

**EAST STROUDSBURG AREA SCHOOL DISTRICT  
BOARD OF EDUCATION  
REGULAR MEETING  
September 16, 2013**

**Carl T. Secor Administration Building – Board Room  
7:00 P.M.**

**ADDENDUM A**

**XIII. CONTRACTS**

*(The following item(s) are to be deleted from the consensus motion at Board Member(s) request.)*

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2.

**RECOMMENDATION:** Motion to approve the contract listed for its specific services, rates and effective dates totaling over \$10,000, subject to the review and recommendations of the Solicitor and approval of the Administration regarding the terms and conditions of any final contract, other than price or cost.

	<b>NAME</b>	<b>SERVICE</b>	<b>RATE</b>	<b>PAYMENT FROM</b>	<b>EFFECTIVE DATE</b>
3.	Achieve 3000	Differentiated Literacy Solution Software and Professional Development	\$55,160.00	ACCESS/ABG Grant/District Funds	2013/2014 school year

(See pages 2-14)

**XXI. FISCAL ITEMS**

*(The following item(s) are to be deleted from the consensus motion at Board Member(s) request.)*

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**K. Beverage Vending Services**

**RECOMMENDATION:** Motion to accept the proposal of Pepsi Beverages Company (“Pepsi”) to provide exclusive beverage vending services in accordance with the specifications as advertised by the District and the written proposal as submitted by Pepsi. The agreement to be entered into shall be substantially similar to the existing agreement and shall consist of a “10 year” agreement to begin November 1, 2013 and to expire June 30, 2024. The Budget & Finance Committee has recommended the acceptance of this proposal.

(See pages 15-20)

**L. PlanCon J Auditing Services**

**RECOMMENDATION:** Motion to accept the proposal of Gneiding, Blizard, Bushta & Company, LLC to provide PlanCon J auditing services for the District’s High School South and Smithfield Elementary School Projects in accordance with the written proposal dated September 10, 2013 as submitted to the Board at a fee of \$4,200 per project for a combined fee of \$8,400. The Budget & Finance Committee has recommended the acceptance of this proposal.

(See pages 21-28)



Quote ID: 36815

Quote Date: 07/22/13

Subscription Period: 08/01/13 - 07/31/16

Valid Until: 08/21/13

**Client Information**

<b>Account Name:</b> East Stroudsburg Area School District	
<b>Address</b>	<b>Client</b>
PO Box 298 E Stroudsburg, PA 18301-0298 Phone: 570-424-8500	Irene Duggins Email: <a href="mailto:irene-duggins@esasd.net">irene-duggins@esasd.net</a> Phone:

**Order Information**

Participating Schools	Site License Package(s)
Bushkill Elementary School	LIT-A, LIT-S-A*
East Stroudsburg Elem School	LIT-A, LIT-S-B*
East Stroudsburg Sr HS North	LIT-A
East Stroudsburg Sr HS South	LIT-A
J M Hill Elementary School	LIT-A, LIT-S-A*
J T Lambert Intermediate Sch	LIT-S-A*, LIT-A
Lehman Intermediate School	LIT-A, LIT-S-A*
Middle Smithfield Elem School	LIT-A, LIT-S-A*
Resica Elementary School	LIT-S-A*, LIT-A
Smithfield Elementary School	LIT-A, LIT-S-A*

**Year 1 (2013-2014)**

Item #	Product	Cost	Qty	Total
2013-LIT-S-A	Upgrade from LIT-S to LIT-A; Platform access for an additional 150 users	\$6,465.00 per site	7	\$45,255.00
2013-LIT-S-B	Upgrade from LIT-S to LIT-B; Platform access for an additional 275 users	\$9,905.00 per site	1	\$9,905.00
Subtotal:				<b>\$55,160.00</b>

**Year 2 (2014-2015)**

Item #	Product	Cost	Qty	Total
2013-LIT-A	Achieve3000 Differentiated Literacy Solution. Includes 2 days of Professional Development services; LevelSet assessments; and platform access for a maximum of 250 students.	\$15,550.00 per site	10	\$155,500.00
Subtotal:				<b>\$155,500.00</b>

**Year 3 (2015-2016)**

Item #	Product	Cost	Qty	Total
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2013-LIT-A	Achieve3000 Differentiated Literacy Solution. Includes 2 days of Professional Development services; LevelSet assessments; and platform access for a maximum of 250 students.	\$15,550.00 per site	10	\$155,500.00
Subtotal:				<b>\$155,500.00</b>

**Summary of Fees**

<b>Year</b>	<b>Total</b>
2013-2014	\$55,160.00
2014-2015	\$155,500.00
2015-2016	\$155,500.00
Subtotal	\$366,160.00
<b>3 YEAR TOTAL</b>	<b>\$366,160.00</b>

*See Next Page for Quote Acceptance*

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# End-of-Year Implementation Highlights

East Stroudsburg Area School District

June 2013

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The Leader in Differentiated Instruction

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# East Stroudsburg Area School District

## End-of-Year Implementation Highlights

Evaluation Period 1/30/13 – 6/16/13

Number of Schools 10

Number of Active Users 1,216

### Overview

Achieve3000®'s differentiated literacy solutions were implemented within the East Stroudsburg Area School District during the 2012-13 school year. The majority of participating students completed the LevelSet™ pre-test in their first few sessions on the KidBiz3000®, TeenBiz3000®, or Empower3000™ differentiated reading solution.

