

Crown King Elementary School District

District has taken steps to control costs and ensure operations are as efficient as possible, and its remote location limits education options for the very small number of students it serves

Performance Audit

May 2020
Report 20-203

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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May 1, 2020

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Crown King Elementary School District

Ms. Shannon Olson, Head Teacher
Crown King Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Crown King Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

Although this report does not contain any recommendations, the District provided a brief response to the report.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General

Crown King Elementary School District Fiscal year 2019

District has taken steps to control costs and ensure operations are as efficient as possible, and its remote location limits education options for the very small number of students it serves

Audit purpose

To assess the District's spending on administration, plant operations and maintenance, transportation, and student and instruction support; the District's compliance with certain State requirements; and the education options available to Crown King residents given the very small number of students served by the District.

Key findings

- To control costs and operate as efficiently as possible, the District employed mostly part-time, hourly staff and received some business and student and instruction support services from the Yavapai County Educational Services Agency.
- We did not identify any accounting control deficiencies in the District's fiscal year 2019 transactions or any wasteful spending.
- Because of its very small size, the District did not provide food or transportation services for its students.
- The District's remote location and unreliable internet access would make it difficult to transport students to another district or switch to online schooling.

Key recommendations

We did not make any recommendations in our audit report.



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Rural district in Yavapai County
 Grades: Kindergarten through 8th
 Students attending: 3
 Number of schools: 1



Total operational spending—\$110,507

Instructional—60.5% (\$66,818)

Noninstructional—39.5% (\$43,689)

Operational overview

**Crown King
 ESD total
 spending¹**

<p>Administration—The District’s administration consisted of 1 part-time administrative assistant who performed most of the District’s administrative tasks, including documenting payroll, purchasing, and cash transactions; ordering supplies; and providing administrative support to the District’s Governing Board. In addition, like many small districts in Yavapai County, the Yavapai County Education Service Agency (YCESA) performed business office functions for the District, such as electronically recording payroll and purchasing transactions and assisting the District’s administrative assistant in implementing appropriate accounting controls over the District’s financial transactions, at a cost of about \$1,800 for the year. We did not identify any accounting control deficiencies in the District’s fiscal year 2019 transactions we reviewed.</p>	<p>\$20,180</p>
<p>Plant operations—The District’s school is a 1,900 square foot building that is over 100 years old. The District also owns a house for its teacher. To maintain these buildings, the District employed a part-time maintenance worker who worked on an as-needed basis. Further, the District employed a part-time custodian to keep its facilities clean.</p>	<p>\$17,377</p>
<p>Food service—Because of its very small size, the District does not provide food services for its students, and it did not spend any monies in this operational area in fiscal year 2019.</p>	<p>N/A</p>
<p>Transportation—The community of Crown King is very small in size, and students either walk to school or are transported by their parents. Therefore, the District does not provide student transportation services and does not own any vehicles. The spending in this operational area consisted of a portion of the District’s liability insurance allocated to transportation to cover transporting students on fieldtrips in a District employee’s vehicle.</p>	<p>\$978</p>
<p>Student and instruction support—Like many of the very small school districts within Yavapai County, the YCESA provided student support services, such as student health services, to the District at a cost of about \$4,500 for the fiscal year. This operational area also included spending for student fieldtrips, which in fiscal year 2019 consisted of a theater trip and a live animal educational program.</p>	<p>\$5,154</p>

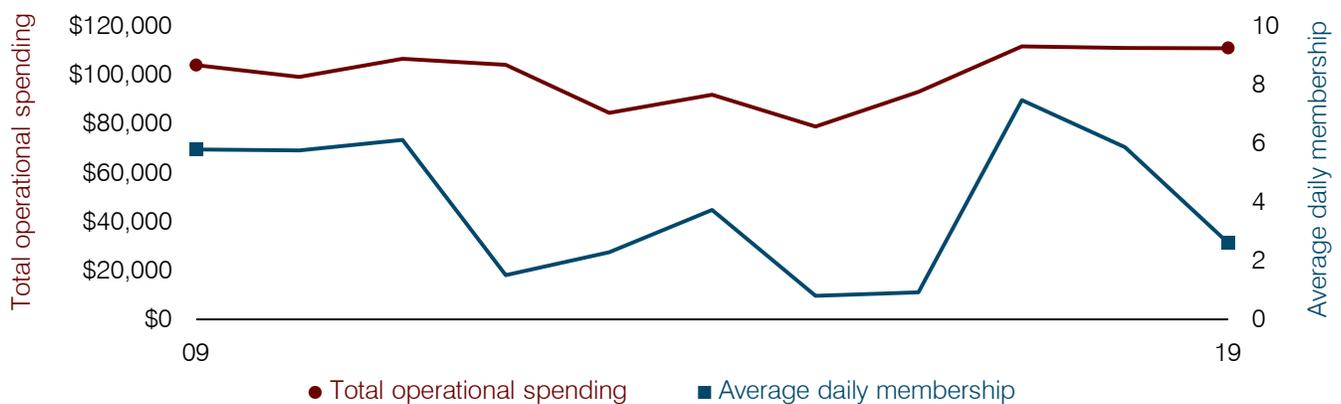
¹ We chose not to compare the District’s spending to peer group averages, as we typically do in school district performance audit reports, because of the District’s uniqueness in terms of its extremely small size and remote location. For very small districts, such as Crown King ESD, increasing or decreasing student enrollment by just 1 to 3 students or employing even 1 additional part-time position can dramatically impact the district’s costs per pupil in any given year and result in less meaningful peer group averages.

