue Received		\$0.00	
Rentals		\$9,000.90	
Contrib & Donations from Prvt.		\$0.00	
Gains/Losses on Sale of Fixed		\$0.00	
Tuition From Patrons		\$165,335.65	
Miscellaneous Revenue		\$87.96	
Tuition for Court Place & Inst		\$0.00	
Other Program Subsidies		\$0.00	
Refunds		\$0.00	
Basic Instructional Subsidy		\$861,646.00	
Special Education Funding		\$0.00	
Other Program Subsidies		\$0.00	
Transportation		\$0.00	
Rentals and Sinking Fund		\$0.00	
Medical and Dental Services		\$0.00	
Nurse Services		\$0.00	
Safe Schools		\$15,407.33	
Accountability		\$0.00	
State Share of Social Security		\$71,118.16	
Retirement payments		\$0.00	
Medical Assistance Reimb		\$0.00	
Ed of Disadvan		\$139,878.21	
Ed of Hand. Child. - Preschl		\$277,148.31	
ARRA - Education Jobs Fund		\$0.00	
Refunds of Prior Years		\$0.00	
Medical Assistance Reimb		\$0.00	
Total Budgetary Revenues		\$1,880,827.74	
Disbursements for February 2015			
1100 Regular Programs	\$1,046,204.33		
1200 Special Programs	\$319,881.08		
1300 Vocational Education	\$34,270.63		

East Allegheny School District
Treasurer's Monthly Financial Statement

3/27/2015

1400 Other Instructional Programs	\$23,552.83		
1500 Non-Public School Programs	\$0.00		
1600 Adult Education	\$0.00		
1800 Other Purchased Services	\$0.00		
2100 Pupil Personnel	\$53,791.61		
2200 Instructional Staff	\$29,434.70		
2300 Administration	\$129,921.64		
2400 Pupil Health	\$30,263.43		
2500 Fiscal Services	\$26,885.19		
2600 Operations & Maintenance of Plant	\$259,638.10		
2700 Student Transportation	\$221,590.78		
2800 Central Support Services	\$51.00		
2900 Other Support Services	\$0.00		
3200 Student Activities	\$81,888.59		
3300 Community Services	\$386.17		
4000 Facil Acq Const & Improv	\$0.00		
5000 Other Financing Uses	\$0.00		
5100 Debt Service	\$24,067.43		
5200 Fund Transfer: Cafeteria	\$41,294.77		
5800 Transmittal Accounts	\$0.00		
Total Budgetary Expenditures	\$2,323,122.28		
Athletic Account			
Fund 11			
Bank Balance - Feb 2015			\$18,946.13
Outstanding Checks			(\$525.00)
Balance as of 2/28/15			\$18,421.13
Swap Interest			
Bank Balance - Feb 2015			\$569,322.84
Dollar Bank Account			
Bank Balance - Feb 2015			\$101,689.39

East Allegheny School District
Secretary's Report

3/27/2015

Summary Statement of 2014-2015 General Fund Operations as of February 2015		
Cash Balance - Feb 2015		
Huntington Bank	\$	219,385.01
PSDLAF		\$4,189,970.62
PLGIT		\$1,761.61
Dollar Bank		\$101,689.39
Energy Sinking Fund		\$40,157.37
Capital Improvement		\$499,137.02
Swap		\$569,322.84
Sell of Bldg (We)		\$19,525.02
TOTAL		\$5,640,948.88
Receipts: Feb 2015		
6000 Local Sources	\$16,546,388.46	
7000 State Sources	\$7,203,117.95	
8000 Federal Sources	\$842,640.92	
9500 Refunds-Prior Year	\$6,019.52	
Total		\$24,598,166.85
Anticipation Loan		\$1,209,425.52
Disbursements: Feb 2015		
1100 Regular Programs	\$6,823,771.47	
1200 Special Programs	\$2,155,134.23	
1300 Vocational Education	\$272,006.05	
1400 Other Instructional Programs	\$173,658.09	
2100 Pupil Personnel	\$402,585.38	
2200 Instructional Staff	\$386,282.02	
2300 Administration	\$1,203,615.24	
2400 Pupil Health	\$236,871.38	
2500 Fiscal Services	\$232,445.78	
2600 Operations & Maintenance of Plant	\$1,784,463.68	
2700 Student Transportation	\$1,010,826.51	
2800 Central Support Services	\$320.18	
2900 Other Support Svcs	\$16,120.29	
3200 Student Activities	\$278,950.72	
3300 Community Services	\$4,004.03	
4000 Facil Acq Const & Improv	\$28,849.33	
5000 Other Financing Uses	\$2,026.21	
5100 Debt Service	\$1,626,227.47	
5200 Fund Transfer: Cafeteria	\$251,972.99	
5800 Transmittal Accounts	\$0.00	
Total Disbursements: Feb 2015		\$16,890,131.05
Athletic Account		
Balance		\$18,946.13
Outstanding Checks		(\$525.00)
Balance as of 2/28/2015		\$18,421.13

PAYROLL RECONCILLIATION		FEBRUARY 2015 HUNTINGTON BANK					
as of 2/1/2015							
BALANCE							
PAYROLL - DD Fixed		\$	8,155.12				
PAYROLL - DD Net		\$	517,645.84				
PAYROLL - Net (not DD)		\$	75,326.74				
		\$	601,127.70	TOTAL PAYROLL			
DEPOSITS							
PAYROLL - Web to DDA from		\$	313,182.60	2/12/2015			
DDA General Fund		\$	287,945.10	2/25/2015			
		\$	601,127.70	TOTAL NET PAYROLL			
Beginning Balance		\$	-				
Statement Balance		\$	21,294.43				
Deposits not credited							
Outstanding Checks		\$	21,294.43				
BALANCE		\$	-				
Ending Balance							
02/28/2015 gmt							

