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Summary of the Financial and Academic Status of the Duquesne City School District

Conducted Pursuant to the Act 2007-45

May 2012

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I. Introduction

Act 2007-45 requires the LB&FC to submit an annual report summarizing the financial and academic status of the Duquesne City School District, including an audit of its accounts for the immediately preceding school year.

We did not conduct our own financial audit of the Duquesne City School District, but rather refer readers to the financial audit report school districts are required to have conducted under the Pennsylvania School Code. The 2010-11 audit was conducted by Hosack, Specht, Muetzel & Wood LLP and is available upon request to the LB&FC offices.

Information on Duquesne's academic performance is from the Pennsylvania Department of Education's Pennsylvania System of School Assessment. Certain additional information was provided by the Allegheny Intermediate Unit.

Important Note

This report was developed by Legislative Budget and Finance Committee staff with the assistance of the Allegheny Intermediate Unit 3. The release of this report should not be construed as indicating that the Committee's members endorse any or all the report's findings and recommendations.

Any questions or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg, Pennsylvania 17105-8737.

II. Summary of the Financial and Academic Status of the Duquesne City School District

The Duquesne City School District (Duquesne) is located in the east hills of Allegheny County and serves the City of Duquesne. In October 2000, the Pennsylvania Secretary of Education declared Duquesne to be financially distressed, and a three member Board of Control was appointed to exercise the duties usually performed by the regular school board. The district continues to be run by the state-appointed Board of Control, with day-to-day operations being managed by the Allegheny Intermediate Unit.

In June 2007, the Board of Control passed a resolution that curtailed the operations of the high school. Students in grades 9 to 12 now attend either the West Mifflin Area School District, which has 165 Duquesne students, or the East Allegheny School District, which has 77 Duquesne students.

In 2011-12, the district served 348 students from grades K to 8 at the Duquesne Consolidated School. Students are taught in a single building, originally built in the early 1900s, that received extensive renovations in the late 1990s.

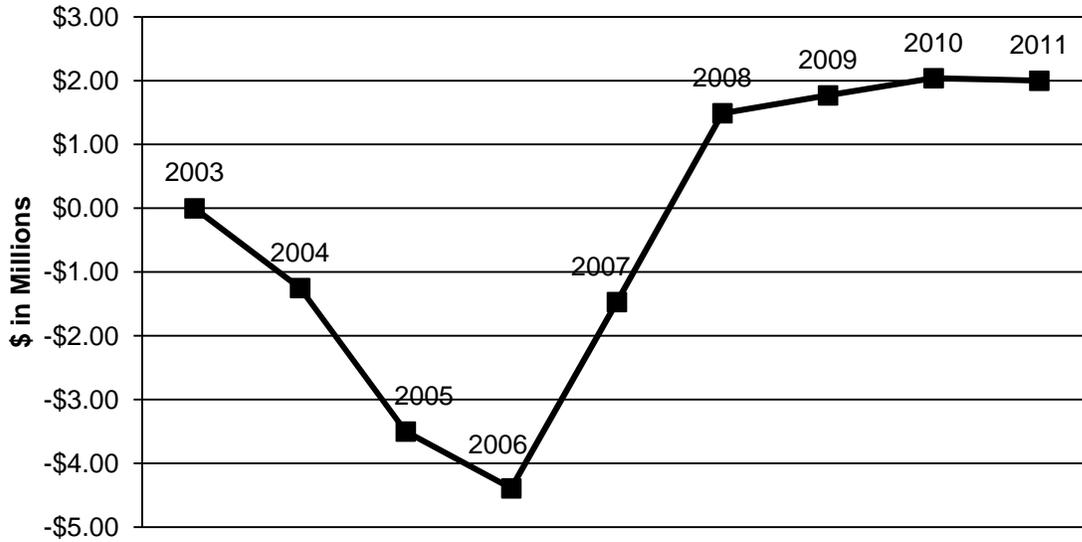
Duquesne's school population is predominately African-American (about 90 percent), with 99 percent of its students qualifying for free or reduced lunches.

A. Financial Status

As shown in Exhibit 1 below, the net assets of the Duquesne City School District were \$2.00 million as of June 30, 2011.

Exhibit 1

Duquesne City School District
Total Net Assets
(as of June 30)



Source: Duquesne City School District audits.

Table 1 shows additional detail in the change in Duquesne's net assets during the two most recent school years.

