

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Subject

The Alpine Elementary School District is a small, isolated school district located in northeastern Arizona. In FY 2005, the District had 4 classrooms that served 52 students in pre-kindergarten through 8th grade.

### Our Conclusion

As a very small school district, Alpine had high per-pupil operating costs. If the District decides to operate a food service program, the program will likely need to be subsidized from other district monies. The District's high transportation costs primarily related to its payments for open enrollment transportation. The District spent its Proposition 301 monies appropriately. The District spent 50.7 percent of its money in the classroom, almost 8 percentage points below the state average.



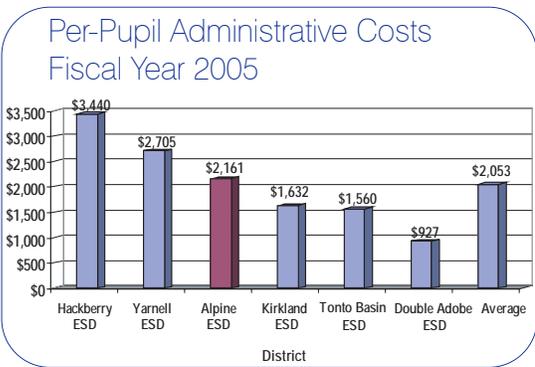
# 2006

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## Administrative Costs

The Alpine Elementary School District had 1 school with 4 classrooms serving 52 students in pre-kindergarten through 8th grade.

The District's FY2005 administrative cost of \$2,161 per pupil was slightly higher than the average for the comparable districts and 11 percent higher than the state average for similarly sized districts.



Due to Alpine ESD's small size, it has a part-time administrator rather than a superintendent or principal. However, its administrative salary and benefit costs were similar to comparable districts with superintendents or principals. In FY 2005, the District increased the administrator's contract from 60 to 90 work days, until the additional days were determined no longer necessary or not affordable. To lower its administrative costs, the District should review whether the additional days continue to be necessary.



Alpine Elementary School/district offices.  
 Source: Photo taken by Auditor General staff.

**Inappropriate stipends**—School districts may only pay the salaries specified in an employee's contract. According to the Attorney General, any increase in salaries during the year must be contracted for a definite amount and prior to the time that services are rendered. Alpine ESD paid stipends of \$2,500 in fiscal years 2004 and 2005 to its office manager for performing additional duties related to the construction of the District's new facility. However, the District did not approve the stipends until after the work was performed, and the office manager's contracts for those fiscal years did not include provisions for receiving additional pay.

**Control over expenditures not adequate**—The District does not have procedures in place to ensure that expenditures are for appropriate purchases and accurate amounts. For example, payroll was often prepared and approved by the same person. Procedures requiring independent review and approval would help ensure the appropriateness and accuracy of expenditures.

Alpine ESD also did not always handle its travel claims in accordance with the

Uniform System of Financial Records, which requires documentation such as claim forms and itemized lodging receipts.

### Recommendations

The District should:

- Review the administrator's workload to determine if the number of contracted days are warranted.
- Seek legal advice about paying stipends, and identify employees' additional duties and the associated pay, prior to the work being performed.
- Improve its expenditure controls and ensure that travel claims are properly documented.

## Food Service

Although its new facility contains a full kitchen, the District does not operate a food service program. Alpine ESD provides milk to its students, but does not participate in the federal Special Milk Program, which would reimburse more than half the cost of the milk distributed to its students.

**Costs to provide food service would likely be high**—The District indicated that it is considering implementing a food service program. However, if the District does so, it will likely need to subsidize the program. At the comparable districts that had food service programs, the costs ranged from \$3.83 to \$6.45 per meal, of which the districts subsidized \$1.43 to \$3.14 per meal from other operating monies.

### Recommendations

The District should:

- Consider participating in the Special Milk Program.
- Carefully estimate the cost of a food service program before offering it.

## Student Transportation

Alpine ESD's \$2,189 cost per rider was almost two and one-half times the average cost (\$928) of the comparable districts.

Because Alpine ESD is not located within a high school district, it transports its 10 high school students to Round Valley USD, an adjacent unified school district about 30 miles away.

Transportation also consumed a larger portion of the District's budget than that of comparable districts, with Alpine ESD spending 10.5 percent and comparable districts spending between 4.1 and 7.3 percent.