This report is intended to summarize the Lexile® gains and usage details of Achieve3000 Solutions within the East Stroudsburg Area School District. The information provided within this report is based on student data collected throughout the 2012-13 school year through June 16<sup>th</sup>.

### Achieve3000 Solutions

KidBiz3000, TeenBiz3000, and Empower3000: The first Web-based, differentiated literacy solutions that reach every student at his or her Lexile level. Powered by a proprietary software engine that distributes grade-appropriate assignments to the entire class but tailors them according to each student's reading level, Achieve3000 Solutions enable teachers to move their students up surely and steadily, level by level.

These research-based solutions extend teachers' reach without increasing workloads or time demands and are proven to accelerate reading comprehension, fluency, writing proficiency, vocabulary development, and high-stakes test scores.

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## The Assessment Measure

Developed by Achieve3000 in conjunction with MetaMetrics Inc., LevelSet™ offers a scientific means of matching students to informational texts. Delivered via the Internet and designed to work hand-in-hand with Achieve3000's differentiated reading solutions, LevelSet is administered up to three times yearly – an initial assessment to establish a baseline score (based on the Lexile Framework®) at the beginning of the school year, an interim assessment halfway through the school year (in certain situations), and a post-assessment at the end of the school year – providing a summative measurement of student progress.

The Lexile Framework is a scientific approach to reading and text measurement that has become the most widely adopted reading measure in use today. Developed by MetaMetrics Inc., beginning with a grant from the National Institute of Child Health and Human Development in 1984, Lexile measures are the result of more than 20 years of ongoing research.

Achieve3000 chose to use the Lexile Framework after an intensive study of many readability measures. A key advantage to using the Lexile scale, as opposed to other readability scores, is that the Lexile Framework measures both text and reader using the same scale. This means that the ability to comprehend and the material being comprehended are being evaluated by the same criteria, lending it greater scientific import.

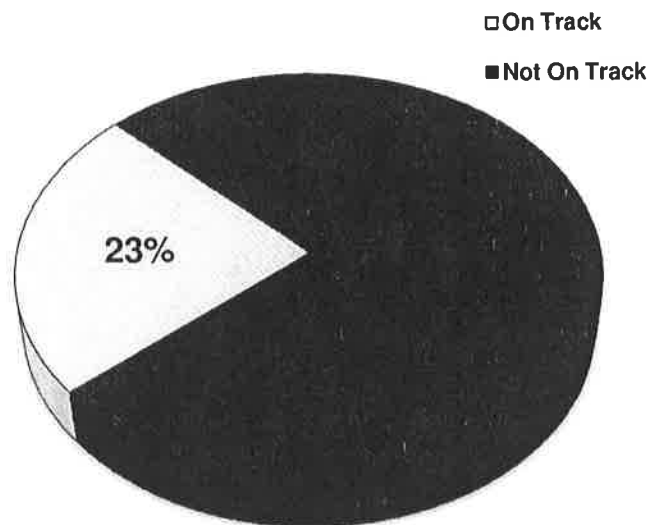
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## College and Career Readiness

Achieve3000's College and Career Report supports the current emphasis on College and Workforce readiness and the Common Core Standards by forecasting students' readiness for college and career based on their current Lexile reading level. Research demonstrates that giving teachers and administrators access to predictive information *allows them to be more targeted in their instruction of students, and translates to better student performance on the high-stakes tests*<sup>1</sup>. After reviewing the report, educators can maximize Achieve3000's differentiated instruction by offering students the targeted intervention they need to be successful.

### Are my students on track for College and Career Readiness?

#### 2012-13 Post-Test



The College and Career Readiness initiative requires increased rigor in reading performance, which translates into higher Lexile level requirements on every grade level. As states implement this new initiative and work to better prepare students for college and careers, educators are facing new challenges in helping students reach the "on track" reading levels necessary for success.

<sup>1</sup> Lewis, D., Madison-Harris, R., Muoneke, A., & Times, C. (Fall/Winter, 2010). *Using data to guide instruction and improve student learning*. (SEDL letter, Vol. XXII, No. 2). Austin, TX: SEDL.