Glenda M. Taylor, Payroll Secretary

2/28/2015
Date

Bills for Approval and Ratification
 April 2015

Vendor	Description	Code	Amount
Fund 10	Ratification		
Milan Drobac	Official/Volleyball	3250-490-000-30	\$ 55.00
Quigley Family	Transportation/February 2015	2720-510-000-00	\$ 26,307.50
Dan Beisler	Legal Fees	2350-330-000-00	\$ 4,672.14
AT&T	Business Services	2620-530-000-00	\$ 1,503.70
Dex Media	Advertising Services	2620-530-000-00	\$ 132.95
William Fries	Reimburse/Cell Phone	2620-530-000-00	\$ 50.00
Gateway School District	1/2 Share of Transportation	2720-510-000-00	\$ 304.50
N.V.T.S.A.	Sewage/GV, Logan, HS	2620-424-000-00	\$ 2,479.30
Pacific Telemanagement	Pay Phones	2620-530-000-00	\$ 267.18
Verizon Wireless	Cell Phones	2620-530-000-00	\$ 195.72
W.P.J.W.A.	Water & Sewage/We	2620-424-000-00	\$ 1,479.41
Tracy Yusko	Science Fair Stipend	3210-619-000-10	\$ 500.00
AT&T Mobility	Cell Phones	2620-530-000-00	\$ 102.51
BrainPop	Online order	1100-640-000-22	\$ 1,695.00
Capital Bank & Trust Co.	FBO/Nick Tomich	2110-290-000-00	\$ 17,843.52
Comcast	District Run Charter School	1100-390-000-00	\$ 129.85
Dex Media	Advertising Services	2620-530-000-00	\$ 78.40
Duquesne Light Co.	Electric/We, HS	2620-622-000-00	\$ 12,606.12
First Group American	Contract Carriers	2720-510-000-00	\$ 440.57
M.A.W.C.	Water/Logan, HS	2620-424-000-00	\$ 1,630.83
PSERS	Buyback/Morton	1100-230-000-30	\$ 15.74
Peoples Natural Gas	Gas/Stadium, GV, We, Logan, HS	2620-621-000-00	\$ 8,768.24
UPMC	Worker's Comp	1241-260-271-00	\$ 7,184.00
Verizon	Phones	2620-530-000-00	\$ 476.14
Wex Bank	Gas for District Vehicles	2650-620-000-00	\$ 719.84
Wilmington Trust	Pay Agent Fee	2390-331-000-00	\$ 800.00
East Allegheny Education	Union Dues	0462-009-000-00	\$ 9,287.65
East Allegheny Personnel	Union Dues	0462-010-000-00	\$ 1,610.53
Pennsylvania SCDU	Child Support	0462-014-000-00	\$ 471.78
Natalie Boatwright	Transportation/January 2015	2720-519-000-00	\$ 330.00
A T & T	Phones	2620-530-000-00	\$ 207.64
AIU	Special Ed/Pymt #8	1225-322-270-00	\$ 85,000.00
Duquesne Light Co.	Electric/GV, Logan	2620-622-000-00	\$ 10,712.38
Imagine Penn Hills	Charter School 13-14 Reconciliation	1100-562-000-00	\$ 17,035.19
Lea's Floral Shop	Basketball/Senior Recognition	3250-810-000-30	\$ 105.00
N.V.T.S.A.	Refund/Deposited in Error by NVSA	2620-424-000-00	\$ 3,047.59
Pacific Telemanagement	Pay Phones	2620-530-000-00	\$ 89.06
PMEA	Registration	3210-810-000-30	\$ 160.00
Verizon Wireless	Cell Phones	2620-530-000-00	\$ 398.33
Wex Bank	Gas for District Vehicles	2650-620-000-00	\$ 158.96
Bank of New York Mellon	Bond Series 2014 Payment	5100-832/911-00	\$ 593,753.13
Capital One	Loan Payment	5100-832-000-00	\$ 19,643.69
Bank of New York Mellon	Bond Series 2006 Payment	5100-832-000-00	\$ 49,275.00
Bank of New York Mellon	Bond Series 2015 Payment	5100-832-000-00	\$ 189,753.75
ACSHIC	Healthcare Payment for April coverage	0421-000-000-00	\$ 279,333.75
Bruce Fisher	Official/Softball	3250-490-000-00	\$ 55.00
Ray Milliren	Official/Softball	3250-490-000-00	\$ 55.00
PSERS	Employer's Share of Retirement/4th Qtr 2014	0462-230-000-00	\$ 681,132.38

Bills for Approval and Ratification
 April 2015

Nail Haines	Official/Volleyball	3250-490-000-30	\$	55.00
Sandy Spokane	Official/Volleyball	3250-490-000-30	\$	55.00
Dex Media	Advertising Services	2620-530-000-00	\$	466.52
Direct Energy	Gas/GV	2620-530-000-00	\$	5,449.46
Duquesne Light Co.	Electric/Unmetered	2620-622-000-00	\$	294.07
William Fries	Reimburse/Cell Phone	2620-530-000-00	\$	50.00
Pacific Telemanagement	Pay Phones	2620-530-000-00	\$	89.06
Petroleum Traders	Gas for District Vehicles	2650-620-000-00	\$	22,379.28
Verizon	Phones	2620-530-000-00	\$	888.63
Verizon Wireless	Cell Phones	2620-530-000-00	\$	93.43
W.P.J.W.A.	Water & Sewage/We	2620-424-000-00	\$	700.12
AFLAC	Employee Deduction	0462-006-000-00	\$	1,257.82
Alcose Credit Union	Employee Deduction	0462-008-000-00	\$	11,868.68
Cal-Ed Credit Union	Employee Deduction	0462-016-000-00	\$	190.00
Consortium for Public Ed	Employee Deduction	0462-019-000-00	\$	69.00
Pennsylvania SCDU	Child Support	0462-014-000-00	\$	471.78
PHEAA	Wage Attachment	0462-015-000-00	\$	226.46
TAP	Employee Deduction	0462-019-000-00	\$	200.00
TSA Consulting Group	Employee Deduction	0462-003-000-00	\$	9,605.00
Washington National Ins	Employee Deduction	0462-004-000-00	\$	1,538.25
PSERS	Employee Retirement	0462-230-000-00	\$	67,328.00
PSERS	Buyback	0462-011-000-00	\$	139.06
Gary Brown	Official/Track	3250-490-000-30	\$	80.00
Mike Miller	Official/Baseball	3250-490-000-30	\$	70.00
Chris Scully	Official/Baseball	3250-490-000-30	\$	70.00

Bills for Ratification **\$ 2,155,688.59**

Batch 10 **\$ 461,232.66**

Batch 98 (Charter Schools) **\$ 175,803.53**

Total Bills for Approval & Ratification **\$ 2,792,724.78**

FEDERAL PROGRAMS BILL LIST FOR APRIL 2015

Title I		Title I	Description	Amount
Purchase Order	Company			
TI 15-41	REIMB. E.A.S.D.		PAYROLL FOR 3/27	15,072.57
			SS FOR 3/27	936.02
			MC FOR 3/27	218.93
			RET. FOR 3/27	3,225.53
TI 15-42	REIMB. E.A.S.D. CAFETERIA		POSITIVE BEHAVIOR REWARDS; CONTINENTAL BREAKFAST	295.00
TI 15-43	REIMB. E.A.S.D.		PAYROLL FOR 4/10	15,072.55
			SS FOR 4/10	936.02
			MC FOR 4/10	218.93
			RET. FOR 4/10	3,225.53
TI 15-44	W.B. MASON		155 FLASH DRIVES FOR STUDENTS - 2 GB FOR TITLE I PROJECTS IN MATH & RDG.	762.50
TI 15-45	RELIABLE OFFICE		BLACK AND MAGENTA TONER CARTRIDGE, BINDER CLIPS, COLORED CARD STOCK	219.65
TI 15-46	SOUTH ALLEGHENY S.D.		INVOICE FOR PARENTS FOR REGIONAL PARENT WORKSHOP ON 3/18	360.00
TI 15-47	REIMB. CRYSTAL FLEBOTTE		ITEMS PURCHASED BY CRYSTAL FOR PARENT/STUDENT TITLE I CARNIVAL 4/8	134.38
TI 15-48	QUILL		REAMS OF WHITE , BLUE AND GREEN CARD STOCK,	159.32
TI 15-49	REIMB. E.A.S.D.		HOSP. FOR APRIL	5,568.20
			DENTAL FOR APRIL	414.02
			VISION FOR APRIL	51.59
			LIFE FOR APRIL	91.97
			TOTAL TITLE I PROJECT YR. 14 - 15	\$ 46,962.71

TITLE II PART A		TITLE II PART A	Description	Amount
Purchase Order	Company			
TII PTA 15-01	REIMB. E.A.S.D.		PAYMENT FOR CLASS SIZE REDUCTION TEACHER FOR 14 - 15 PARTIAL PAYMENT	73,401.50
			TOTAL TITLE II PT. A 14 - 15	\$ 73,401.50

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Educational Opportunities • Innovative Solutions • Leadership Excellence

To: Allegheny Intermediate Unit School District Superintendents
From: Dr. Linda B. Hippert and the Superintendent Finance Committee
Date: March 11, 2015
Subject: Proposed Program of Services Budget 2015-16

The following information is related to the **PROPOSED 2015-16 Program of Services Budget** for the Allegheny Intermediate Unit, which as per school code, requires review and vote by the Board of Directors of the 42 School Districts. The budget has been reviewed, discussed and is recommended by the Allegheny Intermediate Unit and the Superintendent Finance Committee. The information below provides a concise overview of each of the six program budgets included in the Program of Services Budget. The Program of Services Information Guide (pages 34 and 35), provides the estimated payment (calculated by the Commonwealth) that will be withheld from each District based upon student membership (WADM) and district aide ratio. In addition, detailed information about each program is included. The total School District contribution has remained constant since 2008-09. Each information guide is also personalized by District with the programs in which the District participated in the past year (pages 4 and 5), as well as savings that occurred through media services, alternative education programs and consortium purchasing (page 3).