### Open enrollment transportation—

The District paid the parents of 19 open enrollment students to transport them from Round Valley USD to Alpine. During fiscal year 2005, open enrollment transportation costs totaled almost \$40,000 while all other student transportation totaled less than \$24,000 for the year. Although the comparable

Comparison of Per-Rider and Per-Mile Costs Fiscal Year 2005

District Name	Cost Per Rider	Cost Per Mile
Alpine ESD	\$2,189	\$0.47
Yarnell ESD	1,854	1.92
Tonto Basin ESD	1,434	1.20
Hackberry ESD	597	3.08
Kirkland ESD	445	2.46
Double Adobe ESD	311	1.01
Average of the comparable districts	\$ 928	\$1.94

districts also had open enrollment students, they did not pay the associated transportation costs. Given the high costs of open enrollment transportation, the District should consider other options, such as arranging school start and end times so that open enrollment students can be transported on the same bus that the District uses to take its high school students to and from the Round Valley High School.

**State aid exceeds costs**—In FY 2005, the District received about \$355,000 in state transportation aid while spending less than \$64,000 on transportation operating costs. About 90 percent of the state transportation aid the

District received—over \$326,000—related to the 114,800 open enrollment miles it reported. However, based on statute, the District over-reported open enrollment mileage to the Arizona Department of Education, resulting in the District receiving about \$125,000 in excess transportation revenue.

Transportation Facts for Fiscal Year 2005

Riders	29
Bus Drivers (FTE)	0.5
Average daily route miles	732
Total annual route miles	135,953
Noncapital expenditures	\$63,483

**Recommendations**

The District should:

- Explore other options for transporting open enrollment students.
- Report route mileage based on the requirements specified in statute.

**Plant Operation and Maintenance**

The District's \$1,537 per pupil and \$5.37 per square foot plant costs were respectively, 43 and 35 percent higher than average for comparable districts.

About one-half of the plant costs were for salaries and benefits, which were 88 percent higher—at \$2.57 per square foot—than the comparable districts' average of \$1.37 per square foot. These costs were high because the District's maintenance worker performed work requiring a higher level of expertise due to tasks associated with the District's new

facility. The District's energy costs for bottled gas were 20 percent higher per square foot than the comparable districts averaged. Because the District is located at an elevation almost twice as high as the comparable districts, it typically experiences colder winter temperatures, and the bottled gas is largely used for heating.

Plant Costs Comparison Fiscal Year 2005

District	Plant Costs	
	Per Student	Per Square Foot
Alpine ESD	\$1,537	\$5.37
Yarnell ESD	1,285	3.70
Double Adobe ESD	1,163	3.74
Hackberry ESD	1,163	3.01
Tonto Basin ESD	977	4.56
Kirkland ESD	785	4.88
<b>Average of the comparable districts</b>	<b>\$1,075</b>	<b>\$3.98</b>

**Recommendation**

The District should consider whether it can modify its plant-related staffing once the work related to its new facility is complete.

## Proposition 301 Monies

Proposition 301 increased the state-wide sales tax by 0.6 percent. It designates the money for teachers' base pay increases, performance pay, and certain menu options such as reducing classroom size, providing dropout prevention programs, and additional pay increases.

In FY 2005, the District received \$21,778 in Proposition 301 monies and distributed \$19,027 to employees.

The District increased the base pay for each of the four certified teachers by \$850. Further, these teachers received \$1,700 each in performance pay by meeting goals related to academic achievement, individual performance plans, parent involvement, and technology competency. In addition, the District used its menu monies for additional salary increases of \$1,700 for each teacher.

## Classroom Dollars

After adjusting for accounting errors, the District's FY 2005 classroom dollar percentage was 50.7 percent, 0.5 percentage points below the comparable districts' average and almost 8 points lower than the state average of 58.4 percent.

Despite spending a smaller proportion of its available dollars in the classroom, Alpine ESD spent \$5,876 per pupil in the classroom, which was significantly higher than the state and national averages. And the District's \$11,594 total per-student spending was also higher.

There are two primary reasons that Alpine ESD has more money to spend per pupil:

- It receives a higher level of basic state aid due to being a small, isolated school district
- Statute allows very small districts to increase the typical budget limits by the amount needed to ensure that they can meet all budgeted expenditures

Very small districts typically cannot take advantage of economies of scale to reduce costs and tend to have higher per-pupil spending in all areas, including nonclassroom purposes.

### Recommendation

The District should appropriately classify transactions and analyze its expenditures for potential savings.

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A copy of the full report can be obtained by calling  
**(602) 553-0333**



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