## College and Career Readiness

### School Level

School	Users with Valid Test Scores	% Falls Far Below	% Approaches	% Meets	% Exceeds
Bushkill Elementary School	104	19%	48%	27%	6%
East Stroudsburg Elem School	102	28%	44%	20%	8%
East Stroudsburg Sr HS North	5	80%	20%	0%	0%
East Stroudsburg Sr HS South	6	50%	50%	0%	0%
J M Hill Elementary School	101	15%	54%	26%	5%
J T Lambert Intermediate School	127	33%	50%	9%	8%
Lehman Intermediate School	108	44%	51%	5%	0%
Middle Smithfield Elem School	82	26%	38%	32%	5%
Resica Elementary School	40	33%	60%	5%	3%
Smithfield Elementary School	90	17%	54%	24%	4%
<b>Overall</b>	<b>765</b>	<b>28%</b>	<b>49%</b>	<b>18%</b>	<b>5%</b>

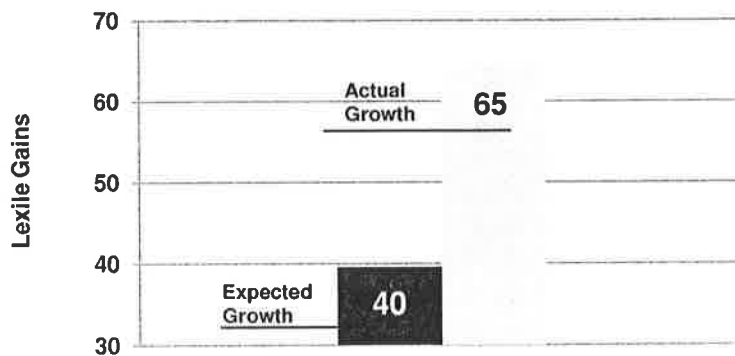
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## Executive Summary

On average, KidBiz3000, TeenBiz3000, and Empower3000 students within the East Stroudsburg Area School District achieved **more than one-and-a-half times** the expected reading performance growth as measured by Lexiles<sup>2</sup>.

### Overall Lexile Growth



*Students exceeded expected Lexile gains by an average of **25 points.***

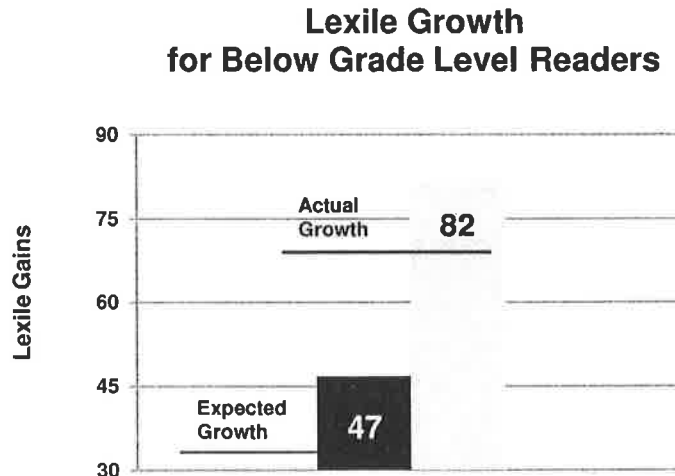
### Key Findings:

- On average, students have made substantial Lexile gains, **more than one-and-a-half times** the annual expected growth norms.
- On average, students reading two or more years below grade level at the beginning of the school year improved by **nearly double the expected growth norms.**
- On average, students who completed at least two reading sessions per week made the highest Lexile gains, **nearly two-and-a-half times the expected growth norms.**
- The quality of the work that students submit on Achieve3000 is a predictor of their Lexile performance gains.

<sup>2</sup> Expected gains were calculated based on MetaMetrics' annual expected Lexile gains and the length of time between each student's pre- and post-test as well as each student's initial LevelSet score.

## Closing the Gap: Findings for Students Reading Below Grade Level

On average, students in the East Stroudsburg Area School District reading two or more levels below grade level **nearly doubled** the expected Lexile gains.



### Below Grade Level Readers using KidBiz/TeenBiz/Empower:

- ❖ Average Lexile gain of **82 points**
- ❖ 35-point Lexile gain above the average expected growth; this is **nearly double** the average expected growth norms

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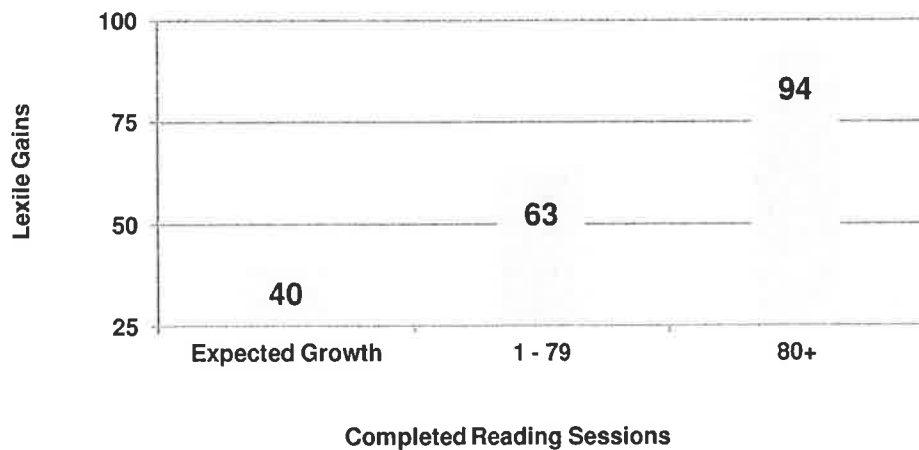
## The Impact of Program Use on Lexile Gains

### Number of Reading Sessions Completed

In a nationwide study, Achieve3000 found a statistically significant relationship between the number of reading sessions completed on Achieve3000 Solutions and students' nonfiction Lexile growth<sup>3</sup>. Achieve3000 recommends that students complete 80 reading sessions during the academic year—this number represents an average of two sessions per week.