The programs included in the budget are as follows:

Board/Administrative Services: This program budget (070) includes the general operation of the oversight and governance of the Intermediate Unit. Included in this program are 95% of the Executive Director's expenses, the Secretary to the Executive Director and Board of Directors as well as all expenses related to the 13 member Board of Directors, solicitor services, etc.

Organizational Leadership and Development: This program budget (072) includes the organizational leadership within the AIU, policies, strategic planning, etc. and coordination of meetings, professional development for superintendents, Board members, new Board members in the County etc. and also includes programming for Transitioning to the Superintendency" – new or upcoming superintendents as well as all emergency management meetings for the schools. The position of Assistant Executive Director for Organizational Leadership and Development is included in this program as well as one Administrative support (Secretary) for the program.

Pupil Personnel Services: This program (076) includes oversight of programs related to pupil personnel – psychologists, social workers, the surrogate Parent Program, Occupational/Physical Therapy Services, Crisis Intervention Management, Olweus Bullying Prevention and Certified Behavior Support. Included in this budget is 50% of the Director of Special Education and Support Services and one Administrative Support (Secretary) position.

Teaching and Learning: This program (071) supports instructional leadership, curriculum development, effective use of assessment data, and educator effectiveness, including but not limited to PA Core Standards, comprehensive planning process and school improvement, analysis of assessment data to inform instruction, principal, teacher and specialist evaluation, PSSA, Keystone Exams, Project Based assessment and Classroom Diagnostic Tools. Included in this program is the Assistant Executive Director for Teaching and Learning, 7.8 Curriculum Coordinators, one confidential secretary and 50% Administrative Support.

Educational Technology: This program (073) formerly titled Instructional Media Services provides the digital resource library, which includes streaming video (Discovery Education and Safari Montage) to all districts. In addition the program includes professional development related to integration of digital media, copyright-free music downloads, PAIUnet (the statewide network), Internet 2, meetings/trainings for media coordinators, librarians and instructional technology coaches, and CD/DVD duplication. The program includes 10% of the Chief Technology Officer, the Instructional Media Services Coordinator, the Curriculum and Technology Coordinator, the Program Director for Allegheny Connect and 10% of the Executive Assistant (Secretary) that supports the program.

State and Federal Liaison: This program (077) provides governmental liaison services – interaction with PDE personnel and federal and state legislators to educate and advocate as well as remain informed. Included in this program is 5% of the Executive Director and 50% of the Legislative Advocate position.

This **Program of Services budget** is funded jointly by the 42 School Districts and the Allegheny Intermediate Unit. Revenue from the districts has remained the same since 2008-2009 with the **total school district contribution being \$1,764,150 for Program of Services and an additional \$195,000 for media services** of the **total proposed budget of \$4,005,898**. The other major contributor to funding the budget is the Allegheny Intermediate Unit with revenue from interest on investments, indirect costs where allowable from programs operated by the Allegheny Intermediate Unit (i.e. Head Start, Pennsylvania Inspired Leadership (PIL) etc.), revenue from the results of internal service fees (i.e. Non-public Schools, Evaluation, Grants and Data etc.) and operations and additional funds, as necessary from the AIU general fund.

The proportionate share distribution of the dollars owed by districts is determined by the Pennsylvania Department of Education, based upon wealth (market value aid ratio) and Weighted Average Daily Attendance (WADM). A chart delineating the fees is provided in the Program of Services Information Guide on pages 34 and 35.

The overall **Program of Services budget** includes a **2% decrease** in expenditures which reflects a 4.44% increase to PSERS contributions (25.84% from 21.4%), a 2.75% increase in health care insurance and a 3% budgeted increase in compensation. **71.7%** of the Program of Services budget is attributed to salary and benefits.

The **Board/Administration budget** represents an overall **6.7% decrease** due to reduction in budgeted staff (overlap replacement of Executive/Board Secretary) and reduction in budgeted food/travel.

The **Organizational Leadership and Development budget** represents a **1.2% decrease**, reduction in professional development to the superintendents, reductions in budgeted travel expenses, and elimination of food at Superintendents' monthly meetings.

The **Pupil Personnel budget** represents a **33.2% decrease** due to psychological assessments (\$89,765) being placed in another AIU program as appropriate.

The **Teaching and Learning budget** represents a **4% increase** due to inclusion of grant revenue; however, the operational costs declined and are represented by a **2.96% decrease** due to changes in staff, elimination of food for meetings and reduction in travel.

The **Educational Technology** (formerly Instructional Media Services) budget represents a **0.2% decrease** which was influenced by changes to food provided for meetings as well as travel.

The **State and Federal Liaison budget** reflects a **4.6% increase** associated with PSERS, health care and compensation.

This budget was prepared in cooperation with Kathy Lust (Finance), along with Rosanne Javorsky (Assistant Executive Director for Teaching and Learning), Michael Brinkos (Assistant Executive Director for Educational Services and Operations (Special Ed and HR) and Jon Amelio (Chief Technology Officer).

Questions regarding the Program of Services Budget may be directed to Dr. Linda B. Hippert, Executive Director, linda.hippert@aiu3.net or 412-394-5705.

Allegheny Intermediate Unit
 Program of Services
 2015-2016

Summary of Revenue and Expenditures

Description	Actual 2013-2014	Approved Budget 2014-2015	Proposed Budget 2015-2016
<u>Revenue</u>			
District Allocation (Withholding from State Subsidy)**	1,764,150	1,764,150	1,764,150
Retirement and Social Security - State Share	202,707	262,672	301,654
IJ Core Funding - (formerly Operating & Capital)	356,424	356,424	356,424
Shared Costs for Instructional Media Services	195,000	195,000	195,000
Grants and Miscellaneous Revenue	0	0	113,200
Interest, Fees from Indirect Costs, Results of Int Service Op, as needed Gen. Fund	1,019,863	1,510,317	1,275,470
Total Revenue	3,538,144	4,088,563	4,005,898
<u>Expenditures</u>			
Board/Administrative Services	529,510	646,600	603,484
Organizational Leadership and Development	323,107	400,608	395,720
Pupil Personnel Services	285,559	305,479	204,035
Teaching and Learning	1,442,902	1,603,786	1,669,434
Educational Technology	880,404	1,043,912	1,040,931
State and Federal Liaison	76,661	88,178	92,294
Total Expenditures - By Program	3,538,144	4,088,563	4,005,898
**Remained Constant since 2008-09			

Response to Auditor's Observation

Audit Period: June 30, 2011 and 2012

Observation: General Fund Deficit

Date: March 20, 2014

Management Comments:

Management was already aware of the problem and in its written response to our observation detailed the causes of the deficits, as well as the corrective actions being taken, as follows:

The fund balance deficit at the end of 2011-20112 fiscal year is the culmination of many factors, including but not limited to:

1. The continuous disregard of tax payers not paying their current and delinquent real estate school taxes, which results in low collection rate.
2. Fixed costs increases in employee salaries per contracts, healthcare, retirement, which is doubling, utilities, and fuel costs, respectively. Also included, retiree healthcare payments as per contracted ERIP.
3. The School Board of Directors not raising mills an adequate amount in order to plan for future fiscal year expenditures.
4. The restraints of Act 1 for mill increases to be no more than the district index makes it very difficult to budget local real estate tax revenues to support expenditures.
5. A long term spending of fund balance to soften impact of \$1 million less tax increases.
6. Lower interest rates for investments.
7. High costs in special education services and tuition placements.
8. Extremely high costs in charter school tuition with no state reimbursement.
9. Lack of commercial and residential development in the district.
10. East Allegheny does not get paid the full tuition amount for the Duquesne City School District students.