Amid changes in student enrollment, District has taken steps to control its costs

The District serves a small number of students living in the remote community of Crown King, and because school district funding is primarily based on the number of students served and very small districts are not able to benefit from economies of scale like larger districts, the District must ensure that it controls costs as much as possible. Crown King is located about 80 miles north of Phoenix in Yavapai County and has a population of fewer than 200 people. According to 2018 U.S. Census estimates, there were only 14 children between the ages of 5 years and 17 years old living in the community. With so few students living in the community, the District's number of students and spending has varied over the last 10 years (fiscal years 2009 through 2019), and the District has taken steps to ensure that its operations are as efficient as possible, including limiting its staff to primarily part-time hourly employees and obtaining business office and student and instruction support services from the YCESA.

District's operational spending largely reflects changes in student enrollment—The District's student enrollment from fiscal year 2009 to fiscal year 2019 has fluctuated, ranging from 1 to 7 students. During this same 10-year period, the District's total operational spending varied year-to-year and ranged from a low of \$79,000 in fiscal year 2015 to a high of \$111,000 in fiscal year 2017. Because of the District's very small size, increasing or reducing operating expenditures, such as adding or removing a part-time position, can dramatically impact the District's costs, making year-to-year comparisons not as meaningful as with larger school districts. However, as shown in Figure 1 below, the District's total operational spending largely reflects changes in the District's student enrollment. Despite a decrease in the District's number of students between fiscal years 2017 and 2019, its spending has remained at a higher level for various reasons, including having higher teacher salary costs, continuing to employ an instructional aide to assist the teacher during these years, and experiencing higher costs for student and instruction support, primarily higher student health-related services costs.

Figure 1
Comparison of average daily membership and total operational spending
Fiscal years 2009 through 2019



Source: Auditor General staff analysis of fiscal year 2019 Arizona Department of Education student membership data and district-reported accounting data.

However, we did not identify any wasteful spending, and the District made the decision to no longer employ an instructional aide after December 2018 when its student enrollment decreased from 6 students to 3 students. Further, because it is serving only 1 student in fiscal year 2020, it is not employing an instructional aide, which should slightly reduce the District's spending.

District's staffing practices helped control costs—To serve its students, the District employed a full-time teacher and part-time hourly staff consisting of an administrative assistant, a maintenance worker, and a custodian in fiscal year 2019. In addition to an annual salary, the teacher may live rent-free in a house the District owns. However, the teacher must pay for utilities. At times, the District also employs a part-time instructional aide to assist the teacher and students. The District determines whether an instructional aide is needed based on student enrollment and other factors, such as the age of students, whether students require special services, and the teacher's experience level. The District's teacher is the only full-time employee. According to the teacher's contract, if the District's enrollment drops to 0, the teacher would receive \$1,500 per month until another student enrolls in the District's school, and the teacher would be required to work 10 hours per week assuming responsibilities, such as clerical, administrative, and light custodial duties. Further, the District's part-time hourly employees primarily worked less than half-time in fiscal year 2019. For example, the District's administrative assistant worked fewer than 20 hours, on average, each 2-week pay period. Similarly, the District's custodian worked for an average of only 7 hours each pay period, and the District's maintenance worker worked only when needed, which was during 5 pay periods throughout the fiscal year. Overall, the District's part-time hourly staff were paid a combined total of less than \$25,000 in salaries during fiscal year 2019, which would typically be less than the salary of 1 full-time administrative assistant position.

County provided some services, potentially saving the District money—As stated in this report's Overview, the YCESA provides most of the District's business office functions and provides student and instruction support services, such as student health services, which saves the District the need to employ people skilled in these areas.



District's remote location limits education options

The District's remote location limits the options for children living in Crown King to receive a public education, which is the primary reason why the District continues to operate even though it has only 1 student in fiscal year 2020. The community is located about 30 miles from an interstate highway, but those 30 miles consist of unpaved roads that are very rugged. It takes over 1 hour to travel from the interstate exit to the District's school because vehicles typically must travel slowly on the unpaved roads. The limited options for Crown King children to receive a public education besides attending Crown King's school include having Crown King transport the students to another school district, having the students attend school online, or ceasing operations and having the students attend the school district with which Crown King consolidates. Even though these options are available, they are not without issues. Specifically:

- **Transport students to closest school district**—The closest school district to Crown King is about 30 miles away, but as mentioned earlier, it takes about 1 hour to travel to that district's nearest school. Because the District does not offer student transportation and does not own any vehicles, if it were to start transporting students to another district for classes, it would have to purchase a vehicle that could withstand frequent trips on the rugged, unpaved roads, and it would have to incur costs to keep the vehicle properly maintained. The District could also offer to pay parents to transport their children to a neighboring district, which likely would be more cost effective than Crown King transporting the children itself. Most districts that pay parents to transport their children to and from school pay them 44.5 cents per mile, which is the per-mile reimbursement rate outlined in the Arizona Department of Administration's travel policy.
- **Have students attend school online**—Students living in Crown King could attend school online from home or from the District's school or the District could become an online school. However, although internet access is available in Crown King, District officials stated that it is not always reliable. Further, we reviewed internet services available within Crown King and found that there are very few providers and the data transmission and download speeds from these providers are much slower than what is typically available in larger communities. Additionally, if the District were to become an online school or allow students to take online classes from its school, it would presumably still incur costs for staff to attend to the students and handle other District responsibilities and may continue to incur costs for its school building.
- **Cease operations and consolidate with another school district**—If the District wanted to cease operations, Crown King would likely have to consolidate its district with another school district and be absorbed into the other school district's boundaries. State statutes outline the steps that the 2 districts' governing boards would need to take, including holding an election for voters to approve the consolidation request. However, District officials stated that they have a lot of support for the school within the Crown King community.



Objectives, scope, and methodology

We have conducted a performance audit of Crown King Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2019 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. Further, because the District serves few students, we reviewed other education options available to Crown King residents. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following:

Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Transportation**—Salaries, benefits, and other spending related to maintaining buses and transporting students to and from school and school activities.
- **Student and instruction support**—Salaries and benefits for staff who assess and support students' well-being or assist instructional staff with the content and process of providing learning experiences.

Financial accounting data and internal controls—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2019 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for the 6 individuals who received payments of at least \$500 through the District's payroll system, which consisted of the District's regular employees, including the teacher, administrative assistant, custodian, and maintenance worker, as well as an instructional aide who worked during the first half of the fiscal year until she was no longer needed and a maintenance worker who worked for less than 2 weeks during the fiscal year. We also reviewed supporting documentation for the 139 fiscal year 2019 accounts payable transactions. We did not identify any improper transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2019 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns.

Student achievement and operational costs—We chose not to report the District’s percentage of students passing State assessments because the population of test takers was too small and providing the information could identify individual student results. For similar reasons, the Arizona Department of Education did not report a letter grade for the District. We also chose not to compare the District’s spending to peer group averages, as we typically do in school district performance audit reports, because of the District’s uniqueness in terms of its extremely small size and remote location. For very small districts, such as Crown King ESD, increasing or decreasing student enrollment by just 1 to 3 students or employing even 1 additional part-time position can dramatically impact the district’s costs per pupil in any given year. As a result, and as noted in the fiscal year 2019 *Arizona School District Spending* report, very small districts’ spending patterns are highly variable and result in less meaningful group averages. Therefore, because the District serves so few students, we reported spending in totals rather than per pupil or using other cost measures, as we typically do in our school district performance audit reports, and we gave less weight to various costs while giving more weight to our observations made at the District.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness. Specifically, we interviewed the District’s administrative employee about the District’s day-to-day operations, including payroll and purchasing processes and controls; we toured the District’s facility; and we reviewed various summary reports of District-reported data, including its *Annual Financial Report* and District-wide building reports provided by the School Facilities Board. Additionally, we reviewed and evaluated the District’s fiscal year 2019 staffing, total spending, instructional spending, and noninstructional spending, including spending on administration and plant operations and maintenance.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District’s board members, head teacher, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE



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April 28, 2020

Lindsey Perry, CPA, CFE
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2910 North 44th Street, Suite 410
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Dear Ms. Perry,

Crown King Elementary School District has received and reviewed the Performance Audit for fiscal year 2019. We are pleased to have no findings or recommendations, and have reviewed the report for accuracy. We would like to provide additional information regarding our district's remote location, and have attached our response.

We value the data and findings in the report, and would like to thank you and Ann Orrico for your professionalism, assistance, and support throughout the audit process. We appreciate the time you took to learn about our unique, historical school.

Sincerely,

Shannon Olson
Head Teacher
Crown King Elementary School District

Response to Chapter 2, District's remote location limits education options

In regards to our community location, we would like to add to the information regarding the 30 miles of unpaved, rugged roads. During inclement weather, the roads can become very dangerous. In addition to snow and rain, rock falls occur that sometimes make the road impassable.

We researched other towns that have similar situations to ours, and have included two examples.

- Wyoming [state law](#) requires an on-site school for isolated students who can't travel in certain road conditions to another nearby school. It's the second one-student school in Albany County. (CNN Wires, February 27, 2019)
- According to the 2010 Census, Angle Inlet, Minnesota had a population of 119. Because the town is cut off from the mainland by Lake of the Woods, students there would otherwise have to take a 75-mile bus ride to the nearest school. (Star Tribute, April 28, 2019)