### Frequency of Usage Findings for East Stroudsburg Area School District Students

#### Lexile Gains Related to Frequency of Program Use



#### Students using program less than twice weekly:

- ❖ Average Lexile gain of **63 points**
- ❖ 23-point Lexile gain above the average expected growth; this is **more than one-and-a-half times** the expected growth

#### Students using program at least twice weekly:

- ❖ Average Lexile gain of **94 points**
- ❖ 54-point Lexile gain above the average expected growth; this is **nearly two-and-a-half times** the expected growth

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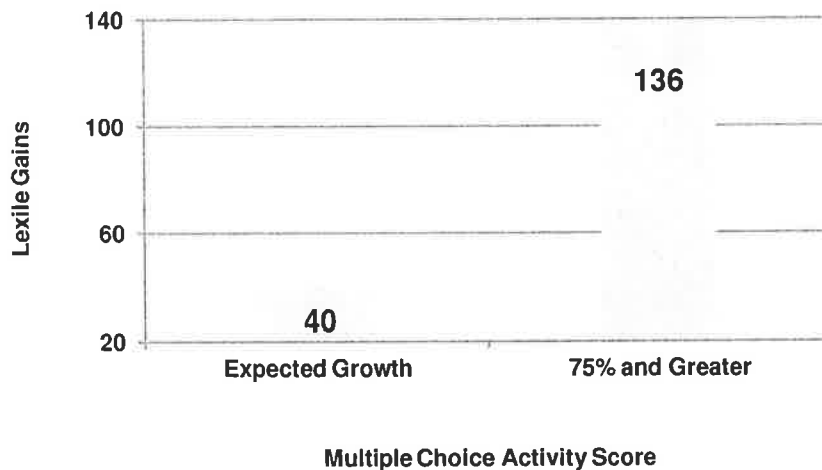
<sup>3</sup> Achieve3000. (2011). *National Lexile study: 2010-11 Lexile study*. Lakewood, NJ: Author.

## The Impact of Quality Program Use on Lexile Gains

The multiple choice activity—a critical component of the Five-Step Literacy Routine—was used as a measure of the quality of program use. Students who average 75% and greater on multiple choice activities are identified as working within their instructional zone<sup>4</sup>. In other words, scores within this range typically indicate that students are applying themselves to their work and reading in their instructional zone.

### Quality of Usage Findings for East Stroudsburg Area School District Students

**Lexile Gains Related to Quality Program Use**



#### Students averaging 75% and greater on multiple choice activities:

- ❖ Average Lexile gain of **136 points**
- ❖ 96-point Lexile gain above the average expected growth; this is **nearly three-and-a-half times** the expected growth

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<sup>4</sup> Achieve3000 recommends that teachers monitor student scores to ensure performance in this range.

## Usage by School: January 30, 2013 – June 16, 2013

(means are per active user)

School	5-Step Routine				Reading Connections		
	Active Users This Year	Completed Multiple Choice Activities (Mean)	MC Activity 1st Try Score (Mean)	Completed Writing Assignments (Mean)	Summarizations (Total)	Generating Questions (Total)	Setting the Purpose (Total)
Bushkill Elementary School	123	12	65	7	311	139	88
East Stroudsburg Elem School	137	19	60	8	15	12	1
East Stroudsburg Sr HS North	107	4	57	2	8	7	5
East Stroudsburg Sr HS South	33	17	57	7	2	0	0
J M Hill Elementary School	121	36	66	14	115	68	27
J T Lambert Intermediate Sch	216	21	64	11	216	59	48
Lehman Intermediate School	157	13	57	7	403	402	25
Middle Smithfield Elem School	122	12	53	6	1,123	193	377
Resica Elementary School	82	11	58	2	693	139	100
Smithfield Elementary School	118	14	60	3	681	516	357
<b>Overall</b>	<b>1,216</b>	<b>16</b>	<b>60</b>	<b>7</b>	<b>3,567</b>	<b>1,535</b>	<b>1,028</b>