Corrective Action:

1. Recommend to the Board of Education to raise mills by index each fiscal year.
2. Continue the aggressive pursuit of delinquent tax revenue utilizing collection group services.
3. Continue to investigate and apply for grants when opportunity presents.

Management Response to Audit
March 20, 2014

4. Diligence in reducing the use of electricity as a result of 2013 energy reduction project put in place from electric and heating upgrades, by turning off any lighting that does not to be on continually, and combining errands to reduce the cost of fuel for vehicles.
5. Team cleaning during the summer months to allow for the buildings to be shut down for the remaining months.
6. When retirements or resignations occur, the District has not replaced the individual who retired/resigned.
7. For 2011-2012, reducing full day kindergarten to half-day kindergarten.
8. Continue requiring employees to pay into their healthcare coverage – For 2012-2013 and 2013-2014, all professional employees pay \$70; all support staff members pay 1% of salary, capped at \$60 per month, plus will pay ½ of the difference of the fiscal year premium and any increase in premiums.
9. Cutting operational costs in areas of supplies, repairs and services when at all possible and pursuing the best available pricing.
10. Utilizing the Pitney Bowes SmartMailer system for bulk mailings, reducing the overall cost, when possible.
11. Eliminating the dependency on local printers and utilizing printing to the copiers, which require a code for printing, thus providing a tracking of paper usage.
12. Reduced the usage of the Westinghouse building to only those organizations that pay rent. In 2012, listing the school to be sold. There is an interested party and possible sale in 2014.
13. Eliminate the burden of field trip costs from the District and requiring as a prerequisite for approval that a group or other organization pay all costs, including substitute costs.
14. Encourage students who attend cyber charter schools to return to East Allegheny and attend our own cyber school. Will conduct a survey with parents as to why they are sending their children to the charter schools.
15. Reduce the tuition paid for placements by providing alternative education for disruptive students.
16. Investigate other avenues for investments that will provide a better interest rate.
17. Work together with the communities of East McKeesport, North Versailles, Wilmerding and Wall and keep communications open.
18. Investigate with EQT for possible drilling of gas on school sites.

PERFORMANCE AUDIT

East Allegheny School District Allegheny County, Pennsylvania

September 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mrs. Gerri McCullough, Board President
East Allegheny School District
1150 Jacks Run Road
North Versailles, Pennsylvania 15137

Dear Governor Corbett and Mrs. McCullough:

We conducted a performance audit of the East Allegheny School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period May 13, 2011 through March 17, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

September 4, 2014

cc: EAST ALLEGHENY SCHOOL DISTRICT Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the East Allegheny School District (District) in Allegheny County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period May 13, 2011 through March 17, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately five (5) square miles. According to 2010 federal census data, it serves a resident population of 18,055. According to District officials, the District provided basic educational services to 1,715 pupils through the employment of 134 teachers, 65 full-time and part-time support personnel, and eleven (11) administrators during the 2011-12 school year. The District received \$11,370,122 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

Finding: The District Continues to Face a Negative General Fund Balance, as well as Concerning Financial Indicators, and is Potentially in a Financially Declining Position. Our review of the East Allegheny School District's (District) annual financial reports, independent auditor's reports, and general fund budgets for the school years ended June 30, 2006 through 2013, found the District reported a general fund deficit in each year under review. In addition, we reviewed several financial indicators in an effort to assess the District's financial stability (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit finding from an audit of the East Allegheny School District (District) released on January 23, 2012, we found the District continues to have a general fund deficit (see page 14).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual 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.

Our audit covered the period May 13, 2011 through March 17, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through June 30, 2013.

Testwork on the District's financial status covered the 2005-06 through the 2012-13 school years. Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

What are internal controls?

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.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls 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 are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on January 23, 2012, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

The District Continues to Face a Negative General Fund Balance, as well as Concerning Financial Indicators, and is Potentially in a Financially Declining Position

Criteria relevant to the finding:

Section 609 of the Public School Code provides, in part:

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

The Pennsylvania Association of School Business Officials in its testimony, at a public hearing on fiscally distressed school districts, to the Senate Education Committee on January 24, 2012, provided a number of indicators that should be disclosed annually. These indicators require the following:

1. An Unqualified Opinion on the independent auditors audit report;

Best Business Practices and/or general financial statement analysis tools require the following:

1. The trend of current ratios should be at least 2 to 1 or increasing. Anything less calls into question the school District's ability to meet its current obligations with existing resources;

Our review of the East Allegheny School District's (District) annual financial reports, independent auditor's reports, and general fund budgets for the school years ended June 30, 2006 through 2012 (see chart below) found the District reported a general fund deficit each year. In addition, we reviewed several financial indicators in an effort to assess the District's financial stability. Our review found that the District is potentially in a financially declining position.

Trend: Negative General Fund Balance	
Year End June 30	Fund Balance
2006	\$ (574,260)
2007	(370,851)
2008	(15,296)
2009	(1,589,242)
2010	(2,628,735)
2011	(2,040,532)
2012	(1,965,608)
2013	(1,158,236)

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 service, (3) the current ratio (current assets ÷ current liabilities) of all governmental funds, and (4) the trend of annual changes in financial position for all governmental funds.

2. A quick asset ratio or trend of ratios approaching one (1) or less indicates a declining ability to cover obligations with the most liquid assets;
3. A debt-to-asset ratio or trend of ratios increasing towards one (1) to one (1) 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;
4. The costs for a school district student attending a charter school is paid out of the sending District's operating funds. This results in a reduction of the funds available for use in providing educational services to the District's students that remained in the traditional public school. This scenario continues until the number of students attending charter schools is so large that the District can reduce costs by closing a school building and reduces the number of staff employed by the District.
5. The trend of effective tax rates as compared to levied tax rates should be stable or increasing to ensure the school district has sufficient tax revenues to maintain its educational services at an appropriate level.

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

- **Decreasing General Fund Current Ratio:** For the trend period 2006 to 2013, the general fund current ratio (current assets ÷ current liabilities) was decreasing. A decreasing trend towards one-to-one or even 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 trend 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:

Decreasing Current Ratio <i>(Assets ÷ Liabilities)</i>			
Year End <u>June 30</u>	Current <u>Assets</u>	÷ Current <u>Liabilities</u>	= <i>Current <u>Ratio</u></i>
2006	\$ 28,635,395	\$ 6,155,755	4.65
2007	23,157,272	7,951,488	2.91
2008	11,831,870	7,174,601	1.65
2009	9,993,068	6,439,073	1.55
2010	9,860,396	7,062,025	1.40
2011	8,938,134	6,182,667	1.45
2012	8,639,988	4,570,059	1.89
2013	9,868,317	11,026,553	0.89

- **Decreasing General Fund Quick Ratio:** For the trend period 2006 to 2012, the general fund quick ratio ((cash + investments) ÷ current liabilities) was decreasing. This test assesses an organization's short-term solvency. As a result, a decreasing trend can be an indicator of the District's inability to pay its current debts without the disposal of other current assets. As with the current ratio, potential creditors also use this ratio to measure a District's ability to pay its short-term debts. Therefore, a declining general fund quick ratio could also make it more difficult for the District to obtain a loan or other debt instruments at a reasonable interest rate.