Table 1

Years Ended June 30, 2011, and 2010
Changes in Net Assets

	2011			2010		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 70,798	\$ 70,798	\$ -	\$ 65,246	\$ 65,246
Operating Grants & Contribs.....	6,892,951	280,363	7,173,314	7,115,897	293,447	7,409,344
Capital Grants & Contribs.	455,479	-	455,479	448,154	-	448,154
General Revenues						
Property Taxes.....	1,363,653	-	1,363,653	1,305,368	-	1,305,368
Other Taxes	746,047	-	746,047	641,943	-	641,943
Grants, Subs. & Contribs. Unrestricted.....	6,693,487	-	6,693,487	6,554,569	-	6,554,569
Investment Earnings	2,740	31	2,771	5,054	-	5,054
Other Revenues.....	<u>190,420</u>	<u>-</u>	<u>190,420</u>	<u>94,168</u>	<u>-</u>	<u>94,168</u>
Total Revenues	<u>\$16,344,777</u>	<u>\$351,192</u>	<u>\$16,695,969</u>	<u>\$16,165,153</u>	<u>\$358,693</u>	<u>\$16,523,846</u>
Expenses						
Instruction	\$11,311,909	\$ -	\$ 11,311,909	\$ 11,160,364	\$ -	\$11,160,364
Instructional Student Support.....	1,366,269	-	1,366,269	1,128,073	-	1,128,073
Admin. & Financial Support Svcs. .	1,355,270	-	1,355,270	1,486,443	-	1,486,443
Operation & Maintenance of Plant Services	1,013,013	-	1,013,013	965,878	-	965,878
Pupil Transportation.....	562,847	-	562,847	421,135	-	421,135
Student Activities	93,805	-	93,805	87,712	-	87,712
Community Services	71,789	-	71,789	65,240	-	65,240
Interest on Long-Term Debt.....	619,878	-	619,878	592,660	-	592,660
Food Service.....	<u>-</u>	<u>342,672</u>	<u>342,672</u>	<u>-</u>	<u>347,243</u>	<u>347,243</u>
Total Expenses	<u>\$16,394,780</u>	<u>\$342,672</u>	<u>\$16,737,452</u>	<u>\$15,907,505</u>	<u>\$347,243</u>	<u>\$16,254,748</u>
Increase (Decrease) in Net Assets	(50,003)	8,520	(41,483)	257,648	11,450	269,098
Beginning Net Assets	<u>1,934,198</u>	<u>102,986</u>	<u>2,037,184</u>	<u>1,676,550</u>	<u>91,536</u>	<u>1,768,086</u>
Ending Net Assets	<u>\$ 1,884,195</u>	<u>\$111,506</u>	<u>\$ 1,995,701</u>	<u>\$ 1,934,198</u>	<u>\$102,986</u>	<u>\$ 2,037,184</u>

Source: Duquesne City School District Financial Statements, June 30, 2011.

Significant points from the 2010-11 audit (available by contacting the LB&FC offices) include:

Duquesne received an unqualified (clean) opinion, with no significant deficiencies found in its internal control systems. In a financial audit report, an unqualified, or clean, opinion is positive; it means the auditors did not need to qualify their opinion as to the fairness of the financial statements. In addition, the auditors found no material weakness in Duquesne's internal controls.

Duquesne's unreserved/undesignated General Fund was \$1.4 million as of June 30, 2011. The change in net assets is the broadest measure of Duquesne's financial condition. As Table 1 shows, net assets for governmental activities decreased by \$50,003. Another key measure is the district's unreserved/undesignated General Fund balance, which totaled \$1.4 million as of June 30, 2011, or 8.5 percent of the total General Fund expenditures and other financing uses.

For services performed for 2010-11, Duquesne paid the Allegheny Intermediate Unit \$500,000. On May 19, 2009, Duquesne entered into an agreement with Allegheny Intermediate Unit 3 (AIU) and the Pennsylvania Department of Education for the AIU to provide various administrative and management services through June 30, 2013. The AIU has performed similar services for the school district since July 2007. For services performed for 2010-11, Duquesne paid the AIU \$500,000.

Duquesne received \$10.82 million in state funds for the 2010-11 school year, amounting to 68 percent of its total revenue. Of the \$16.0 million in total revenue Duquesne received, only \$2.24 million (14 percent) was from property taxes and other local sources of revenue.

Duquesne's debt service expense is comparable to the statewide average. As of June 30, 2011, Duquesne had outstanding bond debt totaling \$15.1 million. In FY 2010-11, Duquesne had debt service expense of \$1.60 million, or just under 10 percent of total expenditures. Average debt service for all of the Commonwealth's 501 school districts is approximately 11 percent of total expenditures.

B. Academic Status

Duquesne's student PSSA scores are among the lowest in the state. As shown in Exhibit 2 below, student performance at Duquesne is well below the statewide average at all grade levels tested.