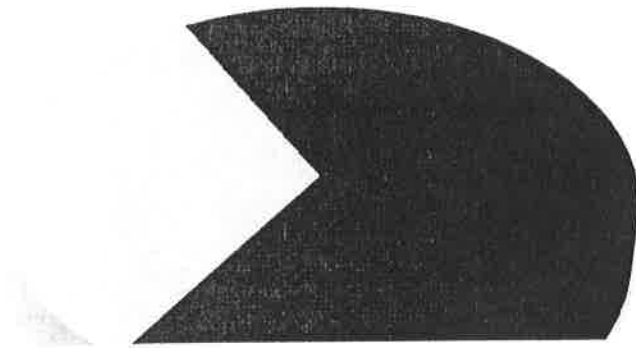
Studies demonstrate that on average the more time students spend on KidBiz/TeenBiz/Empower, the greater their literacy gains<sup>5</sup>. On average, students who use Achieve3000 Solutions just twice per week, as recommended, exceed their expected Lexile growth by more than two-and-a-half times. In general, Achieve3000's Web-based assignments provide more time-on-task, which in turn fosters higher gains.

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<sup>5</sup> Achieve3000. (2011). *National Lexile study: 2010-11 Lexile study*. Lakewood, NJ: Author.

## After School Usage

Research on adolescent literacy suggests that the amount of reading students do during out-of-school hours is a predictor of their in-school academic achievement<sup>6</sup>. If after-school programs can motivate young people to read more and explore their interests through reading, this research suggests that academic performance will likely improve.



32% of students in the East Stroudsburg Area School District who used Achieve3000 Solutions logged on after school hours. These students logged on **2,368 times** after school hours during the 2012-2013 school year through June 16, 2013.

School	Active After School Users	After School Logins (Total)
Bushkill Elementary School	50	125
East Stroudsburg Elem School	53	216
East Stroudsburg Sr HS North	4	11
East Stroudsburg Sr HS South	3	9
J M Hill Elementary School	82	1,068
J T Lambert Intermediate Sch	37	93
Lehman Intermediate School	40	174
Middle Smithfield Elem School	51	285
Resica Elementary School	20	50
Smithfield Elementary School	55	337
<b>Overall</b>	<b>395</b>	<b>2,368</b>

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<sup>6</sup> MetLife Foundation Afterschool Alert. (2011, November). *Literacy in afterschool: An essential building block for learning and development* (Issue Brief No. 53). Washington, DC: Author.

EXCLUSIVE RIGHTS

VENDOR: PEPSI

COMMISSIONS

PRODUCT	UNIT COST	SUGGESTED RETAIL PRICE	COMMISSION % (5 YR TERM)	COMMISSION \$ (5 YR TERM)	COMMISSION % (10 YR TERM)	COMMISSION \$ (10 YR TERM)
20 oz Carbonated		1.50	35%	85,050	35%	170,100
20 Oz Non-carbonated		1.50	35%			
16 oz Carbonated	-	-	-	-	-	-
16 oz Non-carbonated	-	-	-	-	-	-
12 oz Non-carbonated	-	-	-	-	-	-
8oz Non-carbonated	-	-	-	-	-	-
Other						

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EST ANNUAL SALES

FSN = 1,350  
B+C = 6,000

$1,350 \text{ cases} \times 24 \frac{\text{units}}{\text{case}} \times 1.50 \frac{\text{unit}}{\text{case}} \times 35\% = 17,010/\text{yr}$   
 $1.00/\text{unit} = 11,340/\text{yr}$

ADDITIONAL COMMISSIONS

CASES	ADDITIONAL %	ADDITIONAL \$
500		
1,000		
1,500		
2,000		

ANNUAL CASH INCENTIVE

5yr = 10,000 1-time, 6,000/yr  
10yr = 20,000 1-time, 7,000/yr

YEAR	5yr AMOUNT	10yr AMOUNT	YEAR	10yr AMOUNT
1	16,000	20,000	6	7,000
2	6,000	7,000	7	7,000
3	6,000	7,000	8	7,000
4	6,000	7,000	9	7,000
5	6,000	7,000	10	7,000

ADDITIONAL INCENTIVES

- 1 \$3000 scholarship - annual
- 2 \$3.00/case rebate
- 3 Costless for concession stands
- 4 \$1.000 Gatorade and/or Vita - Athletics
- 5 100 cases/yr 12 oz can/16.9oz Aquafin - free

Max price ↑ 4%/yr.

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# EAST STROUDSBURG AREA SCHOOL DISTRICT

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PBC

PEPSI BEVERAGES COMPANY

FIVE YEAR AGREEMENT

# East Stroudsburg Area School District Financials



- \$10,000.00 Upfront Fund
- \$6,000.00 Annual Fund
- \$3,000.00 Annual Pepsi Scholarship Fund
- \$1,000.00 Gatorade Sideline Kit Budget
- \$3.00 Rebate Program on Bottles 24 pack cases (\$1.50 on 12pk cases) purchased from Pepsi Allentown. (est. \$17,100.00 per year based on 5,700cs)
- Estimated Full Service Vending Commission Dollars: \$17,010.00 (based on FSV sales of 1,350cs (32,400 units) @ \$1.50 vend price 35% Commission.)
- Pepsi will provide a maximum of One Hundred(100) cases of 12oz Can and/or 16.9oz Aquafina product free for your usage per year.
- Total Estimated Yearly Value: \$44,110.800 (Plus 10,000.00 1<sup>st</sup> year Upfront Payment)
- Total Estimated Five Year Value: \$230,550.00

Note: The agreement will be based on your current estimated product volume; 6000cs of Bottled products and 1,350cs of Full Service cases.