The following chart documents the District's decreasing quick ratio:

Decreasing Quick Ratio (Cash + Investments) ÷ Liabilities				
Year End	Total Cash +		Current	Quick
<u>June 30</u>	<u>Investments</u>	÷	<u>Liabilities</u>	= <u>Ratio</u>
2006	\$ 24,195,944		\$ 6,155,755	3.93
2007	17,873,236		7,951,488	2.25
2008	5,943,728		7,174,601	0.83
2009	3,403,897		6,439,073	0.53
2010	2,271,366		7,062,025	0.32
2011	1,349,444		6,182,667	0.22
2012	1,091,777		4,570,059	0.24
2013	1,412,142		11,026,552	0.13

Increasing Debt-To-Asset Ratio: For the trend period 2006 to 2012, 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's 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:

Increasing Debt-to-Asset Ratio (Current Liabilities ÷ Current Assets)				
Year End	Current		Current	Debt-to-
<u>June 30</u>	<u>Liabilities</u>	÷	<u>Assets</u>	= <u>Asset Ratio</u>
2006	\$ 6,155,755		\$ 28,635,395	0.21
2007	7,951,488		23,157,272	0.34
2008	7,174,601		11,831,870	0.61
2009	6,439,073		9,993,068	0.64
2010	7,062,025		9,860,396	0.72
2011	6,182,667		8,938,134	0.69
2012	4,570,059		8,639,988	0.53
2013	11,026,552		9,868,317	1.12

- **Increase in Charter School Students:** During the trend period 2006 to 2012, the number of District students

attending charter schools has increased by over two (2) percent. At the same time, the cost of students attending charter schools increased. Further, the charter school costs as a percentage of revenues increased. Consequently, the amount of District funds available for in-house educational services has been reduced. This could cause the District to reduce services to the students that remained in the District's schools. Specifically, unless the number of students attending charter schools is significant enough to reduce the number of staff or the number of school buildings, the District cannot reduce its operating costs, even though it is receiving less money.

The following charts document the District's increasing charter school attendance, increasing charter school costs, and increasing charter school costs as a percentage of total revenues over the trend period, respectively:

Trend: Charter School Enrollment <i>(As a Percentage of Total District Enrollment)</i>					
<u>Year End</u> <u>June 30</u>	<u>Charter School</u> <u>ADM¹</u>	<u>÷</u>	<u>District</u> <u>ADM</u>	<u>=</u>	<u>Charter Enrollment/</u> <u>District Enrollment</u>
2006	34.602		1,997.554		1.73%
2007	40.236		1,926.116		2.09%
2008	60.363		1,935.268		3.12%
2009	68.089		1,945.266		3.50%
2010	76.688		1,928.519		3.98%
2011	113.469		1,976.864		5.74%
2012	114.517		1,985.303		5.77%
2013	164.975		1,929.499		8.55%

¹ ADM (Average Daily Membership) is the average number of students in membership during the reporting period (aggregate days membership divided by days in session). *Glossary of Child Accounting Terms, Pennsylvania Department of Education, pg. 1-8, September 2004.*

Trend: Charter School Costs			
<i>(As a Percentage of Total District Expenditures)</i>			
Year End	Tuition Paid to	Total District	<i>Charter Costs</i>
<u>June 30</u>	<u>Charter Schools</u>	<u>Expenditures</u>	<u>Total Costs</u>
2006	\$ 317,202	\$ 21,775,367	1.40%
2007	392,391	22,346,776	1.56%
2008	580,434	23,668,799	2.19%
2009	602,667	26,056,409	2.31%
2010	858,991	26,465,912	3.25%
2011	1,310,407	26,201,965	5.00%
2012	1,368,132	25,127,026	5.44%
2013	1,091,792	25,667,970	4.25%

Trend: Charter School Costs			
<i>(As a Percentage of Total District Revenues)</i>			
Year End	Tuition Paid to	Total District	<i>Charter Costs</i>
<u>June 30</u>	<u>Charter Schools</u>	<u>Revenues</u>	<u>Total Revenues</u>
2006	\$ 317,202	\$ 24,012,007	1.32%
2007	392,391	25,331,028	1.55%
2008	580,434	26,850,176	2.01%
2009	602,667	27,502,658	2.19%
2010	858,991	28,293,989	3.04%
2011	1,310,407	28,856,201	4.54%
2012	1,368,132	27,766,885	4.93%
2013	1,091,792	28,246,366	3.87%

In addition, the District is facing growing financial pressure as a result of the elimination of the state reimbursement paid to all districts for a portion of their charter costs. So while the District's charter costs have risen—nearly 250 percent over eight (8) years—the issue is compounded by the fact that, since 2011, the Commonwealth has not funded the school district reimbursement for charter school tuition costs. If this reimbursement were still in place, the District would have received at least \$180,000 in additional revenue for 2010-11, 2011-12, and 2012-13.

Trend: State Reimbursement Paid to District for Charter Costs		
<u>Year End June 30</u>	<u>Charter Tuition Paid by District</u>	<u>State Reimbursement Paid to District</u>
2006	\$ 317,202	\$ 90,776
2007	392,391	119,095
2008	580,434	165,910
2009	602,667	169,767
2010	858,991	181,309
2011	1,310,407	No Funding
2012	1,368,132	No Funding
2013	1,091,792	No Funding

Recommendations

The *East Allegheny School District* should:

1. Provide the Board of School Directors standard monthly updates on key financial benchmarks so that policy changes can be made before the District's financial condition worsens.
2. Maintain and monitor budgetary controls so that expenditures do not exceed revenues.
3. Open a dialogue with the District's communities, including Wilmerding, Wall, East McKeesport, and North Versailles, to keep stakeholders informed of the financial status and health of the school district.
4. Conduct a survey of parents sending children to a charter school to determine the reason why the District is losing more students to charter schools.

Management Response

Management stated the following:

“Management was already aware of the problem and in its written response to our observation detailed the causes of the deficits, as well as the corrective actions being taken, as follows:

The fund balance deficit at the end of 2011-2012 fiscal years is the culmination of many factors, including but not limited to:

1. The continuous disregard of tax payers not paying their current and delinquent real estate school taxes, which results in low collection rates.
2. Fixed costs increase in employee salaries per contracts, healthcare, retirement, which is doubling, utilities, and fuel costs, respectively. Also included, retiree healthcare payments as per contracted ERIP.[Early Retirement Incentive Package]
3. The School Board of Directors not raising mills an adequate amount in order to plan for future fiscal expenditures.
4. The restraints of Act I² for mill increases to be no more than the district index makes it very difficult to budget local real estate tax revenues to support expenditures.
5. Along term spending of fund balance to soften impact of \$1 million less tax increases.
6. Lower interest rates for investments.
7. High costs in special education services and tuition placements.
8. Extremely high costs in charter school tuition with no state reimbursement.
9. Lack of commercial and residential development in the district.
10. East Allegheny does not get paid the full tuition amount for the Duquesne City School District students.