Exhibit 2

Percentage of Students Scoring Proficient or Better (2010-11)

	<u>Duquesne</u>	<u>State</u>
Grade 3 Mathematics.....	26%	84%
Grade 3 Reading.....	21%	77%
Grade 4 Mathematics.....	48%	85%
Grade 4 Reading.....	9%	73%
Grade 5 Mathematics.....	49%	76%
Grade 5 Reading.....	21%	67%
Grade 6 Mathematics.....	18%	79%
Grade 6 Reading.....	13%	70%
Grade 7 Mathematics	33%	79%
Grade 7 Reading.....	20%	76%
Grade 8 Mathematics.....	23%	77%
Grade 8 Reading.....	30%	82%
Grade 11 Mathematics.....	24%	60%
Grade 11 Reading.....	25%	69%

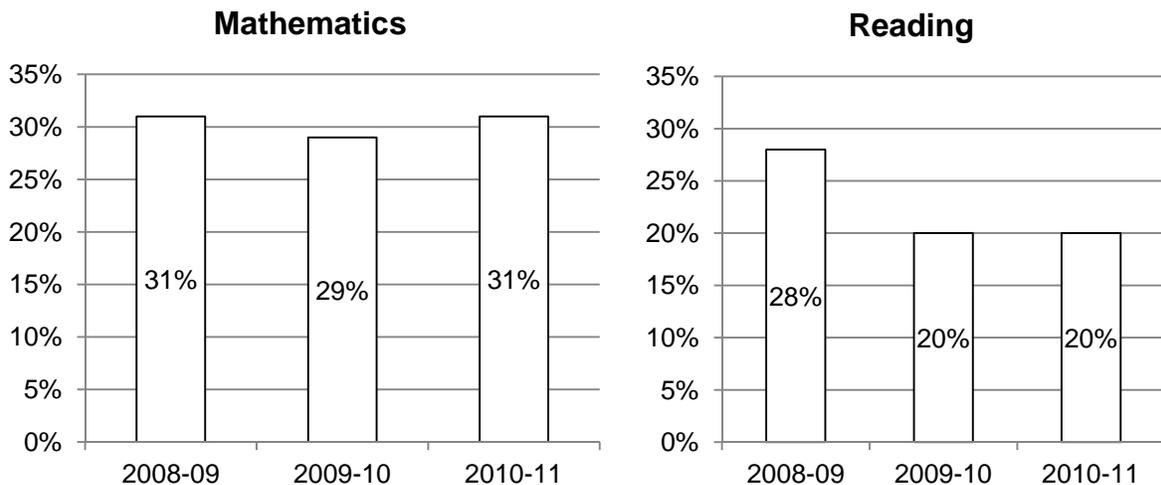
Source: Pennsylvania System of School Assessment, Pennsylvania Department of Education. Includes only students who were enrolled for the full academic year.

Exhibit 3 shows Duquesne student combined test scores for mathematics and reading over the past three school years.

Exhibit 3

Percent Scoring At or Above Proficient Level

(Includes Grades 3, 4, 5, 6, 7, 8, and 11)



Source: Pennsylvania Department of Education. Includes only students who were enrolled in Duquesne for a full academic year.

- ***Duquesne High School is closed.*** The composition of the Duquesne City School District has changed because of the transition of high school students to East Allegheny and West Mifflin. On June 5, 2007, the Duquesne School District's Board of Control passed a resolution that curtailed the operation of the high school. Students from grades 9 through 12 now attend either West Mifflin Area High School or East Allegheny High School. Duquesne continues to educate K-8 students living within the district.

The per pupil tuition rates that the designated districts received for the 2011-12 school year were \$9,422 for East Allegheny and \$9,582 for West Mifflin.

- ***Duquesne Consolidated School failed to meet its Adequate Yearly Progress goal for the 2010-11 school year.*** As shown in Exhibit 4, the Duquesne Consolidated School has failed to meet its AYP targets for the past two years and is currently in Corrective Action I status. (Please see Exhibit 5 for additional information on AYP status and levels).

Exhibit 4

Academic Achievement Report

DUQUESNE CONSOLIDATED SCHOOL
School AYP Overview

2011	AYP Status
	X Did Not Make AYP <i>Corrective Action I</i>

2010	AYP Status
	X Did Not Make AYP <i>School Improvement II</i>

Target	Result
Attendance	✓ 1 / 1
Academic Performance	X 0 / 8
Test Participation	✓ 8 / 8
Totals:	9 / 17

Target	Result
Attendance	✓ 1 / 1
Academic Performance	X 0 / 8
Test Participation	✓ 8 / 8
Totals:	9 / 17

2011	<u>Measures Achieved</u>			
	<u>Academic Performance</u>		<u>Test Participation</u>	
	Reading	Mathematics	Reading	Mathematics
Students Overall	X	X	✓	✓
White non-Hispanic	-	-	-	-
Black/African American non-Hispanic	X	X	✓	✓
Latino/Hispanic	-	-	-	-
Asian/Pacific Islander	-	-	-	-
American Indian/Native American	-	-	-	-
Multi-racial/ethnic	-	-	-	-
IEP-Special Education	X	X	✓	✓
English Language Learners	-	-	-	-
Economically Disadvantaged	X	X	✓	✓