# EAST STROUDSBURG AREA SCHOOL DISTRICT

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PBC

PEPSI BEVERAGES COMPANY

TEN YEAR AGREEMENT

# East Stroudsburg Area School District Financials



- \$20,000.00 Upfront Fund
- \$7,000.00 Annual Fund
- \$3,000.00 Annual Pepsi Scholarship Fund
- \$1,000.00 Gatorade Sideline Kit Budget
- \$3.00 Rebate Program on Bottles 24 pack cases (\$1.50 on 12pk cases) purchased from Pepsi Allentown. (est. \$17,100.00 per year based on 5,700cs)
- Estimated Full Service Vending Commission Dollars: \$17,010.00 (based on FSV sales of 1,350cs (32,400 units) @ \$1.50 vend price 35% Commission.)
- Pepsi will provide a maximum of One Hundred(100) cases of 12oz Can and/or 16.9oz Aquafina product free for your usage per year.
- Total Estimated Yearly Value: \$45,110.00 (Plus 20,000.00 1<sup>st</sup> year Upfront Payment)
- Total Estimated Ten Year Value: \$471,100.00

Note: The agreement will be based on your current estimated product volume; 6000cs of Bottled products and 1,350cs of Full Service cases.



HOWARD D. GNEIDING, CPA  
ROBERT E. BLIZARD, JR., CPA  
TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T S

**East Stroudsburg Area School District**  
50 Vine Street  
East Stroudsburg, PA 18301

September 10, 2013

**Dear: East Stroudsburg Area School District School Board:**

We are pleased to confirm our understanding of the services we are to provide for the **PlanCon J for projects: High School South and Middle Smithfield Elementary School** of East Stroudsburg Area School District for the project's completion. This letter will serve to document the scope of the engagement and contains the entire understanding of the parties regarding the work to be performed. We will audit the **PlanCon J for projects: High School South and Middle Smithfield Elementary School** of East Stroudsburg Area School District for the project's completion.

***Audit Objectives***

The objective of our audit is the expression of an opinion about whether your PlanCon J is fairly presented, in all material respects, in conformity with *The Commonwealth of Pennsylvania, Department of Education, Bureau of Budget and Fiscal Management, Division of School Facilities* prescribed regulatory cash basis of accounting. Our audit will be conducted in accordance with *U. S. generally accepted auditing standards*, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the PlanCon J is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

The work product we produce will include the prescribed forms of *The Commonwealth of Pennsylvania, Department of Education, Bureau of Budget and Fiscal Management, Division of School Facilities*, prepared from information provided by management utilizing data and records maintained by management. We are not insurers or guarantors of the accuracy of the financial information, which are your representations.

***Management Responsibilities***

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of PlanCon J in accordance with *The Commonwealth of Pennsylvania, Department of Education, Bureau of Budget and Fiscal Management, Division of School Facilities* prescribed regulatory cash basis of accounting.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your PlanCon J and related schedules and disclosures, but the responsibility for the PlanCon J remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the PlanCon J to correct material misstatements and for confirming to us in the management representation letter that the affects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the PlanCon J taken as a whole.

#### ***Audit Procedures - General***

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the PlanCon J; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the PlanCon J is free of material misstatement, whether caused by error or fraud. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, other illegal acts, or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect errors, fraud, or other illegal acts that are immaterial to the PlanCon J or to major programs. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of the composition of constructed assets, and certain other assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the PlanCon J and related matters.

#### ***Audit Procedures – Internal Control***

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on PlanCon J.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the PlanCon J and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the PlanCon J. Tests of controls relative to the PlanCon J are required only if control risk is assessed below the maximum level.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the *American Institute of Certified Public Accountants*.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the PlanCon J.

***Our Understanding of the Scope of Work***

As required by The Commonwealth of Pennsylvania, Department of Education, Bureau of Budget and Fiscal Management, Division of School Facilities, we will use the following procedures to facilitate the final accounting audit:

**PLANCON PART J: PROJECT ACCOUNTING BASED ON FINAL COSTS**

1. Account for the construction revenues and expenditures via the operation of a Capital Project Fund or a Special Revenue Fund in accordance with the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools.
2. Prepare an audited balance sheet and statement of revenues, expenditures and changes in fund balances for the Capital Project Fund for each fiscal year.
3. Section 148(f) of the Internal Revenue Code of 1986 deals with arbitrage rebate to the federal government. In order to properly identify interest subject to arbitrage rebate, it is the school district or career and technical center's responsibility to keep records that will track the interest earned on the investment of bond proceeds to meet the requirements of federal and state regulations.