Corrective Action:

1. Recommend to the Board of Education to raise mills by index each fiscal year.
2. Continue the aggressive pursuit of delinquent tax revenue utilizing collection group services.
3. Continue to investigate and apply for grants when opportunity presents.
4. Diligence in reducing the use of electricity as a result of 2013 energy reduction project put in place from electric and heating upgrades, by turning off any lighting that does not need to be on continually, and combining errands to reduce the cost of fuel for vehicles.
5. Team cleaning during the summer months to allow for the buildings to be shut down for the remaining months.
6. When retirements or resignations occur, the District has not replaced the individual who retired/resigned.

² Act 1 of 2005-Taxpayer Relief Act, places limits on the levels of taxation that a district can pass without a taxpayer referendum.

7. For 2011-2012, reducing full day kindergarten to half-day kindergarten.
8. Continue requiring employee to pay into their healthcare coverage-For 2012-2013 and 2013-2014, all professional employees pay \$70; all support staff members pay 1% of salary, capped at \$60 per month, plus will pay ½ of the difference of the fiscal year premium and any increase in premiums.
9. Cutting operational costs in areas of supplies, repairs and services when at all possible and pursuing the best available pricing.
10. Utilizing [an electronic mailing] system for bulk mailings, reducing the overall cost, when possible.
11. Eliminating the dependency on local printers and utilizing printing to the copiers, which require a code for printing, thus providing a tracking of paper usage.
12. Reduced the usage of the Westinghouse building to only those organizations that pay rent. In 2012, listing the school to be sold. There is an interested party and possible sale in 2014.
13. Eliminate the burden of field trip costs from the District and requiring as a prerequisite for approval that a group or other organization pay all costs, including substitute costs.
14. Encourage students who attend cyber charter schools to return to East Allegheny and attend our own cyber school. Will conduct a survey with parents as to why they are sending their children to charter schools.
15. Reduce the tuition paid for placements by providing alternative education for disruptive students.
16. Investigate other avenues for investments that will provide a better interest rate.
17. Work together with the communities of East McKeesport, North Versailles, Wilmerding and Wall and keep communication open.
18. Investigate with [Gas Company vendor] for possible drilling of gas on school sites.”

Auditor Conclusion

We are encouraged that the District is taking action to address its financial situation. The purpose of this finding is to provide the District with information about its financial instability and to give it the opportunity to consider our recommendations in its financial planning. The District’s management should continue to monitor

these financial benchmarks in order to track how the District is performing in the areas where we noted a negative outcome. Finally, the District must work to implement its corrective action steps, in order to improve its overall financial position.

Status of Prior Audit Findings and Observations

Our prior audit of the East Allegheny School District (District) released on January 23, 2012, resulted in one (1) finding. The finding pertained to the District's general fund deficit status. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding.

Auditor General Performance Audit Report Released on January 23, 2012

Finding:	District Again Reports General Fund Deficit for the Fiscal Year Ended June 30, 2010
<u>Finding Summary:</u>	Our prior audit found the District's general fund deficit increased to \$2,628,735 for the fiscal year ending June 30, 2010.
<u>Recommendations:</u>	Our audit finding recommended that the District should: <ol style="list-style-type: none">1. Monitor and maintain budgetary control over expenditures in compliance with the Public School Code.2. Use monthly budget status reports to scrutinize proposed expenditures for current operations and limit them to revenues received and the amount appropriated.3. Adopt budgets estimating beginning fund balances based on historical indicators and realistic expectations of the amount that will actually be available for the budgetary period.4. Provide for systematic reduction of the general fund deficit.
<u>Current Status:</u>	During our current audit, we examined the District's financial standing through a series of financial indicators. One of those indicators is the general fund balance, which continued to have a negative balance (see on the current finding, page 5).

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Carolyn Dumesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

<u>Section 5 - SFA EXPENSES</u>	
To be completed by SFA	
	<u>TOTAL COST</u>
<u>EXPENSES:</u>	
Direct Labor*** (Enter the gross amount for salaries & wages of SFA foodservice workers)	\$ 236,677.55
Direct Fringe Benefit*** (Enter the amount for benefits of SFA foodservice workers)	\$ 144,122.62
Direct Costs***	\$ -
Utilities, trash removal, etc.	
Indirect Costs***	\$ -
Administration, payroll processing, etc.	
Sub-total Expenses	\$ 380,800.17
School Nutrition Program-Profit or (Loss)	\$ 7,942.81

***All items must be itemized in full detail on the SFA NSLP Budget Summary (Attachment 5d).

EAST ALLEGHENY SCHOOL DISTRICT

SECTION: PUPILS

TITLE: PROMOTION AND RETENTION

ADOPTED: October 9, 2000

REVISED:

215. PROMOTION AND RETENTION	
<p>1. Purpose</p>	<p>The Board recognizes that the emotional, social, physical and educational growth of students will vary and that students should be placed in the educational setting most appropriate to their needs at the various stages of their growth.</p>
<p>2. Authority SC 1531, 1611, 1613 Title 22 Sec. 4.42</p> <p>SC 1532 Pol. 213</p>	<p>It is the policy of the Board that each student shall be moved forward in a continuous pattern of achievement and growth that corresponds with his/her own development and the system of grade levels and academic standards established for each grade.</p> <p>A student shall be promoted when s/he has successfully achieved the academic standards established for the present level, based on the professional judgment of his/her teachers and the results of assessment.</p>
<p>3. Delegation of Responsibility Title 22 Sec. 4.12, 4.13</p> <p>SC 1532</p>	<p>The Superintendent shall develop procedures for promotion and retention of students which assure that every effort will be made to remediate the student's difficulties before s/he is retained.</p> <p>The recommendation of the classroom teacher shall be required for promotion or retention of a student.</p> <p>Parents shall be informed well in advance of the possibility of retention of a student.</p> <p>The building principal shall be assigned the final responsibility for determining the promotion or retention of each student.</p>
<p>4. Guidelines</p>	<p><u>Retention Criteria</u></p> <p>Decisions regarding retention must be made with the following criteria in mind:</p> <ol style="list-style-type: none"> 1. The child's current level of achievement.

2. The child's ability to deal effectively with the content of the next grade level.
3. The child's age.
4. The child's social and emotional makeup.
5. The child's physical growth in comparison with others of his or her age.
6. The availability of supportive services for the child.
7. The parent's cooperation.
8. The student's incentive to make a personal commitment to try.
9. The student's attendance record.
10. The teacher's evaluation of the quality and quantity of the student's work throughout the year.

Notification process is designed to be utilized the following way:

1. Notification I is to be sent during the first semester.
2. Notification II is sent to the parents/guardian during the month of January.
3. Notification III is sent when the results of the spring testing are received and/or the mid-point of the last grading period.

Retention Grades 7-12

Seventh and eighth grade students are required to pass four (4) academic classes in order to attain full status in the next grade level. Failure in three (3) academic classes is an automatic retention. Students who fail two (2) academic classes (English, math, science, social studies, and reading), will be required to attend summer school and to pass those two (2) classes successfully in order to advance to the next grade level. If the student is unsuccessful in this attempt or fails to attend, s/he will be retained entirely. If the seventh (7th) or eighth (8th) grade student fails only one (1) academic class, s/he will be recommended to attend summer school and to pass the one (1) class successfully.

Any student in grade nine through twelve who fails three (3) or more full credit academic classes during the school year will be retained in the same grade level homeroom for the next academic year. Make-up courses for failed classes may permit advancement. Since reading is not offered in most summer school programs, it will only be included for retention purposes when two (2) other academic courses are failed. However, it will be included as an automatic elective at the ninth grade level.

Students in grades nine through twelve are not permitted to make up failed classes during the regular school year. The class must be made up in summer school. This is school board policy.

