

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Fountain Hills Unified School District's student achievement was similar to peer districts' and above state averages, and its operational efficiencies were mixed, with some costs higher and some costs lower than peer districts'. The District's administrative and plant operations per-pupil costs were higher than peer districts'. Further, the District did not take full advantage of all opportunities resulting from an August 2011 school closure to lower these costs. The District's food service and transportation programs were reasonably efficient. However, the District did not sufficiently oversee its food service contract, and it had to subsidize its transportation program by \$105,000, in part because it underreported mileage and therefore did not receive some transportation funding. Further, in fiscal year 2010, the District reduced its classroom spending and shifted monies to other operational areas, primarily administration.



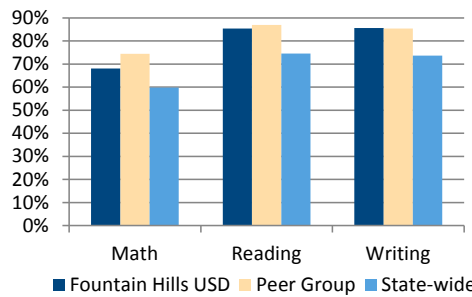
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Similar student achievement and mixed operational efficiency

In fiscal year 2010, Fountain Hills USD's student AIMS scores were similar to peer districts' and above state averages. In addition, all four of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act. Further, its 93-percent high school graduation rate was similar to the 92-percent peer district average, but much higher than the 78-percent state average.

**Percentage of Students Who Met or Exceeded State Standards (AIMS)
 Fiscal Year 2010**



District's operational efficiencies mixed—In fiscal year 2010, Fountain Hills USD spent 34 percent more per pupil on administration than peer districts, primarily because of higher salaries and benefits. Further, the District's plant operations

per-pupil costs were 11 percent higher than peer districts', primarily because it operated and maintained considerably more square feet per pupil than peer districts. The District's food service program was reasonably efficient, with a similar cost per meal as peer districts, and, because it served fewer meals, a lower cost per pupil. However, the District did not sufficiently oversee its food service contract resulting in year-to-year meal price increases that did not reflect contract provisions. Fountain Hills USD's transportation program was also reasonably efficient, but the District subsidized the program's costs by \$105,000 because it underreported some route miles and lost the associated funding.

**Per-Pupil Expenditures by Operational Area
 Fiscal Year 2010**

Operational Area	Fountain Hills USD	Peer Group Average
Administration	\$1,005	\$748
Plant operations	973	874
Food service	295	322
Transportation	420	396

District has addressed some of its higher administrative costs, but can do more

Administrative costs high because of more staff and some higher salaries—At \$1,005, Fountain Hills USD's fiscal year 2010 per-pupil administrative costs were \$257 higher than peer districts. The higher costs were primarily a result of the District's employing more administrators and paying some positions higher salaries than peer districts.

Since fiscal year 2010, the District has taken steps to reduce its administrative

costs, but it could have saved more—Recognizing that it had higher administrative costs, the District took steps to address them. Specifically:

- The District eliminated an administrative position, which saved it \$120,000, or \$57 per pupil.
- The District closed one of its schools, which could have saved another \$127,000, or \$60 per pupil, in administrative costs. However, the

District did not eliminate the closed school's principal position. Because of this, the school closing saved the District only about \$37,000, or \$18 per pupil, in administrative costs.

Recommendation—The District should continue to review its administrative positions and determine how administrative costs can be reduced.

Plant operations cost savings from school closure not maximized

As a result of closing one of its four schools in August 2011, Fountain Hills USD estimates it will save about \$162,000 in plant operations costs annually. However, as with its administrative costs, the District did not maximize its plant operations costs savings from the closure for two reasons.

- Much of the first year's savings was offset by expenses associated with moving playground equipment that had been installed at the closed school only 8 months prior to its closing and after its closure was a clear possibility.
- The District cooled the closed school

beyond the temperature recommended by its consultant. The District's consultant recommended a thermostat setting of 88 degrees in the summer to help save an estimated 40 to 60 percent of the school's former energy costs. However, auditors toured the empty school and noted that thermostats were set at 84 degrees.

Recommendation—The District should ensure that the thermostats in the vacant school are set at the recommended temperatures while the building is unoccupied.

District reduced classroom spending and shifted monies to other operational areas

Less funding available in fiscal year 2010, but spending cuts came entirely from classroom—

Compared to the prior year, in fiscal year 2010, Fountain Hills USD spent \$248 more per pupil outside the classroom and \$372 less per pupil in the classroom. This reduction in classroom spending and increase in nonclassroom spending can be attributed partly to the state-wide reduction in available Classroom Site Fund monies and partly to the District's decision to reduce its number of classroom teachers and increase class sizes.

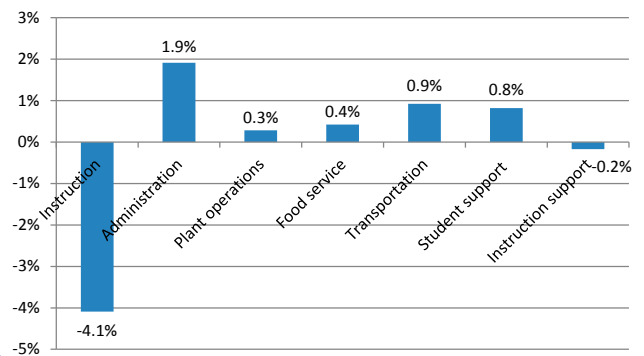
Comparison of Per-Pupil Expenditures Fiscal Years 2009 and 2010

	Total	Classroom	Nonclassroom
2010	\$7,428	\$3,805	\$3,623
2009	7,552	4,177	3,375
Difference	\$ (124)	\$ (372)	\$ 248

The District's shift in spending away from the classroom is also evident in how the District allocated its resources in fiscal year 2010 compared to fiscal year 2009. For example, at the same time the District reduced its percentage of resources spent on instruction by 4.1 percentage points, it

increased the percentage of resources spent on administration by 1.9 percentage points.

Percentage Change of Expenditures by
Operational Area
Fiscal Year 2010 Versus 2009



Recommendation—The District should look for ways to reduce nonclassroom spending, especially in administration, and direct more monies back into the classroom.