

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Subject

The Sedona-Oak Creek Joint Unified School District is located in Sedona in both Coconino and Yavapai Counties. It has two elementary schools and one high school serving approximately 1,357 students, including 54 in its charter elementary and alternative high school.

### Our Conclusion

The District's administrative and food service costs were lower than for comparable unified districts. However, its transportation and plant operation and maintenance costs exceeded the average for comparable districts. The District spent its Proposition 301 monies appropriately. The District's classroom dollar percentage was 50.5 percent, almost 8 percent below the state average of 58.2 percent.



# 2003

November • 2003

## Administrative Costs

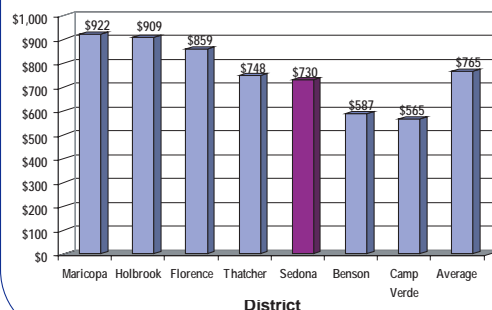
Administrative costs are those associated with directing and managing a school district's responsibilities. At the school level these costs are primarily associated with the principal's office. At the district level, they are primarily associated with the governing board, superintendent's office, business office, and support services.

Sedona-Oak Creek's administrative costs for FY 2002 were slightly lower than those for comparable unified districts we reviewed. The District had a per-pupil administrative cost of \$730, compared to an average of \$765 for six similarly sized unified districts.



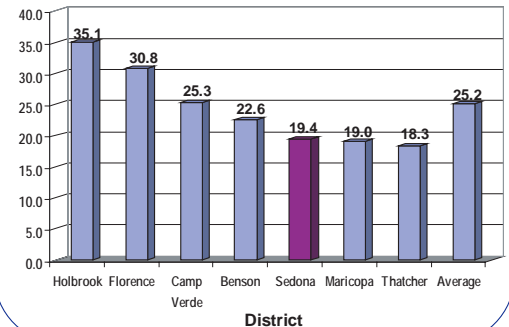
Big Park Elementary School

Per-Pupil Administrative Costs  
 Fiscal Year 2002



**Administrative staff**—While the District's administrative costs were lower in all expenditure categories except supplies, the lower administrative cost

Students Per Administrative Staff  
 Fiscal Year 2002



was primarily due to having fewer administrative employees. The District had six fewer administrative staff (19) than the average for comparable districts.

**Administrative cost percentage**—Taken as a percentage, the District spends about 11 percent of its dollars on administrative costs. This is below the average for all other similarly sized districts in the State, which is 11.7 percent.

## Food Service

The District contracts with a vendor to operate its food service program. The program appears to generally operate efficiently and effectively. The District's cost per meal of \$2.27 is below the average of comparable districts.

**Program not self-supporting**—In FY 2002, the program needed over \$42,000 from the District's Maintenance and Operation Fund to break even. Additionally, following several billing problems, the vendor wrote off an additional \$104,000 in invoices that the District had not paid.

One reason for the deficit is that the District did not charge enough for meals. Seventy-five percent of the program's revenues come from meal sales. The cost per meal was \$2.27, but the District charged elementary students \$1.50 and high school students \$1.65. In FY 2003, the District raised meal prices to \$2.00 and \$2.15, respectively. The District and the vendor also agreed to a new contract

that requires the vendor to operate the program at a break-even point.

**Vendor lacks financial controls over food sales**—Students can deposit money into food accounts at their schools. They each receive a personal identification number (PIN) to give to the cashier when they purchase food. However, the vendor's weak financial controls increase the possibility that the vendor may not collect all the money it should have for the district. For example:

- One cashier did not require students to give their PINs because she had all 450 memorized
- One cashier did not require students to present their purchases at the register. Instead, she recorded sales based on observation
- The duties of collecting cash, reconciling sales to cash collected, and making deposits were not separated among the vendor's employees

### Recommendations

#### The District Should:

- Require the vendor to have each student present the purchase and provide the PIN.
- Require the vendor to implement adequate financial controls over food sales.

## Student Transportation

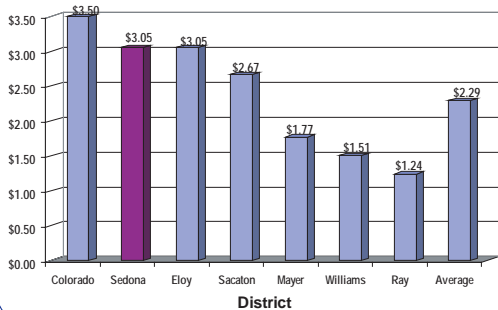
The District contracts with a private company to provide its entire student transportation program. In FY 2002, the District transported 590 students over 156,200 miles.