Unsatisfactory Academic Progress Notification

If in the opinion of a teacher a student may receive a failing grade at the end of the report period, the teacher shall so inform the parents by a letter to be signed by the teacher and the principal.

The letter shall be sent at the midpoint of each grading period, or as soon thereafter as the situation is recognized, and a copy will be kept on file in the principal's office for the remainder of the school year.

SECTION: EMPLOYEES

TITLE: STUDENT TEACHERS/
INTERNS

ADOPTED:

REVISED:

EAST ALLEGHENY SCHOOL DISTRICT

307. STUDENT TEACHERS/INTERNS	
1. Authority	<p>The Board encourages cooperation with colleges and universities within the state to assist in the training of student teachers and interns.</p>
SC 510	<p>The Board establishes that district schools shall accept student teachers and interns from accredited institutions with which the district has a cooperative agreement approved by the Board.</p>
SC 111 23 Pa. C.S.A. Sec. 6344	<p>The Board directs that student teachers and interns shall not be accepted into district schools unless they have complied with the mandatory background check requirements for criminal history and child abuse and the district has evaluated the results of those screening processes.</p>
2. Delegation of Responsibility	<p>The Superintendent or designee shall be responsible to assign student teachers and interns to the schools.</p> <p>Recommendations for selection of cooperating teachers shall be made by the</p> <p style="padding-left: 40px;">{ } building principal,</p> <p style="padding-left: 40px;">{ } department head,</p> <p>with the agreement of the college or university supervisor.</p> <p>{ } The Superintendent or designee shall ensure distribution of student teachers throughout the district so that no single group of students or teachers will be subject to excessive student teacher classroom hours.</p>
SC 1418 Title 28 Sec. 23.43, 23.44, 23.45 Pol. 314	<p>Student teachers and interns shall comply with the health examination requirements of the state and Board policy applicable to district staff.</p>

	<p>While serving in district schools, student teachers and interns shall be responsible for their conduct to the supervising teacher/administrator and building principal.</p> <p><u>Arrest Or Conviction Reporting Requirements</u></p> <p>SC 111 Prior to being accepted into district schools, student teachers and interns shall report, on the designated form, arrests and convictions as specified on the form. Student teachers and interns shall likewise report arrests and/or convictions that occur subsequent to initially submitting the form.</p> <p>SC 111 While serving in district schools, student teachers and interns shall use the designated form to report to the Superintendent or designee, within seventy-two (72) hours of the occurrence, an arrest or conviction required to be reported by law.</p> <p>23 Pa. C.S.A. Sec. 6344.3 While serving in district schools, a student teacher or intern shall be required to report to the Superintendent or designee, in writing, within seventy-two (72) hours of notification, that s/he has been listed as a perpetrator in the Statewide database, in accordance with the Child Protective Services Law.</p> <p>SC 111 A student teacher or intern shall be required to submit a current criminal history background check report if the Superintendent or designee has a reasonable belief that the student teacher or intern was arrested or has been convicted of an offense required to be reported by law, and the student teacher or intern has not notified the Superintendent or designee.</p> <p>SC 111 23 Pa. C.S.A. Sec. 6344.3 Failure to accurately report such arrests and convictions may subject the student teacher or intern to disciplinary action up to and including dismissal from the program and criminal prosecution.</p> <p>3. Guidelines</p> <p>Pol. 907</p> <p><u>Observers</u></p> <p>Student teachers, interns and faculty of other educational institutions shall be offered the opportunity to visit district schools and observe classes. Such observers must be treated as any other visitor and shall be under the direct supervision of the principal or designee.</p>
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References:

School Code – 24 P.S. Sec. 111, 510, 1418

State Board of Education Regulations – 22 PA Code Sec. 8.1 et seq.

State Department of Health Regulations – 28 PA Code Sec. 23.43, 23.44, 23.45

Child Protective Services Law – 23 Pa. C.S.A. Sec. 6301 et seq.

Board Policy – 314, 907

NOTES:

Chapter 8 of the State Board of Regulations has not been updated since August of 1990 and does not reflect current statutory requirements.

SC 111.1. Employment History Review does not apply to student teachers.

<p>4. Delegation of Responsibility SC 440.1</p> <p>SC 440.1</p>	<p><u>Concentration of credit risk - the risk associated with the consolidation of investments in a single pool, institution or instrument.</u></p> <p>Credit risk - the risk of loss of principal due to the failure of the security issue or backer of the issue.</p> <p><u>Custodial credit risk – the risk of loss associated with consolidation of investments with a single institution where the district may rely on the institution to hold investments on behalf of the district or through collateral action when the instruments are not in the district name.</u></p> <p><u>Foreign currency risk – the risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion.</u></p> <p>Interest rate risk - the risk that the market value of securities will fall due to changes in general interest rates.</p> <p>Investment program - the specifically enumerated and Board-approved investment strategy.</p> <p>The Board shall delegate to a designated individual(s) the responsibility to manage the district's investment program, in accordance with written, Board-approved procedures for operation of the investment program.</p> <p>An annual review of the investment program shall be prepared by the designated individual, based upon the anticipated cash flow of all district funds, i.e. general, capital reserve, bond, etc. The investment program shall be submitted to the Board no later than thirty-sixty (630) days after adoption of the annual budget.</p> <p>The designated individual responsible for investments shall report monthly to the Board the following:</p> <ol style="list-style-type: none"> 1. Amount of funds invested. 2. Interest earned and received to date. 3. Types and amounts of each investment and the interest rate on each. 4. Names of the institutions where investments are placed. 5. Current market value of the funds invested. 6. Other information required by the Board.
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<p>5. Guidelines SC 440.1</p>	<p>The Board directs the Superintendent to have developed written procedures that will ensure compliance with this policy. Such procedures shall include a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.</p> <p>Investments permitted by this policy are those defined in Section 440.1 PA School Code, as amended, which are collateralized in accordance with applicable laws.</p> <p>All securities shall be purchased in the name of the school district, and custody of the securities shall be specified within the district's investment program.</p>
<p>SC 440.1</p>	<p>All investment advisors or bidders shall verify in writing that they have received a copy of this policy. Such written statement shall indicate that they have read and understand this policy and all applicable statutes related to school district investments, along with their intent to comply fully with these requirements.</p> <p>The district shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:</p> <ol style="list-style-type: none"> 1. Audited financial statements. 2. Proof of National Association of Securities Dealers (NASD) <u>Financial Industry Regulatory Authority (FINRA)</u> certification. 3. Proof of State registration. 4. <u>Rating from a recognized rating agency.</u> <p><u>Disclosure</u></p>
<p>65 P.S. 401 et al</p>	<p>Designated officers and employees involved in the district's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.</p> <p><u>Audit</u></p> <p>The Board directs that all investment records be subject to annual audit by the district's independent auditors.</p> <p>The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.</p> <p>It shall be the responsibility of the investment advisor and/or bidder to maintain</p>