**INFORMATION ON THE PROCESSING OF PLANCON PART J**

1. A separate Part J must be submitted for each PlanCon project.
2. Report costs incurred from the start of design to the end of construction; the end date for reimbursable costs is three years from the bid opening date. Costs for movable fixtures and equipment purchased before the bid opening date or later than three years after the bid opening date are not reimbursable.
3. Report interest earnings from the date of the issuance of bonds/notes/loans until the end of construction. For purposes of calculating reimbursement, bond proceeds that are transferred to the general fund and then used for a reimbursable construction project are still considered bond proceeds.
4. The basis for reporting final costs is bid costs reported at Part G "Project Accounting Based on Bids," plus change orders and supplemental contracts plus costs for movable fixtures and equipment.
5. If a project involved renovations to existing space and additions, the costs must be reported under the appropriate columns (NEW - additions; EXISTING - alterations).
6. Check the basic math so that columns add up across and down. Total project costs must equal total revenues. Costs must be based on cash accounting. Do not include any unpaid claims.

7. Pages J07-J12 must be submitted if reimbursement is based on actual costs. The Part H "Project Financing," approval letter, since 1991 has indicated a project's reimbursable basis and whether Pages J07-J12 are required. Contact PDE if the Part H approval letter does not indicate whether these pages are required.
8. List change orders and supplemental contracts with a brief description of the work performed, contract date, and costs reported under the appropriate column (NEW - additions, new building; EXISTING - alterations).
9. List movable fixtures and equipment with a brief description, the date purchased and costs reported under the appropriate column (NEW - additions, new building; EXISTING - alterations).
10. If sanitary sewage disposal costs are part of a prime contract, i.e., plumbing contract, subtract that amount from structure costs and report these costs on Page J02, Line E-1. Also list architect's/engineer's fees for this work.
11. Request an extension to file Part J after the three year period if there is pending litigation, extenuating circumstances or additional time is required to obtain LEED or Green Globes certification.
12. If a bond issue is used to fund multiple projects, the Part J's must be submitted for each of the individual projects as they are completed. A permanent percent will be assigned after the last project funded by a bond issue is completed. A revised temporary percent, however, may be assigned as each project funded by a bond issue is completed. Retroactive reimbursement will be processed by the Comptroller's Office.

All documents must be completed based on the cash basis of accounting and provide disclosure notes that are appropriate for the schedules of Project Accounting Based on Final Costs (J02 and J03) and Financial Report (J04). At the minimum, the following note disclosures, if appropriate, must be made:

1. Significant Accounting Policies;
2. Basis of Accounting;
3. Methodology for allocating costs;
4. Stewardship, compliance and accountability;
5. Material violations of finance-related legal and contractual provisions;
6. Related party transactions;
7. Summary disclosures of significant contingencies;
8. Significant effects of subsequent events.



Complete forms for all projects and submit one copy to the Division of School Facilities. A separate Part J must be submitted for each PlanCon project.

1. Board Transmittal, Page J01
2. Project Accounting Based on Final Costs, Page J02-J03;
3. Financial Report, Page J04;
4. Certificate of Architect, Page J05.
5. Financial Information Certification, Page J06. Pages J07-J12, Final Project Costs - Detail, need to be submitted if project costs were less than the Maximum Reimbursable Formula Amount.

## **PART J: PROJECT ACCOUNTING BASED ON FINAL COSTS SUMMATION**

### **GENERAL**

Part J "Project Accounting Based on Final Costs" must be submitted after all construction work has been completed and all final monies due on this project have been paid. Part J must be submitted within three years of the date bids were received on the project unless an extension is requested in writing and granted by PDE. Part J must be submitted in the specified time or the temporary reimbursable percent(s) may become the permanent reimbursable percent(s) for the lease numbers assigned to the project. After the permanent reimbursable percent is assigned, the Commonwealth will calculate the retroactive reimbursement, if any, and make a lump sum payment. If a bond issue is used to fund multiple projects, the Part J's must be submitted for each of the individual projects as they are completed. A permanent percent will be assigned after the last project funded by a bond issue is completed. A revised temporary percent, however, may be assigned as each project funded by a bond issue is completed.

### **PROJECT ACCOUNTING BASED ON FINAL COSTS, J02**

Final costs, including all change orders and supplemental contracts processed during the construction of the project building, must be reported. Report the actual cost of any work that was estimated at Part G. Report only the costs for this project incurred from initial design to the end of construction.

### **PROJECT ACCOUNTING BASED ON FINAL COSTS, J03**

Fees for construction management; fees for feasibility studies not included in the base architect's fee; fees for project supervision on asbestos abatement; cost to demolish structures, such as homes, barns and garages, on land acquired for this project, as well as the costs to remove asbestos from these structures prior to their demolition. The cost for moving relocatable classrooms must be reported on Page J03, Section G. If this cost was included in the general contractor's base bid, the final cost to perform this work must be provided. Costs for all items that were not part of a prime contract must be reported here. This includes: test borings; site, topographical and wetlands surveys; and all studies including, feasibility, archeological, storm water management, etc. Costs reported here are non-reimbursable.