Although the District's bus routes appear to be efficient, total transportation costs were 62 percent higher than the average

for comparable districts, and the cost per mile was 33 percent higher.

In FY 2002, due to the high costs, the District's transportation revenue fell short of its costs by almost \$42,000. About \$27,570 of the loss was covered primarily by special tax credit and other monies. The balance came from the District's

Per-Mile Costs  
Fiscal Year 2002



Maintenance and Operation Fund. Because the contract with its vendor has a built-in inflation factor, the District can expect the shortfall to continue, possibly reaching as much as \$84,000 in FY 2005.

None of the comparison districts, most of which have lower costs, have chosen to contract out their entire transportation program. Given the program's losses, the District should analyze the costs and benefits of alternatives to the current contract.

## Recommendations

### The District Should:

- Regularly evaluate the costs and benefits of its transportation contract.

## Plant Operation and Maintenance

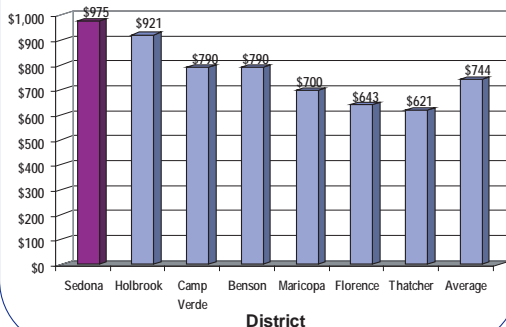
Plant operation and maintenance costs include salaries, benefits, and other costs for heating/cooling, lighting, water, equipment repair, groundskeeping, and security. On average, Arizona districts spent 11.8 percent of all expenditures on plant operation and maintenance in FY 2002, while the national average was 9.7 percent. Sedona-Oak Creek spent 14.7 percent.

are so high is that the District's buildings have an average of 204 square feet per student. The average 164 square feet of space maintained by comparable districts is 24 percent smaller.

**High Electricity Costs**—For FY 2002, the District had the highest total electricity costs at \$327,636, compared to the average for similar districts of \$228,559. The electricity cost per square foot was \$1.18 compared to the similar districts' average of \$0.92. This occurred even though four of the comparable districts have the same electricity provider and rate plan.

The District attributes its high electricity costs to the significant use of its facilities by the community. The District does not charge some nonprofit organizations for using its facilities, but does charge other organizations, including the City.

Plant Costs Per Pupil  
Fiscal Year 2002



**More Square Footage**—The District indicated one of the reasons these costs

are so high is that the District's buildings have an average of 204 square feet per student. The average 164 square feet of space maintained by comparable districts is 24 percent smaller.

District attributes this to the fact it is unable to use "gray water" for watering its grounds as many other districts are able to do.

### Recommendations

#### The District Should:

- Monitor energy and water usage and identify ways to reduce usage.
- Determine whether adequate fees are charged to outside groups for using facilities.

## Proposition 301 Monies

Proposition 301 increased the state-wide sales tax by 0.6 percent for 20 years beginning in FY 2001. Proposition 301 designates the money for base pay increases, performance pay, and certain menu options such as reducing classroom size, providing dropout prevention programs, and providing additional pay increases.

Eligible Sedona-Oak Creek employees received, on average, \$3,655 of the \$4,691 available to each employee.

While the District spent its Proposition 301 monies appropriately, it did not retain documentation to demonstrate that eligible employees met performance pay measures.

Proposition 301 Monies Paid Per Employee  
Fiscal Year 2002

Category	Budgeted	Actual
Base	\$ 949	\$ 782
Performance Pay	1,876	1,411
Menu Options	1,866	1,462
<b>Total</b>	<b>\$4,691</b>	<b>\$3,655</b>

### Recommendations

#### The District Should:

- Document that employees met performance goals to receive performance pay.

## Classroom Dollars

The District's FY 2002 corrected classroom dollar percentage, at 50.5 percent, was over 6 percent lower than the average percentage for the comparable districts, and almost 8 percent lower than the state average of 58.2 percent. The low percentage was

due primarily to the high plant operation and maintenance costs.

The District generally records expenditures in accordance with the school district Uniform Chart of Accounts.

#### TO OBTAIN MORE INFORMATION

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



or by visiting our Web site at:  
[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

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