<p>53 Pa CSA Sec. 8001 et seq Sec. 8224</p> <p><u>SC 218, 440.1</u> <u>GASB Stmt 40</u></p>	<p>necessary documents to permit independent audit of the district's investment.</p> <p><u>Bond Proceeds</u></p> <p>Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and State laws, subject to approval by the solicitor and/or bond counsel and the School Board.</p> <p>Investment transactions arising from bond proceeds shall be reported monthly to the Board, in accordance with this policy.</p> <p><u>Compliance With GAAP</u></p> <p><u>The following is intended to guide district investments as limited by law:</u></p> <ol style="list-style-type: none"> <u>1. District funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.</u> <u>2. District investments shall limit the exposure to loss of principal due to market changes in interest rates. To accomplish this, investments of this nature shall be limited to not more than 10 percent of district funds available for investment on any single maturity date.</u> <u>3. District investments in authorized instruments that are not backed by the “full faith and credit” of the federal or state government shall be limited to those with the highest credit rating available for such instruments issued by a recognized organization.</u> <p><u>If, after purchase, the rating of any instrument is reduced and no longer in compliance with Board policy, the individual responsible for district investments shall advise the Board at the earliest opportunity of such action and make recommendations for altering investments. Also, will replace the investment immediately upon receipt of notice of the rating change and notify the Board of the rating change, action taken and replacement investment.</u></p> <ol style="list-style-type: none"> <u>4. When district funds are invested in any one (1) issuer other than designated depository accounts (which includes external investment pools), and securities issued or explicitly guaranteed by the U.S. Government (owned directly by the district), the amount of the investment shall be unlimited, but the Board shall be notified of such investment monthly.</u> <u>5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.</u>
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<p><u>SC 440.1</u> <u>72 P.S.</u> <u>Sec. 3836 et seq</u></p>	<p><u>Protection Of Bank Balances In Excess Of FDIC Limits</u></p> <p><u>When district cash is deposited in an authorized depository, if the cash balance exceeds the insurance limits, district funds shall be collateralized pursuant to law.</u></p> <p><u>The collateral shall be limited to:</u></p> <ol style="list-style-type: none"><u>1. Investments authorized by law.</u><u>2. Other investments legally authorized.</u> <p><u>It shall be the responsibility of the Superintendent, Treasurer and Business Manager to verify with the depository the value of the instrument(s) based on the instrument being “marked to market.”</u></p> <p><u>Verification of the value of the collateral instrument(s) shall occur quarterly.</u></p> <p><u>Following a review of valuation, the Superintendent, Treasurer, and Business Manager may request an additional review by the district’s investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the district to potential loss of principal. The Board shall be advised of the status of the valuation review and any additional collateral at the first meeting following the review.</u></p> <p><u>References:</u></p> <p><u>School Code – 24 P.S. Sec. 218, 440.1, 621, 622, 623</u></p> <p><u>Local Government Unit Debt Act – 53 Pa. C.S.A. Sec. 8001 et seq.</u></p> <p><u>Public Officials and Employee Ethics Act – 65 Pa. C.S.A. Sec. 1101 et seq.</u></p> <p><u>Security of Public Deposits – 72 P.S. Sec. 3836 et seq.</u></p> <p><u>Investment Companies, Title 17, Code of Federal Regulations – 17 CFR Part 270</u></p> <p><u>Governmental Accounting Standards Board, Statement No. 40</u></p> <p><u>Board Policy – 000, 619</u></p> <p><u>NOTES:</u></p> <p><u>Intergovernmental cooperation – 53 Pa. C.S.A. Sec. 2301 et seq.</u></p>
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AGREEMENT IN LIEU OF EXPULSION

This Agreement in lieu of expulsion is made this 1st day of April, 2015, by and between the East Allegheny School District (“District”), having its administrative offices located at 1150 Jacks Run Road, North Versailles, Pennsylvania and _____S (“Student”), a school-aged minor, and Student’s parent, _____ (“Parent”), who resides at _____.

WHEREAS, pursuant to the District’s student disciplinary policy and consistent with the provisions of the Public School Code and applicable regulations of the State Board of Education, Student was suspended from school for a period of three (3) days, commencing March 30, 2015 and concluding April 1, 2015 for violating the District’s Discipline Policy by his threatening comments to a teacher and other numerous incidents which violate the Discipline Policy.

WHEREAS, Student is subject to potential further disciplinary action pursuant to an expulsion hearing to be conducted before a committee of the Board of School Directors pursuant to 22 Pa. Code § 12.8; and

WHEREAS, Student and Parent desires to waive the right to a formal hearing, to admit to the general nature of the charges asserted against Student and to accept this agreement in lieu of expulsion of Student from the District’s schools;

NOW, THEREFORE, with the intent to be legally bound hereby, the parties hereto agree as follows:

1. The foregoing recitals are incorporated by reference herein as a statement of the parties’ mutual intent in entering into this Agreement.

2. Student and Parent, having been informed of the charges and evidence against the student, and having been informed of their rights to a formal hearing (see Appendix A hereto), do hereby waive their rights to a formal hearing and admit to the general nature of the charges filed against Student by the District, specifically, for violating the District's Discipline Policy by his threatening comments to a teacher and other numerous incidents which violate the Discipline Policy. As a sanction for such misconduct, Student and Parent agree to this agreement in lieu of expulsion of Student from the District's schools commencing on a date to be determined for a period to be determined.
3. Parents acknowledge that, as a minor less than seventeen (17) years of age, Student is still subject to the compulsory school attendance law even though expelled. The initial responsibility for providing the required education rests with the Parent, through placement in another school, through tutorial or correspondence study or through another educational program approved by the District's Superintendent. However, the District is offering an alternative placement at Adelphoi Education Center.
4. **Please note:** During this period, student shall not be eligible to participate in or attend any curricular or extra-curricular activities or to be on school grounds.
5. This Agreement constitutes the entire, integrated agreement among the parties hereto and supersedes any prior communications, discussions, representations, agreements, promises or understandings with respect to the subject matters hereof. **In entering into this Agreement, Student and Parent have been fully advised of their rights to an expulsion hearing before the Board of School Directors, afforded the opportunity to consult with counsel of their choosing and have not relied upon any representation or promise not expressly contained in this Agreement.**

WHEREFORE, the parties hereto have executed this Agreement as of the date above stated.

Attest:

EAST ALLEGHENY SCHOOL DISTRICT

Parent

Parent

Student

Appendix A

NOTICE OF RIGHTS

Because education is a statutory right, students are afforded all appropriate elements of due process, including a formal hearing, prior to being excluded from school pursuant to Section 12.6 of Title 22 of the Pennsylvania Code. The due process rights for the formal hearing to which students are entitled, as set forth in 22 Pa. Code § 12.8, are as follows:

1. Notice of the charges must be sent to the student's parents or guardian by certified mail or hand delivery.
2. Sufficient notice of the time and place of the hearing must be given.
3. The hearing shall be private unless the student or parent requests a public hearing.
4. The student has the right to be represented by legal counsel at the student's expense.
5. The student has the right to be presented with the names of witnesses.
6. The student has the right to copies of any statements and affidavits of witnesses.
7. The student has the right to request that any such witnesses appear in person and testify.
8. The student has the right to testify and present witnesses.
9. A record of the hearing must be kept.
10. The student is entitled to a copy of the transcript, at the student's own expense, if the matter is appealed.

In addition to the above-stated rights, the student also has the right to appeal the results of the hearing to the Court of Common Pleas of Allegheny County within thirty (30) days of receipt of a written adjudication from the Board. Appeals alleging federal constitutional issues may be filed in the U.S. District Court for the Western District of Pennsylvania.

BY SIGNING THE AGREEMENT FOR EXPULSION, STUDENT AND PARENTS ARE WAIVING ANY OF THESE RIGHTS TO A HEARING OR ANY APPEAL TO COURT CONCERNING THE EXPULSION OF STUDENT. IF STUDENT AND PARENTS DENY THE CHARGES AGAINST STUDENT, DESIRE A FORMAL HEARING TO CONTEST THOSE CHARGES OR DISAGREE WITH THE DISCIPLINARY ACTION TO BE IMPOSED, STUDENT AND PARENTS SHOULD NOT SIGN THE AGREEMENT FOR EXPULSION.