**FINANCIAL REPORT, J04**

Provide information on the entire issue or note for each general obligation bond issue or note, school revenue bond issue or other type of permanent financing used to finance this project even if the issue or note provided funds for other reimbursable or non-reimbursable projects. Interest earnings net of any arbitrage rebate to the federal government should be reported on Page J04.

**CERTIFICATE OF ARCHITECT, J05**

This page must be completed by the architect of record after all construction work has been completed in an acceptable manner. For further instruction, if this page cannot be completed, contact the Department. To receive the additional funding for a project constructed and based on an approved facility design on the Department's School Design clearinghouse, the architect must certify that the project actually was constructed and based on a clearinghouse design. To ensure a project's design conformance with an approved school design published on the clearinghouse, the Department may inspect a project building before any additional funding for a project is included in the calculation of the permanent reimbursable percent(s). If a project fails to conform to an approved clearinghouse design, reimbursement will be calculated without the additional funding.

**FINANCIAL INFORMATION CERTIFICATION, J06**

This page establishes the conditions for the independent auditor's report. Report information on this page for "100% cash" projects as well as projects using local funds as an additional source of financing. "100% cash" projects are those projects for which the school district/CTC has not incurred debt (24 PS 25-2575.1). At Part J, a certification must be provided indicating that, in accordance with Section 2575.1(b) of the Public School Code of 1949, the school district/CTC is providing full payment on account of the approved building construction cost without incurring debt or without incurring a lease. For purposes of calculating reimbursement, bond proceeds that are transferred to the general fund and then used for a reimbursable construction project are still considered bond proceeds. All costs, including costs associated with a project's change orders and supplemental contracts, must be assigned to either the "NEW" column (e.g., an addition or new building) or to the "EXISTING" column (i.e., alteration).

**FINAL PROJECT COSTS - DETAIL, J07 - J10**

All costs, including costs associated with a project's change orders and supplemental contracts, must be assigned to either the "NEW" column (e.g., an addition or new building) or to the "EXISTING" column (i.e., alteration). Costs must be identified so that subtotals reflect this assignment.

**FINAL PROJECT COSTS - DETAIL, J11**

Use the prescribed definitions to differentiate between supplies and equipment, detail the related costs.

**FINAL PROJECT COSTS - DETAIL, J12**

Site development costs which include, rough grading to receive the building, geothermal well fields, photovoltaic energy generation systems (ground or roof mounted), wind energy generation systems (ground or roof mounted) and green roofs should be included in the prime contracts.

***Audit Administration, Fees, and Other***

The workpapers for this engagement are the property of ***Gneiding, Blizard, Bushta & Co., LLP*** and constitute confidential information. However, we may be requested to make certain workpapers available to governmental or oversight agencies pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of ***Gneiding, Blizard, Bushta & Co., LLP*** personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to such agencies. These agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The workpapers for this engagement will be retained for a minimum of three years after the date the auditor's report is issued or for any additional period requested the funding authorities. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party (ies) contesting the audit finding for guidance prior to destroying the workpapers.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional services may necessitate that we issue a separate engagement letter to reflect the obligations of both parties. In the absence of any other written communications from us documenting such additional services, our services will be governed by the terms of this engagement letter. In the unlikely event that circumstances occur which we in our sole discretion believe could create a conflict with either the ethical standards of our firm or the ethical standards of our profession in continuing our engagement, we may suspend our services until a satisfactory resolution can be achieved, or we may resign from the engagement. We will notify you of such conflicts as soon as practicable, and will discuss with you any possible means of resolving them prior to suspending our services.

Our professional fee for the Audit services outlined above is:

**PlanCon J for projects:**

- **High School South..... \$4,200**
- **Middle Smithfield Elementary School..... \$4,200**

*Our total combined quoted fee will be \$8,400 for the accountancy services described herewith.*

This fee is based upon the high level of complexity of the work to be performed and our professional time to complete the work. We recognize that these construction projects spanned a number of years and experienced changes in Business Office staffing and management, which will be planned for, as part of our engagement. Additionally, this fee is dependent on the availability, quality and completeness of your records. In the event your records are not submitted timely or are incomplete or unusable, we reserve the right to charge additional fees and expenses for services required to correct the problem. If this occurs, we will contact you to discuss the problem and the anticipated delay in completing our engagement prior to rendering further services.

We appreciate the opportunity to be of service to you we are delighted that our specialized expertise in this area fulfills the needs of the District. We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Truly yours,



**Todd J. Bushta, CPA**  
**PARTNER**

*Government, School District & Non-Profit Services*

**RESPONSE:**

This letter correctly sets forth the understanding of  
*East Stroudsburg Area School District*

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\_\_\_\_\_ **Date**