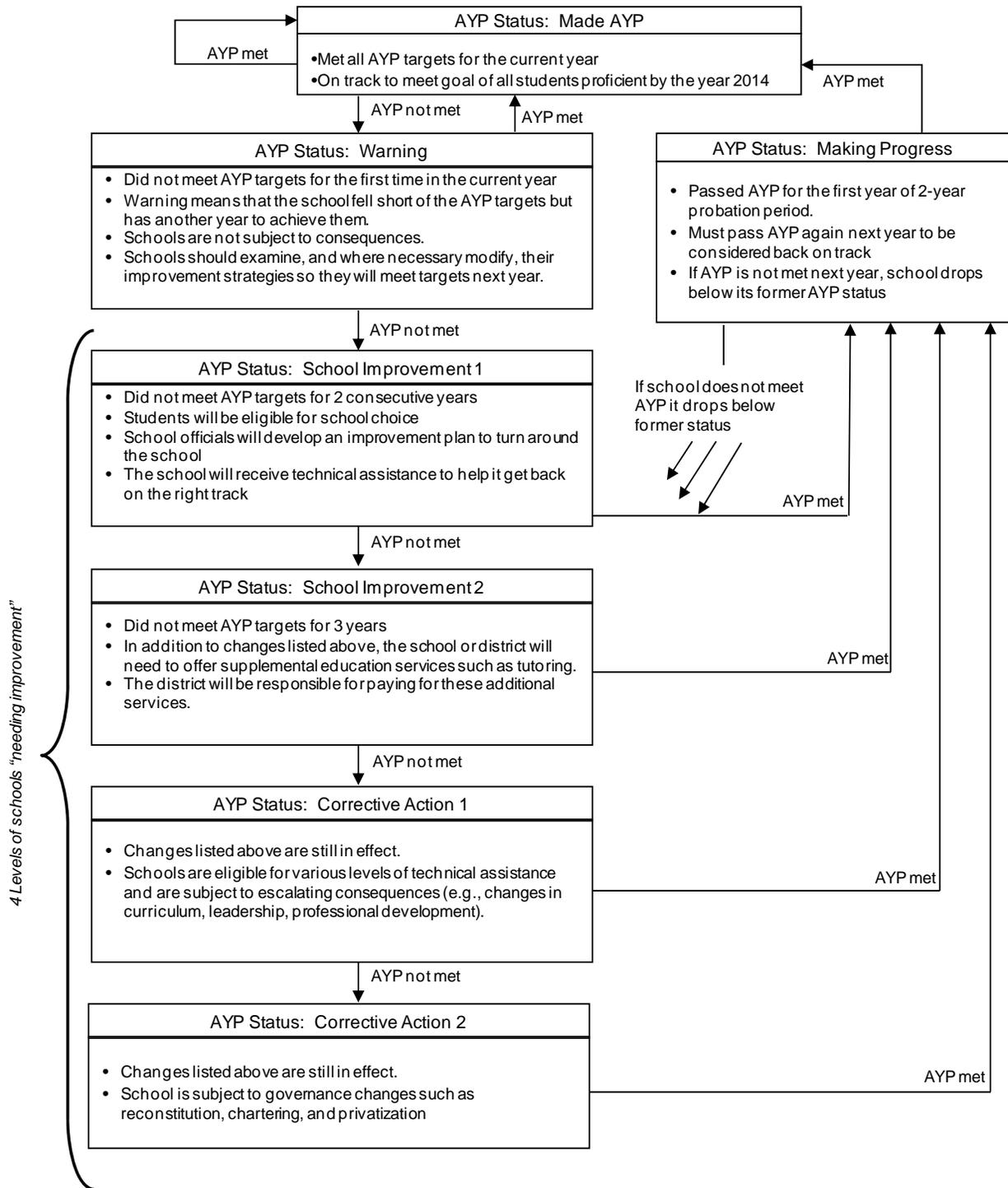
- For confidentiality and reliability, performance results may be based on data from this year, or on an average of this year and the previous year's data.
- For confidentiality and reliability, participation results may be based on data from this year, or on an average of up to three years.

Legend	
✓	Group met measure
<u>CI</u>	Group met goal using Confidence Interval
<u>SH</u>	Group met target using Safe Harbor
<u>SHC</u>	Group met target using Safe Harbor with Confidence Interval
<u>GM</u>	Group met measure using Growth Model
<u>A</u>	Group met goal or target using an Appeal
X	Group did not meet measure
-	Fewer than 40 students tested

Source: Pennsylvania Department of Education.

AYP Status and Levels

What is the path for a school's AYP status between this year and next year?



Source: Pennsylvania Department of Education.

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